



HOUSE BILL No. 4620

March 16, 1995, Introduced by Reps. Profit, Randall, Kaza, Kukuk, Rhead, Perricone, Jaye, Gernaat and Gnodtke and referred to the Committee on Commerce.

A bill to amend section 191 of Act No. 319 of the Public Acts of 1969, entitled as amended "Banking code of 1969," as amended by Act No. 132 of the Public Acts of 1980, being section 487.491 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 191 of Act No. 319 of the Public Acts of
2 1969, as amended by Act No. 132 of the Public Acts of 1980, being
3 section 487.491 of the Michigan Compiled Laws, is amended to read
4 as follows:

5 Sec. 191. Banks may collect interest and charges on loans,
6 INCLUDING OPEN-END CREDIT, as follows:

7 (a) ~~On any loan made pursuant to an existing credit card~~
8 ~~arrangement or other agreement existing prior to the loan whereby~~
9 ~~the bank honors the borrower's draft, pays or agrees to pay the~~

~~1 borrower's obligations, purchases the borrower's obligation, or~~
~~2 advances money to or for the account of the borrower, and in~~
~~3 which the loan finance charges are not precomputed but are com-~~
~~4 puted from time to time on the basis of the unpaid balances,~~
~~5 interest, and charges in a combined amount of not to exceed 1.5%~~
~~6 of the unpaid balance per month. ON A LOAN EVIDENCED BY A WRIT-~~
~~7 TEN AGREEMENT AS PERMITTED BY THE CREDIT REFORM ACT.~~

8 (b) On ~~any~~ AN existing credit card arrangement or future
9 credit card arrangement banks may ~~not~~ charge a discount. ~~of~~
10 ~~more than 5% of the gross amount of obligations purchased by the~~
11 ~~bank.~~

12 ~~(c) On installment loans which are repayable in uniform~~
13 ~~weekly, semimonthly, monthly, quarterly, or semiannual install-~~
14 ~~ments, except for the final installment which may be less than~~
15 ~~the amount of any previous installment, and the term of which~~
16 ~~loan does not exceed a period of 84 months and 32 days.~~

17 ~~(i) For an installment loan for the purchase of a motor~~
18 ~~vehicle, a rate of interest equivalent to 16.5% or less per annum~~
19 ~~on the unpaid balance, and on loans made after June 1, 1981, a~~
20 ~~rate of interest equivalent to 12.83% or less per annum on the~~
21 ~~unpaid balance.~~

22 ~~(ii) For any other installment loan under this subdivision,~~
23 ~~a rate of interest equivalent to 12.83% or less per annum on the~~
24 ~~unpaid balance. In addition, banks may collect on any install-~~
25 ~~ment loan a charge for expenses of \$1.00 for each \$50.00 or frac-~~
26 ~~tion thereof but not in excess of \$15.00. If the annual~~
27 ~~percentage rate computed in accordance with the disclosure~~

~~requirements of title I of the consumer credit protection act, 15
U.S.C. 1601 to 1667e, and the regulations promulgated under that
act, is not thereby increased, then the installment loan may pro-
vide for interest computed and payable on unpaid balances instead
of being added in advance. In that event, the final installment
may be larger than the amount of any previous installment to the
extent that is necessary to cover a deferred interest charge
which may have accrued due to installment payments being received
later than the periodic installment due date. The deferred
interest charge shall be computed on the basis of additional
interest charges accruing for late installment payments and
appropriate interest reductions for installment payments made
before the due date. The bank shall notify the borrower of the
deferred interest charge not less than 25 days before the due
date of the final installment. If the final installment payment
is more than 105% of a previous installment, the borrower shall
be given the option to pay the deferred interest charge not more
than 25 days after the date the last installment payment is due.~~

(C) ~~(d)~~ On ~~any~~ A loan not covered by subdivision (a) ~~,~~
OR (b), ~~or (c)~~, a bank may charge, collect, and receive inter-
est and other charges in the same manner and at up to the maximum
rate or amount permitted by law for the same type of loans made
by national banking associations authorized to do business in
this state.

(D) ~~(e)~~ On ~~any~~ A loan not covered by subdivision (a),
(b), OR (c), ~~or (d)~~, as ~~provided~~ OTHERWISE PERMITTED by
~~section 192~~ LAW.

1 Section 2. This amendatory act shall not take effect unless
2 Senate Bill No. _____ or House Bill No. 4614 (request
3 no. 02208'95 **) of the 88th Legislature is enacted into law.