



SENATE BILL No. 440

March 28, 1995, Introduced by Senators BOUCHARD and SHUGARS and referred to the Committee on Financial Services.

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~~

~~1 requirements of title I of the consumer credit protection act, 15
2 U.S.C. 1601 to 1667e, and the regulations promulgated under that
3 act, is not thereby increased, then the installment loan may pro-
4 vide for interest computed and payable on unpaid balances instead
5 of being added in advance. In that event, the final installment
6 may be larger than the amount of any previous installment to the
7 extent that is necessary to cover a deferred interest charge
8 which may have accrued due to installment payments being received
9 later than the periodic installment due date. The deferred
10 interest charge shall be computed on the basis of additional
11 interest charges accruing for late installment payments and
12 appropriate interest reductions for installment payments made
13 before the due date. The bank shall notify the borrower of the
14 deferred interest charge not less than 25 days before the due
15 date of the final installment. If the final installment payment
16 is more than 105% of a previous installment, the borrower shall
17 be given the option to pay the deferred interest charge not more
18 than 25 days after the date the last installment payment is due.~~

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

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

1 Section 2. This amendatory act shall not take effect unless
2 Senate Bill No. 438
3 of the 88th Legislature is enacted into law.