

Act No. 699
Public Acts of 2002
Approved by the Governor
December 30, 2002
Filed with the Secretary of State
December 30, 2002
EFFECTIVE DATE: December 30, 2002

**STATE OF MICHIGAN
91ST LEGISLATURE
REGULAR SESSION OF 2002**

Introduced by Reps. Shulman, Koetje, Faunce, Hummel, Tabor, Van Woerkom, Gilbert, Ehardt, Stewart, Bisbee, Palmer, Jamnick, Quarles, Woronchak, McConico, Waters, Thomas, Rivet, Lipsey, Daniels, Bishop and Cassis

ENROLLED HOUSE BILL No. 6446

AN ACT to amend 1950 (Ex Sess) PA 27, entitled "An act defining and regulating certain installment sales of motor vehicles; prescribing the conditions under which such sales may be made and regulating the financing thereof; regulating and licensing persons engaged in the business of making or financing such sales; prescribing the form, contents and effect of instruments used in connection with such sales and the financing thereof; prescribing certain rights and obligations of buyers, sellers, persons financing such sales and others; limiting charges in connection with such instruments and fixing maximum interest rates for delinquencies, extensions and loans; regulating insurance in connection with such sales; regulating repossessions, redemptions, resales and deficiency judgments and the rights of parties with respect thereto; authorizing extensions, loans and forbearances related to such sales; authorizing investigations and examinations of persons engaged in the business of making or financing such sales; transferring certain powers and duties with respect to finance companies to the commissioner of the financial institutions bureau; and prescribing penalties," by amending sections 13 and 18 (MCL 492.113 and 492.118), section 13 as amended by 1990 PA 27 and section 18 as amended by 1995 PA 166.

The People of the State of Michigan enact:

Sec. 13. (1) An installment sale contract shall state the full names and addresses of all the parties to the contract and the date when signed by the buyer and shall contain a description of the motor vehicle sold that is sufficient for accurate identification.

(2) An installment sale contract shall set forth all of the following separate items in the following order:

(a) The cash price of the motor vehicle. This amount shall include any taxes, the cash price of agreed upon accessories and installation of the accessories, the cash price of any extended warranty or service contract, and a documentary preparation fee. The documentary preparation fee shall not exceed 5% of the cash price of the motor vehicle or \$160.00, whichever is less. Beginning on January 1, 2005, the administrator shall adjust the \$160.00 maximum for the documentary preparation fee described in this subdivision every 2 years to reflect the cumulative percentage change in the consumer price index for the 2 immediately preceding calendar years, as determined by the administrator. The administrator shall round the adjustment to the nearest \$10.00 increment to set the fee every 2 years under this subdivision, but shall carry over and use the absolute value to calculate the next 2-year adjustment. As used in this subdivision, "consumer price index" means the United States consumer price index for all urban consumers, U.S. city average, as defined and reported by the United States department of labor, bureau of labor statistics.

(b) The down payment made by the buyer at the time of or before execution of the contract, indicating whether made in cash, or represented by the agreed value of a trade-in motor vehicle or other goods, or both. The amount of cash and the value of any trade-in shall be shown separately. A description that is sufficient for identification of any trade-in shall be shown.

(c) The unpaid cash price balance, which is the difference between the cash price under subdivision (a) and the down payment under subdivision (b).

(d) The cost of any insurance premium or travel emergency benefits pertaining to the operation of the automobile that the seller agrees to extend credit to the buyer to obtain. The installment sale contract shall set forth the term of the insurance and a concise description of the terms of the insurance policy and the travel emergency benefits. If the precise cost of the insurance is not available at the time the contract is signed, an estimated amount, ascertained from the current published applicable manual of a recognized standard insurance rating bureau, may be set forth in the contract. The seller shall, within 25 days after making the installment contract, mail or cause to be mailed to the buyer at his or her address as shown on the installment contract a certificate or policy of insurance and a statement showing the exact cost of the insurance. Each installment sale contract shall contain the following warning, printed prominently in red ink and in 12-point type or larger, directly preceding the notice provided for in section 12(d), enclosed by a continuous heavy line:

Warning: The insurance afforded hereunder does not cover liability for injury to persons or damage to property of others unless so indicated hereon.

(e) Other necessary or incidental costs that the seller contracts to pay on behalf of the buyer and for the amount of which the seller agrees to extend credit to the buyer as authorized by this act. The contract shall contain an itemization of the nature and amount of the costs.

(f) The principal amount financed, which is the total of the amounts described in subdivisions (c), (d), and (e).

(g) The finance charge, which is the consideration in excess of the total of the cash price under subdivision (a), excluding the amounts described in subdivisions (d) and (e).

(h) The time balance, which is the total of the amounts described in subdivisions (f) and (g) and represents the total obligation of the buyer that he or she agrees to pay in 2 or more scheduled payments.

(i) The payment schedule, which shall state the number of payments, the amount of the payments, and the time of the payments required to liquidate the time balance.

(3) An installment sale contract shall state clearly any collateral security taken for the buyer's obligation under the contract.

(4) An installment sale contract shall contain a summary notice of the buyer's principal legal rights respecting prepayment of the contract and rebate of the finance charge and reinstatement of the contract in the event of repossession.

(5) An installment sale contract shall contain specific provisions as to the buyer's liability respecting default charges, repossession, and sale of the motor vehicle in case of default or other breach of contract, and respecting the collateral security, if any.

Sec. 18. (1) A seller licensed under this act may charge the buyer a finance charge on any installment sale contract covering the retail sale of a motor vehicle in this state. The finance charge shall not exceed the rate permitted by the credit reform act, 1995 PA 162, MCL 445.1851 to 445.1864.

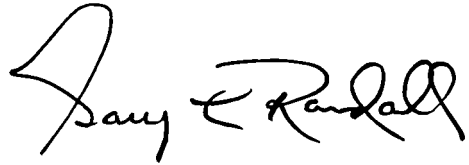
(2) The seller shall compute the finance charge on the principal amount financed as determined under section 13(2)(f).

(3) The seller shall compute the finance charge at the annual rates permitted by subsection (1) on installment sale contracts that are payable by installment payments, extending for a period of 1 year. On installment sale contracts providing for installment payments extending for a period that is less than or greater than 1 year, the seller shall compute the finance charge proportionately. If an installment sale contract provides for payment other than in equal successive weekly, semimonthly, or monthly installments, the finance charge may be at a rate that will provide the same annual percentage rate as is permitted on monthly payment contracts considering the schedule of payments in the contract. The seller shall disclose the annual percentage rate of the installment sales contract in accordance with disclosure requirements of the truth in lending act, title I of the consumer credit protection act, Public Law 90-321, 15 U.S.C. 1601 to 1608, 1610 to 1613, 1615, 1631 to 1635, 1637 to 1648, and 1661 to 1667e, and the regulations promulgated under the truth in lending act.

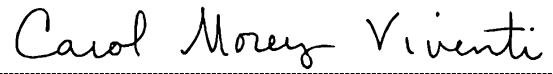
(4) The seller may compute the finance charge on the basis of a full month for a fractional month period in excess of 10 days.

(5) A seller may charge a minimum finance charge of \$15.00 on an installment sale contract in which the finance charge, when computed at the rates indicated, results in a total charge of less than \$15.00.

This act is ordered to take immediate effect.



Clerk of the House of Representatives.



Secretary of the Senate.

Approved _____

Governor.