

Act No. 231
Public Acts of 2009
Approved by the Governor
January 8, 2010
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**STATE OF MICHIGAN
95TH LEGISLATURE
REGULAR SESSION OF 2009**

Introduced by Reps. Johnson and Melton

ENROLLED HOUSE BILL No. 4991

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 section 13 (MCL 492.113), as amended by 2002 PA 699.

The People of the State of Michigan enact:

Sec. 13. (1) An installment sale contract shall include the full names and addresses of all the parties to the contract, the date when signed by the buyer, and 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 maximum amount then in effect 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, 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 stated separately. A description that is sufficient for identification of any trade-in shall be included.

(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. Within 25 days after making the installment sale contract, the seller shall mail or cause to be mailed to the buyer at his or her address as shown on the 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) The cost of any guaranteed asset protection waiver that the seller agrees to extend credit to the buyer to obtain. For purposes of this subdivision, all of the following apply:

(i) "Guaranteed asset protection waiver" means that term as defined in section 3 of the guaranteed asset protection waiver act.

(ii) A guaranteed asset protection waiver may be included as part of, or as an addendum to, an installment sale contract.

(iii) An installment seller that offers, sells, or provides guaranteed asset protection waivers to installment buyers in this state must comply with the guaranteed asset protection waiver act.

(iv) Any cost to an installment buyer for a guaranteed asset protection waiver entered into in compliance with the truth in lending act, 15 USC 1601 to 1667f, and the regulations promulgated under that act, 12 CFR part 226, must be separately stated and is not considered a finance charge or interest.

(f) 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 under this act. The contract shall contain an itemization of the nature and amount of the costs.

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

(h) 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), (e), and (f).

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

(j) The payment schedule, which shall include 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 given to secure 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.

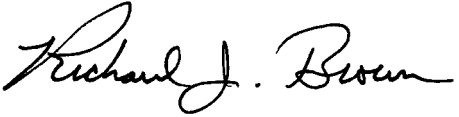
(5) An installment sale contract shall contain specific provisions concerning the buyer's liability for default charges, repossession, and sale of the motor vehicle in case of default or other breach of contract, and the seller's or holder's rights concerning any collateral security.

Enacting section 1. This amendatory act takes effect 180 days after the date this amendatory act is enacted into law.


Enacting section 2. This amendatory act does not take effect unless all of the following bills of the 95th Legislature are enacted into law:

- (a) House Bill No. 4989.
- (b) House Bill No. 4990.
- (c) House Bill No. 4992.

This act is ordered to take immediate effect.



Clerk of the House of Representatives



Secretary of the Senate

Approved

Governor