



Senate Fiscal Agency
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BILL



ANALYSIS

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Senate Bill 549 (as reported without amendment)
Sponsor: Senator Darwin L. Booher
Committee: Banking and Financial Institutions

CONTENT

The bill would amend Article 4 of the Uniform Commercial Code, which governs bank deposits and collections, to provide a warranty for the transfer of a remotely created consumer item.

Under Article 4, a customer or collecting bank that transfers an item (commonly known as a check) makes certain warranties to the transferee and to any subsequent collecting bank.

If a drawee pays or accepts a draft for payment or acceptance, the person obtaining payment or acceptance, at the time of presentment, and a previous transferor of the draft, at the time of transfer, makes warranties to the drawee. (A drawee is the person ordered in a draft to make payment.)

The bill would include an additional warranty for both circumstances. For any remotely created consumer item, the respective party would warrant that the person on whose account the item was drawn had authorized the item to be issued for the amount drawn.

The bill also would require a record, rather than a written notice or a writing, in provisions that: 1) require a collecting bank to provide written notice if it holds an item for acceptance or payment; 2) require a payor bank to provide written notice of dishonor or nonpayment if an item is unavailable for return and the payor bank wishes to revoke a settlement; and 3) require a consumer stop-payment order to be effective for six months, but lapse after 14 days if the original order was oral and was not confirmed in writing within that period. (Under the Code, "record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.)

MCL 440.4104 et al.

Legislative Analyst: Glenn Steffens

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Date Completed: 10-15-13

Fiscal Analyst: Josh Sefton