

SUBSCRIPTION SERVICES

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House Bill 6191 (H-2) as reported from committee

Sponsor: Rep. Jason M. Sheppard

1st Committee: Regulatory Reform

2nd Committee: Ways and Means

Complete to 9-24-20

Analysis available at
<http://www.legislature.mi.gov>

SUMMARY:

House Bill 6191 would amend the Motor Vehicle Sales Finance Act to allow a *subscription service* to be included as part of the price of the motor vehicle in a vehicle installment sale contract and to require that certain disclosures regarding a subscription service must be provided to a buyer before an agreement to purchase the service.

Subscription service would mean any technology service related to the operation of a motor vehicle or the motor vehicle financing that a buyer agrees to purchase, including autonomous vehicle software programs, navigation services, and safety services, and any data updates.

The act requires an installment sale contract to set forth certain of its elements, including the cash price of the motor vehicle being financed. This price must include any taxes, the price of agreed-upon accessories and of their installation, the price of any extended warranty or service contract, and a documentary preparation fee.

The bill would include the cash price of any subscription service in the cash price of the motor vehicle as set out in the contract, allowing that service to be financed under the contract.

Subscription service disclosure

Under the bill, a licensed installment seller or sales finance company ("licensee") that offered to sell a subscription service to a buyer would have to provide the buyer with a subscription service disclosure before any agreement to purchase a subscription service. The disclosure would have to include, in 12-point type, all of the following:

- The cost of each subscription service offered.
- A statement that the purchase of a subscription service is optional and that the buyer may be able to purchase the service on a month-to-month or as-needed basis at a lower cost than that offered by the licensee.
- A statement that the buyer will incur interest charges, at the rate listed in the installment sale contract, on the cost of the subscription service if he or she chooses to finance its purchase.
- A statement that, if the buyer chooses to finance the purchase of the subscription service, he or she may cancel the service at any time. If the buyer canceled the service, his or her installment sale contract payment would not be reduced, but any refund due from the unused portion of the subscription service would be applied to the balance of the installment sale contract in accordance with the terms of that contract.
- A checkbox for the buyer to indicate his or her agreement to purchase the subscription service.

The licensee would have to obtain from the buyer a signed written acknowledgment of the delivery of the subscription service disclosure. The acknowledgment would have to be printed in at least 12-point type and, if attached to the contract, would have to be printed below the buyer's signature to the contract and independently signed.

MCL 492.102 et seq. and proposed MCL 492.112a

BRIEF DISCUSSION:

Technological and digital advances in car safety and other functionality, such as software to improve navigation or subscription services such as GM's OnStar, are valued by consumers. When purchasing a car, a buyer can finance the cost of many optional features, such as a sunroof, as part of the price of the car being financed. Subscription services and related safety and navigational features are a similarly optional feature that can be integral to what a buyer wants from his or her new vehicle, yet they cannot be similarly financed. It has been suggested that the law pertaining to installment sale contracts for vehicle loans be amended to allow the cash price of any subscription service to be included as part of the cash price of the vehicle for purposes of an installment sales contract.

FISCAL IMPACT:

The bill would have no fiscal impact on the state or local units of government.

POSITIONS:

Representatives of General Motors/GM Financial testified in support of the bill. (9-10-16)

The following entities indicated support for the bill (9-24-20):

- Ford Motor Company
- Michigan Auto

The Department of Insurance and Financial Services indicated a neutral position on the bill. (9-24-20)

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