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House Bill 5460 (Substitute H-3 as passed by the House)
Sponsor: Representative Alabas Farhat
House Committee: Regulatory Reform
Senate Committee: Finance, Insurance, and Consumer Protection

Date Completed: 6-11-24

CONTENT

The bill would amend the Motor Vehicles Sales Finance Act to allow an installment sale contract for a new motor vehicle to provide for a series of monthly payments in unequal payment amounts if the amount of any payment did not increase more than 40% from the amount of the first scheduled payment and the amount of each payment under the installment sale contract did not exceed the buyer's maximum payment threshold. The bill also would prohibit an installment seller or sales finance company from charging a fee based solely on the fact that the contract required payments in unequal amounts and a fee for prepayment of unpaid installments.

Among other requirements of an installment sale contract for the retail sale of a motor vehicle, the Act requires the contract to set forth the payment schedule, which must include the number of payments, the amount of the payments, and the time of the payments required to liquidate the time balance.

Under the bill, if the installment sale contract were for a new motor vehicle, in addition to the payment schedule, the installment sale contract also would have to contain the following notice printed prominently in 12-point type or larger directly below the Federal Truth-In-Lending disclosure box:

"Notice: Customer should review the payment schedule to determine if the contract requires payments in equal amounts."

Under the bill, "new motor vehicle" would mean a motor vehicle that is not and has not been a demonstrator, an executive or manufacturer's motor vehicle, a leased motor vehicle, or a used or secondhand motor vehicle. "Used or secondhand motor vehicle" would mean a motor vehicle to which a certificate of title and license plates have been issued and which motor vehicle has been registered for use on the highways by a consumer or by a dealer.

The Act allows an installment sale contract to provide for a series of weekly, semi-monthly or monthly payments in substantially equal periods and amounts, followed by a single larger payment of that satisfies the unpaid time balance, in which event the installment buyer must have the right to an option, at the time such the larger payment becomes due, to make the larger payment or to enter into a second contract, that conforms to all the provisions of the Act except that the refinance charge provided for in the second contract must not exceed the finance charge rate provided for in the first contract.

Under the bill, an installment sale contract for a new motor vehicle could provide for a series of monthly payments in unequal payment amounts if the following conditions were met:

- The amount of any payment under the installment sale contract did not increase more than 40% from the amount of the first scheduled payment.
- The amount of each payment under the installment sale contract did not exceed the buyer's maximum payment threshold, as determined by the installment seller or the sales finance company at the time the buyer completed the installment sale contract.

Currently, a licensee is prohibited from assessing certain charges in connection with the retail sale of a motor vehicle under an installment sale contract more than the specific costs authorized by the Act.

Under the bill, a licensee also would be prohibited from charging either of the following fees related to an installment sale contract that required payments in unequal amounts:

- A fee based solely on the fact that the installment sale contract required payments in unequal amounts instead of payments in equal amounts.
- A fee related to the prepayment of all the unpaid time balance under the installment sale contract due to the resale of the motor vehicle.

Finally, the Act defines "public sale" as a public sale after advertisement of each motor vehicle in at least two successive publications in a newspaper having general circulation in the village, city, or township in which the sale is to be held. The advertisement must disclose the place where the motor vehicle is stored and may be inspected, the date, time, and place of the sale, and the make, model, and serial number of the vehicle. The bill would delete this definition.

MCL 492.102 et al.

FISCAL IMPACT

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

Analyst: Nathan Leaman

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