

## NEW MOTOR VEHICLE WARRANTIES (EXCERPT)

Act 87 of 1986

### **257.1403 Continued existence of defect or condition; replacement of motor vehicle or refund; allowance for use; reimbursement for towing costs and costs for rental vehicle; determination of ordinary and personal use; consent to replacement of security interest; presumption; performing repairs after expiration of warranty; extension of time for repair services.**

Sec. 3. (1) If a defect or condition that was reported to the manufacturer or new motor vehicle dealer pursuant to section 2 continues to exist and the new motor vehicle has been subjected to a reasonable number of repairs as determined under subsection (5), the manufacturer shall within 30 days, do either of the following as applicable:

(a) If the new motor vehicle was purchased, either replace the new motor vehicle with a comparable replacement motor vehicle currently in production and acceptable to the consumer or accept return of the vehicle and refund to the consumer the purchase price. A consumer shall have the right to demand a refund.

(b) If the new motor vehicle was leased, the consumer has the right to a refund of the lease price paid by the consumer. The consumer may agree to accept a comparable replacement vehicle in lieu of a refund for the lease price paid. If the consumer agrees to accept a replacement vehicle, the lease agreement shall not be altered except with respect to the identification of the vehicle.

(2) The purchase price or lease price includes the cost of any options or other modifications installed or made by or for the manufacturer, and the amount of all other charges made by or for the manufacturer, less a reasonable allowance for the consumer's use of the vehicle, and less an amount equal to any appraised damage that is not attributable to normal use or to the defect or condition. A reasonable allowance for use is the purchase or lease price of the new motor vehicle multiplied by a fraction having as the denominator 100,000 miles and having as the numerator the miles directly attributable to use by the consumer and any previous consumer prior to his or her first report of a defect or condition that impairs the use or value of the new motor vehicle plus all mileage directly attributable to use by a consumer beyond 25,000 miles. If a vehicle is replaced or refunded under the provisions of this section, if towing services and rental vehicles were not made available without cost to the consumer, the manufacturer shall also reimburse the consumer for those towing costs and reasonable costs for a comparable rental vehicle that were incurred as a direct result of the defect or condition.

(3) If a court or an alternative dispute settlement procedure described in section 5 determines that a consumer has provided sufficient evidence that the vehicle did not provide reliable transportation for ordinary personal or household use for any period beyond the first 25,000 mileage usage period of the vehicle, the court or the alternative dispute settlement procedure may reduce the vehicle usage deduction for mileage beyond the first 25,000 mileage usage period only for the period beyond the 25,000 mileage usage period that the court or alternative dispute settlement procedure determines that the vehicle did not provide useful transportation for ordinary personal or household use. To determine if the vehicle did or did not provide useful transportation for ordinary personal and household use, the court or the alternative dispute settlement procedure shall consider all of the following:

(a) The number of repairs.

(b) The cost of the repairs.

(c) The number of days the vehicle was out of service.

(d) Whether the vehicle's need for repair significantly affected the consumer's ability to use the vehicle for personal or household functions.

(4) The provisions of this act do not affect the obligations of a consumer under a loan, sales, or lease contract or the secured interest of a secured party. The secured party shall consent to the replacement of the security interest with a corresponding security interest on a replacement motor vehicle that is accepted by the consumer in exchange for the motor vehicle having a defect or condition pursuant to subsection (1), if the replacement motor vehicle is comparable in value to the original motor vehicle. If for any reason the security interest in the new motor vehicle having a defect or condition pursuant to subsection (1) is not able to be replaced with a corresponding security interest on a new motor vehicle accepted by the consumer, the consumer shall accept a refund. A refund required under this subsection or subsection (1) shall be made to the consumer and the secured party, if any, as their interests exist at the time the refund is to be made. The lessor, if any, shall be notified if a refund is made to a lessee under this act. A lessor shall not assess a fee for early termination of a lease under this act.

(5) It shall be presumed that a reasonable number of attempts have been undertaken to repair a defect or condition if 1 of the following occurs:

(a) The same defect or condition that substantially impairs the use or value of the new motor vehicle to the consumer has been subject to repair a total of 4 or more times by the manufacturer or new motor vehicle dealer within 2 years of the date of the first attempt to repair the defect or condition, and the defect or condition continues to exist. Any repair performed on the same defect made pursuant to subsection (6) shall be included in calculating the number of repairs under this section. The consumer or his or her representative, before availing himself or herself of a remedy provided under subsection (1), and any time after the third attempt to repair the same defect or condition, shall give written notification, by return receipt service, to the manufacturer of the need for repair of the defect or condition in order to allow the manufacturer an opportunity to cure the defect or condition. The manufacturer shall notify the consumer as soon as reasonably possible of a reasonably accessible repair facility. After delivery of the vehicle to the designated repair facility, the manufacturer has 5 business days to repair the defect or condition.

(b) The new motor vehicle is out of service because of repairs for a total of 30 or more days or parts of days during the term of the manufacturer's express warranty, or within 1 year from the date of delivery to the original consumer, whichever is earlier. The consumer, or his or her representative, before availing himself or herself of a remedy provided under subsection (1), and after the vehicle has been out of service for at least 25 days in a repair facility, shall give written notification by return receipt service to the manufacturer of the need for repair of the defect or condition in order to allow the manufacturer an opportunity to cure the defect or condition. The manufacturer shall notify the consumer as soon as reasonably possible of a reasonably accessible repair facility. After delivery of the vehicle to the designated repair facility, the manufacturer has 5 business days to repair the defect or condition.

(6) Any repairs required to be made under this act shall be made even if the repairs need to be performed after the expiration of the manufacturer's express warranty. The defect needing repair must be a continuation of the original attempt to repair the defect.

(7) The term of an express warranty, and the 1-year, 30-day, and 5-day periods of time provided for in this section shall be extended because repair services were not available to the consumer because of war, invasion, strike, fire, flood, or other natural disaster.

**History:** 1986, Act 87, Eff. June 25, 1986;—Am. 1998, Act 486, Imd. Eff. Jan. 4, 1999.

**Popular name:** Lemon Law