

## HOME IMPROVEMENT FINANCE ACT (EXCERPT)

### Act 332 of 1965

#### PART 3

#### **445.1301 Finance charges.**

Sec. 301. (1) The maximum finance charge included in a home improvement installment contract payable in substantially equal successive monthly installments beginning 1 month from the date the finance charge accrues, shall not exceed \$8.00 per \$100.00 per annum. However, on a contract which is entered into before December 31, 1991, and which is entered into after the interest rate paid at 2 successive auctions of 26 week United States treasury bills is 8% or more, the finance charge may be equivalent to 16.5% interest or less per annum on the unpaid balance. If the interest rate paid at 2 successive auctions of 26 weeks United States treasury bills again falls below 8%, the finance charge on a contract entered into after that date shall not exceed \$8.00 per \$100.00 per annum, unless the interest rate paid at 2 successive auctions of 26 week United States treasury bills again is 8% or more, in which case the finance charge may be equivalent to 16.5% interest or less per annum on the unpaid balance. The finance charge shall be computed on the principal amount financed on the contract notwithstanding that the time balance is required to be paid in installments. The finance charge shall not accrue over a longer period than one which commences on the date of completion of the contract and ends on the date when the final installment is payable. For a period less or greater than 12 months or for amounts less or greater than \$100.00, the amount of the maximum finance charge shall be increased or decreased proportionately. A fractional monthly period of 15 days or more may be considered a full month. If the finance charge computed as above provided is less than \$12.00, a minimum finance charge of \$12.00 may be made.

(2) Subject to the limitations in subsection (3), if a contract is payable other than in substantially equal successive monthly installments, as where payable in irregular or unequal installments either in amount or periods thereof, or in regular installments followed by or interspersed with an irregular, unequal or larger installment or installments, or if the finance charge accrues from a date more than 1 month before the first installment is payable, the finance charge may not exceed an amount which, having due regard for the schedule of installment payments, will provide the same yield as if the contract were payable in accordance with the standard payment terms stated in subsection (1).

(3) If the amount of any installment is 2 times or more the amount of any other installment except the down payment, the amount of the finance charge in respect to the portion of the principal amount financed included in such larger installment shall not exceed the equivalent of 6% per annum simple interest for the period from the due date on which finance charge begins to accrue to the date of such larger installment and such portion of the finance charge shall be payable in substantially equal periodic installments throughout such period.

**History:** 1965, Act 332, Eff. Jan. 1, 1966;—Am. 1980, Act 406, Imd. Eff. Jan. 8, 1981;—Am. 1983, Act 13, Eff. Mar. 22, 1983;—Am. 1988, Act 429, Imd. Eff. Dec. 27, 1988.

**Compiler's note:** Act 13 of 1983 was not signed by the Governor, but, having been presented to him at 11:21 a.m. on March 8, 1983, and not having been returned by him to the house in which it originated, became law at the expiration of the constitutional 14-day period, the Legislature having continued in session.

#### **445.1302 Division of transaction prohibited.**

Sec. 302. A contractor shall not induce or permit a buyer to split up or divide any transaction that otherwise would be a home improvement installment sale or home improvement charge sale for the purpose of qualifying for any exclusion under section 102(j), (l), or (m).

**History:** 1965, Act 332, Eff. Jan. 1, 1966;—Am. 1985, Act 202, Imd. Eff. Dec. 27, 1985.

#### **445.1303 Payment of contract in full before maturity; refund credit.**

Sec. 303. (1) Notwithstanding the provisions of a home improvement installment contract to the contrary, a buyer may pay the contract in full at any time before maturity and in so paying shall receive a refund credit on the contract, except as provided in section 309. Except as provided in subsection (2), the amount of the refund credit shall represent at least as great a proportion of the finance charge, or if the contract has been extended, deferred, or refinanced, of the additional charge therefor, as the sum of the periodical time balance scheduled by the contract to follow the installment date after the day of prepayment bears to the sum of all the periodical time balances under the schedule of installments in the contract or, if the contract has been extended, deferred, or refinanced, as so extended, deferred, or refinanced.

(2) If a part of the finance charge is computed on an installment as provided in section 301(3), the amount of the refund credit applicable to that part of the finance charge shall represent at least as great a proportion of

that part of the finance charge as the number of months to elapse after the month in which prepayment is made to the due date of that installment bears to the number of months from the date the finance charge accrues to the due date of that installment.

(3) Where the amount of the credit for anticipation of payment is less than \$1.00, a refund need not be made. Where the earned finance charge amounts to less than the minimum finance charge, there may be retained an amount equal to the minimum finance charge under section 301.

**History:** 1965, Act 332, Eff. Jan. 1, 1966;—Am. 1978, Act 96, Imd. Eff. Apr. 5, 1978.

#### **445.1304 Scheduled payments; extension of due date; deferral charge.**

Sec. 304. The holder of a home improvement installment contract, upon agreement in writing with the buyer, may extend the scheduled due date or defer the scheduled payment of all or of any part of any installment or installments payable thereunder. The holder may charge and contract for the payment of an extension or deferral charge by the buyer and collect and receive the same, but such charge may not exceed an amount equal to 1% per month simple interest on the amount of the installment or installments, or part thereof, extended or deferred for the period of extension or deferral. Such period shall not exceed the period from the date when such extended or deferred installment, or part thereof, would have been payable in the absence of such extension or deferral, to the date when such installment or installments, or part thereof, are made payable under the agreement of extension or deferment; except that a minimum charge of \$1.00 for the period of extension or deferral may be made in any case where the extension or deferral charge, when computed at such rate, amounts to less than \$1.00. The agreement may also provide for payment by the buyer of the additional cost to the holder of the contract of premiums for continuing in force, until the end of such period of extension or deferral, any insurance coverages provided for in the contract.

**History:** 1965, Act 332, Eff. Jan. 1, 1966.

#### **445.1305 Refinancing payment of unpaid balance; refinance charge, computation; refinancing agreement, consolidation of contracts.**

Sec. 305. The holder of a home improvement installment contract, upon agreement in writing with the buyer, may refinance the payment of the unpaid time balance of the contract by providing for a new schedule of installment payments. The holder may charge and contract for the payment of a refinanced charge by the buyer and collect and receive the same, but such refinance charge shall be based upon the amount refinanced, plus any additional cost of insurance and of official fees incident to such refinancing, after the deduction of a refund credit in an amount equal to that to which the buyer would have been entitled under section 303 if he had prepaid in full his obligations under the contract or contracts, computed without allowance for any minimum earned finance charge. Such refinance charge shall not exceed the rate of finance charge provided under section 301. The agreement for refinancing may also provide for the payment by the buyer of the additional cost to the holder of the contract of premiums for continuing in force, until the maturity of the contract as refinanced, any insurance coverages provided therein. The refinancing agreement shall set forth the amount of the unpaid time balance to be refinanced, the amount of any refund credit, the amount to be refinanced after the deduction of the refund credit, any additional premiums paid for insurance and of official fees to the buyer, the amount of the finance charge under the refinancing agreement, the new unpaid time balance and the new schedule of installment payments. A refinancing agreement between a financing agency and a buyer may consolidate the new unpaid time balances of 2 or more home improvement installment contracts by providing for a new schedule of consolidated installment payments, and may provide for the acceleration of the consolidated time balance upon a failure of the buyer to pay in full any consolidated installment payment. A contractor may not consolidate 2 or more home improvement installment contracts except to the extent provided in sections 306, 307 and 308.

**History:** 1965, Act 332, Eff. Jan. 1, 1966.

#### **445.1306 Add-on sales; optional contract provisions; finance charges, insurance.**

Sec. 306. A home improvement installment contract may provide that the contractor may at his option add to the contract subsequent home improvement installment sales made by such contractor to the buyer, and that the total time balance of the goods and services covered by the contract shall be increased by the principal amount financed under the subsequent sale or sales, and that all finance charges and installment payments may, at the contractor's option, be increased proportionately and that all terms and conditions of the contract shall apply equally to such sale or sales. In addition, the contract may provide for the payment by the buyer of the additional cost of premiums for continuing in force, until the due date of the final installment of the consolidated time balance, any insurance coverages provided for therein. The minimum finance charge as provided in section 301 may be used but once in any series of add-on home improvement installment sales.

**History:** 1965, Act 332, Eff. Jan. 1, 1966.

#### **445.1307 Finance charge; computation, maximum sale.**

Sec. 307. Subject to the provisions of section 301, the finance charge to be included in a consolidated time balance shall be determined by applying a finance charge at a rate not exceeding the maximum rate specified in that section to either:

(a) The total of the principal amount financed under the subsequent sale and the unpaid balance of any previous contract determined by deducting from the unpaid time balance thereof as of the date the finance charge is to accrue on the subsequent sale, any then unearned finance charge in an amount not less than the refund credit provided for in section 303 computed without the allowance of any minimum earned finance charge, for the period from the date the finance charge is to accrue on the subsequent sale to and including the date when the final installment of such consolidated time balance is payable; or

(b) The principal amount financed under the subsequent sale for the period from the date the finance charge is to accrue thereon to and including the date when the final installment of such consolidated time balance is payable and, if the due date of the final installment of such consolidated time balance is later than the due date of the final installment of any previous contract included in the consolidated time balance, on the unpaid time balance of such previous contract as of the date the finance charge is to accrue on the subsequent sale for the period from the date when the final installment on the previous contract would have been payable to the date when the final installment of such consolidated time balance is payable.

**History:** 1965, Act 332, Eff. Jan. 1, 1966.

#### **445.1308 Subsequent sale; memorandum, contents.**

Sec. 308. When a subsequent home improvement installment sale is made, the contractor shall deliver to the buyer, at the time the contract is executed, a memorandum which shall set forth the following with respect to the subsequent sale:

(a) The name and place of business of the contractor, the name and address of the buyer, as specified by the buyer, the location of the premises to be improved, and a description of the goods and services sufficient to identify them.

(b) The cash price of the goods and services which are the subject matter of the subsequent sale.

(c) The amount of the buyer's down payment, in respect of the subsequent sale, itemizing any allowance given by the contractor, amounts paid in money and in goods and containing a brief description of the goods, if any, traded in.

(d) The unpaid cash balance which is the difference between item (b) and item (c).

(e) The premium paid for each type of insurance, if any, included in the subsequent sale for which a separate charge is made, a statement as to whether the insurance is to be procured by the contractor or buyer and a brief description of each type of coverage and the term thereof.

(f) The amount of official fees, if any, in respect of the subsequent sale.

(g) The principal amount financed in respect of the subsequent sale which is the sum of items (d), (e) and (f).

(h) The unpaid time balance of the prior contract or contracts.

(i) The amount of any refund credit in respect of the prior contract or contracts.

(j) Item (h) less item (i).

(k) The premiums paid for any additional insurance and the cost of official fees in respect of the prior contract or contracts, a statement as to whether the insurance is to be procured by the contractor or buyer, and a brief description of each type of coverage and the term thereof.

(l) The total principal amount financed, which is the sum of items (g), (j) and (k).

(m) The amount of the finance charge expressed in dollars.

(n) The consolidated time balance, which is the sum of items (l) and (m), payable by the buyer to the contractor, the number of installments required, the amount of each installment expressed in dollars and the due date or period thereof.

(o) If any installment substantially exceeds in amount any prior installment other than the down payment, the following legend printed in 10-point bold type or typewritten and underlined: This contract ("memorandum") is not payable in installments of equal amounts.

Followed, if there be but one larger installment by:

An installment of \$..... will be due on ....., or if there be more than 1 larger installment, by: Larger installments will be due as follows: ..... (insert the amount or amounts of every larger installment and its due date).

The items need not be stated in the sequence or order set forth above. Additional items may be included to

explain the computations made in determining the amount to be paid by the buyer. The memorandum need not make any reference to items (e), (f) or (k) if a charge for the item is not included. The memorandum shall contain the statement that the contractor is adding the subsequent home improvement installment sale to the buyer's existing contract in accordance with the provisions thereof. Until the contractor delivers to the buyer the memorandum as provided in this section, the buyer shall not be obligated to pay any installment due.

**History:** 1965, Act 332, Eff. Jan. 1, 1966.

#### **445.1309 Optional method of computing finance charge.**

Sec. 309. Instead of a finance charge computed on the principal amount financed as determined under section 203 or 308, the seller may charge from time to time a finance charge consisting of interest on the amount of the unpaid principal balance of the contract. In this event, the transaction shall be subject to this act as modified by the following provisions:

(a) Finance charge shall mean the estimated amount of consideration in excess of the cash price which the buyer will pay in the form of interest assuming that each scheduled payment is made on the date it is due and in the scheduled amount.

(b) The maximum estimated finance charge shall not exceed the maximum dollar amount allowed pursuant to section 301 for contracts of the same contractual maturity computed on the actual number of days between installment payments.

(c) The number and amount of installment payments required to be stated pursuant to sections 203 and 308 shall be estimated for purposes of this section assuming that each scheduled payment is made on the date it is due and in the scheduled amount.

(d) The holder of the contract shall have the option of deferring interest charges which accrue due to installment payments being received later than the periodic installment due date. The deferred interest charge shall be computed on the basis of additional interest charges accruing for late installment payments and appropriate interest reductions for installment payments made before the due date. On contracts providing for equal monthly installments, if the final installment is more than 105% of a previous installment as a result of the deferred interest charges, the installment buyer shall be given the option to pay the deferred interest charges not less than 25 days after the date the last installment payment is due.

(e) If the entire principal balance is prepaid in full, together with all interest incurred to the date of prepayment, the balance of the original finance charge shall be canceled and the provisions of section 303 respecting a refund credit shall not be applicable.

**History:** Add. 1978, Act 96, Imd. Eff. Apr. 5, 1978.