

HOUSE BILL No. 6446

(As passed the Senate, December 12, 2002)

September 24, 2002, Introduced by Reps. Shulman, Koetje, Faunce, Hummel, Tabor, Van Woerkom, Gilbert, Ehardt, Stewart, Bisbee, Palmer, Jamnick, Quarles, Woronchak, McConico, Waters, Thomas, Rivet, Lipsey, Daniels, Bishop and Cassis and referred to the Committee on Insurance and Financial Services.

A bill to amend 1950 (Ex Sess) PA 27, entitled "Motor vehicle sales finance act," by amending sections 13 and 18 (MCL 492.113 and 492.118), section 13 as amended by 1990 PA 27 and section 18 as amended by 1995 PA 166.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 13. (1) ~~Every~~ AN installment sale contract shall
2 state the full names and addresses of all the parties to the con-
3 tract ~~—~~ AND the date when signed by the buyer and shall contain
4 a description of the motor vehicle sold THAT IS sufficient for
5 accurate identification.

6 (2) An installment sale contract shall set forth all of the
7 following separate items in the following order:

8 (A) ~~1. Cash~~ THE CASH price of the motor vehicle. This
9 amount shall include any taxes, ~~and costs~~ THE CASH PRICE of

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1 agreed upon accessories and installation of the accessories, THE
2 CASH PRICE OF ANY EXTENDED WARRANTY OR SERVICE CONTRACT, and A
3 documentary preparation ~~fees~~ FEE. The documentary preparation
4 ~~fees~~ FEE shall not exceed ~~-\$40.00-~~ 5% OF THE CASH PRICE OF THE
5 MOTOR VEHICLE OR [\$160.00], WHICHEVER IS LESS. BEGINNING ON
6 JANUARY 1, 2005, THE ADMINISTRATOR SHALL ADJUST THE [\$160.00] MAXI-
7 MUM FOR THE DOCUMENTARY PREPARATION FEE DESCRIBED IN THIS SUBDI-
8 VISION EVERY 2 YEARS TO REFLECT THE CUMULATIVE PERCENTAGE CHANGE
9 IN THE CONSUMER PRICE INDEX FOR THE 2 IMMEDIATELY PRECEDING CAL-
10 ENDAR YEARS, AS DETERMINED BY THE ADMINISTRATOR. THE ADMINISTRA-
11 TOR SHALL ROUND THE ADJUSTMENT TO THE NEAREST [\$10.00] INCREMENT
12 TO SET THE FEE EVERY 2 YEARS UNDER THIS SUBDIVISION, BUT SHALL
13 CARRY OVER AND USE THE ABSOLUTE VALUE TO CALCULATE THE NEXT
14 2-YEAR ADJUSTMENT. AS USED IN THIS SUBDIVISION, "CONSUMER PRICE
15 INDEX" MEANS THE UNITED STATES CONSUMER PRICE INDEX FOR ALL URBAN
16 CONSUMERS, U.S. CITY AVERAGE, AS DEFINED AND REPORTED BY THE
17 UNITED STATES DEPARTMENT OF LABOR, BUREAU OF LABOR STATISTICS.

18 (B) ~~2. Down~~ THE DOWN payment made by the buyer at the
19 time of or before execution of the contract, indicating whether
20 made in cash, or represented by the agreed value of a
21 ~~"trade-in"~~ TRADE-IN motor vehicle ~~,~~ or other goods, or both.
22 The amount of cash and the value of any ~~"trade-in"~~ TRADE-IN
23 shall be shown separately. A description THAT IS SUFFICIENT FOR
24 IDENTIFICATION of ~~the "trade-in", if any, sufficient for~~
25 ~~identification~~ ANY TRADE-IN shall be shown.

26 (C) ~~3. Unpaid~~ THE UNPAID cash price balance, which ~~shall~~
27 ~~be~~ IS the difference between the cash price ~~-(item 1)-~~ UNDER

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1 SUBDIVISION (A) and the down payment ~~(item 2) above~~ UNDER
2 SUBDIVISION (B).

3 (D) ~~4. Insurance premiums and costs of~~ THE COST OF ANY
4 INSURANCE PREMIUM OR travel emergency benefits pertaining to the
5 operation of the automobile ~~for the payment of which~~ THAT the
6 seller agrees to extend credit to the buyer TO OBTAIN. The
7 INSTALLMENT SALE CONTRACT SHALL SET FORTH THE term of the insur-
8 ance ~~,~~ AND a concise description of the ~~coverage,~~ TERMS OF
9 THE INSURANCE POLICY and the travel emergency benefits. ~~shall be~~
10 ~~set forth.~~ If the precise cost of the insurance is not available
11 at the time the contract is signed, an estimated amount, ascer-
12 tained from the current published applicable manual of a recog-
13 nized standard insurance rating bureau, may be set forth in the
14 contract. The seller shall, within 25 days after making the
15 installment contract, mail or cause to be mailed to the buyer at
16 his or her address as shown on the installment contract a certifi-
17 cate or policy of insurance and a statement ~~,~~ showing THE
18 exact cost of the insurance. ~~All~~ EACH installment sale
19 ~~contracts~~ CONTRACT shall contain the following warning, ~~which~~
20 ~~shall be~~ printed prominently in red ink and in 12-point type or
21 larger, directly preceding the notice provided for in
22 section 12(d), ~~and shall be~~ enclosed by a continuous heavy
23 line:

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1 Warning: The insurance afforded hereunder does not cover
2 liability for injury to persons or damage to property of others
3 unless so indicated hereon.

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5 (E) ~~5. Other costs necessary or incidental , which~~
6 COSTS THAT the seller contracts to pay on behalf of the buyer and
7 for the amount of which the seller agrees to extend credit to the
8 buyer as authorized by this act. ~~The costs shall be itemized in~~
9 ~~the contract as to nature and amount~~ CONTRACT SHALL CONTAIN AN
10 ITEMIZATION OF THE NATURE AND AMOUNT OF THE COSTS.

11 (F) ~~6. Principal~~ THE PRINCIPAL amount financed, which
12 ~~shall be~~ IS the total of the ~~unpaid cash price balance (item~~
13 ~~3) plus the insurance premium and travel emergency benefit costs~~
14 ~~(item 4) plus other costs (item 5) for which the seller agrees to~~
15 ~~extend credit to the buyer~~ AMOUNTS DESCRIBED IN SUBDIVISIONS
16 (C), (D), AND (E).

17 (G) ~~7. Finance~~ THE FINANCE charge, which is the consider-
18 ation in excess of the ~~cash price (item 1), excluding insurance~~
19 ~~premium and travel emergency benefit costs (item 4) and other~~
20 ~~costs (item 5), which the buyer agrees to pay to the seller for~~
21 ~~the privilege of purchasing the motor vehicle under the install-~~
22 ~~ment sale contract~~ TOTAL OF THE CASH PRICE UNDER SUBDIVISION
23 (A), EXCLUDING THE AMOUNTS DESCRIBED IN SUBDIVISIONS (D) AND
24 (E).

25 (H) ~~8. Time~~ THE TIME balance, which ~~shall be~~ IS the
26 total of the ~~principal amount financed (item 6) plus the finance~~
27 ~~charge (item 7) and which shall represent~~ AMOUNTS DESCRIBED IN

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1 SUBDIVISIONS (F) AND (G) AND REPRESENTS the total obligation of
2 the buyer ~~which~~ THAT he or she agrees to pay in 2 or more
3 scheduled payments.

4 (I) ~~9. Payment~~ THE PAYMENT schedule, which shall state
5 the number of payments, the amount of the payments, and the time
6 of the payments required to liquidate the time balance.

7 (3) An installment sale contract shall state clearly any
8 collateral security taken for the buyer's obligation under the
9 contract.

10 (4) An installment sale contract shall contain a summary
11 notice of the buyer's principal legal rights respecting prepay-
12 ment of the contract and rebate of THE finance charge and rein-
13 statement of the contract in the event of repossession.

14 (5) An installment sale contract shall contain specific pro-
15 visions as to the buyer's liability respecting default charges,
16 repossession, and sale of the motor vehicle in case of default or
17 other breach of contract, and respecting the collateral security,
18 if any.

19 Sec. 18. (1) ~~(a)~~ A seller licensed under this act may
20 charge ~~, contract for, receive, or collect~~ THE BUYER a finance
21 charge ~~, as defined in this act,~~ on any installment sale con-
22 tract covering the retail sale of a motor vehicle in this state.
23 ~~that does~~ THE FINANCE CHARGE SHALL not exceed the rate permit-
24 ted by the credit reform act, 1995 PA 162, MCL 445.1851 TO
25 445.1864.

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1 (2) ~~(b)~~ The SELLER SHALL COMPUTE THE finance charge ~~shall~~
2 ~~be computed~~ on the principal amount financed as determined under
3 section ~~13(2)(6)~~ 13(2)(F).

4 (3) ~~(c)~~ The SELLER SHALL COMPUTE THE finance charge ~~shall~~
5 ~~be computed~~ at the annual rates permitted by subsection ~~(a)~~
6 (1) on installment sale contracts that are payable by installment
7 payments, extending for a period of 1 year. On installment sale
8 contracts providing for installment payments extending for a
9 period ~~which~~ THAT is less than or greater than 1 year, the
10 SELLER SHALL COMPUTE THE finance charge ~~shall be computed~~
11 proportionately. If an installment sale contract provides for
12 payment other than in equal successive weekly, semimonthly, or
13 monthly installments, the finance charge may be at a rate that
14 will provide the same annual percentage rate as is permitted on
15 monthly payment contracts ~~having due regard for~~ CONSIDERING the
16 schedule of payments in the contract. The SELLER SHALL DISCLOSE
17 THE annual percentage rate ~~as used in this act shall be~~ OF THE
18 INSTALLMENT SALES CONTRACT in accordance with disclosure require-
19 ments of the truth in lending act, title I of the consumer credit
20 protection act, Public Law 90-321, 15 U.S.C. 1601 to 1608, 1610
21 to 1613, 1615, 1631 to 1635, 1637 to 1648, and 1661 to 1667e, and
22 the regulations promulgated under the truth in lending act.

23 (4) ~~(d)~~ The SELLER MAY COMPUTE THE finance charge ~~may be~~
24 ~~computed~~ on the basis of a full month for a fractional month
25 period in excess of 10 days.

26 (5) ~~(e)~~ A SELLER MAY CHARGE A minimum finance charge of
27 \$15.00 ~~may be charged~~ on an installment sale contract in which

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1 the finance charge, when computed at the rates indicated, results
2 in a total charge of less than \$15.00.