

**MOTOR VEHICLE SALES FINANCE ACT (EXCERPT)**  
**Act 27 of 1950 (Ex. Sess.)**

**492.113 Installment sale contract; contents; collateral security; notice of legal rights; liability.**

Sec. 13.

(1) An installment sale contract must include the full names and addresses of all the parties to the contract, the date when signed by the buyer, and a description of the motor vehicle sold that is sufficient for accurate identification.

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

(a) The cash price of the motor vehicle. This amount must include any taxes, the cash price of agreed on accessories and installation of the accessories, the cash price of any extended warranty or service contract, and a documentary preparation fee. The documentary preparation fee must not exceed 5% of the cash price of the motor vehicle or \$160.00, whichever is less. Beginning on January 1, 2005, the administrator shall adjust the maximum amount then in effect for the documentary preparation fee described in this subdivision every 2 years to reflect the cumulative percentage change in the Consumer Price Index for the 2 immediately preceding calendar years, as determined by the administrator. The administrator shall round the adjustment to the nearest \$10.00 increment to set the fee every 2 years under this subdivision, but shall carry over and use the absolute value to calculate the next 2-year adjustment. As used in this subdivision, "Consumer Price Index" means the United States Consumer Price Index for all urban consumers, U.S. city average, as defined and reported by the Bureau of Labor Statistics of the United States Department of Labor.

(b) The down payment made by the buyer at the time of or before execution of the contract, indicating whether made in cash, represented by the agreed value of a trade-in motor vehicle or other goods, or both. The amount of cash and the value of any trade-in must be stated separately. A description that is sufficient for identification of any trade-in must be included.

(c) The unpaid cash price balance, which is the difference between the cash price under subdivision (a) and the down payment under subdivision (b).

(d) The cost of any insurance premium or travel emergency benefits pertaining to the operation of the automobile that the seller agrees to extend credit to the buyer to obtain. The installment sale contract must set forth the term of the insurance and a concise description of the terms of the insurance policy and the travel emergency benefits. If the precise cost of the insurance is not available at the time the contract is signed, an estimated amount, ascertained from the current published applicable manual of a recognized standard insurance rating bureau, may be set forth in the contract. Not later than 25 days after making the installment sale contract, the seller shall mail or cause to be mailed to the buyer at the buyer's address as shown on the contract a certificate or policy of insurance and a statement showing the exact cost of the insurance. Each installment sale contract must contain the following warning, printed prominently in red ink and in 12-point type or larger, directly preceding the notice provided for in section 12(4), enclosed by a continuous heavy line:

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

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(e) The cost of any guaranteed asset protection waiver that the seller agrees to extend credit to the buyer to obtain. For purposes of this subdivision, all of the following apply:

(i) "Guaranteed asset protection waiver" means that term as defined in section 3 of the guaranteed asset protection waiver act, 2009 PA 229, MCL 492.23.

(ii) A guaranteed asset protection waiver may be included as part of, or as an addendum to, an installment sale contract.

(iii) An installment seller that offers, sells, or provides guaranteed asset protection waivers to installment buyers in this state must comply with the guaranteed asset protection waiver act, 2009 PA 229, MCL 492.21 to 492.33.

(iv) Any cost to an installment buyer for a guaranteed asset protection waiver entered into in compliance with the truth in lending act, 15 USC 1601 to 1667f, and the regulations promulgated under that act, 12 CFR part 226, must be separately stated and is not considered a finance charge or interest.

(f) Other necessary or incidental costs that the seller contracts to pay on behalf of the buyer and for the amount of which the seller agrees to extend credit to the buyer as authorized under this act. The contract must contain an itemization of the nature and amount of the costs.

(g) The principal amount financed, which is the total of the amounts described in subdivisions (c), (d), (e), and (f).

(h) The finance charge, which is the consideration in excess of the total of the cash price under subdivision (a), excluding the amounts described in subdivisions (d), (e), and (f).

(i) The time balance, which is the total of the amounts described in subdivisions (g) and (h) and represents the total obligation of the buyer that the buyer agrees to pay in 2 or more scheduled payments.

(j) 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. If the installment sale contract is for a new motor vehicle, the installment sale contract must 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."

(3) An installment sale contract must state clearly any collateral security given to secure the buyer's obligation under the contract.

(4) An installment sale contract must contain a summary notice of the buyer's principal legal rights respecting prepayment of the contract and rebate of the finance charge and reinstatement of the contract in the event of repossession.

(5) An installment sale contract must contain specific provisions concerning the buyer's liability for default charges, repossession, and sale of the motor vehicle in case of default or other breach of contract, and the seller's or holder's rights concerning any collateral security.

**History:** 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1957, Act 26, Eff. Sept. 27, 1957 ;-- Am. 1968, Act 168, Imd. Eff. June 17, 1968 ;-- Am. 1990, Act 27, Imd. Eff. Mar. 13, 1990 ;-- Am. 2002, Act 699, Imd. Eff. Dec. 30, 2002 ;-- Am. 2009, Act 231, Eff. July 7, 2010 ;-- Am. 2024, Act 94, Imd. Eff. July 23, 2024