

HOUSE BILL No. 4851

May 22, 1989, Introduced by Reps. Murphy, Saunders, Jondahl, Hertel, Harrison, Brown, Clack, Rocca, Perry Bullard, DeMars, Kilpatrick, Hollister, Stabenow, Watkins, Joe Young, Sr., Wallace, Joe Young, Jr., Ciaramitaro, Leland, Hickner, Gubow, Gire, Jonker, Spaniola, Alley, Hood, Hunter and Berman and referred to the Committee on Corporations and Finance.

A bill to amend section 2 of Act No. 135 of the Public Acts of 1977, entitled

"An act to prohibit certain mortgage lending practices by a credit granting institution; to require the institution to make reports regarding its mortgage lending practices; to prescribe the powers and duties of the commissioner of the financial institutions bureau in relation to those practices; to permit the establishment of local mortgage review boards; and to provide remedies and penalties,"

being section 445.1602 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Section 2 of Act No. 135 of the Public Acts of
2 1977, being section 445.1602 of the Michigan Compiled Laws, is
3 amended to read as follows:

4 Sec. 2. (1) A credit granting institution shall not deny a
5 loan application, or vary the interest rate, the term to
6 maturity, the percentage required for a down payment, the

1 application and appraisal procedures, or other terms or
2 conditions of a loan contract:

3 (a) Due to racial or ethnic characteristics or trends in the
4 neighborhood in which the real estate is located.

5 (b) Except on the basis of written policies or criteria uni-
6 formly applied to all neighborhoods within a particular standard
7 metropolitan statistical area or within the county in areas out-
8 side a standard metropolitan statistical area. A policy or cri-
9 teria used by a credit granting institution will be considered to
10 be uniformly applied, even if a credit granting institution
11 grants exceptions to the policy or criteria in favor of a loan
12 applicant in not more than 5% of the loan applications submitted
13 to the credit granting institution.

14 (c) Due to the age of the structure on the real estate pro-
15 posed as security, or the age of other structures in the neigh-
16 borhood in which the real estate is located. This subdivision
17 shall not preclude a credit granting institution from considering
18 the physical condition and probable remaining useful life of the
19 structure and all structures within a radius of 750 feet.

20 (2) Each loan application shall be individually considered
21 on the basis of a factually supportable analysis of the lending
22 risks associated with the proposed loan.

23 (3) A credit granting institution shall not impose a minimum
24 mortgage amount greater than \$5,000.00. A credit granting insti-
25 tution shall not impose a minimum loan amount of greater than
26 \$500.00 for a home improvement loan.

1 (4) A credit granting institution shall not deny an
2 individual an opportunity to submit a loan application. This act
3 shall not be construed to require a credit union to allow loan
4 inquiry or application by a person who is not a member or eligi-
5 ble to be a member of the credit union.

6 (5) A person who makes a loan application for a mortgage
7 loan or home improvement loan which is denied or the terms of
8 which are varied and not accepted by the applicant shall receive
9 from the credit granting institution a written statement of the
10 reasons for the rejection or variation of terms. A credit grant-
11 ing institution that complies with the requirements of the equal
12 credit opportunity act, TITLE VII OF PUBLIC LAW 90-321, 15
13 U.S.C. 1691 to 1691f, and the regulations promulgated under that
14 act, shall be considered to have complied with the requirements
15 of this subsection.

16 (6) A credit granting institution unless otherwise prohib-
17 ited by law, may charge an application fee uniform as to type of
18 loan applied for. If a credit granting institution ~~includes~~
19 HAS REQUIRED AN appraisal ~~in its written statement of reasons~~
20 ~~for rejection or variance or collects~~ AND HAS COLLECTED an
21 application appraisal fee, then upon the request of a person
22 making a loan application, ~~which is denied or the terms of which~~
23 ~~are varied and not accepted by the applicant, a~~ THE credit
24 granting institution shall provide the person, without additional
25 charge, with a copy of the appraisal made in connection with the
26 loan application. If an application appraisal fee is not
27 collected, the copy may be made usable only for purposes related

1 to this act. Copies of other completed forms, reports, and
2 correspondence, except a credit report or correspondence pertain-
3 ing to a credit report, used by the credit granting institution
4 in reaching its decision shall be provided, on request, and with-
5 out charge, to a person making a loan application which is denied
6 or the terms of which are varied and not accepted by the
7 applicant.

8 (7) A credit granting institution shall not be liable to an
9 applicant or any other person for an error or omission in an
10 appraisal or other supporting documents made available to an
11 applicant, except if the error or omission is a violation of this
12 act.

13 (8) If a person makes a loan inquiry relating to the pros-
14 pects of obtaining a loan, the credit granting institution shall
15 respond to the inquiry and shall send or cause to be delivered to
16 the person making the inquiry a copy of the pamphlet or other
17 documents prepared pursuant to subsection (9).

18 (9) Each credit granting institution shall make available
19 for public distribution at the institution's principal office and
20 each branch office or service center a pamphlet or document
21 explaining in general terms the credit granting institution's
22 criteria for the approval or denial of a loan application. The
23 pamphlet or other document shall prominently state that any
24 person has the right to make a loan inquiry and to file a written
25 application for a mortgage loan or home improvement loan and to
26 receive a written response thereto. A credit granting
27 institution may use a separate pamphlet or document for mortgage

1 loans and home improvement loans, and the pamphlet or document
2 may contain additional material as well as the material required
3 by this subsection. A copy of the pamphlet or other document
4 currently in use shall be filed with the commissioner.