

SENATE BILL No. 257

March 16, 1989, Introduced by Senators CRUCE, SHINKLE,
DE GROW and N. SMITH and referred to the Committee on
Commerce and Technology.

A bill to amend the title and sections 1, 2, 4, 7, 8, 10,
11, 12, 12a, 13, 13a, 14, 18, 19, and 21 of Act No. 21 of the
Public Acts of 1939, entitled as amended

"Regulatory loan act of 1963,"

section 1 as amended by Act No. 162 of the Public Acts of 1988
and section 11 as amended by Act No. 103 of the Public Acts of
1983, being sections 493.1, 493.2, 493.4, 493.7, 493.8, 493.10,
493.11, 493.12, 493.12a, 493.13, 493.13a, 493.14, 493.18, 493.19,
and 493.21 of the Michigan Compiled Laws; and to repeal certain
parts of the act.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. The title and sections 1, 2, 4, 7, 8, 10, 11,
2 12, 12a, 13, 13a, 14, 18, 19, and 21 of Act No. 21 of the Public
3 Acts of 1939, section 1 as amended by Act No. 162 of the Public
4 Acts of 1988 and section 11 as amended by Act No. 103 of the

1 Public Acts of 1983, being sections 493.1, 493.2, 493.4, 493.7,
2 493.8, 493.10, 493.11, 493.12, 493.12a, 493.13, 493.13a, 493.14,
3 493.18, 493.19, and 493.21 of the Michigan Compiled Laws, are
4 amended to read as follows:

5 TITLE

6 An act to define and regulate the business of making regula-
7 tory loans; to permit the licensing of persons engaged in that
8 business; to authorize licensees to make charges at a greater
9 rate than unlicensed lenders; to prescribe maximum rates of
10 charge which licensees are permitted to make; ~~to regulate the~~
11 ~~advertising of the business of making regulatory loans;~~ to
12 authorize credit life insurance and to permit charges for that
13 insurance; ~~to prohibit assignments of wages or salaries, earned~~
14 ~~or to be earned, when given as security for a loan or as consid-~~
15 ~~eration for a payment of a regulatory loan;~~ to provide for the
16 administration of this act and for the promulgation of rules; to
17 authorize the making of examinations and investigations and the
18 publication of reports of examinations and investigations; to
19 provide for a review of decisions and findings of the commis-
20 sioner of the financial institutions bureau under this act; and
21 to prescribe penalties.

22 Sec. 1. (1) A person shall not engage in the business of
23 making loans of money, credit, goods, or things in action in an
24 amount or of a value included within the regulatory loan ceiling
25 and charge, contract for, or receive on the loan a greater rate
26 of interest, discount, or consideration than the lender would be
27 permitted by law to charge if the lender were not a licensee

1 except as authorized by this act and without first obtaining a
2 license from the commissioner for each location at which the
3 business is to be conducted under this act, or by obtaining a
4 license under the consumer financial services act, ACT NO. 161 OF
5 THE PUBLIC ACTS OF 1988, BEING SECTIONS 487.2051 TO 487.2072 OF
6 THE MICHIGAN COMPILED LAWS.

7 (2) As used in this act:

8 (a) "Person" includes individuals, partnerships, associa-
9 tions, and corporations unless the context requires a different
10 meaning.

11 (b) "Licensee" means a person, partnership, association, or
12 corporation to whom or which 1 or more licenses have been
13 issued.

14 (c) "License" means a single license issued with respect to
15 a single place of business.

16 (d) "Liquid assets" means cash, unrestricted deposits in
17 banks, and readily marketable securities at their then market
18 value.

19 (e) "Assets" means cash, unrestricted deposits in banks,
20 readily marketable securities at their then market value, col-
21 lectible loans made in accordance with this act and personal
22 property acquired in the general conduct of business transacted
23 under this act.

24 (f) "Regulatory loan ceiling" means ~~-\$3,000.00~~ \$15,000.00.

25 (g) "Commissioner" means the commissioner of the financial
26 institutions bureau of the department of commerce.

1 (h) "Advertising" means publishing or broadcasting, or
2 causing to be published or broadcast, material which has been
3 prepared for public distribution by means of newspapers, maga-
4 zines, or electronic media. Advertising does not include a
5 stockholder communication, such as an annual report, interim
6 financial report, registration statement, security, prospectus,
7 application for listing a security on a stock exchange, or proxy
8 materials, nor does it include a communication addressed to a
9 person who has previously executed a loan agreement relative to
10 that person's account.

11 ~~(i) "Promotional plan" means a detailed outline of the sub-~~
12 ~~stantive content and theme of a licensee's advertising. It may~~
13 ~~include scripts, preliminary layouts, and content outlines which~~
14 ~~accurately convey the general substance of the advertising that~~
15 ~~will be based on the promotional plan.~~

16 Sec. 2. (1) Application for each ~~such~~ license shall be in
17 writing, under oath, and in the form prescribed by the commis-
18 sioner, and shall contain the name and the address, ~~(~~ both of
19 the residence and place of business, ~~)~~ of the applicant, ~~and~~
20 if the applicant is a copartnership or association, of every
21 member, ~~thereof,~~ and if a corporation, of each officer and
22 director; ~~thereof,~~ also the county and municipality with street
23 and number, if any, where the business is to be conducted and
24 ~~such~~ ALL further relevant information as the commissioner may
25 require. ~~Such~~ THE applicant at the time of making each ~~such~~
26 application shall pay to the commissioner the sum of ~~-\$150.00-~~
27 \$300.00 as a fee for investigating the application and the

1 additional sum of \$250.00 as an annual license fee ~~and in full~~
2 ~~payment of all expenses for examinations under and for adminis-~~
3 ~~tration of this act~~ for a period terminating on December 31 of
4 the current calendar year. If the application is filed after
5 June 30 in any year ~~such~~ THE additional sum shall be only
6 \$150.00 as ~~such~~ THE license fee in addition to the fee for
7 investigation.

8 (2) AT LEAST ONCE DURING EVERY 2-YEAR PERIOD, THE COMMIS-
9 SIONER SHALL EXAMINE THE PLACE OF BUSINESS OF EACH LICENSEE. AN
10 EXAMINATION FEE SHALL BE PAID TO THE COMMISSIONER BY THE LICENSEE
11 BASED ON 1 OF THE FOLLOWING:

12 (A) AT A RATE OF NOT LESS THAN \$20.00 OR MORE THAN \$40.00
13 PER HOUR FOR EACH EXAMINER ENGAGED IN THE EXAMINATION.

14 (B) AT A RATE OF 20 CENTS PER OPEN ACCOUNT IF THIS AMOUNT
15 WOULD BE LESS THAN THE AMOUNT UNDER SUBDIVISION (A).

16 (3) THE EXAMINATION FEE FOR AN EXAM UNDER SUBSECTION (2)
17 SHALL NOT BE LESS THAN \$150.00.

18 (4) THE EXAMINATION FEE SHALL BE INVOICED UPON COMPLETION OF
19 THE EXAMINATION AND SHALL BE DUE AND PAYABLE UPON RECEIPT OF THE
20 INVOICE BY THE LICENSEE. A LICENSEE SHALL NOT BE REQUIRED TO PAY
21 FOR MORE THAN 1 EXAMINATION IN A CALENDAR YEAR.

22 (5) Every applicant shall also prove, in form satisfactory
23 to the commissioner, that he or ~~it~~ SHE has available for the
24 operation of ~~such~~ THE business at the location specified in the
25 application, liquid assets of at least \$50,000.00.

26 Sec. 4. (1) Upon the filing of ~~such~~ THE application,
27 ~~and~~ the payment of ~~such~~ THE fees, and the approval of ~~such~~

1 THE bond, the commissioner shall investigate the facts and if he
2 ~~shall find (a)~~ OR SHE FINDS that the financial responsibility,
3 experience, character, and general fitness of the applicant,
4 ~~and~~ of the members ~~thereof~~ if the applicant is a copartner-
5 ship or association, and of the officers and directors ~~thereof~~
6 if the applicant is a corporation ~~—~~ are such as to command the
7 confidence of the community and to warrant belief that the busi-
8 ness will be operated lawfully, honestly, fairly, and efficiently
9 within the purposes of this act ~~—~~, and ~~(b) that allowing such~~
10 ~~applicant to engage in business will promote the convenience and~~
11 ~~advantage of the community in which the business of the applicant~~
12 ~~is to be conducted, and (c)~~ that the applicant has available for
13 the operation of ~~such~~ THE business at the specified location
14 liquid assets in the amounts specified in section 2, ~~—~~ the
15 foregoing facts being conditions precedent to the issuance of a
16 license under this act, ~~—~~, he OR SHE shall ~~thereupon~~ issue
17 and deliver a license to the applicant to make loans in accord-
18 ance with the provisions of this act at the location specified in
19 the application, which license shall remain in full force and
20 effect until it is surrendered by the licensee or revoked or
21 suspended. ~~—if~~ IF the commissioner ~~shall not so find~~ FINDS
22 THAT THE APPLICANT FAILS TO MEET THE REQUIREMENTS OF THIS
23 SECTION, he OR SHE shall not issue ~~such~~ A license and ~~he~~
24 shall notify the applicant of the denial and return to the appli-
25 cant the bond and the sum paid by the applicant as a license fee,
26 retaining the ~~—\$150.00—~~ \$300.00 investigation fee to cover the
27 costs of investigating the application. The commissioner shall

1 approve or deny every application for license within 60 days from
2 the APPLICATION'S filing ~~thereof~~ with the fees and the approved
3 bond.

4 (2) If the application is denied, the commissioner shall
5 within 20 days ~~thereafter~~ FROM THE DATE OF DENIAL file with the
6 financial institutions bureau a written transcript of evidence
7 and a decision and findings with respect ~~thereto~~ TO THE DENIAL
8 containing the evidence and the reasons supporting the denial ~~—~~
9 and ~~forthwith~~ SHALL serve upon the applicant a copy ~~thereof~~
10 OF THE FILING.

11 Sec. 7. (1) ~~Not~~ NO more than 1 place of business shall be
12 maintained under the same license but the commissioner may issue
13 more than 1 license to the same licensee upon compliance with all
14 the provisions of this act governing an original issuance of a
15 license for each ~~such~~ new license.

16 (2) ~~Whenever~~ IF a licensee desires to change a licensed
17 place of business to a street address other than that designated
18 in the license, he OR SHE shall give written notice ~~thereof~~ to
19 the commissioner who shall ~~investigate the facts and, if he~~
20 ~~shall find that allowing the licensee to engage in business in~~
21 ~~the new location will promote the convenience and advantage of~~
22 ~~the community in which the licensee desires to conduct his busi-~~
23 ~~ness, he shall~~ indicate his OR HER approval of the change and
24 the date ~~thereof~~ by the issuance of a new license which shall
25 be authority for the operation of the business under the license
26 at the new location. ~~If the commissioner shall not so find he~~
27 ~~shall deny the licensee permission to change the location of the~~

~~1 place of business, in the manner specified and subject to the
2 provisions contained in the last paragraph of section 4. No
3 change in a place of business of a licensee to a location outside
4 of the original county shall be permitted under the same
5 license.~~

6 (3) The licensee at the time of giving written notice to
7 change the street address or change the name of the licensee
8 shall pay to the commissioner the sum of \$10.00.

9 Sec. 8. Every licensee, on or before ~~each~~ December 22 OF
10 EACH YEAR, shall pay to the commissioner the sum of \$250.00 for
11 each license held by him OR HER, as an annual license fee, ~~and~~
12 ~~in full payment of all expenses for examinations under and for~~
13 ~~administration of this act for the next succeeding calendar year~~
14 and at the same time file with the commissioner a bond for each
15 license held by him OR HER in the same amount and of the same
16 character as required by section 3. This section shall not apply
17 to any licensee who shall surrender his OR HER license and dis-
18 continue the business of making loans as authorized by this act.

19 Sec. 10. ~~For the purpose of discovering violations of this~~
20 ~~act or securing information lawfully required by him hereunder,~~
21 ~~the commissioner may at any time, either personally or by a~~
22 ~~person or persons duly designated by him, investigate the loans~~
23 ~~and business and examine the books, accounts, records, and files~~
24 ~~used therein, of every licensee and of every person who or which~~
25 ~~shall be engaged in the business described in section 1 of this~~
26 ~~act, whether such person shall act or claim to act as principal~~
27 ~~or agent, or under or without the authority of this act. For~~

~~1 that purpose the commissioner and his duly designated
2 representatives shall have and be given free access to the
3 offices and places of business, books, accounts, papers, records,
4 files, safes, and vaults of all such persons. The commissioner
5 and all persons duly designated by him shall have authority to
6 require the attendance of and to examine under oath all persons
7 whomsoever whose testimony he may require relative to such loans
8 or such business or to the subject matter of any examination,
9 investigation, or hearing.~~

~~10 At least once a year the commissioner shall make such an
11 examination of the affairs, business, office, and records of each
12 licensee insofar as they pertain to any business licensed under
13 this act.~~

14 (1) THE COMMISSIONER MAY MAKE INVESTIGATIONS AND EXAMINE THE
15 BOOKS, ACCOUNTS, RECORDS, AND FILES OF A LICENSEE. A LICENSEE
16 SHALL PAY A FEE FOR AN EXAMINATION OF ITS RECORDS CONDUCTED BY
17 THE COMMISSIONER AT A RATE OF NOT LESS THAN \$20.00 PER HOUR OR
18 MORE THAN \$40.00 PER HOUR FOR EACH EXAMINER ENGAGED IN AN EXAMI-
19 NATION OR AT A RATE OF 20 CENTS PER OPEN ACCOUNT, WHICHEVER IS
20 LESS. THE EXAMINATION FEE SHALL NOT BE LESS THAN \$150.00.

21 (2) THE EXAMINATION FEE SHALL BE INVOICED UPON THE COMPLE-
22 TION OF THE EXAMINATION AND SHALL BE DUE AND PAYABLE UPON RECEIPT
23 OF THE INVOICE BY THE LICENSEE. A LICENSEE SHALL NOT BE REQUIRED
24 TO PAY FOR MORE THAN 1 EXAMINATION FEE IN A CALENDAR YEAR.

25 (3) THIS SECTION SHALL NOT BE CONSTRUED TO PROHIBIT THE
26 KEEPING OF RECORDS BY ELECTRONIC DATA PROCESSING METHODS.

1 (4) THE COMMISSIONER MAY MAINTAIN A CAUSE OF ACTION IN THE
2 COURT OF CLAIMS TO RECOVER ANY FEES A LICENSEE FAILS TO PAY.

3 (5) ALL FEES COLLECTED UNDER THIS SECTION SHALL BE PAID INTO
4 THE STATE TREASURY AND CREDITED TO THE FINANCIAL INSTITUTIONS
5 BUREAU.

6 Sec. 11. (1) The licensee shall keep and use in the
7 licensee's business the books, accounts, and records the commis-
8 sioner may require in order to determine whether the licensee is
9 complying with the provisions of this act and with the rules
10 promulgated by the commissioner pursuant to this act. The
11 licensee shall preserve within this state and make accessible to
12 the commissioner, the books, accounts, and records, including
13 cards used in the card system, if any, for at least 2 years after
14 making the final entry on any loan recorded in the books,
15 accounts, and records. BOOKS AND ACCOUNTS MAY BE KEPT AT A LOCA-
16 TION OTHER THAN THE LICENSEE'S PRINCIPAL PLACE OF BUSINESS, PRO-
17 VIDED THAT THEY ARE MADE AVAILABLE TO THE COMMISSIONER UPON
18 REQUEST.

19 (2) The licensee shall FILE, annually on or before February
20 15 ~~file~~ OF EACH YEAR, with the commissioner its financial
21 statement in a uniform format prescribed by the ~~department~~
22 COMMISSIONER, including information on earnings, for the prior
23 fiscal year.

24 (3) The licensee shall FILE, on or before ~~February 15,~~
25 ~~1984~~ MARCH 15, 1991, and every third year thereafter, ~~file~~ a
26 report with the commissioner giving ~~such~~ ALL relevant
27 information as the commissioner reasonably may require concerning

1 the business and operations during the preceding 3-year period of
2 each licensed place of business conducted by the licensee within
3 this state.

4 (4) ~~The report~~ ALL REPORTS shall be made under oath and
5 shall be in the form prescribed by the commissioner.

6 (5) ~~(4)~~ The commissioner shall make and publish annually
7 an analysis and recapitulation of the reports filed pursuant to
8 subsections (2) and (3).

9 Sec. 12. (1) A licensee or other person shall not adver-
10 tise, print, display, publish, distribute, or broadcast or cause
11 or permit to be advertised, printed, displayed, published, dis-
12 tributed, or broadcast, in any manner whatsoever a false, mis-
13 leading, or deceptive statement or representation with regard to
14 the rates, terms, or conditions for the lending of money, credit,
15 goods, or things in action in an amount or of a value included
16 within the regulatory loan ceiling at a greater rate of charge
17 than lenders not licensed ~~hereunder~~ UNDER THIS ACT would be
18 permitted by law to make; or, in the case of a licensee, any
19 statement or representation which refers to the supervision of
20 the business by this state or a department or official ~~thereof~~
21 OF THIS STATE except with the approval of the commissioner. The
22 commissioner may order a licensee to desist from conduct which
23 the commissioner finds is a violation of this section.

24 (2) The commissioner may require that rates of charge, if
25 stated by a licensee, be stated fully and clearly in a manner the
26 commissioner considers necessary to prevent misunderstanding by
27 prospective borrowers.

1 (3) A licensee shall not take a lien upon real estate as
2 security for a loan made under this act, except a lien acquired
3 by execution or otherwise after the entry of a judgment.

4 (4) A licensee shall not conduct the business of making
5 loans under this act within an office, room, suite, or place of
6 business in which any other business is solicited or engaged in,
7 or in association or conjunction ~~therewith~~ WITH THE BUSINESS,
8 if the commissioner finds, after 5 days' written notice and after
9 a hearing that the other business is of such a nature that the
10 conduct has concealed or facilitated evasion of this act or of
11 the general rules lawfully made ~~hereunder~~ UNDER THIS ACT, and
12 shall order the licensee in writing to desist from that conduct,
13 but the order shall not be made by the commissioner unless the
14 commissioner finds that the other business has been so conducted
15 at that particular location that it has concealed or facilitated
16 evasion of this act.

17 (5) A licensee shall not transact business or make a loan
18 provided for by this act under any other name or at any other
19 place of business within this state than that named in the
20 license, unless it is A LOAN BY MAIL OR IS also an office of the
21 licensee duly licensed under this act.

22 (6) A licensee shall not take a confession of judgment or a
23 power of attorney to appear or to confess judgment on behalf of a
24 borrower. A licensee shall not take a note or evidence of
25 indebtedness that does not accurately disclose the actual amount
26 of the loan, the time for which it is made, and the agreed rate

1 of charge, ~~nor~~ OR an instrument in which blanks are left to be
2 filled in after execution.

3 (7) A licensee shall not discriminate against a person in
4 the extension of credit on the basis of sex or marital status.

5 Sec. 12a. (1) False, misleading, deceptive, or irresponsi-
6 ble advertising is unlawful and is defined as follows:

7 (a) Advertising which lures, entices, induces, or tends to
8 induce a person to incur a debt by unreasonably minimizing the
9 consequences of assuming a legal repayment obligation or by
10 depicting the assumption of a debt obligation as a frivolous
11 transaction.

12 (b) Advertising that describes or depicts the benefits or
13 advantages of having the money from a loan, without describing or
14 depicting the obligation of repaying the loan with interest.

15 (c) Advertising with claims and representations that are not
16 accurate or provable.

17 (d) Advertising which misrepresents facts or creates mis-
18 leading impressions.

19 (e) Advertising which contains a statement which, though
20 true, implies an untruth.

21 (f) Advertising which uses the phrase "lowest rates",
22 "lowest rates in the city", or similar phrases unless the rates
23 are actually lower than those of other lenders.

24 (g) Advertising which uses the phrase "new reduced rates",
25 "new low rates", "reduced rates", or similar phrases for more
26 than 60 days after the changed rates become effective.

1 (h) Advertising which causes a probability of confusion or
2 misunderstanding as to the legal rights, obligations, or remedies
3 of a lender, or as to the terms or conditions of credit.

4 (i) Advertising which represents that a borrower will
5 receive a rebate, discount, or other benefit as an inducement for
6 entering into a transaction, if the benefit is contingent on an
7 event to occur subsequent to the consummation of the
8 transaction.

9 (j) Advertising which suggests or infers that a loan is not
10 a loan, or that interest is not charged, or that the borrower is
11 not under an obligation to repay.

12 (2) A licensee shall not advertise any size of loan, secur-
13 ity required for a loan, rate of charge, or other condition of
14 lending except with the full intent of making loans at those
15 rates, or lower rates, and under those conditions, to applicants
16 who meet the standards or qualifications prescribed.

17 ~~(3) A licensee who advertises aggregate, combination or~~
18 ~~graduated rates shall first state the higher rate applicable to a~~
19 ~~portion of the loan and shall give the highest rate equal promi-~~
20 ~~nence with the lower rate applicable to the remainder of the~~
21 ~~loan.~~

22 Sec. 13.. (1) A licensee may lend money in an amount not to
23 exceed the regulatory loan ceiling and may contract for, COMPUTE,
24 and receive interest charges on the loan ~~to be computed~~
25 ~~monthly. The monthly interest charge shall not exceed 1/12 of~~
26 ~~either of the following:~~ AT A RATE NOT TO EXCEED 22% PER ANNUM
27 ON THE UNPAID BALANCE.

1 ~~(a) A combination of 31% per year of the portion of the~~
 2 ~~unpaid principal balance amounting to \$500.00 or less, and 13%~~
 3 ~~per year of the portion of the unpaid principal balance in excess~~
 4 ~~of \$500.00 but not in excess of the regulatory loan ceiling. The~~
 5 ~~interest rate authorized by this subdivision shall not apply to a~~
 6 ~~loan secured by a motor vehicle 2 or less model years old.~~

7 ~~(b) Eighteen percent per year of the unpaid principal bal-~~
 8 ~~ance not in excess of the regulatory loan ceiling.~~

9 ~~(2) A licensee shall not induce or permit a borrower to~~
 10 ~~split up or divide a loan. A licensee shall not induce or permit~~
 11 ~~a person to become obligated, directly or contingently, or both,~~
 12 ~~under more than 1 contract of loan at the same time, for the pur-~~
 13 ~~pose or with the result of obtaining a higher rate of charge than~~
 14 ~~would otherwise be permitted by this section.~~

15 (2) ~~(3) Charges~~ INTEREST CHARGES on loans made under this
 16 act shall not be paid, deducted, or received in advance, or
 17 compounded. All charges on loans made under this act shall be
 18 computed ~~and paid only as a percentage per month of~~ ON the
 19 unpaid principal balance or portions ~~thereof,~~ OF THE BALANCE,
 20 shall be so expressed in every obligation signed by the borrower,
 21 ~~and~~ and shall be computed on the basis of the number of days
 22 actually elapsed. ~~, for the purpose of which computations a~~
 23 ~~month shall be any period of 30 consecutive days.~~

24 (3) ~~(4)~~ In addition to the INTEREST AND charges provided
 25 for in this act, a LOAN PROCESSING FEE OF \$25.00 MAY BE CHARGED
 26 FOR EACH LOAN MADE, AND MAY BE INCLUDED IN THE PRINCIPAL OF THE
 27 LOAN. EXCEPT FOR PREMIUMS FOR CREDIT LIFE INSURANCE, NO further

1 or other amount shall ~~not~~ be directly or indirectly charged,
2 contracted for, or received, except the lawful fees, if any,
3 actually and necessarily paid out by the licensee to a public
4 officer, for filing, ~~or~~ recording, or releasing in a public
5 office a financing statement, an instrument securing the loan, or
6 both, and for noting and releasing a lien or transferring a cer-
7 tificate of title under THE MICHIGAN VEHICLE CODE, Act No. 300 of
8 the Public Acts of 1949, as amended, being sections 257.1 to
9 257.923 of the Michigan Compiled Laws, which fees may be col-
10 lected when the loan is made, or at any time thereafter.

11 (4) IN ADDITION TO A HANDLING FEE OF \$5.00, A LICENSEE MAY
12 CHARGE AN AMOUNT EQUAL TO THE ACTUAL CHARGE MADE TO THE LICENSEE
13 BY A DEPOSITORY INSTITUTION FOR THE RETURN OF AN UNPAID AND DIS-
14 HONORED CHECK, DRAFT, NEGOTIABLE ORDER, OR SIMILAR INSTRUMENT
15 GIVEN TO THE LICENSEE IN FULL OR PARTIAL REPAYMENT OF A LOAN.

16 (5) If an amount other than or in excess of the charges per-
17 mitted by this act is charged, contracted for, or received, other
18 than by a bona fide clerical error, ~~the contract of loan shall~~
19 ~~be void and~~ the licensee shall not have a right to collect or
20 receive any ~~principal, charges, or recompense whatsoever~~
21 INTEREST.

22 Sec. 13a. ~~At~~ IN ADDITION TO THE INTEREST CHARGES AUTHO-
23 RIZED BY THIS ACT, AT the option of the borrower, a licensee may
24 obtain or provide credit life insurance on the life of ~~+~~ THE
25 borrower, ~~but only + of them if there are 2 or more obligors~~
26 CO-BORROWER, OR BOTH, pursuant to THE CREDIT INSURANCE ACT, Act
27 No. 173 of the Public Acts of 1958, as amended, being sections

1 550.601 to 550.624 of the Michigan Compiled Laws, and may deduct
 2 from the principal of a loan and retain an amount equal to the
 3 premium lawfully charged by the insurance company. The insurance
 4 permitted by this section shall be in force when the loan is
 5 made. If the borrower obtains the insurance from or through a
 6 licensee, the statement required by section 14 shall show the
 7 cost ~~thereof~~ OF THE INSURANCE, and the licensee shall cause to
 8 be delivered to the borrower a copy of the policy, certificate or
 9 other evidence of the insurance. This act shall not prohibit the
 10 licensee or any employee, affiliate, subsidiary, or associate of
 11 the licensee from collecting the premium or identifiable charge
 12 for life insurance permitted by this section and from receiving
 13 and retaining any gain or other benefit resulting from the
 14 insurance. A licensee shall not require the purchase of ~~such~~
 15 insurance as a condition precedent to the making of a loan.

16 Sec. 14. A licensee shall:

17 (a) Deliver to the borrower ~~, or to 1 of them if there are~~
 18 ~~2 or more, at the time a loan is made a statement upon which~~
 19 ~~there shall be printed a copy of section 13 in the English lan-~~
 20 ~~guage showing in clear and distinct terms the amount and date of~~
 21 ~~the loan and of its maturity, the nature of the security, if any,~~
 22 ~~for the loan, the name and address of the borrower and of the~~
 23 ~~licensee, and the agreed rate of charge~~ A DISCLOSURE STATEMENT
 24 IN COMPLIANCE WITH REGULATION Z, 12 C.F.R. PART 226.

25 (b) Give to the borrower a plain and complete receipt for
 26 payments made on account of a loan at the time the payments are
 27 made, specifying the amount applied to charges and the amount, if

1 any, applied to principal, and stating the unpaid principal
2 balance, if any, of the loan. An unitemized receipt may be given
3 temporarily and within 30 days a receipt as prescribed above
4 delivered or mailed. A RECEIPT SHALL BE GIVEN TO THE BORROWER
5 FOR NONCASH PAYMENTS IF REQUESTED BY THE BORROWER.

6 (c) Permit payment to be made in advance in any amount on
7 any contract of loan at any time during regular business hours,
8 but the licensee may apply that payment first to all charges in
9 full at the agreed rate up to the date of the payment.

10 (d) Upon repayment of the loan in full, mark plainly every
11 obligation and security signed by the borrower with the word
12 "Paid" or "Canceled", and release any mortgage, restore any
13 pledge, cancel and return any note, and cancel and return any
14 assignment given to the licensee by the borrower.

15 (e) Display in each licensed place of business a full and
16 accurate schedule of the maximum charges authorized by this act
17 to be made upon loans of all classes and the method of computing
18 the ~~same~~ CHARGES.

19 Sec. 18. (1) A person, except as authorized by this act,
20 shall not directly or indirectly charge, contract for, or receive
21 an interest, discount, or consideration greater than the lender
22 would be permitted by law to charge if the lender were not
23 licensed under this act upon the loan, use, or forbearance of
24 money, goods, or things in action, or upon the loan, use, or sale
25 of credit of the amount or value included within the regulatory
26 loan ceiling.

1 (2) The prohibition specified in subsection (1) shall apply
2 to a person who or which, by any device, subterfuge, or pretense
3 whatsoever shall charge, contract for, or receive greater inter-
4 est, consideration, or charges than authorized by this act for
5 the loan, use, or forbearance of money, goods, or things in
6 action or for the loan, use, or sale of credit.

7 (3) A PERSON WHO ENTERS INTO A loan of the amount or value
8 included within the regulatory loan ceiling for which a greater
9 rate of interest, consideration, or charges than is permitted by
10 this act ~~has been~~ IS charged, contracted for, or received,
11 ~~wherever made, shall not be enforced in this state~~ EXCEPT AS A
12 RESULT OF ACCIDENTAL OR BONA FIDE ERROR, SHALL BE BARRED FROM
13 RECOVERY OF ANY INTEREST. A person who participates in ~~such~~ a
14 loan in this state shall be subject to this act. ~~However, this~~
15 THIS restriction shall not apply to loans legally made in a state
16 or country by a licensee under an existing regulatory loan law
17 similar in principle to this act, except that loans made by mail
18 to Michigan residents shall be subject to this act.

19 Sec. 19. (1) A person and the several members, officers,
20 directors, agents, and employees thereof, who violate or partici-
21 pate in the violation of ~~sections~~ SECTION 1, 12, 13, 14, or 18
22 are guilty of a misdemeanor, punishable by a fine of not more
23 than \$500.00, or imprisonment of not more than 6 months, or
24 both.

25 (2) ~~Any~~ A PERSON WHO ENTERS INTO ANY contract of loan not
26 invalid for any other reason, in the making or collection of
27 which an act is done which constitutes a misdemeanor under this

1 section, except a bona fide clerical error, ~~shall be void and~~
2 ~~the lender~~ shall not have a right to collect or receive any
3 ~~principal,~~ interest. ~~, or charges.~~

4 Sec. 21. (1) ~~The~~ IN ADDITION TO THE PROVISIONS OF THIS
5 ACT, THE commissioner may make rules, specific rulings, demands,
6 and findings for the enforcement of this act, ~~in addition to~~
7 ~~this act~~ but WHICH SHALL not BE inconsistent with this act.
8 Rules shall be filed by the commissioner with the financial
9 institutions bureau in an indexed, permanent book, with the
10 effective date of the rules suitably indicated, and the book
11 shall be a public record. A copy of a rule promulgated pursuant
12 to this act shall be mailed by the commissioner to all licensees
13 under this act at their respective licensed places of business at
14 least 10 days before the effective date of that rule.

15 (2) Fees received by the commissioner under this act shall
16 be deposited in the state treasury to the credit of the ~~general~~
17 ~~fund~~ FINANCIAL INSTITUTIONS BUREAU, AND THE MONEY IN THIS
18 ACCOUNT SHALL BE USED FOR THE OPERATION OF THE BUREAU.

19 Section 2. Sections 12b, 17, 23, and 26 of Act No. 21 of
20 the Public Acts of 1939, being sections 493.12b, 493.17, 493.23,
21 and 493.26 of the Michigan Compiled Laws, are repealed.