

HOUSE BILL NO. 5431

October 20, 2021, Introduced by Reps. Damoose, Beeler, Witwer and Hertel and referred to the Committee on Regulatory Reform.

A bill to amend 1950 (Ex Sess) PA 27, entitled
"Motor vehicle sales finance act,"
by amending section 13 (MCL 492.113), as amended by 2009 PA 231.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 13. (1) An installment sale contract ~~shall~~**must** include
2 the full names and addresses of all the parties to the contract,
3 the date when signed by the buyer, and a description of the motor
4 vehicle sold that is sufficient for accurate identification.

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

1 (a) The cash price of the motor vehicle. This amount ~~shall~~
2 **must** include any taxes, the cash price of agreed ~~upon~~**on**
3 accessories and installation of the accessories, the cash price of
4 any extended warranty or service contract, and a documentary
5 preparation fee. The documentary preparation fee ~~shall~~**must** not
6 exceed 5% of the cash price of the motor vehicle or \$160.00,
7 whichever is less. Beginning on January 1, 2005, the administrator
8 shall adjust the maximum amount then in effect for the documentary
9 preparation fee described in this subdivision every 2 years to
10 reflect the cumulative percentage change in the ~~consumer price~~
11 ~~index~~**Consumer Price Index** for the 2 ~~immediately preceding~~ calendar
12 years **preceding the adjustment**, as determined by the administrator.
13 The administrator shall round the adjustment to the nearest \$10.00
14 increment to set the fee every 2 years under this subdivision, but
15 shall carry over and use the absolute value to calculate the next
16 2-year adjustment. As used in this subdivision, "~~consumer price~~
17 ~~index~~"**Consumer Price Index** means the United States ~~consumer~~
18 ~~price index~~**Consumer Price Index** for all urban consumers, U.S. city
19 average, as defined and reported by the United States ~~department of~~
20 ~~labor, bureau of labor statistics~~**Department of Labor, Bureau of**
21 **Labor Statistics**.

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

29 (c) The unpaid cash price balance, which is the difference

1 between the cash price under subdivision (a) and the down payment
2 under subdivision (b).

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

20
21

Warning: The insurance afforded hereunder does not cover
22 liability for injury to persons or damage to property of
23 others unless so indicated hereon.
24

25 (e) The cost of any ~~guaranteed asset~~**motor vehicle financial**
26 protection ~~waiver~~**product** that the seller agrees to extend credit
27 to the buyer to obtain. For purposes of this subdivision, all of
28 the following apply:

29 (i) ~~"Guaranteed asset"~~**Motor vehicle financial** protection

1 ~~waiver~~"**product**" means that term as defined in section 3 of the
2 ~~guaranteed asset~~ **motor vehicle financial** protection ~~waiver~~ **products**
3 act, 2009 PA 229, MCL 492.23.

4 (ii) A ~~guaranteed asset~~ **motor vehicle financial** protection
5 ~~waiver~~ **product** may be included as part of, or as an addendum to, an
6 installment sale contract.

7 (iii) An installment seller that offers, sells, or provides
8 ~~guaranteed asset~~ **motor vehicle financial** protection ~~waivers~~
9 **products** to installment buyers in this state must comply with the
10 ~~guaranteed asset~~ **motor vehicle financial** protection ~~waiver~~ **products**
11 act, 2009 PA 229, MCL 492.21 to 492.34.

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

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

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

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

28 (i) The time balance, which is the total of the amounts
29 described in subdivisions (g) and (h) and represents the total

1 obligation of the buyer that he or she agrees to pay in 2 or more
2 scheduled payments.

3 (j) The payment schedule, which ~~shall~~**must** include the number
4 of payments, the amount of the payments, and the time of the
5 payments required to liquidate the time balance.

6 (3) An installment sale contract ~~shall~~**must** state clearly any
7 collateral security given to secure the buyer's obligation under
8 the contract.

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

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

18 Enacting section 1. This amendatory act takes effect, and
19 applies to a motor vehicle financial protection product that
20 becomes effective on or after, 180 days after the date this
21 amendatory act is enacted into law.

22 Enacting section 2. This amendatory act does not take effect
23 unless Senate Bill No. ____ or House Bill No. 5429 (request no.
24 04458'21) of the 101st Legislature is enacted into law.