

Act No. 94
Public Acts of 2024
Approved by the Governor
July 23, 2024
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**STATE OF MICHIGAN
102ND LEGISLATURE
REGULAR SESSION OF 2024**

Introduced by Reps. Farhat, Filler, Dievendorf, Haadsma, Rheingans, Tyrone Carter and Hood

ENROLLED HOUSE BILL No. 5460

AN ACT to amend 1950 (Ex Sess) PA 27, entitled “An act defining and regulating certain installment sales of motor vehicles; prescribing the conditions under which such sales may be made and regulating the financing thereof; regulating and licensing persons engaged in the business of making or financing such sales; prescribing the form, contents and effect of instruments used in connection with such sales and the financing thereof; prescribing certain rights and obligations of buyers, sellers, persons financing such sales and others; limiting charges in connection with such instruments and fixing maximum interest rates for delinquencies, extensions and loans; regulating insurance in connection with such sales; regulating repossessions, redemptions, resales and deficiency judgments and the rights of parties with respect thereto; authorizing extensions, loans and forbearances related to such sales; authorizing investigations and examinations of persons engaged in the business of making or financing such sales; transferring certain powers and duties with respect to finance companies to the commissioner of the financial institutions bureau; and prescribing penalties,” by amending sections 2, 12, 13, 22, and 31 (MCL 492.102, 492.112, 492.113, 492.122, and 492.131), section 2 as amended by 2013 PA 16, section 12 as amended by 1994 PA 2, section 13 as amended by 2009 PA 231, and section 31 as amended by 1995 PA 166.

The People of the State of Michigan enact:

Sec. 2. As used in this act:

- (a) “Administrator” means the director of the department of insurance and financial services.
- (b) “Cash price” means the price measured in dollars at which a seller of a motor vehicle would in good faith sell to the buyer or to any other buyer under like circumstances, and the buyer would in good faith buy from the seller, the motor vehicle that is the subject matter of an installment sale contract if the sale were a sale for cash instead of an installment sale.
- (c) “Collateral security” means security, other than a security interest in a motor vehicle that is the subject of an installment sale contract, that is given to secure performance of an obligation of the buyer, or of any surety or guarantor for the buyer, under an installment sale contract. Collateral security includes the undertakings of any surety or guarantor for the buyer and any interest in, encumbrance on, or pledge of real or personal property other than the motor vehicle that is the subject of the installment sale contract.

(d) “Down payment” means all partial payments, whether made in cash or otherwise, received by or for the benefit of the seller before or substantially contemporaneous with either the execution of the installment sale contract or the delivery of the motor vehicle sold under that contract, whichever occurs later.

(e) “Finance charge” means that term as defined in section 106 of the truth in lending act, 15 USC 1605.

(f) “Financial institution” means a state or national chartered bank, a state or federal chartered savings and loan association, or a state or federal chartered credit union.

(g) “Holder” means a seller or other person that is currently entitled to the rights of a seller under an installment sale contract.

(h) “Installment buyer” or “buyer” means a person that buys, hires, or leases a motor vehicle for personal, family, or household use, and not for commercial, business, or agricultural use, under an installment sale contract or a legal successor in interest to that person.

(i) “Installment sale contract” or “contract” means an agreement for the retail sale of a motor vehicle, or that has a similar purpose or effect, under which part or all of the price is payable in 2 or more scheduled payments subsequent to the making of the agreement or under which the obligor undertakes to make 2 or more scheduled payments or deposits that can be used to pay part or all of the purchase price, whether or not the seller has retained a security interest in the motor vehicle or has taken collateral security for the buyer’s obligation, and any extension, deferment, renewal, or other revision of that agreement. Installment sale contract and contract include a loan, mortgage, conditional sale contract, purchase-money chattel mortgage, hire-purchase agreement, or agreement for the bailment or lease of a motor vehicle under which the hire-purchaser, the bailee, or the lessee agrees to pay as compensation a sum substantially equivalent to or in excess of the value of the motor vehicle, and any other form of agreement that has a similar purpose or effect. Installment sale contract and contract do not include a sale or contract for sale on an open book account in which the seller has not retained or taken a security interest in the motor vehicle sold or collateral security for the buyer’s obligation, the buyer is not required to pay any sum other than the cash price of the motor vehicle sold in connection with the sale or extension of credit, and the buyer is obligated to pay for the motor vehicle in full not later than 90 days after the time the sale or contract for sale was made.

(j) “Installment seller” or “seller” means a person engaged in the business of selling, offering for sale, hiring, or leasing motor vehicles under installment sale contracts or a legal successor in interest to that person. As used in this subdivision, “business” does not include an isolated sale.

(k) “Licensed financial institution” means a financial institution issued a license under this act.

(l) “Licensee” means a person issued a license under this act as an installment seller or a sales finance company and whose license has not expired or been surrendered or revoked, and in the plural means a person or persons licensed under 1 or both of these 2 classifications. Licensee includes a licensed financial institution.

(m) “Motor vehicle” means a self-propelled device by which a person or property may be transported on a public highway or, subject to subparagraph (iv), a recreational vehicle. Motor vehicle does not include any of the following:

(i) A tractor, motorcycle, trailer, semitrailer, or power shovel.

(ii) Road machinery, agricultural machinery, or other machinery not designed primarily for highway transportation but that incidentally transports persons or property on a public highway.

(iii) A device that moves on or is guided by a track or travels through the air.

(iv) A recreational vehicle that does not have its own motive power; is sold by a person engaged solely in the business of selling, offering for sale, hiring, or leasing recreational vehicles that do not have their own motive power; and is sold under a retail installment contract or retail charge agreement that meets the requirements of the retail installment sales act, 1966 PA 224, MCL 445.851 to 445.873.

(n) “New motor vehicle” means a motor vehicle that is not and has not been a demonstrator, an executive or manufacturer’s motor vehicle, a leased motor vehicle, or a used or secondhand motor vehicle.

(o) “Person” means an individual, partnership, association, corporation, limited liability company, governmental entity, or any other legal entity.

(p) “Principal amount financed” means the unpaid cash price balance after deducting the down payment, adding the cost of any insurance premiums required or obtained as security for or by reason of the sale of a motor vehicle under an installment sale contract, and adding other costs necessary or incidental to the sale of the motor vehicle under the contract 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 and for which the buyer contracts voluntarily.

(q) “Recreational vehicle” means a recreational vehicle, as that term is defined in section 49a of the Michigan vehicle code, 1949 PA 300, MCL 257.49a, except a park model trailer, as that term is defined in section 38a of the Michigan vehicle code, 1949 PA 300, MCL 257.38a.

(r) "Retail sale" means a sale of a motor vehicle for use by a buyer or for the benefit or satisfaction that the buyer may derive from the use of the motor vehicle by another.

(s) "Sales finance company" means a person engaged as a principal, agent, or broker in the business of financing or soliciting the financing of installment sale contracts made between other parties, and in the business of acquiring, investing in, or lending money or credit on the security of the retail seller's interest in those contracts whether by discount, purchase, or assignment of those contracts, or otherwise. Sales finance company includes a licensee or other person that as a seller finances installment sale contracts for other sellers or sales finance companies. Sales finance company includes a licensed financial institution. Sales finance company does not include any of the following:

(i) A person, financial institution, or sales finance company that takes an assignment of or an interest in an aggregation of installment sale contracts only as security for bona fide commercial loans under which, in the absence of default or other bona fide breach of the loan contract, ownership of the contracts remains vested in the assignor and collection of payments on the contracts is made by the assignor.

(ii) A person that purchases installment sale contracts from a sales finance company or from a licensed financial institution.

(t) "Security interest" means a property right in a motor vehicle that is the subject of an installment sale contract, if the right is retained to secure performance of an obligation of the buyer under that contract. Security interest includes a lien or encumbrance against the motor vehicle, a mortgage interest in the motor vehicle, and a reservation of title to the motor vehicle, whether or not expressed to be absolute, if the title is in substance retained only for security.

(u) "Time balance" means the sum of the principal amount financed and the finance charge.

(v) "Used or secondhand motor vehicle" means a motor vehicle to which a certificate of title and license plates have been issued and which motor vehicle has been registered for use on the highways by a consumer or by a dealer.

Sec. 12. (1) An installment sale contract must be in writing, contain all of the agreements between the buyer and the seller relating to the installment sale of the motor vehicle sold, and be signed by both the buyer and the seller.

(2) An installment sale contract must be completed as to all essential provisions before the signing of the contract by the buyer and contain other information as the administrator may require.

(3) An exact copy of the installment sale contract must be furnished by the seller to the buyer without charge at the time the buyer signs the contract. The buyer's copy of the contract must contain the signature of the seller identical with the signature on the original contract.

(4) An installment sale contract must contain the following notice printed prominently and in the form indicated in 12-point type or larger directly above the space provided in the contract form for the signature of the buyer:

"Notice to buyer. Do not sign this contract in blank. You are entitled to 1 true copy of the contract you sign without charge. Keep it to protect your legal rights."

(5) The seller shall obtain from the buyer a written acknowledgment of the delivery of the copy of the contract. The acknowledgment must be printed in 12-point type or larger and, if attached to the contract, it must be printed below the buyer's signature to the contract and independently signed.

(6) Except as otherwise provided in this subsection and section 22, an installment sale contract must provide for weekly, semi-monthly, or monthly payments of the time balance in substantially equal periods and amounts. This subsection does not do either of the following:

(a) Apply to an installment sale contract made between a seller and a buyer who is an employee of the seller.

(b) Prohibit an installment sale contract that extends the time for making installment payments for a period of not to exceed 3 months.

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:

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

(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.

Sec. 22. (1) An installment sale contract may provide for a series of weekly, semi-monthly or monthly payments in substantially equal periods and amounts, followed by a single larger payment that satisfies the unpaid time balance, in which event the installment buyer has the right to an option, at the time the larger payment becomes due, to make the larger payment or to enter into a second contract that conforms to all the provisions of this act except that the refinance charge provided for in the second contract must not exceed the finance charge rate provided for in the first contract.

(2) An installment sale contract for a new motor vehicle may provide for a series of monthly payments in unequal payment amounts, if both of the following conditions are met:

(a) The amount of any payment under the installment sale contract does not increase more than 40% from the amount of the first scheduled payment.

(b) The amount of each payment under the installment sale contract does not exceed the buyer's maximum payment threshold, as determined by the installment seller or the sales finance company at the time the buyer completes the installment sale contract.

Sec. 31. (1) A licensee under this act shall not charge, contract for, collect, or receive from the buyer, directly or indirectly, any further or other amount for costs, charges, examination, appraisal, service, brokerage, commission, expense, interest, discount, fees, fines, penalties, or other thing of value in connection with the retail sale of a motor vehicle under an installment sale contract in excess of the cost of insurance premiums, other costs, the finance charges, refinance charges, default charges, recording and satisfaction fees, court costs, attorney fees, and expenses of retaking, repairing, and storing a repossessed motor vehicle that are authorized under this act.

(2) A licensee under this act shall not collect any charge in connection with a contemplated sale of a motor vehicle under an installment sale contract if the contract is not consummated. This subsection does not affect the legal status of a deposit paid by a prospective buyer to a seller as a binder on the contemplated purchase of a motor vehicle.

(3) A licensee under this act shall not charge either of the following fees related to an installment sale contract that requires payments in unequal amounts under section 22(2):

(a) A fee based solely on the fact that the installment sale contract requires payments in unequal amounts instead of payments in equal amounts.

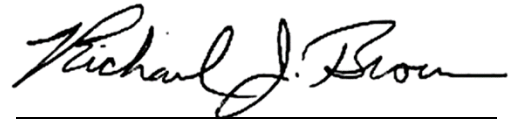
(b) A fee related to the prepayment of all of the unpaid time balance under the installment sale contract due to the resale of the motor vehicle.

(4) An insurance company, agent, or broker shall not pay or cause to be paid, directly or indirectly, to any installment seller, and an installment seller shall not receive from any insurance company, agent, or broker, any portion of an insurance premium involved in the retail installment sale of a motor vehicle other than for the benefit of the installment buyer, and all payments must be held by the installment seller in trust for the benefit of the installment buyer and must be paid to the installment buyer within 30 days, unless used in procuring comparable insurance or credited to matured unpaid installments under the contract as provided in section 16(f).

(5) Whenever in an installment sale contract under this act the seller or any subsequent holder has charged, contracted for, collected, or received from the buyer prohibited costs or charges in connection with the contract, all the costs and charges in connection with the contract, other than for insurance, are void and unenforceable and any amounts paid by the buyer for such costs and charges, other than insurance, must be applied on the principal of the contract.

(6) If a motor vehicle is covered by an installment sale contract, the buyer shall not transfer equity in that vehicle to another person without the written consent of the holder of the sale contract. The holder of the sale contract may charge a transfer fee of \$25.00.

This act is ordered to take immediate effect.



Clerk of the House of Representatives



Secretary of the Senate

Approved _____

Governor