Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bills 739 and 741 through 753 (as reported without amendment)
Senate Bill 740 (Substitute S-1 as reported)
Sponsor: Senator Mary Cavanagh (S.B. 739, S.B. 744, S.B. 749, S.B. 751)
Senator Rosemary Bayer (S.B. 740 & 741)
Senator Jeff Irwin (S.B. 742, S.B. 747, & S.B. 753)
Senator Ed McBroom (S.B. 743 & S.B. 752)
Senator John N. DaMoose (S.B. 745 & S.B. 748)
Senator Roger Victory (S.B. 746 & S.B. 750)
Committee: Finance, Insurance, and Consumer Protection

CONTENT

Senate Bill 739 would amend the Motor Vehicle Sales Finance Act to do the following:

-- Remove licensure under the Act for financial institutions.
-- Allow the Director of the Department of Insurance and Financial Insurance (DIFS) or the Director's designee (Administrator) to establish contracts with the Nationwide Multistate Licensing System and Registry (NMLS) to collect and maintain records and fees for licensed installment sellers and sales finance companies.
-- Modify the information submitted in a license application under the Act and specify that an application would have to include proof of NMLS compliance.
-- Delete a requirement that a licensee apply separately for each place of business.
-- Require the Administrator to approve or deny an application within 90 days of receipt.
-- Modify license posting requirements and require a licensee to post the license on the licensee's website.
-- Require the Administrator to annually establish a base fee schedule for licensure, additional branches, extended licenses, and for changing a license.
-- Increase, from $30 to $150, license fees for installment sellers
-- Increase, from $150 to $500, license fees for a sales finance company.
-- Modify the date licenses would expire from July 31 to December 31, annually and allow a licensee to obtain up to a four-year license.
-- Beginning January 1, 2028, require a licensee pay a $3 title application fee as provided under Senate Bill 740 (S-1).
-- Require money received under the Act to be deposited into the Motor Vehicle Fund created under Senate Bill 740 (S-1) and require DIFS to spend money from the Fund to administer the Motor Vehicle Sales Finance Act and the Administrator's regulatory obligations.
-- Allow a license to be transferred with consent from the Administrator.
-- Modify from June 16, to December 1, the date a licensee would have to submit a license renewal and allow for late renewal by January 31.
-- Prescribe an installment seller and sales finance license late renewal fee for $300 and $1,000, respectively.
-- Expand the conditions under which the Administrator could revoke or suspend a license to include failure to pay a renewal fee or title transfer fee.
-- Require a formerly licensed entity to sell, transfer, or assign its contracts within 60 days.
-- Allow the Administrator to issue a cease and desist order for a condition that the Administrator may currently suspend or revoke a license or against a licensee that posed a threat of financial loss or to public welfare.
-- Require the Administrator to provide a licensee with 36 hours written notice for a routine examination of the licensee's records.

-- Allow the Administrator to perform an unannounced, periodic, onsite investigation in response to a complaint.
-- Specify that information obtained by the Administrator and DIFS in an examination would be confidential.
-- Allow the Administrator to contract with certain third parties for the purpose of an investigation or examination require a licensee to pay for reasonable travel expenses incurred while making an out of State examination.
-- Require a licensee to file a business operation report with the Administrator annually and prescribe penalties for failing to do so.
-- Delete provisions concerning a buyer's ability to provide collateral security to secure the performance of an obligation in an installment sale contract.
-- Modify installment sale contract base requirements to specify that all contracts would have to include the title application fee described above.
-- Remove exemptions from the assignment of a contract for commercial loans or bulk sales.
-- Prohibit buyer finance charges on contracts made after the bill's effective date.
-- Prohibit fees for payment extension or deferral on contracts made after the bill's effective date.
-- Prescribe a felony penalty punishable by up to three years' imprisonment or a maximum civil fine of $15,000, or both, for engaging in any activity under the Act without a license.
-- Prescribe a $5,000 civil fine to a person that intentionally made a false statement, misrepresentation, or false certification in a record or document filed or required to be maintained under the Act or that made a false entry or omitted a material entry in a record.
-- Allow the Administrator to assess a maximum $1,000 civil fine against a person for a violation of the Act, plus the State's cost and expenses for the investigation and prosecution of the matter.
-- Repeal Section 37 of the Act, which prescribes a misdemeanor penalty punishable by up to three years imprisonment or a maximum fine of $5,000, or both, for acting as a installment seller or sales finance company without a license.
-- Repeal Section 41 of the Act, which allows a seller to calculate finance charges as interest accruing on the unpaid principal balance over time.

Senate Bill 740 (S-1) would modify the Michigan Vehicle Code to do the following:

-- Create the Fund in the State Treasury.
-- Prescribe an administrative fee of $3 to be paid by licensed dealers upon application for title, beginning January 1, 2027.
-- Require this fee to be deposited into the Fund to be spent on administration of the Motor Vehicle Sales Finance Act.
-- Require the Director of DIFS to adjust this fee every two years, up to $5.
-- Require a person who rejected the assignment of a security interest or purchase of a vehicle lease agreement or installment sale contract or who reassigned or transferred such an agreement or contract to inform the Secretary of State (SOS) that the person no longer held a security interest, vehicle lease agreement, or installment contract.
-- Beginning March 1, 2027, specify that a vehicle dealer would not have to pay the $3 application fee if the dealer acquired a vehicle that was not owned by a dealer and that already had a title in the State.
-- Beginning March 1, 2027, prescribe a $5 dealer-to-dealer electronic title transfer fee that would have to be deposited into the Transportation Administration Collection Fund and specify that a dealer that paid such a fee would be exempt from other title fees prescribed under the Code.[1]

[1] The Transportation Administration Collection Fund is spent on appropriation to defray the costs of collecting motor fuel taxes and for the SOS's administration of vehicle registration fees and certificate of title transfers.

Senate Bill 741 would amend the Code of Criminal Procedure to modify felony penalties charged to businesses that acted as installment sellers or sales finance companies without licensure in accordance with Senate Bill 739.

Senate Bill 742 would amend the lobbyist registration Act to modify a Michigan Compiled Laws (MCL) reference to the Motor Vehicle Sales Finance Act.

Senate Bill 743 would amend Part 201 (Environmental Remediation) of the Natural Resources and Environmental Protection Act (NREPA) to modify a Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 744 would amend the Uniform Commercial Code to modify the Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 745 would amend the Identity Theft Protection Act to modify the Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 746 would amend the Business Coordination Procedures Act to modify the Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 747 would amend the Retail Installment Sales Act to modify the Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 748 would amend the Credit Reform Act to modify the Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 749 would amend the Consumer Financial Services Act to modify the Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 750 would amend the Deferred Presentment Service Transactions Act to modify the Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 751 would amend the Guaranteed Asset Protection Waiver Act to remove reference to the Motor Vehicle Sales Finance Act.

Senate Bill 752 would amend Chapter 65 of the Revised Statutes of 1846, which provides for the recording of conveyances, to modify the Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 753 would amend the Michigan Penal Code to modify the Motor Vehicle Sales Finance Act's MCL reference in accordance with Senate Bill 739.

Senate Bill 739 is tie-barred to Senate Bills 740 through 753. Senate Bills 740 through 753 are each tie-barred to Senate Bills 739. Senate Bills 739 and 740 are described in greater detail below.

MCL 492.102 et al. (S.B. 739); 257.238 et al. (S.B. 740); 777.14p (S.B. 741); 4.414 (S.B. 742); 324.20101 (S.B. 743); 440.9201 (S.B. 744); 445.63 (S.B. 745); 445.111 (S.B. 746); 445.851a et al. (S.B. 747); 445.1852 & 445.1855 (S.B. 748); 487.2052 & 487.2056 (S.B. 749); 565.25 (S.B. 752); 487.2122 (S.B. 750); 492.23 (S.B. 751); 750.219e & 750.219f (S.B. 753)

BRIEF RATIONALE

The Motor Vehicle Sales Finance Act governs how installment sellers and sales finance

companies may sell or lease motor vehicles for which scheduled payments are made (installment contracts), including the licensure to do so. According to testimony before the Senate Committee on Finance, Insurance, and Consumer Protection, the Act has not been meaningfully updated since the 1950s and no longer accurately reflects current industry practices or regulatory standards. Reportedly, the current licensure fee structure generates less than $100,000 annually, and DIFS indicates the need for $2.0 million to regulate the industry and investigate or address consumer complaints. The Act also does not currently allow the use of the NMLS, which is used in other states to standardize licensing and information sharing. Accordingly, it has been suggested to modernize regulatory tools and provide sustainable funding to ensure installment sellers are regulated in a manner that adequately protects consumers.

Legislative Analyst: Eleni Lionas

FISCAL IMPACT

There would be no fiscal impact on DIFS. The bills would require the Administrator to annually establish a schedule of fees to offset DIFS's anticipated administrative costs. The bills also would require DIFS to access the NMLS and use other recent technology which would incur another administrative cost; however, the bills also would impose a fee on a dealer applying for the title for the sale or lease of a motor vehicle, which would offset this cost.

The bills' criminal penalties could have a negative fiscal impact on State and local government. Violations of them would be punishable by a civil fine of up to $5,000 or a felony with jail time and a fine of up to $15,000. More felony arrests and convictions could increase resource demands on law enforcement, court systems, community supervision, jails, and correctional facilities. Based on 2025 data, the average cost to State government for felony probation supervision is approximately $4,900 per probationer per year. For any increase in prison intakes the average annual cost of housing a prisoner in a State correctional facility is an estimated $49,600. Per diem rates range from $100 to $431 per day (average per diem is $135), depending on the security level of the facility. Additionally, any associated fine revenue would increase funding to public and county law libraries.

Senate Bill 740 (S-1) would increase restricted revenues for the Department of State from the new $5 fee for the affected electronic title transfers. The new fee would raise additional revenue for the Transportation Administration Collection Fund, which supplies most of the funding for the Department's budget. The amount of revenue is indeterminate and dependent on the number of titles electronically transferred under the bill's provisions.

Senate Bill 741 would have no fiscal impact on local government and an indeterminate fiscal impact on the State, in light of the Michigan Supreme Court's July 2015 opinion in *People v. Lockridge*, in which the Court ruled that the sentencing guidelines are advisory for all cases. This means that the addition to the guidelines under the bill would not be compulsory for the sentencing judge. As penalties for felony convictions vary, the fiscal impact of any given felony conviction depends on judicial decisions.

Senate Bills 742 through 753 would have no fiscal impact.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.