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BILL ANALYSIS

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Senate Bill 739, 741 through 753 (as introduced 12-16-25)
Senate Bill 740 (Substitute S-1)
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

Date Completed: 4-22-26

INTRODUCTION

The bills would modify licensure, increase fees, and expand administrative authority over sellers and sales finance companies that make motor vehicle installment sales contracts. For licensure, a financial institution could no longer be licensed under the Motor Vehicle Sales Finance Act; however, a licensee with a license that has expired or was surrendered or revoked could sell, transfer, or assign previously entered contracts to a financial institution as currently allowed. Administratively, the Director of the Department of Insurance and Financial Services (DIFS) or the Director's designee (Administrator) could use the Nationwide Multistate Licensing System and Registry (NMLS) for licensing, recordkeeping, fee collection, and information sharing and require NMLS compliance as a condition of licensure. The bills also would allow the Administrator to issue cease and desist orders and penalties for violations. The Administrator would have to annually establish a base fee schedule and allow for a license to be extended up to four years.

Additionally, the bills would modify installment sales contracts to eliminate the option for a buyer to provide collateral security and prohibit fees for payment extensions, among other things. Finally, the bills would create the Motor Vehicle Sales Finance Act Fund (Fund) within the State Treasury. Beginning January 1, 2028, installment sales contracts would have to include a $3 title fee for deposit into the Fund for administration of the Act.

BRIEF FISCAL IMPACT

The bills would have an indeterminate fiscal impact on State and local government. Departments, including DIFS and the Department of State, would incur costs related to new responsibilities required by the bills; however, these costs would likely be offset by new fines and fees imposed by the bills. Senate Bill 740 (S-1) would impose a new fee that would increase revenue for the Transportation Administration Collection Fund by an indeterminate amount. The bills also would prescribe criminal penalties that could increase resource demands on law enforcement, court systems, and correctional facilities.

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)

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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 Administrator to establish contracts with the 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]

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.

[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 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.

Senate Bill 739

Installment Sellers and Sales Finance Companies; Generally

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.

"Installment seller" or "seller" means a person engaged in the business of selling, offering for sale, hiring, or leasing motor vehicles under sale contracts or a legal successor in interest to that person. Under the term, "business" does not include an isolated sale.

"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 sellers interest in those contracts whether by discount, purchase, or assignment of those contracts or otherwise. The term includes a licensee or other person that as a seller finances installment sale contracts for other seller or sales finance companies.

Currently, the term includes a *licensed* financial institution but does not include a *person, financial institution, or sales finance company* that takes an assignment of or an interest in an aggregation of installment sales contracts only as a security for bona fide commercial loans under which, in the absence of default or other bone fide breach of the loan contract, ownership of the contracts remains vested in the assignor and collection of payment on the contract is made by the assignor. The term also does not include a person that purchases the installment sale contracts from a sales finance company or licensed financial institution. Under the bill, the term would no longer apply to a *licensed* financial institution and the provisions applicable to financial institutions and sales finance companies would not apply. Additionally, the term would not apply to a person that was formed for the limited purpose of acquiring, selling, holding, or financing installment sale contracts that purchases installment sale contracts, directly or indirectly, from a sales finance company or from a financial institution.

Also, "licensee" means a person issued a license under the Act as an installment seller or sales finance company and whose license has not expired or been revoked, and in the plural means, a person or persons licensed under one or both classifications. The term includes a licensed financial institution. The bill would no longer allow financial intuitions to be licensed under the Act or be considered a licensee.

National Multistate Licensing System Requirements

Under the bill, the Administrator could establish relationships or contracts with the NMLS, or NMLS successor, to collect and maintain records and process transactions fees or other fees related to licensed installment sellers, sale finance companies, or other persons subject to regulation under the Act. The Administrator could use the NMLS to request information from and distribute information to the United States Department of Justice or a governmental agency or, as directed by the Administrator, any government or regulatory source.

"Administrator" means the DIFS Director. Under the bill the term could also mean a designee of the Director.

The bill would require an applicant to include in a complete application for licensure any proof of compliance with the following provisions applicable to a control person of a sales finance company.

"Control person" would mean an individual who has the power to do any of the following:

-- Vote, directly or indirectly, at least 10% of the outstanding voting share or voting interests of a sales finance company applicant or licensee or a person in control of the applicant or licensee.
-- Elect or appoint executive officers, managers, directors, trustees, or other persons that exercise managerial authority of a person in control of a sales finance company applicant or licensee.
-- Exercise, directly or indirectly, a controlling influence over the management or policies of a sales finance company applicant or licensee or a person in control of the applicant or licensee.

Each control person of a sales finance company applicant or licensee and any individual that sought to become a control person of a sales finance company license would have to provide the Administrator through the NMLS the individual's fingerprints for submission to the Federal Bureau of Investigation (FBI) for purposes of a State and National background check, unless the control person currently resided outside of the United States and had resided there for

the last 10 years. These individuals also would have to provide authorization for the Administrator to receive the State and National background checks.

Additionally on a form prescribed by the Administrator, the applicant would have to furnish to the Administrator through the NMLS, personal history and experience of the individual, that included all the following:

-- An independent credit report from a consumer reporting agency, unless the control person did not have a Social Security Number.
-- Information related to any criminal convictions or pending charges against the individual.
-- Information related to any regulatory or administrative action or any civil litigation involving claims of fraud, misrepresentation, conversion, mismanagement of funds, breach of fiduciary duty, or breach of contract.

Complete License Application

Currently, a person must file an application for a new license or renewal license as a seller or sales finance company in writing, under oath, and in the form prescribed by the Administrator. The bill would remove the requirement that the filing be made under oath.

Under the Act, a complete license application must contain all the following:

-- The name under which the business is conducted.
-- The address or addresses of the business.
-- The date and place of incorporation, the name and address of the owner, or the name and address of all owners, partners, or members.
-- If the applicant did not maintain an office in the State, written appointment of a statutory agent who may be served.
-- A bond, if required by the Act.
-- Licensing fees.
-- Any other information required by the Administrator.

The bill also would require proof of compliance as described under National Multistate Licensing System and Registry Requirements in a complete license application. Additionally, the bill would modify the requirements for bonds, described under Bond Requirements and would modify licensing fees, described under Licensing Fees.

The Act requires applicants to submit separate applications for each place of business in the State. The bill would delete this requirement.

License Approval or Denial Process

The Act requires the Administrator to approve or reject an application within 90 days of DIFS receiving the application or by the date it is received by another agency or State department on behalf of DIFS. The bill would modify this provision to specify that the Administrator would have to approve or deny the application within 90 days after the Administrator received it.

If the Administrator determines that the application is incomplete, it must notify the applicant within 30 days. The Administrator must describe the deficiency and request additional information or the unpaid fee or bond. The bill would delete the requirement that the Administrator request the unpaid fee or bond.

If the Administrator failed to issue or deny a license within 90 days, the Administrator must return the license fee and reduce the applicant's next renewal fee by 15%. The Act specifies that the Administrator cannot discriminate against an applicant in the processing of the application because a license fee was refunded or discounted. The bill would delete these

provisions. The Administrator would have to return the license fee if the Administrator failed to issue or deny the license within 90 days.

If the Administrator denies a license application, the Administrator must mail the notice of denial within 30 days. The bill would modify this provision to no longer require the Administrator to send the notice by mail.

An applicant whose license application has been denied may appeal the action to the circuit court within 30 days pursuant to the Banking Code. The bill would modify this provision to require appeals to be subject instead to the Administrative Procedures Act.

Approved License Certificate

After approving an application, the Administrator must issue a license certificate. The licensee must post the certificate in a conspicuous place in the licensee's place of business in full view of the public. The bill would modify this provision to require a licensee to conspicuously display the license in the licensee's outer office or branch office if that office offered in-person services to consumers. The licensee also would have to provide the status of licensure and license number on its website

Bond Requirements

Currently, an applicant applying for a sales finance company license must include a bond in the penal sum of $20,000 with the first license application which will apply only to the principal place of business of the license. An applicant must include a bond for $10,000 for each additional location that the applicant wishes to be licensed to transact business as a sales finance company. If the applicant is licensed under the Mortgage Brokers, Lenders, and Services Licensing Act, (or other acts) the bond requirement is instead, a penal sum of $5,000. The bond must be executed by a surety company authorized under State law to transact business within the State. A bond accompanying a license sales finance company application filed by a financial institution may be executed by the financial institution on its own behalf instead of by a surety company.

Instead under the bill, a bond for a sales finance company license application would have to include a bond in the penal sum of $20,000 and would have to include an additional $10,000 for each additional location. The bond would have to be executed by a bonding company or insurance company authorized to transact business in the State. The bond would have to expire no earlier than the date the license expired.

License Fees

Current fees for licensure are described in the table below.

Type	Cost
Installment Seller	$30
Sales Finance Company	$150
Additional place of business for sales finance company	$75
Change of Address Within Same Municipality	$10

Financial institutions are not required to pay an application fee. The Act allows an abetment for a license fee to be given if a license is issued for less than a year or if the license is surrendered, cancel, or revoked before it expires. Additionally, the Act requires applicants to pay a $150 per contract examination fee for any record review by the Administrator; however, the Administrator must determine and notify applicants of an hourly contract rate annually.

Licenses expire annually on July 31, and the fees and expenses must be paid into the State Treasury.

The bill would delete the fees and provisions described above.

Instead, the Administrator would have to annually establish a schedule of application and licensing fees to be paid during the next calendar year. Licenses would expire annually December 31.

In establishing the fees, the Administrator would have to consider the amount necessary to generate funds sufficient to pay, but not exceed, DIFS's reasonably anticipated costs of administering the Act. The Administrator would have to establish the time and method of payment for the fees by rule or order. The minimum base fees would have to be as follows:

Type	Maximum Base Fee
Installment Seller Initial License	$150
Installment Seller Additional Branch	$50
Installment Seller Renewal	$150
Extended License; up to four years	$150 per extended year
Sales Finance Company Initial License	$500
Sales Finance Company Renewal	$500
Sales Finance Company Additional Branch	$50
Existing License Amendment or Change	$150

The applicant would have to pay the applicable fee described above to the Administrator at the time the application or renewal was made. Additionally, a licensee would also have to pay an executed contract fee as follows at the time and in the form established by the Administrator. Beginning January 1, 2028, to transfer a title for the sale of a new or used motor vehicle, a licensee would have to pay a $3 title application fee proposed under Senate Bill 740.

Act Administration through Motor Vehicle Sales Act Fund

Money received under the Act would have to be deposited into the Motor Vehicle Sales Act Fund created under Senate Bill 740. The Department of Insurance and Financial Services would have to spend money in the Fund, upon appropriation, only to administer and enforce the Motor Vehicle Sales Finance Act and to pay other costs associated with its regulatory obligations.

License Transfer

Under the Act, licenses are not transferable or assignable. Instead, under the bill, a license could not be transferred or assigned without the Administrator's consent. The sale, transfer, assignment, or conveyance of more than 25% of the outstanding voting stock of a licensee that was a corporation, or more than 25% of the interest in a licensee that was a partnership or other unincorporated association, would be considered a transfer of the license. The licensee would have to pay the amendment fee described under Fees to transfer a license.

Under the Act, only one place of business may be operated under the same license; however, a licensee may operate more than one place of business by filing a complete application for each additional place of business. An installment seller is only required to have one collective license for every place of business in the same city under one name if records are kept in one location. The bill would delete these provisions.

Renewal License and Extended Licensure

Applicants applying for a renewal license must submit the application on or before June 16, of the preceding renewal period. The bill would change this date to on or before December 1, of the preceding renewal period.

Under the bill, the Administrator could not renew a license if an applicant failed to pay the renewal term fee established by the Administrator in compliance with the bill's provisions described under Fees. Additionally, a licensee whose license renewal were not received on or before December 31, could renew the license by submitting a renewal application and renewal fee before January 31. The late renewal fee for an installment seller license would be $300, and the late renewal fee for a seller finance license would be $1,000.

A licensee that had a change to the information on file with a renewal application would have to notify the DIFS Director within 30 days of the change.

The bill would allow an installment seller applicant to request an extended license period of up to four years at the time of the initial application or upon renewal. The Administrator would have to deny the extended licensing period if the applicant failed to pay the required licensing fee multiplied by the number of extended years at the time of requesting an extension.

Revoked, Surrendered, and Expired Licenses

The Administrator may suspend or revoke a license for any condition that exists that would have resulted in a licensee's application being denied or for a licensee doing any of the following:

-- Making a material misstatement in a license application.
-- Violating the Act's provisions.
-- Refusing access for an examination described under Investigations.
-- Failing to maintain bond, described under Bond Requirements, as applicable.
-- Failing to maintain records, described under Records Retention.
-- Failing to file reports required by the Administrator.
-- Defrauding any retail buyer.
-- Failing to perform a written agreement with any retail buyer.[2]

Additionally, the Administrator may suspend or revoke a licensee if the licensee did not pay a fee that was a result of failing to file reports. The bill modify this provision to also allow the Administrator to suspend or revoke a license if the licensee failed to pay a renewal fee or title transfer fee described under License Fees.

Under the bill, the Administrator could issue a cease and desist order as described under Cease and Desist for Threat of Financial Loss or Public Welfare or assess a maximum $1,000 civil fine per violation as described under Penalties for any violation resulting in licensure suspension or revocation as described above.

Currently, appeals for an action taken by the Administrator described above must be in accordance with the Banking Code. The bill would modify this provision to require a proceeding comply with the Administrative Procedures Act.

[2] "Installment buyer" or "buyer" means a person that buys, hires, or leases, a motor vehicle for person, family, or household use, and not for commercial business, or agricultural use under a contract or legal successor in interest to that person. The bill specifies that the term would only apply to a person buying, hiring, or leasing in the State.

The expiration, surrender, or revocation of a license under the Act does not affect the obligation of a lawful installment sale contract. The Act specifies that this provision is only applicable if the holder of the contract forfeits the right to collect payments for a renewal of a contract if the license was expired, surrendered, or revoked prior to the renewal date. The bill would delete the forfeiture provision.

A licensee with a license that has expired or was surrendered or revoked may sell, transfer, or assign previously entered contracts to any licensed sales finance company or banking institution acquiring such contracts. A sales finance company or banking institution may renew the contract in accordance with the Act's provisions. The bill specifies that the licensee would have to sell, transfer, or assign such contracts within 60 days after a license expiration, surrender, or revocation. Additionally, the sale, transfer, or assignment would apply to a financial institution instead of a banking institution.

Cease and Desist for Threat of Financial Loss or Public Welfare

The bill would allow the Administrator to issue and serve on a licensee a cease and desist order if the Administrator believed after investigation that a licensee was engaging in or had engaged in a practice that posed a threat of financial loss or a threat to the public welfare, or had violated an applicable law, rule, or order.

A cease and desist order would have to contain a statement of the facts constituting the alleged practice or violation and would have to set a time and place for a hearing to determine if the Administrator should issue an order against the licensee. A licensee could consent to the issuance of the order. If the licensee or an authorized representative of the licensee failed to appear at the hearing, the licensee would be considered to have consented to the issuance of the order. Upon consent, or if an Administrator found, based on the record made at the hearing, that the practice or violation was established, the order would become final. The order could require the licensee and the licensee's officers, directors, members, partners, trustees, employees, agents or control persons to cease and desist from the practice or violation and to take affirmative action to correct the conditions resulting from the practice or violation.

To the extent the cease and desist order was stayed, modified, terminated, or set aside, by the Administrator or a court, the order would be effective on the date of service. An order issued with the licensee's consent would be effective at the time specified in the order and would remain effective and enforceable as provided by the order.

Investigations

Currently, the Administrator may investigate and examine all books, accounts, papers, records, documents, and files relating to matters regulated under the Act. The examination or investigation must be conducted during regular business hours. The bill would specify that the regular hours would have to be reasonably established. The Administrator may also investigate and examine a person not licensed under the Act if that person is presumed to be engaged in business regulated by the Act.

Under the bill, if the examination were a routine examination, the Administrator would have to provide the licensee with at least 36 hours written notice and maintain a record of the delivery of that notice in the examination record. "Routine examination" would mean an examination that is not the result of a complaint or suspected violation of the Act. "Written notice" would include notice by email or text message.

The bill would allow the Administrator to perform an unannounced, periodic, on-site investigation in response to a complaint.

The bill would prohibit the Administrator and DIFS from disclosing information obtained in an examination or investigation. The Administrator, each former Administrator, and each current and former deputy, agent, and employee of DIFS could not disclose any facts and information obtained in the course of their duties unless that individual was required under law to report on, take official action concerning, or testify in any proceedings regarding a licensee's activities. This provision would not apply to and would not prohibit the furnishing of information or documents to any Federal, foreign, or out-of-State regulatory agency with jurisdiction over a licensee and would not be applicable to any disclosure made in the public inspection by the Administrator, at the discretion of the Administrator.

The Administrator could do all the following for the purpose of an investigation or examination:

-- Enter into agreements or relationships with other governmental regulatory associations to improve efficiencies and reduce the regulatory burden by sharing resources, standardized or uniform documents, records, information, or evidence.
-- Use, hire, contract, or employ publicly or privately available analytical systems, methods, or software to examine or investigate a licensee or other person subject to the Act.
-- Accept and rely on examination or investigation reports made by other state or Federal agencies government officials.
-- Accept audit reports prepared by an independent certified public accountant for the licensee or other person subject to the Act during that part of the examination covering the same general subject matter as the audit and incorporate the audit report in the examination or investigation report, or other writing of the Administrator.

Records Retention

The Act requires licensees to maintain business books, accounts, and records that will enable the Administrator to determine compliance with the Act. A licensee may keep records in one location if that licensee has multiple licensed locations. All books, accounts, and records, including cards use in a card system must be preserved and available for examination by two years after the final entry of that information.

Instead, under the bill, a licensee would have to keep and use in the licensee's business the books, accounts, and records the Administrator could require to determine compliance with the Act and rules promulgated by the Administrator under the Act. A licensee would have to preserve and make accessible that information for at least two years after making the final entry in that book, account, or record. The books and accounts could be kept at a location other than the licensee's principal place of business if that information were made available to the Administrator upon request. If a licensee's principal place of business were not in the State, or the books, accounts, or records were not made available to the Administrator in the State, the licensee would have to pay the reasonable travel, lodging, and meal expenses of any person required to travel to make the examination.

The preservation of records by reproduction under the Records Reproduction Act would constitute compliance with the bill's provisions.

Business Operation Report

On or before a date determined by the Administrator, a licensee would have to file a report providing information concerning the business and operation of the licensee during the immediately preceding calendar year. The report would have to be filed quarterly or annually as prescribed by the Administrator. The Administrator could require a licensee to file a special report if the Administrator considered it necessary for proper supervision.

A person that willfully and knowingly subscribed and affirmed a false statement in a report would be subject to all the penalties under the Act. A licensee whose reports were not received on or before the date determined by the Administrator would be subject to a late fee of $25 for each day the report was late, or $1,000 whichever was less.

The bill specifies that the Administrator would have to accept electronically any record or document described in the Act, if possible and practical.

Delete Collateral Security for Installment Sales Contracts

The Act regulates how installment sale contracts are made. Generally, an installment sale contract is an agreement for the retail sale of a motor vehicle in which part of or all the purchase price is payable in two or more scheduled payments after the contract is made regardless of if the seller has retained security interest or collateral security for the buyer's obligations.

Among other requirements, the contract must state any collateral security taken to secure the buyer's obligation in the case of a breach of contract or default. Additionally, installment sales contracts must not contain provisions that allow unlawful entry while repossessing a motor vehicle or collateral security, provisions on waiving rights to bring an action for illegal actions committed in the collection of payments or in repossessing a motor vehicle or collateral security, or provisions on the buyer granting a power of attorney to collect payments or repossess the motor vehicle or collateral security. The Act also allows the motor vehicle sellers to require a buyer to pay fees for a lien on a certificate of title sold under an installment contract or collateral security.

"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.

The bill would delete the definition and all provisions concerning collateral security.

Additionally, the Act specifies that a person must not take a negotiable instrument other than a current check or draft as evidence of a buyer's obligation. The bill would delete this provision.

Penalties

The bill would prescribe a maximum $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.

Additionally, an unlicensed person who engaged in an activity under the Act that required a license would be guilty of a felony punishable by up to three years' imprisonment or a maximum civil fine of $15,000, or both. A court would have to order a person convicted of such a violation to pay restitution as provided under the Code of Criminal Procedure and the Crime Victim Rights Act.[3]

Finally, the bill would allow the Administrator to assess a civil fine of up to $1,000 per violation against a person that violated the Act; a rule promulgated under the Act; an order or ruling issued by the Administrator; or any other applicable State or Federal law; plus the State's

[3] The Code of Criminal Procedure and the Crime Victim Rights Act prescribe how restitution may be ordered to compensate victims for losses caused by the violation including for the fair market value of property.

cost and expenses for the investigation and prosecution of the matter, including reasonable attorney fees.

Installment Sales Contracts Modifications

The Act specifies the terms an installment contract must contain and list the price of the vehicle including taxes and fees, the downpayment made by the purchaser, the unpaid balance, and the cost of insurance if financed through the contract. Under the bill, the fee included in the purchase price would have to include the $3.0 title application fee proposed under Senate Bill 740.

Additionally, installment sale contracts must be made in writing and contain all the agreements between the buyer and seller as signed by both parties. The contract must include the full name and address of all parties, the date of signature, and a description of the vehicle. The bill specifies that the contract would have to include the full *legal* name of all parties

An installment sale contract must provide for weekly, semi-monthly, or monthly payments of the time balance in substantially equal amounts. This provision does not apply to an installment sale contract made with the employee of a seller and does not prohibit an installment sale contract from extending the payment schedule for up to three months. The bill would delete the time specific provisions and exemptions for employees and extensions. Instead, an installment sale contract would have to provide for payments in substantially equal periods and amounts.

Also, contracts must not contain an acceleration clause under which the payments must be immediately payable regardless of if the payments were not yet due because the seller or holder considered itself to be insecure. The bill would specify that the contract also could not contain such a clause because the seller or holder were unable to assign the contract.

Notices

Contracts also must include the cost of any insurance premium or travel emergency benefits offered by the seller. The seller must mail the buyer an exact cost of the insurance within 25 days after the contract is made. The contract must contain a warning that the insurance does not cover liability for injury unless specifically indicated. The Act requires specific placement of the warning and requires the warning to be printed in red ink and in a 12-point type or larger. The bill would delete the requirement that the notice be printed in red ink.

Additionally, contracts must contain the following provision in 10-point boldface type:

> Notice
>
> Any holder of this consumer credit contract is subject to all the claims and defenses which the debtor could assert against the seller of goods or services obtained pursuant to hetero or with the proceeds thereof. Recovery hereunder by the debtor shall not exceed amounts paid by the debtor hereunder.

Instead, under the bill, the notice would have to contain the following:

> Notice
>
> Any holder of this contract is subject to all the claims and defenses which the installment buyer could assert against the seller of goods or services obtained pursuant to hetero or with the proceeds thereof. Recovery hereunder by the installment buyer shall not exceed amounts paid by the debtor hereunder.

Sale or Transfer of Installment Sale Contract

If an installment sale contract is sold, transferred, or assigned to a licensed sales finance company the new holder of the contract must provide the buyer with a written notice of that assignment. Contracts may only be sold to entities licensed under the Act. The bill specifies that the contract also could not be sold to an entity exempt from licensure.

Additionally, the provisions above do not apply to an assignment made to secure a bona fide commercial loan or pursuant to a bulk sale of contracts including as part of collateral security for a commercial loan. The bill would delete these exemptions.

Under the bill, if a person rejected the assignment or the purchase of a contract, or at any time after the time if acceptance or purchase, the person subsequently reassigned or transferred the contract to an installment seller after a security interest was identified on the vehicle's title, the person would have to provide written notice to the installment seller that the person did not retain any security interest and that interest would be reassigned to the vehicle seller.

Buyer Finance Charge

The Act allows a licensed seller to charge a buyer a finance charge on the principal amount owed under any installment sale contract covering a motor vehicle retail sale. The charge cannot exceed 25% per year as prescribed under the Credit Reform Act.[4]

The charge must be calculated on an annual basis, prorated for the length of the contract and structured so that payments made in unequal standard amounts do not exceed the permitted annual percentage rate. Sellers may calculate the finance charge for a full month if the payment were delayed by more than 10 days. The bill would delete this provision.

Under the bill, any charge on an installment sale contract that was made after the bill's effective date could not be paid, deducted, received in advance, or compounded. Any charge on a contract would have to be computed on the unpaid principal balance or portions of the balance, specifically expressed in every obligation signed by the borrower, and calculated on the basis of the number of days elapsed.

Extended Due Date or Deferred Payments

Currently, the holder of an installment sale contract may extend a due date of, or defer a payment under, a contract. The Act allows the holder to charge a refinance charge, provides for a 25% interest cap on such a charge, limits the refinance charge to amounts and time periods actually refinanced, prohibits the inclusion of cash loans or unrelated credit, and allows only vehicle related costs to be financed.

Under the bill, beginning on its effective date, the holder of the contract could not charge a fee for the extension or deferment. For a contract that was entered into before the bill's effective date that included precalculated interest, the seller could calculate the charge for a full month if the payment were delayed by more than 10 days, and the bill's provisions described above would have to apply.

The Act also allows the holder to renew the unpaid time balance of a contract, and the bill would delete this provision.

Late Charge

[4] Under the Credit Reform Act, regulated lenders may charge, collect, and receive any rate of interest or finance charge for an extension of credit up to 25% per year.

The Act allows a default charge up to 25% to be collected on each installment payment of a contract that is not paid on or before the payment's due date. The charge cannot be collected on a payment in default because of an acceleration provision in the contract. The charge may be collected at any time under the contract.

The Act allows the charge to be calculated for a full month if the payment is delayed more than 10 days. The bill would delete this provision.

Prepayment

A buyer may prepay the unpaid balance remaining on a contract at any time. The Act specifies that the contract holder must immediately rebate by actuarial method the unearned portion of the finance charge if the contract is paid off early. Under the bill, for an installment contract that was entered into before the bill's effective date that included calculated interest, the rebate provisions would apply.

Payment Receipt Requirements and Final Payment

Upon making a payment under a contract, the person receiving the payment must provide the buyer or person making the payment with a complete and written receipt if paid by cash or upon request. The Act specifies the information that must be included in the receipt based on if the payment is made at the licensee's office or if done by mail. The bill would delete these provisions.

Instead, upon making a payment under a contract, the licensee receiving the payment must provide the buyer or the person making the payment with a plain and complete receipt that showed all the following:

-- The date of payment.
-- The amount paid.
-- The obligation to which the payment was applicable.
-- The amount paid to the charges and to the principal amount.
-- The unpaid principal balance.

A licensee would be compliant with the bill's requirements if the licensee provided an electronic monthly statement or invoice to the borrower or provided online access to such information.

Currently, upon paying the full balance of the installment contract, the holder must return to the buyer any security held by the contract, release any security interest in the motor vehicle, and deliver the buyer all title documents. The bill would delete these provisions. Instead, upon paying the full balance of the contract, the holder would have to provide the buyer with a copy of the contract stamped paid, termination of lien, and a final statement of account showing a zero balance.

At the time the final payment is made the holder must provide the buyer with a legal discharge for a clean title if requested by the buyer or later as agreed upon by the parties. The bill would modify this provision and instead require the holder to provide the legal discharge at the time of the final payment.

Senate Bill 740 (S-1)

The Motor Vehicle Sales Finance Act Fund and Documentary Preparation Fee

The bill would create the Fund in the State Treasury. Beginning January 1, 2027, the bill would prescribe a fee of $3 to be paid by dealers required to apply for title for the sale or lease of a motor vehicle. The SOS would have to deposit the additional fee into the Fund. Under the bill, DIFS would have to spend money from the Fund, upon appropriation, for the administration of the Motor Vehicle Sales Finance Act, as provided under Senate Bill 739. Beginning March 1, 2027, the title application fee described above would not apply to a new or used vehicle dealer that acquired ownership of a vehicle that had a title from the State issued by the SOS and that was not owned by a dealer.

By July 1, 2028, and by July 1 every two years after, the Director of DIFS would have to adjust this fee, rounded to the nearest whole dollar amount, as necessary to pay but not to exceed DIFS's reasonably anticipated costs for administering the Motor Vehicle Sales Finance Act. The fee could not exceed $5.

The Director would have to notify the SOS of the adjusted fee. The adjusted fee would take effect January 1 after the adjustment. The Director of DIFS would have to communicate the adjusted fee to vehicle dealers by bulletin when DIFS adjusted the documentary preparation fee.

Additionally, beginning March 1, 2027, for an electronic title transfer, if an applicant were a new or used vehicle dealer that acquired ownership of a vehicle from another dealer, the applicant would have to pay a $5 fee. This electronic title transfer fee would only apply if the selling dealer held an electronic title. The fee would have to be deposited into the Transportation Administration Collection Fund. A new or used vehicle dealer that paid the electronic title transfer fee would not be subject to the fees described below.

Until October 1, 2027, the Code requires a person to pay certain fees when applying for a title for the sale or lease of a motor vehicle including a $10 application fee, $3 service fee, and a $5 fee for expediting the certificate, as applicable; each fee must be deposited into the Transportation Administration Collection Fund. Additionally, until October 1, 2027, a person applying for a certificate of title, a salvage vehicle certificate of title, or scrap certificate of title must pay an additional $1.50 tire disposal surcharge. Also, the SOS must collect a 0.5 cents title assessment for title certificates, salvage vehicle title certificates, and scrap title certificates. The tire disposal surcharge must be deposited into the Scrap Tire Regulatory Fund under the Natural Resources and Environmental Protection Act, and the title assessment must be deposited into the account established under the Code for a vehicle theft prevention program.

Security Interest Transfer

Under the Code, an owner named in a vehicle's certificate of title may create a security interest in the vehicle or in any accessory on the vehicle. A holder of any kind of security interest may assign the holder's security interest in the vehicle or any accessory to a person other than the vehicle owner without affecting the interest of the vehicle owner or the validity of the security interest.

Under the bill, if a person rejected the assignment of a security interest or the purchase of a motor vehicle lease agreement or installment sale contract, or at any time after accepting the assignment or purchase, the person subsequently reassigned or transferred the motor vehicle lease agreement or installment sale contract to the licensed dealer or installment seller after a security interest was identified on the application for title or the title for the vehicle, that person would have to provide written notice to a licensed dealer or installment seller that the person did not retain a security interest or that it had returned the security interest in the

vehicle to the licensed dealer or installment seller. The bill would require the SOS to accept a written notice from a person and issue a new title identifying the licensed dealer or installment

seller as the secured party on the title to the vehicle, so long as the notice was accompanied by a properly completed title application.

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.