



**Senate Fiscal Agency**  
**P. O. Box 30036**  
**Lansing, Michigan 48909-7536**

**BILL ANALYSIS**



**Telephone: (517) 373-5383**  
**Fax: (517) 373-1986**

Senate Bill 441 (as enrolled)  
 Sponsor: Senator Michael J. Bouchard  
 Senate Committee: Financial Services  
 House Committee: Commerce

**PUBLIC ACT 184 of 1996**

Date Completed: 9-10-96

**RATIONALE**

Various changes to the ceiling that applies to loans made under the Regulatory Loan Act in recent years have attempted to give licensees under the Act greater ability to offer loans competitive with other lenders. For instance, the ceiling was raised from \$3,000 to \$8,000 by Public Act 14 of 1991, and from \$8,000 to \$15,000 by Public Act 165 of 1995. Some people believed that, since even a \$15,000 ceiling could be restrictive when licensees wished to make unsecured loans on new vehicles, the ceiling should simply be eliminated and that other revisions to the Act should be made to help licensees compete on an equal basis with other consumer lenders, which ultimately should benefit consumers.

**CONTENT**

**The bill amended the Regulatory Loan Act to do all of the following:**

- **Delete the Act's \$15,000 regulatory loan ceiling.**
- **Delete the specified minimum and maximum amount of a fee for a biennial examination by the Financial Institutions Bureau (which conflicted with the Act's general fee schedule).**
- **Apply certain requirements under the Act only to loans not secured by personal property.**
- **Delete certain limitations on the provision of credit insurance.**
- **Include a limited liability company in the Act's definition of "person".**

Loan Ceiling

The Act prohibited a person from engaging in the business of making loans of money, credit, goods, or things in action in an amount or of a value included within the regulatory loan ceiling without first obtaining a license from the Financial Institutions Bureau (FIB) Commissioner for each location at which the business was to be conducted under the Act. The Act also specifically allowed a licensee to lend money in an amount not to exceed the regulatory loan ceiling. Under the Act "regulatory loan ceiling" meant \$15,000. The bill deleted the definition of "regulatory loan ceiling" and references to the ceiling in those provisions.

Biennial Examination

The Act allows the FIB Commissioner or his or her designee to investigate the loans and business and examine the books, accounts, records, and files of every licensee and person engaged in business regulated under the Act. The Act also requires that, at least once during every two-year period, the FIB Commissioner examine the books, accounts, records, and files of a regulatory loan licensee. The bill deleted a requirement that a licensee pay not less than \$20 per hour or more than \$40 per hour for each examiner engaged in the examination. (Another section of the Act provides for a minimum fee of \$40 per hour and a maximum fee of \$70 per hour for each examiner.)

Unsecured Loans

The Act prohibits a licensee from inducing or permitting a person to become directly obligated

under more than one loan contract at the same time. The bill limited that prohibition to more than one loan contract not secured by personal property.

A9596\S441EA

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.

### Credit Insurance

The Act allowed a licensee to obtain or provide credit life insurance on the life of the borrower, pursuant to the Credit Insurance Act, but only on one of them if there were two or more obligors. The bill deleted that provision, and specifies instead that a licensee may obtain or provide credit insurance as defined in the Credit Insurance Act.

MCL 493.1 et al.

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

The bill makes sensible updates and other technical changes to the Regulatory Loan Act. For example, the bill eliminates the ceiling that applies to regulatory loans, so that licensees under the Act may make more types of unsecured loans to prospective borrowers. The \$15,000 ceiling often prevented lenders from making new vehicle loans, since many new vehicles have list prices significantly above that amount. The bill also allows lenders to obtain or provide credit life insurance as defined in the Credit Insurance Act, thereby updating the Regulatory Loan Act to allow licensees to offer this type of insurance on loans involving more than one obligor (e.g., a vehicle loan made to a married couple). Other changes in the bill are either technical in nature or reflect the way licensees are regulated under other consumer loan laws.

Legislative Analyst: P. Affholter

### **FISCAL IMPACT**

The bill will have no fiscal impact on State or local government.

The bill eliminated the examination fee schedule as listed in Section 10, which conflicted with the general fee schedule already listed in Section 8.

Fiscal Analyst: M. Tyszkiewicz