



SENATE BILL No. 431

March 28, 1995, Introduced by Senator SHUGARS and referred to the Committee on Financial Services.

A bill to amend sections 102, 204a, 204b, 206, 209, 301, 303, 305, 307, and 309 of Act No. 332 of the Public Acts of 1965, entitled as amended

"Home improvement finance act,"

sections 102 and 206 as amended and sections 204a and 204b as added by Act No. 202 of the Public Acts of 1985 and section 301 as amended by Act No. 429 of the Public Acts of 1988, being sections 445.1102, 445.1204a, 445.1204b, 445.1206, 445.1209, 445.1301, 445.1303, 445.1305, 445.1307, and 445.1309 of the Michigan Compiled Laws.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Section 1. Sections 102, 204a, 204b, 206, 209, 301, 303,
2 305, 307, and 309 of Act No. 332 of the Public Acts of 1965,
3 sections 102 and 206 as amended and sections 204a and 204b as
4 added by Act No. 202 of the Public Acts of 1985 and section 301

1 as amended by Act No. 429 of the Public Acts of 1988, being
2 sections 445.1102, 445.1204a, 445.1204b, 445.1206, 445.1209,
3 445.1301, 445.1303, 445.1305, 445.1307, and 445.1309 of the
4 Michigan Compiled Laws, are amended to read as follows:

5 Sec. 102. As used in this act, except where the context
6 clearly indicates otherwise:

7 (a) "Banking institution" means a bank, bank and trust com-
8 pany, trust company, savings bank, private bank, or a national
9 banking association, organized and doing business under the pro-
10 visions of any law of this state, or of any other state of the
11 United States, or under the provisions of any law of the United
12 States of America.

13 (b) "Cash price" means the cash sales price stated in a home
14 improvement installment contract, or the cash sales price of
15 goods and services that are the subject of a home improvement
16 charge sale, for which the contractor would sell or furnish to
17 the buyer and the buyer would buy or obtain from the contractor
18 the goods and services ~~which~~ THAT are the subject of the con-
19 tract or home improvement charge sale, if the sale were a sale
20 for cash, instead of a home improvement installment sale or home
21 improvement charge sale, and may include any taxes.

22 (c) "Collateral" means real or personal property subject to
23 a pledge, security interest, mortgage, encumbrance, judgment, or
24 other lien ~~which~~ THAT secures the performance of an obligation
25 of the buyer, or a surety or guarantor for the buyer, under a
26 home improvement installment contract or any extension,
27 deferment, renewal, or other revision ~~thereof~~ OF THE CONTRACT.

1 (d) "Down payment" means the amounts paid in money and in
2 goods to the home improvement contractor and allowances given by
3 the home improvement contractor to the buyer prior to or contem-
4 poraneous with the execution of a home improvement installment
5 contract.

6 (e) "Finance charge" ~~, "credit service charge", "service~~
7 ~~charge", "time price differential", or a similar term means that~~
8 ~~amount by which the time sale price exceeds the aggregate of the~~
9 ~~cash price and the amounts, if any, included for insurance premi-~~
10 ~~ums and official fees~~ MEANS THAT TERM AS DEFINED IN SECTION 106
11 OF CHAPTER I OF THE TRUTH IN LENDING ACT, TITLE I OF THE CONSUMER
12 CREDIT PROTECTION ACT, PUBLIC LAW 90-321, 15 U.S.C. 1605.

13 (f) "Financing agency" means a person other than a home
14 improvement contractor engaged, directly or indirectly, as prin-
15 cipal, agent, or broker in the business of purchasing, acquiring,
16 financing, soliciting, or arranging for the financing or acquisi-
17 tion of home improvement installment contracts or home improve-
18 ment charge agreements or any obligation in connection
19 ~~therewith~~ WITH SUCH CONTRACTS OR AGREEMENTS. It does not
20 include a person to the extent that the person makes bona fide
21 commercial loans to contractors or financing agencies and takes
22 assignments of, or an interest in, an aggregation of such con-
23 tracts only as security for ~~such~~ commercial loans under which,
24 in the absence of default or other bona fide breach of the loan
25 contract, ownership of ~~such~~ THE contracts remains vested in the
26 assignor and collection of payments on ~~such~~ THE contracts is
27 made by the assignor.

1 (g) "Goods" means chattels ~~which~~ THAT are furnished or
2 used in the modernization, rehabilitation, repair, alteration, or
3 improvement of real property, but not in the construction of new
4 homes.

5 (h) "Holder" means a person, including a contractor, cur-
6 rently entitled to the rights of a contractor under a home
7 improvement installment contract or home improvement charge
8 agreement.

9 (i) "Home improvement charge agreement" or "agreement" means
10 an instrument prescribing the terms of home improvement charge
11 sales, whether secured or unsecured, which may be made under the
12 agreement from time to time and under the terms of which a ~~time~~
13 ~~price differential~~ FINANCE CHARGE is to be computed in relation
14 to the buyer's unpaid balance from time to time.

15 (j) "Home improvement charge sale" means the sale of goods
16 and furnishing of services by a contractor to a retail buyer pur-
17 suant to a home improvement charge agreement and as to which sale
18 the cash price is stated to be in excess of \$300.00.

19 (k) "Home improvement contractor" or "contractor" means a
20 person who sells goods and services, or agrees to furnish or
21 render services, to a retail buyer pursuant to a home improvement
22 installment contract, or sells goods and services to a retail
23 buyer pursuant to a home improvement charge agreement, but not in
24 connection with construction of new homes.

25 (l) "Home improvement installment contract" or "contract"
26 means an agreement covering a home improvement installment sale,
27 whether contained in 1 or more documents, together with any

1 accompanying promissory note or other evidence of indebtedness,
2 pursuant to which the buyer promises to pay in installments all
3 or any part of the time sale price or prices of goods and serv-
4 ices ~~—~~ or services. It does not include ~~such an agreement~~

5 ANY OF THE FOLLOWING AGREEMENTS:

6 (i) Pertaining to real property used for a commercial or
7 business purpose.

8 (ii) Covering the sale of goods by a person who neither
9 directly nor indirectly performs or arranges to perform any serv-
10 ices in connection with the installation of or application of the
11 goods.

12 (iii) Covering only an appliance designed to be
13 free-standing and not built into and permanently affixed as an
14 integral part of the structure such as a stove, freezer, refrig-
15 erator, air conditioner other than one connected with a central
16 heating system, hot water heater, and the like.

17 (iv) Covering the sale of goods and the furnishing of serv-
18 ices or the furnishing of services ~~thereunder~~ UNDER THE
19 AGREEMENT for a cash price stated ~~therein~~ IN THE AGREEMENT of
20 \$300.00 or less.

21 (v) If the loan is contracted for or obtained directly by
22 the retail buyer from the lending institution, person, or
23 corporation.

24 (vi) ~~which~~ THAT is a home improvement charge agreement.

25 (m) "Home improvement installment sale" or "sale" means the
26 sale of goods and furnishing of services or the furnishing of
27 services by a contractor to a retail buyer pursuant to a home

1 improvement installment contract in which the cash price is
2 stated to be in excess of \$300.00.

3 (n) "Official fees" means the fees required by law to be
4 paid to the appropriate public officer for obtaining any permit
5 or filing or recording or releasing any judgment, mortgage, or
6 other lien or perfecting any security interest taken or reserved
7 as security in connection with a home improvement installment
8 contract.

9 (o) "Person" means an individual, partnership, association,
10 ~~business corporation, banking institution, nonprofit corpora-~~
11 ~~tion, common law trust, joint stock company, or any other group~~
12 ~~of individuals, however organized~~ CORPORATION, GOVERNMENTAL
13 ENTITY, OR ANY OTHER LEGAL ENTITY.

14 (p) "Principal amount financed" means the cash price of the
15 goods and services ~~which~~ THAT are the subject matter of the
16 home improvement installment sale minus the amount of the buyer's
17 down payment, plus the amounts, if any, included for insurance
18 and official fees.

19 (q) "Retail buyer" or "buyer" means a person who buys goods
20 and services, or services from a contractor pursuant to a home
21 improvement installment contract, or goods and services from a
22 contractor pursuant to a home improvement charge agreement.

23 (r) "Services" means work, labor, and services furnished in
24 connection with the installation or application of goods.

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

1 (t) "Time sale price" means the total of the cash price of
2 the goods and services or services, the finance charge, and the
3 amounts, if any, included for insurance premiums and official
4 fees.

5 Sec. 204a. (1) On or after ~~the effective date of this~~
6 ~~section~~ DECEMBER 27, 1985, a contractor may enter into a home
7 improvement charge agreement with a retail buyer. A home
8 improvement charge agreement shall be in writing and dated, and
9 shall be signed by the buyer or the authorized representative of
10 the buyer. A copy of a home improvement charge agreement shall
11 be delivered or mailed to the buyer before the date on which the
12 first payment is due under the agreement. An acknowledgment by
13 the buyer of delivery of a copy of the agreement contained in the
14 body of the agreement shall be in a size equal to at least
15 10-point bold type and shall appear directly above the buyer's
16 signature or the signature of the authorized representative of
17 the buyer. ~~A home improvement charge agreement shall not be~~
18 ~~signed by the buyer when it contains blank spaces of items which~~
19 ~~are essential provisions of the transaction to be filled in after~~
20 ~~it has been signed.~~ The buyer's acknowledgment, conforming to
21 the requirements of this section, of delivery of a copy of an
22 agreement ~~, shall be~~ IS presumptive proof, in any action or
23 proceeding, of the delivery. ~~and that the agreement, when~~
24 ~~signed, did not contain a blank space as provided in this~~
25 ~~subsection.~~ A home improvement charge agreement shall state the
26 maximum amount and rate of the ~~time price differential~~ FINANCE
27 CHARGE to be charged and paid pursuant to the agreement. A home

1 improvement charge agreement shall contain substantially the
2 following notice printed or typed in a size equal to at least
3 10-point bold type: "Notice to the buyer--Do not sign this
4 agreement before you read it or if it contains blank spaces. You
5 are entitled to a copy of the agreement you sign."

6 (2) A home improvement charge agreement shall contain sub-
7 stantially the following notice:

8 "A home improvement charge sale made pursuant to this agree-
9 ment may be rescinded or canceled by the buyer not later than 5
10 p.m. on the business day following the date of the sale by giving
11 written notice of rescission to the contractor or an agent of the
12 contractor at his or her place of business given in this agree-
13 ment or by mailing the notice of cancellation to the contractor
14 to his or her place of business given in the agreement by depos-
15 iting a properly addressed certified letter in a United States
16 post office or mailbox; but if the buyer rescinds after 5 p.m. on
17 the following business day, the buyer is still entitled to offer
18 defenses in mitigation of damages and to pursue any rights of
19 action or defenses that arise out of the transaction." The
20 notice required by this subsection shall also be given to the
21 buyer at the time of each purchase under the home improvement
22 charge agreement.

23 (3) The buyer under a home improvement charge agreement
24 shall promptly be supplied with a statement as of the end of each
25 monthly period, which need not be a calendar month, or other reg-
26 ular period agreed upon in writing, at the end of which there is

1 an unpaid balance greater than \$1.00 under the agreement. 7
2 ~~which~~ THE statement shall recite the following:

3 (a) The unpaid balance under the home improvement charge
4 agreement at the beginning and at the end of the period.

5 (b) The cash price of each purchase under the home improve-
6 ment charge agreement by the buyer during the period and, unless
7 a sales slip or a memorandum of each purchase is attached to the
8 statement, the purchase or posting date, a brief description, or
9 identification of each such purchase.

10 (c) The payments made by the buyer and any other credits to
11 the buyer during the period.

12 (d) The amount, if any, of any time price differential for
13 that period.

14 (e) A statement to the effect that the buyer at any time may
15 pay the total unpaid balance or any part of that balance.

16 Sec. 204b. (1) A home improvement charge agreement may pro-
17 vide for, and the contractor or holder may then charge, collect,
18 and receive, a FINANCE CHARGE AS PERMITTED BY THE CREDIT REFORM
19 ACT. ~~time price differential for the privilege of paying in~~
20 ~~installments under the agreement, in an amount not to exceed 1.2%~~
21 ~~of the unpaid balance per month. An agreement may further pro-~~
22 ~~vide that if the interest rate paid at 2 successive auctions of~~
23 ~~26 week United States treasury bills is 8% or more, then on a~~
24 ~~home improvement charge sale made after that date the time price~~
25 ~~differential shall not exceed 1.375% of the unpaid balance per~~
26 ~~month, but if the interest rate paid at 2 successive auctions of~~
27 ~~26 week United States treasury bills falls below 8%, then the~~

1 ~~time price differential on a home improvement charge sale made~~
2 ~~after that date shall not exceed 1.2% of the unpaid balance per~~
3 ~~month, unless the interest rate paid at 2 successive auctions of~~
4 ~~26 week United States treasury bills again is 8% or more, in~~
5 ~~which case the time price differential on a home improvement~~
6 ~~charge sale made after that date shall not exceed 1.375% of the~~
7 ~~unpaid balance per month. The time price differential~~ FINANCE
8 CHARGE under this subsection shall be computed on all amounts
9 unpaid under the agreement from month to month, which need not be
10 calendar months, or other regular periods. A minimum ~~time price~~
11 ~~differential~~ FINANCE CHARGE not in excess of 70 cents per month
12 may be charged, collected, and received.

13 (2) The ~~time price differential~~ FINANCE CHARGE for pur-
14 chases made under a home improvement charge agreement shall not
15 be computed or imposed on an amount charged for the sale of goods
16 or services until those goods or services have been delivered to
17 the purchaser of the goods or services. If the ~~time price~~
18 ~~differential~~ FINANCE CHARGE is charged before delivery of the
19 goods or services, the charges applied before the delivery date
20 shall be adjusted upon the request of the purchaser in accordance
21 with ~~part D of~~ CHAPTER 4 OF THE TRUTH IN LENDING ACT, title I
22 of the ~~federal~~ consumer credit protection act, PUBLIC LAW
23 90-321, 15 U.S.C. 1666 to 1666j.

24 (3) A change in the rate of the ~~time price differential~~
25 FINANCE CHARGE charged pursuant to a home improvement charge
26 agreement ~~shall~~ DOES not apply to a balance incurred prior to
27 the effective date of the change.

1 (4) An extension of credit under a home improvement charge
2 agreement shall not be secured by a lien on the buyer's principal
3 residence.

4 (5) A home improvement charge agreement may also provide for
5 the payment of an attorney's reasonable fee where it is referred
6 for collection to an attorney who is not a salaried employee of
7 the holder of the home improvement charge agreement or an unpaid
8 balance under the agreement, and for court costs.

9 Sec. 206. (1) A home improvement installment contract or
10 home improvement charge agreement shall not contain any
11 ~~provision by which~~ OF THE FOLLOWING PROVISIONS:

12 (a) The buyer agrees not to assert against a contractor a
13 claim or defense arising out of the home improvement installment
14 sale or a home improvement charge sale or agrees not to assert
15 against an assignee ~~such~~ a claim or defense.

16 (b) In the absence of the buyer's default in the performance
17 of any of the buyer's obligations, the holder may, arbitrarily
18 and without reasonable cause, accelerate the maturity of any or
19 all of the amount owing ~~thereunder~~ UNDER THE CONTRACT.

20 (c) The buyer waives any right of action against the con-
21 tractor or holder, or a person acting on his or her behalf, for
22 any illegal act committed in the collection of payments under the
23 contract or agreement.

24 (d) The buyer relieves the contractor from liability for any
25 legal remedies which the buyer may have against the contractor
26 under the contract or agreement or any separate instrument
27 executed in connection with the contract or agreement.

1 (e) The contractor ~~—~~ or holder, or a person acting on his
2 or her behalf, is authorized to enter upon the premises of the
3 buyer unlawfully, or is authorized to commit any breach of the
4 peace in connection with any repossession or other entry upon the
5 premises of the buyer.

6 ~~(f) The contractor is entitled to liquidated damages for~~
7 ~~any cancellation, rescission, or failure or refusal to accept~~
8 ~~delivery of the goods or performance of the services covered in~~
9 ~~the contract or provided pursuant to the agreement.~~

10 (2) ~~Any~~ A provision prohibited under subsection (1) is
11 void but ~~shall~~ DOES not otherwise affect the validity of the
12 contract or agreement.

13 Sec. 209. A home improvement installment contract may pro-
14 vide for the payment by the buyer of a ~~delinquency and collec-~~
15 ~~tion charge on each installment in default for a period of not~~
16 ~~less than 10 days in an amount not in excess of 5% of such~~
17 ~~installment or \$5.00, whichever is less. Only + such delinquency~~
18 ~~and collection charge may be collected on any such installment~~
19 ~~regardless of the period during which it remains in default.~~ FEE
20 FOR A LATE INSTALLMENT PAYMENT AS PERMITTED BY THE CREDIT REFORM
21 ACT. A contract may also provide for the payment of court costs
22 actually incurred and of attorney's fees not exceeding 20% of the
23 amount due and payable under ~~such~~ THE contract if the attorney
24 is not a salaried employee of the contractor or holder for
25 collection.

26 Sec. 301. ~~(1) The maximum finance charge included in a~~ A
27 home improvement installment contract ~~payable in substantially~~

1 ~~equal successive monthly installments beginning 1 month from the~~
2 ~~date the finance charge accrues, shall not exceed \$8.00 per~~
3 ~~\$100.00 per annum. However, on a contract which is entered into~~
4 ~~before December 31, 1991, and which is entered into after the~~
5 ~~interest rate paid at 2 successive auctions of 26 week United~~
6 ~~States treasury bills is 8% or more, the finance charge may be~~
7 ~~equivalent to 16.5% interest or less per annum on the unpaid~~
8 ~~balance. If the interest rate paid at 2 successive auctions of~~
9 ~~26 weeks United States treasury bills again falls below 8%, the~~
10 ~~finance charge on a contract entered into after that date shall~~
11 ~~not exceed \$8.00 per \$100.00 per annum, unless the interest rate~~
12 ~~paid at 2 successive auctions of 26 week United States treasury~~
13 ~~bills again is 8% or more, in which case the finance charge may~~
14 ~~be equivalent to 16.5% interest or less per annum on the unpaid~~
15 ~~balance. The finance charge shall be computed on the principal~~
16 ~~amount financed on the contract notwithstanding that the time~~
17 ~~balance is required to be paid in installments. The finance~~
18 ~~charge shall not accrue over a longer period than one which com-~~
19 ~~mences on the date of completion of the contract and ends on the~~
20 ~~date when the final installment is payable. For a period less or~~
21 ~~greater than 12 months or for amounts less or greater than~~
22 ~~\$100.00, the amount of the maximum finance charge shall be~~
23 ~~increased or decreased proportionately. A fractional monthly~~
24 ~~period of 15 days or more may be considered a full month. If the~~
25 ~~finance charge computed as above provided is less than \$12.00, a~~
26 MAY PROVIDE FOR A FINANCE CHARGE NOT TO EXCEED THE RATE OF

1 INTEREST OF ITS EQUIVALENT AS PERMITTED BY THE CREDIT REFORM
2 ACT. HOWEVER, A minimum finance charge of \$12.00 may be made.

3 ~~(2) Subject to the limitations in subsection (3), if a con-~~
4 ~~tract is payable other than in substantially equal successive~~
5 ~~monthly installments, as where payable in irregular or unequal~~
6 ~~installments either in amount or periods thereof, or in regular~~
7 ~~installments followed by or interspersed with an irregular,~~
8 ~~unequal or larger installment or installments, or if the finance~~
9 ~~charge accrues from a date more than 1 month before the first~~
10 ~~installment is payable, the finance charge may not exceed an~~
11 ~~amount which, having due regard for the schedule of installment~~
12 ~~payments, will provide the same yield as if the contract were~~
13 ~~payable in accordance with the standard payment terms stated in~~
14 ~~subsection (1).~~

15 ~~(3) If the amount of any installment is 2 times or more the~~
16 ~~amount of any other installment except the down payment, the~~
17 ~~amount of the finance charge in respect to the portion of the~~
18 ~~principal amount financed included in such larger installment~~
19 ~~shall not exceed the equivalent of 6% per annum simple interest~~
20 ~~for the period from the due date on which finance charge begins~~
21 ~~to accrue to the date of such larger installment and such portion~~
22 ~~of the finance charge shall be payable in substantially equal~~
23 ~~periodic installments throughout such period.~~

24 Sec. 303. (1) Notwithstanding the provisions of a home
25 improvement installment contract to the contrary, a buyer may pay
26 the contract in full at any time before maturity and in so paying
27 shall receive a refund credit on the contract AS PERMITTED BY THE

1 CREDIT REFORM ACT, UNLESS THE CONTRACT CONTAINS A FINANCE CHARGE
2 COMPUTED FROM TIME TO TIME ON THE UNPAID BALANCE. ~~, except as~~
3 ~~provided in section 309. Except as provided in subsection (2),~~
4 ~~the amount of the refund credit shall represent at least as great~~
5 ~~a proportion of the finance charge, or if the contract has been~~
6 ~~extended, deferred, or refinanced, of the additional charge~~
7 ~~therefor, as the sum of the periodical time balance scheduled by~~
8 ~~the contract to follow the installment date after the day of pre-~~
9 ~~payment bears to the sum of all the periodical time balances~~
10 ~~under the schedule of installments in the contract or, if the~~
11 ~~contract has been extended, deferred, or refinanced, as so~~
12 ~~extended, deferred, or refinanced.~~

13 ~~(2) If a part of the finance charge is computed on an~~
14 ~~installment as provided in section 301(3), the amount of the~~
15 ~~refund credit applicable to that part of the finance charge shall~~
16 ~~represent at least as great a proportion of that part of the~~
17 ~~finance charge as the number of months to elapse after the month~~
18 ~~in which prepayment is made to the due date of that installment~~
19 ~~bears to the number of months from the date the finance charge~~
20 ~~accrues to the due date of that installment.~~

21 (2) ~~(3)~~ Where the amount of the credit for anticipation of
22 payment is less than \$1.00, a refund need not be made. ~~Where~~
23 IF the earned finance charge amounts to less than the minimum
24 finance charge, ~~there may be retained~~ an amount equal to the
25 minimum finance charge under section 301 MAY BE RETAINED.

26 Sec. 305. The holder of a home improvement installment
27 contract, upon agreement in writing with the buyer, may refinance

1 the payment of the unpaid time balance of the contract AT A RATE
2 PERMITTED BY SECTION 301. ~~by providing for a new schedule of~~
3 ~~installment payments. The holder may charge and contract for the~~
4 ~~payment of a refinanced charge by the buyer and collect and~~
5 ~~receive the same, but such refinance charge shall be based upon~~
6 ~~the amount refinanced, plus any additional cost of insurance and~~
7 ~~of official fees incident to such refinancing, after the deduc-~~
8 ~~tion of a refund credit in an amount equal to that to which the~~
9 ~~buyer would have been entitled under section 303 if he had pre-~~
10 ~~paid in full his obligations under the contract or contracts,~~
11 ~~computed without allowance for any minimum earned finance~~
12 ~~charge. Such refinance charge shall not exceed the rate of~~
13 ~~finance charge provided under section 301.~~ The agreement for
14 refinancing may also provide for the payment by the buyer of the
15 additional cost to the holder of the contract of premiums for
16 continuing in force, until the maturity of the contract as refi-
17 nanced, any insurance coverages provided ~~therein~~ IN THE
18 CONTRACT. The refinancing agreement shall set forth the amount
19 of the unpaid time balance to be refinanced, the amount of any
20 refund credit, the amount to be refinanced after the deduction of
21 the refund credit, any additional premiums paid for insurance and
22 of official fees to the buyer, the amount of the finance charge
23 under the refinancing agreement, the new unpaid time balance, and
24 the new schedule of installment payments. A refinancing agree-
25 ment between a financing agency and a buyer may consolidate the
26 new unpaid time balances of 2 or more home improvement
27 installment contracts by providing for a new schedule of

1 consolidated installment payments, and may provide for the
 2 acceleration of the consolidated time balance upon a failure of
 3 the buyer to pay in full any consolidated installment payment. A
 4 contractor may not consolidate 2 or more home improvement
 5 installment contracts except to the extent provided in sections
 6 306, 307, and 308.

7 Sec. 307. Subject to ~~the provisions of~~ section 301, the
 8 finance charge to be included in a consolidated time balance
 9 shall be determined by applying a finance charge at a rate not
 10 exceeding the maximum rate specified in that section to either OF
 11 THE FOLLOWING:

12 (a) The total of the principal amount financed under the
 13 subsequent sale and the unpaid balance of any previous contract
 14 determined by deducting from the unpaid time balance ~~thereof~~ OF
 15 THE CONTRACT as of the date the finance charge is to accrue on
 16 the subsequent sale, any then unearned finance charge in an
 17 amount not less than the refund credit provided for in ~~section~~
 18 ~~303~~ THE CREDIT REFORM ACT computed without the allowance of any
 19 minimum earned finance charge, for the period from the date the
 20 finance charge is to accrue on the subsequent sale to and includ-
 21 ing the date when the final installment of ~~such~~ THE consoli-
 22 dated time balance is payable. ~~or~~

23 (b) The principal amount financed under the subsequent sale
 24 for the period from the date the finance charge is to accrue
 25 ~~thereon~~ ON THE CONTRACT to and including the date when the
 26 final installment of ~~such~~ THE consolidated time balance is
 27 payable and, if the due date of the final installment of ~~such~~

1 THE consolidated time balance is later than the due date of the
2 final installment of any previous contract included in the con-
3 solidated time balance, on the unpaid time balance of ~~such~~ THE
4 previous contract as of the date the finance charge is to accrue
5 on the subsequent sale for the period from the date when the
6 final installment on the previous contract would have been pay-
7 able to the date when the final installment of ~~such~~ THE consol-
8 idated time balance is payable.

9 Sec. 309. Instead of a finance charge computed on the
10 principal amount financed as determined under section 203 or 308,
11 the seller may charge from time to time a finance charge consist-
12 ing of interest on the amount of the unpaid principal balance of
13 the contract. In this event, the transaction shall be subject to
14 this act as modified by the following provisions:

15 ~~(a) Finance charge shall mean the estimated amount of con-~~
16 ~~sideration in excess of the cash price which the buyer will pay~~
17 ~~in the form of interest assuming that each scheduled payment is~~
18 ~~made on the date it is due and in the scheduled amount.~~

19 ~~(b) The maximum estimated finance charge shall not exceed~~
20 ~~the maximum dollar amount allowed pursuant to section 301 for~~
21 ~~contracts of the same contractual maturity computed on the actual~~
22 ~~number of days between installment payments.~~

23 (A) ~~(c)~~ The number and amount of installment payments
24 required to be stated pursuant to sections 203 and 308 shall be
25 estimated for purposes of this section assuming that each sched-
26 uled payment is made on the date it is due and in the scheduled
27 amount.

1 (B) ~~-(d)-~~ The holder of the contract shall have the option
2 of deferring interest charges ~~-which-~~ THAT accrue due to install-
3 ment payments being received later than the periodic installment
4 due date. The deferred interest charge shall be computed on the
5 basis of additional interest charges accruing for late install-
6 ment payments and appropriate interest reductions for installment
7 payments made before the due date. On contracts providing for
8 equal monthly installments, if the final installment is more than
9 105% of a previous installment as a result of the deferred inter-
10 est charges, the installment buyer shall be given the option to
11 pay the deferred interest charges not less than 25 days after the
12 date the last installment payment is due.

13 (C) ~~-(e)-~~ If the entire principal balance is prepaid in
14 full, together with all interest incurred to the date of prepay-
15 ment, the balance of the original finance charge shall be
16 canceled and the provisions of section 303 respecting a refund
17 credit shall not be applicable.

18 Section 2. This amendatory act shall not take effect unless
19 Senate Bill No. 438

20 of the 88th Legislature is enacted into law.