

# HOUSE BILL No. 4991

May 26, 2009, Introduced by Reps. Johnson and Melton and referred to the Committee on Insurance.

A bill to amend 1950 (Ex Sess) PA 27, entitled "Motor vehicle sales finance act," by amending section 13 (MCL 492.113), as amended by 2002 PA 699.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

- 1           Sec. 13. (1) An installment sale contract shall ~~state~~  
2 **INCLUDE** the full names and addresses of all the parties to the  
3 contract, ~~and~~ the date when signed by the buyer, and ~~shall~~  
4 ~~contain~~ a description of the motor vehicle sold that is  
5 sufficient for accurate identification.
- 6           (2) An installment sale contract shall set forth all of the  
7 following separate items in the following order:
- 8           (a) The cash price of the motor vehicle. This amount shall  
9 include any taxes, the cash price of agreed upon accessories and  
10 installation of the accessories, the cash price of any extended

1 warranty or service contract, and a documentary preparation fee.  
2 The documentary preparation fee shall not exceed 5% of the cash  
3 price of the motor vehicle or \$160.00, whichever is less.  
4 Beginning on January 1, 2005, the administrator shall adjust the  
5 ~~\$160.00~~ maximum **AMOUNT THEN IN EFFECT** for the documentary  
6 preparation fee described in this subdivision every 2 years to  
7 reflect the cumulative percentage change in the consumer price  
8 index for the 2 immediately preceding calendar years, as  
9 determined by the administrator. The administrator shall round  
10 the adjustment to the nearest \$10.00 increment to set the fee  
11 every 2 years under this subdivision, but shall carry over and  
12 use the absolute value to calculate the next 2-year adjustment.  
13 As used in this subdivision, "consumer price index" means the  
14 United States consumer price index for all urban consumers, U.S.  
15 city average, as defined and reported by the United States  
16 department of labor, bureau of labor statistics.

17 (b) The down payment made by the buyer at the time of or  
18 before execution of the contract, indicating whether made in  
19 cash, ~~or~~ represented by the agreed value of a trade-in motor  
20 vehicle or other goods, or both. The amount of cash and the value  
21 of any trade-in shall be ~~shown~~ **STATED** separately. A description  
22 that is sufficient for identification of any trade-in shall be  
23 ~~shown~~ **INCLUDED**.

24 (c) The unpaid cash price balance, which is the difference  
25 between the cash price under subdivision (a) and the down payment  
26 under subdivision (b).

27 (d) The cost of any insurance premium or travel emergency

1 benefits pertaining to the operation of the automobile that the  
 2 seller agrees to extend credit to the buyer to obtain. The  
 3 installment sale contract shall set forth the term of the  
 4 insurance and a concise description of the terms of the insurance  
 5 policy and the travel emergency benefits. If the precise cost of  
 6 the insurance is not available at the time the contract is  
 7 signed, an estimated amount, ascertained from the current  
 8 published applicable manual of a recognized standard insurance  
 9 rating bureau, may be set forth in the contract. ~~The seller~~  
 10 ~~shall, within~~ **WITHIN** 25 days after making the installment **SALE**  
 11 contract, **THE SELLER SHALL** mail or cause to be mailed to the  
 12 buyer at his or her address as shown on the ~~installment~~ contract  
 13 a certificate or policy of insurance and a statement showing the  
 14 exact cost of the insurance. Each installment sale contract shall  
 15 contain the following warning, printed prominently in red ink and  
 16 in 12-point type or larger, directly preceding the notice  
 17 provided for in section 12(d), enclosed by a continuous heavy  
 18 line:

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

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24 **(E) THE COST OF ANY GUARANTEED ASSET PROTECTION WAIVER THAT**  
 25 **THE SELLER AGREES TO EXTEND CREDIT TO THE BUYER TO OBTAIN. FOR**  
 26 **PURPOSES OF THIS SUBDIVISION, ALL OF THE FOLLOWING APPLY:**

1           (i) "GUARANTEED ASSET PROTECTION WAIVER" MEANS THAT TERM AS  
2 DEFINED IN SECTION 3 OF THE GUARANTEED ASSET PROTECTION WAIVER  
3 ACT.

4           (ii) A GUARANTEED ASSET PROTECTION WAIVER MAY BE INCLUDED AS  
5 PART OF, OR AS AN ADDENDUM TO, AN INSTALLMENT SALE CONTRACT.

6           (iii) AN INSTALLMENT SELLER THAT OFFERS, SELLS, OR PROVIDES  
7 GUARANTEED ASSET PROTECTION WAIVERS TO INSTALLMENT BUYERS IN THIS  
8 STATE MUST COMPLY WITH THE GUARANTEED ASSET PROTECTION WAIVER  
9 ACT.

10          (iv) ANY COST TO AN INSTALLMENT BUYER FOR A GUARANTEED ASSET  
11 PROTECTION WAIVER ENTERED INTO IN COMPLIANCE WITH THE TRUTH IN  
12 LENDING ACT, 15 USC 1601 TO 1667F, AND THE REGULATIONS  
13 PROMULGATED UNDER THAT ACT, 12 CFR PART 226, MUST BE SEPARATELY  
14 STATED AND IS NOT CONSIDERED A FINANCE CHARGE OR INTEREST.

15          (F) ~~(e)~~—Other necessary or incidental costs that the seller  
16 contracts to pay on behalf of the buyer and for the amount of  
17 which the seller agrees to extend credit to the buyer as  
18 authorized ~~by~~ UNDER this act. The contract shall contain an  
19 itemization of the nature and amount of the costs.

20          (G) ~~(f)~~—The principal amount financed, which is the total of  
21 the amounts described in subdivisions (c), (d), ~~and~~ (e), AND (F).

22          (H) ~~(g)~~—The finance charge, which is the consideration in  
23 excess of the total of the cash price under subdivision (a),  
24 excluding the amounts described in subdivisions (d), ~~and~~ (e), AND  
25 (F).

26          (I) ~~(h)~~—The time balance, which is the total of the amounts  
27 described in subdivisions ~~(f)~~ ~~and~~ (g) AND (H) and represents the

1 total obligation of the buyer that he or she agrees to pay in 2  
2 or more scheduled payments.

3 (J) ~~(i)~~The payment schedule, which shall ~~state~~**INCLUDE** the  
4 number of payments, the amount of the payments, and the time of  
5 the payments required to liquidate the time balance.

6 (3) An installment sale contract shall state clearly any  
7 collateral security ~~taken for~~**GIVEN TO SECURE** the buyer's  
8 obligation under the contract.

9 (4) An installment sale contract shall contain a summary  
10 notice of the buyer's principal legal rights respecting  
11 prepayment of the contract and rebate of the finance charge and  
12 reinstatement of the contract in the event of repossession.

13 (5) An installment sale contract shall contain specific  
14 provisions ~~as to~~**CONCERNING** the buyer's liability ~~respecting~~**FOR**  
15 default charges, repossession, and sale of the motor vehicle in  
16 case of default or other breach of contract, and ~~respecting~~the  
17 **SELLER'S OR HOLDER'S RIGHTS CONCERNING ANY** collateral security. ~~7~~  
18 ~~if any.~~

19 Enacting section 1. This amendatory act takes effect 180  
20 days after the date this amendatory act is enacted into law.

21 Enacting section 2. This amendatory act does not take effect  
22 unless all of the following bills of the 95th Legislature are  
23 enacted into law:

24 (a) Senate Bill No. \_\_\_\_\_ or House Bill No. 4989 (request no.  
25 01431'09).

26 (b) Senate Bill No. \_\_\_\_\_ or House Bill No. 4990 (request no.  
27 01431'09 a).

1 (c) Senate Bill No. \_\_\_\_\_ or House Bill No. 4992 (request no.  
2 03362'09).