

HOUSE BILL NO. 5460

February 21, 2024, Introduced by Reps. Farhat, Filler, Dievendorf, Haadsma, Rheingans, Tyrone Carter and Hood and referred to the Committee on Regulatory Reform.

A bill to amend 1950 (Ex Sess) PA 27, entitled "Motor vehicle sales finance act," by amending sections 12, 13, and 22 (MCL 492.112, 492.113, and 492.122), section 12 as amended by 1994 PA 2 and section 13 as amended by 2009 PA 231.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1 Sec. 12. **(1)** ~~(a)~~ An installment sale contract ~~shall~~ **must** be in
2 writing, ~~and shall~~ contain all of the agreements between the buyer
3 and the seller relating to the installment sale of the motor
4 vehicle sold, and ~~shall~~ be signed by both the buyer and the seller.

1 (2) ~~(b)~~—An installment sale contract ~~shall~~**must** be completed
2 as to all essential provisions ~~prior to~~**before** the signing of the
3 contract by the buyer and contain ~~such~~ other information as the
4 administrator may require.

5 (3) ~~(c)~~—An exact copy of the installment sale contract ~~shall~~
6 **must** be furnished by the seller to the buyer without charge at the
7 time the buyer signs the contract. The buyer's copy of the contract
8 ~~shall~~**must** contain the signature of the seller identical with the
9 signature on the original contract.

10 (4) ~~(d)~~—An installment sale contract ~~shall~~**must** contain the
11 following notice printed prominently and in the form indicated in
12 12-point type or larger directly above the space provided in the
13 contract form for the signature of the buyer:

14 "Notice to buyer. Do not sign this contract in blank. You are
15 entitled to 1 true copy of the contract you sign without charge.
16 Keep it to protect your legal rights."

17 (5) ~~(e)~~—The seller shall obtain from the buyer a written
18 acknowledgment of the delivery of the copy of the contract. The
19 acknowledgment ~~shall~~**must** be printed in 12-point type or larger
20 and, if attached to the contract, it ~~shall~~**must** be printed below
21 the buyer's signature to the contract and independently signed.

22 (6) ~~(f)~~—An installment sale contract ~~shall~~**must** provide for
23 weekly, semi-monthly, or monthly payments of the time balance in
24 substantially equal periods. ~~and amounts.~~ This ~~subdivision~~
25 **subsection** does not ~~apply~~**do any of the following:**

26 (a) **Apply to an** installment sale ~~contracts~~**contract** made
27 between an installment seller and an installment buyer who is an
28 employee of the installment seller. ~~This subdivision shall not be~~
29 ~~construed to prohibit~~

1 **(b) Prohibit an installment sale contract that requires**
2 **payments in unequal amounts.**

3 **(c) Prohibit an installment ~~sales contracts~~ sale contract** that
4 ~~extend~~**extends** the time for making installment payments for a
5 period of not to exceed 3 months. ~~This subdivision does not~~
6 ~~preclude~~

7 **(d) Preclude** the exceptional installment sale contract
8 provided for in section 22. ~~of this act.~~

9 Sec. 13. (1) An installment sale contract ~~shall~~**must** include
10 the full names and addresses of all the parties to the contract,
11 the date when signed by the buyer, and a description of the motor
12 vehicle sold that is sufficient for accurate identification.

13 (2) An installment sale contract ~~shall~~**must** set forth all of
14 the following separate items in the following order:

15 (a) The cash price of the motor vehicle. This amount ~~shall~~
16 **must** include any taxes, the cash price of agreed ~~upon~~**on**
17 accessories and installation of the accessories, the cash price of
18 any extended warranty or service contract, and a documentary
19 preparation fee. The documentary preparation fee ~~shall~~**must** not
20 exceed 5% of the cash price of the motor vehicle or \$160.00,
21 whichever is less. Beginning on January 1, 2005, the administrator
22 shall adjust the maximum amount then in effect for the documentary
23 preparation fee described in this subdivision every 2 years to
24 reflect the cumulative percentage change in the ~~consumer price~~
25 ~~index~~**Consumer Price Index** for the 2 immediately preceding calendar
26 years, as determined by the administrator. The administrator shall
27 round the adjustment to the nearest \$10.00 increment to set the fee
28 every 2 years under this subdivision, but shall carry over and use
29 the absolute value to calculate the next 2-year adjustment. As used

1 in this subdivision, "~~consumer price index~~" "**Consumer Price Index**"
2 means the United States consumer price index for all urban
3 consumers, U.S. city average, as defined and reported by the United
4 States ~~department of labor, bureau of labor statistics.~~ **Bureau of**
5 **Labor Statistics of the United States Department of Labor.**

6 (b) The down payment made by the buyer at the time of or
7 before execution of the contract, indicating whether made in cash,
8 represented by the agreed value of a trade-in motor vehicle or
9 other goods, or both. The amount of cash and the value of any
10 trade-in ~~shall~~ **must** be stated separately. A description that is
11 sufficient for identification of any trade-in ~~shall~~ **must** be
12 included.

13 (c) The unpaid cash price balance, which is the difference
14 between the cash price under subdivision (a) and the down payment
15 under subdivision (b).

16 (d) The cost of any insurance premium or travel emergency
17 benefits pertaining to the operation of the automobile that the
18 seller agrees to extend credit to the buyer to obtain. The
19 installment sale contract ~~shall~~ **must** set forth the term of the
20 insurance and a concise description of the terms of the insurance
21 policy and the travel emergency benefits. If the precise cost of
22 the insurance is not available at the time the contract is signed,
23 an estimated amount, ascertained from the current published
24 applicable manual of a recognized standard insurance rating bureau,
25 may be set forth in the contract. ~~Within~~ **Not later than** 25 days
26 after making the installment sale contract, the seller shall mail
27 or cause to be mailed to the buyer at ~~his or her~~ **the buyer's**
28 address as shown on the contract a certificate or policy of
29 insurance and a statement showing the exact cost of the insurance.

1 Each installment sale contract ~~shall~~**must** contain the following
2 warning, printed prominently in red ink and in 12-point type or
3 larger, directly preceding the notice provided for in section
4 ~~12(d),~~**12(4)**, enclosed by a continuous heavy line:

5
6

7 Warning: The insurance afforded hereunder does not cover
8 liability for injury to persons or damage to property of
9 others unless so indicated hereon.
10

11 (e) The cost of any guaranteed asset protection waiver that
12 the seller agrees to extend credit to the buyer to obtain. For
13 purposes of this subdivision, all of the following apply:

14 (i) "Guaranteed asset protection waiver" means that term as
15 defined in section 3 of the guaranteed asset protection waiver act,
16 **2009 PA 229, MCL 492.23.**

17 (ii) A guaranteed asset protection waiver may be included as
18 part of, or as an addendum to, an installment sale contract.

19 (iii) An installment seller that offers, sells, or provides
20 guaranteed asset protection waivers to installment buyers in this
21 state must comply with the guaranteed asset protection waiver act,
22 **2009 PA 229, MCL 492.21 to 492.33.**

23 (iv) Any cost to an installment buyer for a guaranteed asset
24 protection waiver entered into in compliance with the truth in
25 lending act, 15 USC 1601 to 1667f, and the regulations promulgated
26 under that act, 12 CFR part 226, must be separately stated and is
27 not considered a finance charge or interest.

28 (f) Other necessary or incidental costs that the seller
29 contracts to pay on behalf of the buyer and for the amount of which
the seller agrees to extend credit to the buyer as authorized under

1 this act. The contract ~~shall~~**must** contain an itemization of the
2 nature and amount of the costs.

3 (g) The principal amount financed, which is the total of the
4 amounts described in subdivisions (c), (d), (e), and (f).

5 (h) The finance charge, which is the consideration in excess
6 of the total of the cash price under subdivision (a), excluding the
7 amounts described in subdivisions (d), (e), and (f).

8 (i) The time balance, which is the total of the amounts
9 described in subdivisions (g) and (h) and represents the total
10 obligation of the buyer that ~~he or she~~**the buyer** agrees to pay in 2
11 or more scheduled payments.

12 (j) The payment schedule, which ~~shall~~**must** include the number
13 of payments, the amount of the payments, and the time of the
14 payments required to liquidate the time balance.

15 (3) An installment sale contract ~~shall~~**must** state clearly any
16 collateral security given to secure the buyer's obligation under
17 the contract.

18 (4) An installment sale contract ~~shall~~**must** contain a summary
19 notice of the buyer's principal legal rights respecting prepayment
20 of the contract and rebate of the finance charge and reinstatement
21 of the contract in the event of repossession.

22 (5) An installment sale contract ~~shall~~**must** contain specific
23 provisions concerning the buyer's liability for default charges,
24 repossession, and sale of the motor vehicle in case of default or
25 other breach of contract, and the seller's or holder's rights
26 concerning any collateral security.

27 Sec. 22. **(1)** An installment sale contract may provide for a
28 series of weekly, semi-monthly or monthly payments in substantially
29 equal periods, ~~and amounts,~~ followed by a single larger payment ~~of~~

1 **that satisfies** the unpaid time balance ~~, in which event~~ **on the**
2 **installment sale contract.**

3 (2) If the larger payment described in subsection (1) is more
4 than twice as large as the average of the series of earlier
5 scheduled payments under the installment sale contract, the
6 installment buyer ~~shall have~~ **has** the right to an option, at the
7 time ~~such~~ **the** larger payment ~~shall become~~ **becomes** due, to make ~~such~~
8 **the larger** payment or to enter into a second contract ~~, which~~
9 ~~contract shall conform~~ **that conforms** to all the provisions of this
10 act except that the refinance charge provided for in ~~such~~ **the**
11 second contract ~~shall~~ **must** not exceed the finance charge rate
12 provided for in the first contract.