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HOUSE BILL NO. 5431

13 October 20, 2021, Introduced by Reps. Damoose, Beeler, Witwer and Hertel and referred to the
14 Committee on Regulatory Reform.

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16 A bill to amend 1950 (Ex Sess) PA 27, entitled
17 "Motor vehicle sales finance act," by amending section 13 (MCL
18 492.113), as amended by 2009 PA 231.

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

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

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

26
 27 (a) The cash price of the motor vehicle. This amount ~~shall~~
 28 **must** include any taxes, the cash price of agreed ~~upon~~**on**
 29 accessories and installation of the accessories, the cash price of
 30 any extended warranty or service contract, and a documentary
 31 preparation fee. The documentary preparation fee ~~shall~~**must** not
 32 exceed 5% of the cash price of the motor vehicle or \$160.00,
 33 whichever is less. Beginning on January 1, 2005, the administrator
 34 shall adjust the maximum amount then in effect for the documentary
 35 preparation fee described in this subdivision every 2 years to
 36 reflect the cumulative percentage change in the ~~consumer price~~
 37 ~~index~~**Consumer Price Index** for the 2 ~~immediately preceding~~
 38 years **preceding the adjustment**, as determined by the administrator.
 39 The administrator shall round the adjustment to the nearest \$10.00
 40 increment to set the fee every 2 years under this subdivision, but
 41 shall carry over and use the absolute value to calculate the next
 42 2-year adjustment. As used in this subdivision, "~~consumer price~~
 43 ~~index~~"**Consumer Price Index** means the United States ~~consumer~~
 44 ~~price index~~**Consumer Price Index** for all urban consumers, U.S. city
 45 average, as defined and reported by the United States ~~department of~~
 46 ~~labor, bureau of labor statistics~~**Department of Labor, Bureau of**
 47 **Labor Statistics.**

48 (b) The down payment made by the buyer at the time of or
 49 before execution of the contract, indicating whether made in cash,
 50 represented by the agreed value of a trade-in motor vehicle or
 51 other goods, or both. The amount of cash and the value of any
 52 trade-in ~~shall~~**must** be stated separately. A description that is
 53 sufficient for identification of any trade-in ~~shall~~**must** be
 54 included.

55 (c) The unpaid cash price balance, which is the difference
 56 between the cash price under subdivision (a) and the down payment
 57 under subdivision (b).

58 (d) The cost of any insurance premium or travel
 59 emergency benefits pertaining to the operation of the

60 automobile that the seller agrees to extend credit to the buyer to
 61 obtain. The installment sale contract ~~shall~~**must** set forth the term
 62 of the insurance and a concise description of the terms of the
 63 insurance policy and the travel emergency benefits. If the precise
 64 cost of the insurance is not available at the time the contract is
 65 signed, an estimated amount, ascertained from the current published
 66 applicable manual of a recognized standard insurance rating bureau,
 67 may be set forth in the contract. Within 25 days after making the
 68 installment sale contract, the seller shall mail or cause to be
 69 mailed to the buyer at his or her address as shown on the contract
 70 a certificate or policy of insurance and a statement showing the
 71 exact cost of the insurance. Each installment sale contract ~~shall~~
 72 **must** contain the following warning, printed prominently in red ink
 73 and in 12-point type or larger, directly preceding the notice
 74 provided for in section 12(d), enclosed by a continuous heavy line:

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

80 (e) The cost of any ~~guaranteed asset~~**motor vehicle financial**
 81 protection ~~waiver~~**product** that the seller agrees to extend credit
 82 to the buyer to obtain. For purposes of this subdivision, all of
 83 the following apply:

84 (i) ~~"Guaranteed asset"~~**"Motor vehicle financial** protection
 85 ~~waiver"~~**product"** means that term as defined in section 3 of the
 86 ~~guaranteed asset~~**motor vehicle financial** protection ~~waiver~~**products**
 87 act, 2009 PA 229, MCL 492.23.

88 (ii) A ~~guaranteed asset~~**motor vehicle financial** protection
 89 ~~waiver~~**product** may be included as part of, or as an addendum to, an
 90 installment sale contract.

91 (iii) An installment seller that offers, sells, or provides
 92 ~~guaranteed asset~~**motor vehicle financial** protection ~~waivers~~
 93 **products** to installment buyers in this state must comply

94 with the ~~guaranteed asset motor vehicle financial~~ protection waiver
95 ~~products~~ act, 2009 PA 229, MCL 492.21 to 492.34.

96 (iv) Any cost to an installment buyer for a ~~guaranteed asset~~
97 ~~motor vehicle financial~~ protection waiver-product entered into in
98 compliance with the truth in lending act, 15 USC 1601 to 1667f, and
99 the regulations promulgated under that act, 12 CFR part 226, must
100 be separately stated and is not considered a finance charge or
101 interest.

102 (f) Other necessary or incidental costs that the seller
103 contracts to pay on behalf of the buyer and for the amount of which
104 the seller agrees to extend credit to the buyer as authorized under
105 this act. The contract ~~shall~~-must contain an itemization of the
106 nature and amount of the costs.

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

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

112 (i) The time balance, which is the total of the amounts
113 described in subdivisions (g) and (h) and represents the total
114 obligation of the buyer that he or she agrees to pay in 2 or more
115 scheduled payments.

116 (j) The payment schedule, which ~~shall~~-must include the number
117 of payments, the amount of the payments, and the time of the
118 payments required to liquidate the time balance.

119 (3) An installment sale contract ~~shall~~-must state clearly any
120 collateral security given to secure the buyer's obligation under
121 the contract.

122 (4) An installment sale contract ~~shall~~-must contain a summary
123 notice of the buyer's principal legal rights respecting prepayment
124 of the contract and rebate of the finance charge and reinstatement
125 of the contract in the event of repossession.

126 (5) An installment sale contract ~~shall~~-must contain
127 specific provisions concerning the buyer's liability for

128 default charges, repossession, and sale of the motor vehicle in
129 case of default or other breach of contract, and the seller's or
130 holder's rights concerning any collateral security.

131 Enacting section 1. This amendatory act takes effect, and
132 applies to a motor vehicle financial protection product that becomes
133 effective on or after, 180 days after the date this amendatory act
134 is enacted into law.

135 Enacting section 2. This amendatory act does not take effect
136 unless Senate Bill No.____ or House Bill No. 5429 (request no.
137 04458'21) of the 101st Legislature is enacted into law.

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Final Page