



**MOTOR VEHICLE LOAN PAYMENTS**

House Bill 4453 as introduced  
First Analysis (5-4-93)

Sponsor: Rep. Ken Sikkema  
Committee: Business & Finance

***THE APPARENT PROBLEM:***

The Motor Vehicle Sales Finance Act regulates persons who provide financing for motor vehicle loans and establishes certain rules governing motor vehicle installment sales contracts. Back in 1950 when the act was created, lenders regulated under the act often received applications for vehicle loans by persons in certain "seasonal" occupations, such as farmers, school teachers and the like. To accommodate situations where such borrowers might need additional time to make payments on a vehicle loan because of fluctuations in income at various times of the year, the act included a provision that allows lenders to grant them an extension of not more than three months to make a loan payment. Today, lenders still provide payment extensions to these "seasonal" borrowers but would also like to be able to do so for others. For instance, incentives such as delayed installment payments on car loans often are attractive to students in between terms or who have recently graduated. (Many banks and other depository financial institutions, which are regulated under their own separate acts, in fact are currently allowed to offer such loan payment extensions to any borrowers.) Lenders regulated by the Motor Vehicle Sales Finance Act have requested legislation that would allow them to grant loan payment extensions of not more than three months to any qualified borrower.

***THE CONTENT OF THE BILL:***

The Motor Vehicle Sales Finance Act currently provides that an installment sales contract that extends the time for making installment payments for periods not exceeding three months "for installment buyers engaged in seasonal occupations" is not prohibited by the act. The bill would revise

this language to simply read, "This subdivision shall not be construed to prohibit installment sales contracts that extend the time for making installment payments for a period of not to exceed 3 months."

MCL 492.112

***FISCAL IMPLICATIONS:***

The Financial Institutions Bureau says the bill would not affect state budget expenditures. (4-30-93)

***ARGUMENTS:***

***For:***

The bill would amend the Motor Vehicle Sales Finance Act to simply allow lenders regulated under the act to offer vehicle loans that extend the period for making payments up to three months to any qualified borrower. Currently, these lenders may only provide such loans to borrowers in "seasonal occupations." Recently graduated students who have not yet found employment, however, are especially interested in obtaining deferred-payment vehicle loans, and make up a fairly large segment of the potential market for new motor vehicle loans.

***POSITIONS:***

The Financial Institutions Bureau supports the bill. (4-30-93)

The Michigan Automobile Dealers Association supports the bill. (4-30-93)

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