Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4618 (Substitute H-1 as reported without amendment)
Sponsor: Representative James Middaugh
House Committee: Commerce
Senate Committee: Financial Services

CONTENT

The bill would amend the secondary mortgage loan Act to delete the Act's maximum limit on interest rates for a secondary mortgage loan and provide, instead, that a licensee could charge, contract for, receive, or collect an interest rate not exceeding the rate permitted by the Credit Reform Act proposed by House Bill 4614. Currently, the secondary mortgage loan Act allows a licensee to charge, contract for, receive, or collect an interest rate not exceeding 18% per year, computed by the actuarial method.

House Bill 4618 (H-1) also would do all of the following:

- Delete a provision that specifically allows a secondary mortgage loan to include an unsecured loan of $3,000 or more made to a person for personal, family, or household purposes not to be repaid in 90 days or less and not secured by any collateral.
- Increase the allowable nonrefundable processing fee from 2% to 5% of the gross amount of a loan.
- Delete a provision allowing a fee for a late payment, if the fee does not exceed the greater of $5 or 5% of the minimum payment due that is received by the licensee 10 or more days after the due date, and, instead, allow a late charge assessed by the licensee as authorized by the proposed Credit Reform Act.
- Delete a provision that requires the forfeiture of all interest otherwise owing under the terms of a secondary mortgage loan for a violation of the secondary mortgage loan Act with respect to a particular secondary mortgage transaction, and specify, instead, that in addition to penalties provided by the Act, a violation would be subject to the penalty and remedy provisions of the proposed Credit Reform Act.

MCL 493.51 et al. Legislative Analyst: P. Affholter

FISCAL IMPACT

The Financial Institutions Bureau, Department of Commerce, would not be required to make significant changes in support activities for loan practices of regulated lending institutions. There would be no fiscal impact on the Department of Commerce or on local governmental units.

Date Completed: 9-19-95 Fiscal Analyst: K. Lindquist

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