Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4619 (as reported without amendment)
Sponsor: Representative Tom Alley
House Committee: Commerce
Senate Committee: Financial Services

CONTENT

The bill would amend the Regulatory Loan Act to delete the Act's maximum limit on interest charges for a loan made under the Act and provide, instead, that a licensee could lend money in an amount not to exceed the Act's regulatory loan ceiling and could contract for, compute, and receive interest charges on the loan at a rate permitted by the Credit Reform Act proposed by House Bill 4614. House Bill 4619 also would increase the current Act's regulatory loan ceiling to $15,000 from $8,000.

Currently, the Act authorizes a licensee to lend money in an amount up to $8,000 and to charge interest of up to 22% annually on the unpaid balance, except that the allowable interest rate on a loan for the purchase of a motor vehicle cannot exceed the rate specified in the Motor Vehicle Sales Finance Act for that class of vehicle.

The bill also would do all of the following:

-- Specify that a licensee could require a borrower to pay late charges permitted by the proposed Credit Reform Act.
-- Delete a provision that prohibits a licensee from receiving a loan processing fee for a loan contract that is renegotiated, renewed or modified or for a loan contract that is issued to obligate a person to repay a sum of money that was previously lent to a person through a prior loan contract by the licensee.
-- Delete a provision that allows a licensee to require a borrower to pay 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 10 or more days after the due date.
-- Delete a provision specifying that a loan of an amount or value included within the regulatory loan ceiling for which a greater rate of interest than is permitted under the Act has been charged, regardless of where the loan was made, cannot be enforced within Michigan.

MCL 493.1 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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