Senate Fiscal Agency
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BILL ANALYSIS

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House Bill 4621 (Substitute H-1 as reported without amendment)
Sponsor: Representative Kirk A. Profit
House Committee: Commerce
Senate Committee: Financial Services

CONTENT

The bill would amend the Motor Vehicle Sales Finance Act to delete the Act's maximum limits on finance charges for an installment sale contract covering the retail sale of a motor vehicle and provide, instead, that a finance charge could not exceed the rate permitted by the Credit Reform Act proposed by House Bill 4614. Currently, the equivalent of 16.5% or less per year on the unpaid balance may be charged for a new or used motor vehicle designated by the manufacturer by a year model of the same or one year prior in which the retail sale is made (Class I); the equivalent of 19% or less per year on the unpaid balance may be charged for a new or used motor vehicle of a model designated by the manufacturer by a year not more than two years prior to the year in which the sale is made (Class II); and the equivalent of 22% or less per year on the unpaid balance may be charged for a new or used motor vehicle of a model designated by the manufacturer by a year more than two years prior to the year in which the sale is made (Class III). House Bill 4621 (H-1) also would delete the Act's refinance charge and default charge limits and provides, instead, that those charges could not exceed the rates allowed under the proposed Credit Reform Act.

In addition, the bill would do all of the following:

- Specify that, if a motor vehicle were covered by an installment sale contract, the buyer could not transfer equity in that vehicle to another person without the written consent of the holder of the contract, and that the holder could charge a transfer fee of $25.
- Delete buses and trucks from the Act's exceptions to the definition of "motor vehicle".
- Specify that "installment buyer" would mean a person who buys, hires, or leases a motor vehicle "for personal, family, or household use and not for commercial, business, or agricultural use".

MCL 492.102 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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