

# Legislative Analysis



## MOTOR VEHICLE INSTALLMENT CONTRACTS

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 5460 (H-3) as reported from committee**  
**Sponsor: Rep. Alabas Farhat**  
**Committee: Regulatory Reform**  
**Complete to 5-17-24**

Analysis available at  
<http://www.legislature.mi.gov>

*(Enacted as Public Act 94 of 2024)*

### SUMMARY:

House Bill 5460 would amend the Motor Vehicle Sales Finance Act to allow the use of installment sales contracts that require payments in unequal amounts in certain circumstances.

Specifically, the bill would allow an installment sales contract for a *new motor vehicle* to provide for a series of monthly payments in unequal amounts if both of the following conditions are met:

- The amount of any payment under the contract does not increase more than 40% from the first scheduled payment.
- The amount of each payment under the contract does not exceed the buyer's maximum payment threshold, as determined by the installment seller or the sales finance company at the time the buyer completes the contract.

*New motor vehicle* would mean a motor vehicle that is not and has not been a demonstrator, an executive or manufacturer's motor vehicle, a leased motor vehicle, or a *used or secondhand motor vehicle*.

*Used or secondhand motor vehicle* would mean a motor vehicle to which a certificate of title and license plates have been issued and which has been registered for use on the highways by a consumer or dealer.

Installment sellers or sales finance companies licensed under the act would be prohibited from charging either of the following fees on an installment sales contract that requires unequal payment amounts:

- A fee based solely on the fact that the contract requires unequal payments.
- A fee related to the prepayment of all of the unpaid time balance under the contract due to the resale of the motor vehicle.

The bill also would require the following notice be printed prominently, in at least 12-point type, below the federal Truth-in-Lending disclosure box on all installment sales contracts for new motor vehicles:

Notice: Customer should review the payment schedule to determine if the contract requires payments in unequal amounts.

MCL 492.102 et seq.

**BRIEF DISCUSSION:**

According to committee testimony, 42 states allow the use of unequal payment installment contracts to provide flexibility for consumers. Supporters of the bill argued that providing this flexibility in Michigan will expand access to vehicle ownership.

**FISCAL IMPACT:**

House Bill 5460 would not have a fiscal impact on any units of state or local government.

**POSITIONS:**

Representatives of the following entities testified in support of the bill:

- Department of Insurance and Financial Services (5-14-24)
- Ford Motor Company (4-23-24)
- Michigan Auto Dealers (4-23-24)

Legislative Analyst: Alex Stegbauer  
Fiscal Analyst: Marcus Coffin

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