EXEMPTION OF LOANS TO BUSINESS ENTITIES FROM USURY STATUTE

Act 52 of 1970

AN ACT to exempt loans to business entities from the provisions of the usury statute.

History: 1970, Act 52, Imd. Eff. July 10, 1970

The People of the State of Michigan enact:

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438.61 "Business entity" and "related entity" defined; extension of credit to business entity; agreement in writing to rate of interest.

Sec. 1.

(1) As used in this act:

(a) "Business entity" means a corporation, trust, estate, partnership, cooperative, or association or a natural person who furnishes to the extender of the credit a sworn statement in writing specifying the type of business and business purpose for which the proceeds of the loan or other extension of credit will be used. An exemption under this act does not apply if the extender of credit has notice that the person signing the sworn statement was not engaged in the business indicated on the sworn statement.

(b) "Related entity" means a business entity other than a natural person whose members, owners, partners, or limited partners include a state or national chartered bank, a state or federal chartered savings bank, a state or federal chartered savings and loan association, a state or federal chartered credit union, an insurance carrier, or finance subsidiary of a manufacturing corporation.

(2) Notwithstanding Act No. 326 of the Public Acts of 1966, being sections 438.31 to 438.33 of the Michigan Compiled Laws, and Act No. 259 of the Public Acts of 1968, being sections 438.41 to 438.42 of the Michigan Compiled Laws, but subject to any other applicable law of this state or of the United States which regulates the rate of interest, it is lawful in connection with an extension of credit to a business entity by a state or national chartered bank, a state or federal chartered savings bank, a state or federal chartered savings and loan association, a state or federal chartered credit union, insurance carrier, finance subsidiary of a manufacturing corporation, or a related entity for the parties to agree in writing to any rate of interest.

(3) Notwithstanding Act No. 326 of the Public Acts of 1966, it is lawful in connection with an extension of credit to a business entity by any person other than a state or nationally chartered bank, a state or federal chartered savings bank, a state or federal chartered savings and loan association, a state or federal chartered credit union, insurance carrier, finance subsidiary of a manufacturing corporation, or a related entity for the parties to agree in writing to any rate of interest not exceeding the rate allowed under Act No. 259 of the Public Acts of 1968.

History: 1970, Act 52, Imd. Eff. July 10, 1970 ;-- Am. 1978, Act 15, Imd. Eff. Feb. 8, 1978 ;-- Am. 1983, Act 20, Imd. Eff. Mar. 31, 1983 ;-- Am. 1996, Act 501, Imd. Eff. Jan. 9, 1997