# NEW MOTOR VEHICLE WARRANTIES

## Act 87 of 1986

AN ACT regarding warranties on new motor vehicles; to require certain repairs to new motor vehicles; to provide remedies for the failure to repair such vehicles; and to prescribe duties for certain state agencies.

**History:** 1986, Act 87, Eff. June 25, 1986 ;-- Am. 1998, Act 486, Imd. Eff. Jan. 4, 1999
**Popular Name:** Lemon Law

The People of the State of Michigan enact:

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### 257.1401 Definitions.

Sec. 1.

As used in this act:

(a) "Consumer" means 1 or more of the following:

(i) A person who purchases or leases a new motor vehicle for personal, family, or household use and not for the purpose of selling or leasing the new motor vehicle to another person.

(ii) A person who purchases or leases less than 10 new motor vehicles a year.

(iii) A person who purchases or leases 10 or more new motor vehicles a year only if the vehicles are purchased or leased for personal, family, or household use.

(iv) Any other person entitled to enforce the provisions of an express warranty pursuant to the terms of that warranty.

(b) "Lessee" means a person who, under a lease, acquires the right to possession and use of a new motor vehicle.

(c) "Lessor" means a person who, under a lease, transfers the right to possession and use of a new motor vehicle.

(d) "Manufacturer" means a person who manufactures, assembles, or is a distributor of new motor vehicles and includes an agent of a manufacturer but does not include a new motor vehicle dealer.

(e) "Manufacturer's express warranty" means an express warranty as determined under the uniform commercial code, 1962 PA 174, MCL 440.1101 to 440.11102, offered by the manufacturer on a new motor vehicle.

(f) "Motor vehicle" means a motor vehicle as defined in section 33 of the Michigan vehicle code, 1949 PA 300, MCL 257.33, that is designed as a passenger vehicle, or sport utility vehicle, but does not include a motor home, bus, truck other than a pickup truck or van, or a vehicle designed to travel on less than 4 wheels.

(g) "New motor vehicle" means a motor vehicle that is purchased or leased in this state or purchased or leased by a resident of this state and is covered by a manufacturer's express warranty at the time of purchase or lease.

(h) "New motor vehicle dealer" means a person or that person's agent who holds a dealer agreement for the sale of new motor vehicles, who is engaged in the business of purchasing, leasing, selling, exchanging, or dealing in new motor vehicles, and who has an established place of business in this state.

(i) "Person" means a natural person, a sole proprietorship, partnership, corporation, association, unit or agency of government, trust, estate, or other legal entity.

(j) "Resident of this state" means as follows:

(i) For an individual, an individual who is a legal resident of this state.

(ii) For a sole proprietorship or partnership, a sole proprietorship or partnership created pursuant to the laws of this state and its main office is located in this state.

(iii) For a corporation, a corporation that is a domestic corporation and was created under the laws of this state.

(iv) For an association, an association created pursuant to the laws of this state and its main office is located in this state.

(v) For a unit or agency of government, a unit or agency of government located in this state.

(vi) For a trust, estate, or other legal entity, a trust, estate, or other legal entity created pursuant to the laws of this state and that is located in this state.

(k) "Lease price" means the actual vehicle sales price paid by the lessor including any cash payment by the consumer and the sum equal to any allowance for any trade-in but excludes debt from any other transaction as well as any manufacturer to consumer discount, rebate, or incentive appearing in the agreement or contract that the consumer received or that was applied to reduce the purchase or lease cost. Additionally, any sales tax, license and registration fees, and similar government charges not included elsewhere paid by the lessor on behalf of the lessee are included as a part of lease price.

(l) "Purchase price" means the actual vehicle sales price listed on the buyer's order including any cash payment by the consumer and the sum equal to any allowance for any trade-in but excludes debt from any other transaction as well as any manufacturer to consumer discount, rebate, or incentive appearing in the agreement or contract that the consumer received or that was applied to reduce the purchase cost. Additionally, any sales tax, license and registration fees, and similar government charges not included elsewhere paid by the consumer are included as a part of purchase price.

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### 257.1402 Repair of defect or condition; report.

Sec. 2.

If a new motor vehicle has any defect or condition that impairs the use or value of the new motor vehicle to the consumer or which prevents the new motor vehicle from conforming to the manufacturer's express warranty, the manufacturer or a new motor vehicle dealer of that type of motor vehicle shall repair the defect or condition as required under section 3 if the consumer initially reported the defect or condition to the manufacturer or the new motor vehicle dealer within 1 of the following time periods, whichever is earlier:

(a) During the term the manufacturer's express warranty is in effect.

(b) Not later than 1 year from the date of delivery of the new motor vehicle to the original consumer.

**History:** 1986, Act 87, Eff. June 25, 1986
**Popular Name:** Lemon Law

**257.1403 Continued existence of defect or condition; replacement of motor vehicle or refund; allowance for use; reimbursement for towing costs and costs for rental vehicle; determination of ordinary and personal use; consent to replacement of security interest; presumption; performing repairs after expiration of warranty; extension of time for repair services.**

Sec. 3.

(1) If a defect or condition that was reported to the manufacturer or new motor vehicle dealer pursuant to section 2 continues to exist and the new motor vehicle has been subjected to a reasonable number of repairs as determined under subsection (5), the manufacturer shall within 30 days, do either of the following as applicable:

(a) If the new motor vehicle was purchased, either replace the new motor vehicle with a comparable replacement motor vehicle currently in production and acceptable to the consumer or accept return of the vehicle and refund to the consumer the purchase price. A consumer shall have the right to demand a refund.

(b) If the new motor vehicle was leased, the consumer has the right to a refund of the lease price paid by the consumer. The consumer may agree to accept a comparable replacement vehicle in lieu of a refund for the lease price paid. If the consumer agrees to accept a replacement vehicle, the lease agreement shall not be altered except with respect to the identification of the vehicle.

(2) The purchase price or lease price includes the cost of any options or other modifications installed or made by or for the manufacturer, and the amount of all other charges made by or for the manufacturer, less a reasonable allowance for the consumer's use of the vehicle, and less an amount equal to any appraised damage that is not attributable to normal use or to the defect or condition. A reasonable allowance for use is the purchase or lease price of the new motor vehicle multiplied by a fraction having as the denominator 100,000 miles and having as the numerator the miles directly attributable to use by the consumer and any previous consumer prior to his or her first report of a defect or condition that impairs the use or value of the new motor vehicle plus all mileage directly attributable to use by a consumer beyond 25,000 miles. If a vehicle is replaced or refunded under the provisions of this section, if towing services and rental vehicles were not made available without cost to the consumer, the manufacturer shall also reimburse the consumer for those towing costs and reasonable costs for a comparable rental vehicle that were incurred as a direct result of the defect or condition.

(3) If a court or an alternative dispute settlement procedure described in section 5 determines that a consumer has provided sufficient evidence that the vehicle did not provide reliable transportation for ordinary personal or household use for any period beyond the first 25,000 mileage usage period of the vehicle, the court or the alternative dispute settlement procedure may reduce the vehicle usage deduction for mileage beyond the first 25,000 mileage usage period only for the period beyond the 25,000 mileage usage period that the court or alternative dispute settlement procedure determines that the vehicle did not provide useful transportation for ordinary personal or household use. To determine if the vehicle did or did not provide useful transportation for ordinary personal and household use, the court or the alternative dispute settlement procedure shall consider all of the following:

(a) The number of repairs.

(b) The cost of the repairs.

(c) The number of days the vehicle was out of service.

(d) Whether the vehicle's need for repair significantly affected the consumer's ability to use the vehicle for personal or household functions.

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(4) The provisions of this act do not affect the obligations of a consumer under a loan, sales, or lease contract or the secured interest of a secured party. The secured party shall consent to the replacement of the security interest with a corresponding security interest on a replacement motor vehicle that is accepted by the consumer in exchange for the motor vehicle having a defect or condition pursuant to subsection (1), if the replacement motor vehicle is comparable in value to the original motor vehicle. If for any reason the security interest in the new motor vehicle having a defect or condition pursuant to subsection (1) is not able to be replaced with a corresponding security interest on a new motor vehicle accepted by the consumer, the consumer shall accept a refund. A refund required under this subsection or subsection (1) shall be made to the consumer and the secured party, if any, as their interests exist at the time the refund is to be made. The lessor, if any, shall be notified if a refund is made to a lessee under this act. A lessor shall not assess a fee for early termination of a lease under this act.

(5) It shall be presumed that a reasonable number of attempts have been undertaken to repair a defect or condition if 1 of the following occurs:

(a) The same defect or condition that substantially impairs the use or value of the new motor vehicle to the consumer has been subject to repair a total of 4 or more times by the manufacturer or new motor vehicle dealer within 2 years of the date of the first attempt to repair the defect or condition, and the defect or condition continues to exist. Any repair performed on the same defect made pursuant to subsection (6) shall be included in calculating the number of repairs under this section. The consumer or his or her representative, before availing himself or herself of a remedy provided under subsection (1), and any time after the third attempt to repair the same defect or condition, shall give written notification, by return receipt service, to the manufacturer of the need for repair of the defect or condition in order to allow the manufacturer an opportunity to cure the defect or condition. The manufacturer shall notify the consumer as soon as reasonably possible of a reasonably accessible repair facility. After delivery of the vehicle to the designated repair facility, the manufacturer has 5 business days to repair the defect or condition.

(b) The new motor vehicle is out of service because of repairs for a total of 30 or more days or parts of days during the term of the manufacturer's express warranty, or within 1 year from the date of delivery to the original consumer, whichever is earlier. The consumer, or his or her representative, before availing himself or herself of a remedy provided under subsection (1), and after the vehicle has been out of service for at least 25 days in a repair facility, shall give written notification by return receipt service to the manufacturer of the need for repair of the defect or condition in order to allow the manufacturer an opportunity to cure the defect or condition. The manufacturer shall notify the consumer as soon as reasonably possible of a reasonably accessible repair facility. After delivery of the vehicle to the designated repair facility, the manufacturer has 5 business days to repair the defect or condition.

(6) Any repairs required to be made under this act shall be made even if the repairs need to be performed after the expiration of the manufacturer's express warranty. The defect needing repair must be a continuation of the original attempt to repair the defect.

(7) The term of an express warranty, and the 1-year, 30-day, and 5-day periods of time provided for in this section shall be extended because repair services were not available to the consumer because of war, invasion, strike, fire, flood, or other natural disaster.

**History:** 1986, Act 87, Eff. June 25, 1986 ;-- Am. 1998, Act 486, Imd. Eff. Jan. 4, 1999
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**257.1404 Other legal remedies not limited or prohibited.**

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Sec. 4.

Nothing in this act shall be construed to limit or prohibit any other legal remedy of a consumer regarding a breach of a manufacturer's express warranty or an implied warranty for a new motor vehicle.

**History:** 1986, Act 87, Eff. June 25, 1986
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### 257.1405 Informal dispute settlement procedure.

Sec. 5.

If a manufacturer has established or participates in an informal dispute settlement procedure, the provisions of this act shall not apply to any consumer who has not first resorted to such procedure, if such procedure does all of the following:

(a) Complies with the Magnuson-Moss warranty—federal trade commission improvement act, Public Law 93-637, 88 Stat. 2183, and 16 C.F.R. 703 (1975). An informal dispute settlement procedure which the federal trade commission rules does not comply with 16 C.F.R. 703 (1975) shall be considered as not meeting the requirements of this subdivision.

(b) Requires that the manufacturer is bound by any decision reached if the consumer agrees to it.

(c) Provides that the consumer is not obligated to accept the decision and may pursue the remedies provided for under this act.

(d) Requires the manufacturer to initiate the process necessary to implement any final settlement not more than 30 days after the settlement has been reached.

**History:** 1986, Act 87, Eff. June 25, 1986
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### 257.1406 Defects or conditions to which act inapplicable.

Sec. 6.

This act does not apply to a defect or condition that is the result of either of the following:

(a) A modification not installed or made by or for the manufacturer.

(b) Abuse or neglect of the new motor vehicle or damage due to an accident that occurred after the new motor vehicle was purchased or leased by the consumer.

**History:** 1986, Act 87, Eff. June 25, 1986 ;-- Am. 1998, Act 487, Imd. Eff. Jan. 4, 1999
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### 257.1407 Waiver of rights and remedies prohibited; recovery of costs, expenses, and attorneys' fees.

Sec. 7.

(1) Any rights and remedies provided a consumer under this act may not be waived.

(2) A consumer who prevails in any action brought under this act may be allowed by the court to recover as part of the judgment a sum equal to the aggregate amount of cost and expenses, including attorneys' fees based on actual time expended by the attorney, determined by the court to have been reasonably incurred by the consumer for or in connection with the

commencement and prosecution of such action, unless the court in its discretion shall determine that such an award of attorneys' fees would be inappropriate.

**History:** 1986, Act 87, Eff. June 25, 1986
**Popular Name:** Lemon Law

**257.1408 Written statement to be included with title or documentation; type size; form; accessibility to public.**

Sec. 8.

(1) Until December 31, 1999 and after as provided in subsection (2), the secretary of state shall include with any title for a new motor vehicle a written statement, in 10-point boldfaced type, in substantially the following form: "IMPORTANT: IF THIS VEHICLE IS DEFECTIVE YOU MAY BE ENTITLED UNDER STATE LAW TO REPLACEMENT OF IT OR A REFUND OF ITS PURCHASE PRICE. TO OBTAIN REPLACEMENT OR A REFUND, YOU MUST FIRST REPORT THE DEFECT IN WRITING TO THE MANUFACTURER AND YOU MAY BE REQUIRED TO FIRST ARBITRATE THE DISPUTE. IN ORDER TO PROTECT YOUR RIGHTS UNDER THIS LAW, YOU SHOULD:

1. KEEP COPIES OF ALL CORRESPONDENCE TO AND FROM THE MANUFACTURER AND THE DEALER.

2. KEEP COPIES OF ALL WORK ORDERS FOR REPAIRS ON THE VEHICLE INCLUDING THE DATE(S) THE WORK WAS PERFORMED AND THE MILEAGE ON THE VEHICLE AT THE TIME OF REPAIR.

3. FOLLOW ALL REQUIREMENTS OF THE WARRANTY, INCLUDING ANY REQUIREMENT THAT THE REPAIRS MUST BE DONE BY AN AUTHORIZED DEALER SPECIFIED BY THE MANUFACTURER. IF YOU HAVE ANY QUESTIONS REGARDING YOUR RIGHTS UNDER THIS LAW, CONSULT AN ATTORNEY OR OTHER QUALIFIED INDIVIDUAL.".

(2) Beginning January 1, 2000, the secretary of state shall include with documentation for a purchased or leased new motor vehicle a written statement, in 10-point boldfaced type, in substantially the following form: "IMPORTANT: IF THIS VEHICLE IS DEFECTIVE YOU MAY BE ENTITLED UNDER STATE LAW TO REPLACEMENT OF IT OR A REFUND OF ITS PURCHASE PRICE OR LEASE PRICE, AS APPLICABLE. TO OBTAIN REPLACEMENT OR A REFUND, YOU MUST FIRST REPORT THE DEFECT IN WRITING TO THE MANUFACTURER AND YOU MAY BE REQUIRED TO FIRST ARBITRATE THE DISPUTE. IN ORDER TO PROTECT YOUR RIGHTS UNDER THIS LAW, YOU SHOULD:

1. KEEP COPIES OF ALL CORRESPONDENCE TO AND FROM THE MANUFACTURER AND THE DEALER.

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3. FOLLOW ALL REQUIREMENTS OF THE WARRANTY, INCLUDING ANY REQUIREMENT THAT THE REPAIRS MUST BE DONE BY AN AUTHORIZED DEALER SPECIFIED BY THE MANUFACTURER. IF YOU HAVE ANY QUESTIONS REGARDING YOUR RIGHTS UNDER THIS LAW, CONSULT AN ATTORNEY OR OTHER QUALIFIED INDIVIDUAL.".

(3) Beginning January 1, 2000, the secretary of state shall include a summary of the provisions of this act on a database that is accessible to the public through the internet. As used

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in this section, "internet" means a worldwide interconnection of individual computers and computer networks and the facilities and equipment used to access those interconnected networks.

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### 257.1409 Applicability of act.

Sec. 9.

This act shall apply to all new motor vehicles that are sold to the original consumer on or after the effective date of this act.

**History:** 1986, Act 87, Eff. June 25, 1986
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### 257.1410 Effective date.

Sec. 10.

This act shall take effect 60 days after its enactment.

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