MOTOR VEHICLE SALES FINANCE ACT

Act 27 of 1950 (Ex. Sess.)

AN ACT defining and regulating certain installment sales of motor vehicles; prescribing the conditions under which such sales may be made and regulating the financing thereof; regulating and licensing persons engaged in the business of making or financing such sales; prescribing the form, contents and effect of instruments used in connection with such sales and the financing thereof; prescribing certain rights and obligations of buyers, sellers, persons financing such sales and others; limiting charges in connection with such instruments and fixing maximum interest rates for delinquencies, extensions and loans; regulating insurance in connection with such sales; regulating repossessions, redemptions, resales and deficiency judgments and the rights of parties with respect thereto; authorizing extensions, loans and forbearances related to such sales; authorizing investigations and examinations of persons engaged in the business of making or financing such sales; transferring certain powers and duties with respect to finance companies to the commissioner of the financial institutions bureau; and prescribing penalties.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1970, Act 114, Imd. Eff. July 23, 1970
Compiler's Notes: For transfer of authority, powers, duties, functions, and responsibility of the financial institutions bureau and the commissioner of the financial institutions bureau to the commissioner of the office of financial and insurance services and the office of financial and insurance services by type III transfer, see E.R.O. No. 2000-2, compiled at MCL 445.2003 of the Michigan compiled laws.

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The People of the State of Michigan enact:

492.101 Motor vehicle sales finance act; short title.

Sec. 1.

This act shall be known and may be cited as the "Motor vehicle sales finance act."

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951
Compiler's Notes: For transfer of authority, powers, duties, functions, and responsibility of the financial institutions bureau and the commissioner of the financial institutions bureau to the commissioner of the office of financial and insurance services and the office of financial and insurance services by type III transfer, see E.R.O. No. 2000-2, compiled at MCL 445.2003 of the Michigan compiled laws.

492.102 Definitions.

Sec. 2.

As used in this act:

(a) "Administrator" means the director of the department of insurance and financial services.

(b) "Cash price" means the price measured in dollars at which a seller of a motor vehicle would in good faith sell to the buyer or to any other buyer under like circumstances, and the buyer would in good faith buy from the seller, the motor vehicle that is the subject matter of an installment sale contract if the sale were a sale for cash instead of an installment sale.

(c) "Collateral security" means security, other than a security interest in a motor vehicle that is the subject of an installment sale contract, that is given to secure performance of an

obligation of the buyer, or of any surety or guarantor for the buyer, under an installment sale contract. Collateral security includes the undertakings of any surety or guarantor for the buyer and any interest in, encumbrance on, or pledge of real or personal property other than the motor vehicle that is the subject of the installment sale contract.

(d) "Down payment" means all partial payments, whether made in cash or otherwise, received by or for the benefit of the seller before or substantially contemporaneous with either the execution of the installment sale contract or the delivery of the motor vehicle sold under that contract, whichever occurs later.

(e) "Finance charge" means that term as defined in section 106 of the truth in lending act, 15 USC 1605.

(f) "Financial institution" means a state or national chartered bank, a state or federal chartered savings and loan association, or a state or federal chartered credit union.

(g) "Holder" means a seller or other person that is currently entitled to the rights of a seller under an installment sale contract.

(h) "Installment buyer" or "buyer" means a person that buys, hires, or leases a motor vehicle for personal, family, or household use, and not for commercial, business, or agricultural use, under an installment sale contract or a legal successor in interest to that person.

(i) "Installment sale contract" or "contract" means an agreement for the retail sale of a motor vehicle, or that has a similar purpose or effect, under which part or all of the price is payable in 2 or more scheduled payments subsequent to the making of the agreement or under which the obligor undertakes to make 2 or more scheduled payments or deposits that can be used to pay part or all of the purchase price, whether or not the seller has retained a security interest in the motor vehicle or has taken collateral security for the buyer's obligation, and any extension, deferment, renewal, or other revision of that agreement. Installment sale contract and contract include a loan, mortgage, conditional sale contract, purchase-money chattel mortgage, hire-purchase agreement, or agreement for the bailment or lease of a motor vehicle under which the hire-purchaser, the bailee, or the lessee agrees to pay as compensation a sum substantially equivalent to or in excess of the value of the motor vehicle, and any other form of agreement that has a similar purpose or effect. Installment sale contract and contract do not include a sale or contract for sale on an open book account in which the seller has not retained or taken a security interest in the motor vehicle sold or collateral security for the buyer's obligation, the buyer is not required to pay any sum other than the cash price of the motor vehicle sold in connection with the sale or extension of credit, and the buyer is obligated to pay for the motor vehicle in full not later than 90 days after the time the sale or contract for sale was made.

(j) "Installment seller" or "seller" means a person engaged in the business of selling, offering for sale, hiring, or leasing motor vehicles under installment sale contracts or a legal successor in interest to that person. As used in this subdivision, "business" does not include an isolated sale.

(k) "Licensed financial institution" means a financial institution issued a license under this act.

(l) "Licensee" means a person issued a license under this act as an installment seller or a sales finance company and whose license has not expired or been surrendered or revoked, and in the plural means a person or persons licensed under 1 or both of these 2 classifications. Licensee includes a licensed financial institution.

(m) "Motor vehicle" means a self-propelled device by which a person or property may be transported on a public highway or, subject to subparagraph (iv), a recreational vehicle. Motor vehicle does not include any of the following:

(i) A tractor, motorcycle, trailer, semitrailer, or power shovel.

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(ii) Road machinery, agricultural machinery, or other machinery not designed primarily for highway transportation but that incidentally transports persons or property on a public highway.

(iii) A device that moves on or is guided by a track or travels through the air.

(iv) A recreational vehicle that does not have its own motive power; is sold by a person engaged solely in the business of selling, offering for sale, hiring, or leasing recreational vehicles that do not have their own motive power; and is sold under a retail installment contract or retail charge agreement that meets the requirements of the retail installment sales act, 1966 PA 224, MCL 445.851 to 445.873.

(n) "New motor vehicle" means 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.

(o) "Person" means an individual, partnership, association, corporation, limited liability company, governmental entity, or any other legal entity.

(p) "Principal amount financed" means the unpaid cash price balance after deducting the down payment, adding the cost of any insurance premiums required or obtained as security for or by reason of the sale of a motor vehicle under an installment sale contract, and adding other costs necessary or incidental to the sale of the motor vehicle under the contract that the seller contracts to pay on behalf of the buyer and for the amount of which the seller agrees to extend credit to the buyer and for which the buyer contracts voluntarily.

(q) "Recreational vehicle" means a recreational vehicle, as that term is defined in section 49a of the Michigan vehicle code, 1949 PA 300, MCL 257.49a, except a park model trailer, as that term is defined in section 38a of the Michigan vehicle code, 1949 PA 300, MCL 257.38a.

(r) "Retail sale" means a sale of a motor vehicle for use by a buyer or for the benefit or satisfaction that the buyer may derive from the use of the motor vehicle by another.

(s) "Sales finance company" means a person engaged as a principal, agent, or broker in the business of financing or soliciting the financing of installment sale contracts made between other parties, and in the business of acquiring, investing in, or lending money or credit on the security of the retail seller's interest in those contracts whether by discount, purchase, or assignment of those contracts, or otherwise. Sales finance company includes a licensee or other person that as a seller finances installment sale contracts for other sellers or sales finance companies. Sales finance company includes a licensed financial institution. Sales finance company does not include any of the following:

(i) A person, financial institution, or sales finance company that takes an assignment of or an interest in an aggregation of installment sale contracts only as security for bona fide commercial loans under which, in the absence of default or other bona fide breach of the loan contract, ownership of the contracts remains vested in the assignor and collection of payments on the contracts is made by the assignor.

(ii) A person that purchases installment sale contracts from a sales finance company or from a licensed financial institution.

(t) "Security interest" means a property right in a motor vehicle that is the subject of an installment sale contract, if the right is retained to secure performance of an obligation of the buyer under that contract. Security interest includes a lien or encumbrance against the motor vehicle, a mortgage interest in the motor vehicle, and a reservation of title to the motor vehicle, whether or not expressed to be absolute, if the title is in substance retained only for security.

(u) "Time balance" means the sum of the principal amount financed and the finance charge.

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(v) "Used or secondhand motor vehicle" means a motor vehicle to which a certificate of title and license plates have been issued and which motor vehicle has been registered for use on the highways by a consumer or by a dealer.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1951, Act 171, Imd. Eff. June 8, 1951 ;-- Am. 1952, Act 103, Eff. July 1, 1952 ;-- Am. 1970, Act 114, Imd. Eff. July 23, 1970 ;-- Am. 1984, Act 339, Eff. Mar. 29, 1985 ;-- Am. 1995, Act 166, Eff. Mar. 28, 1996 ;-- Am. 2013, Act 16, Imd. Eff. Apr. 23, 2013 ;-- Am. 2024, Act 94, Imd. Eff. July 23, 2024

492.103 Installment seller of motor vehicles; sales finance company; license required.

Sec. 3.

Except for a person licensed under the consumer financial services act, a person shall not engage in this state as a principal, employee, agent, or broker in either of the following unless that person is licensed as provided in this act:

(a) The business of an installment seller of motor vehicles under installment sale contracts.

(b) The business of a sales finance company.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1988, Act 163, Eff. Sept. 1, 1988

492.104 License; application; form; contents; appointment of statutory agent; service of process; separate application for each place of business; renewal.

Sec. 4.

(1) A person shall file an application for a new or renewal license under this act in writing, under oath, and in the form prescribed by the administrator.

(2) A complete license application shall contain all of the following:

(a) The name under which the business is conducted.

(b) The address of the principal place of business and of each other place of business, if more than 1.

(c) One of the following:

(i) The date and place of incorporation and the name and address of all officers and directors if the applicant is a corporation.

(ii) The name and residence address of the owner if the applicant is an individual owner or operating under an assumed name.

(iii) The name and residence address of all owners, partners, or members if the applicant is a partnership, association, or limited liability company.

(d) An appointment under subsection (3), if applicable.

(e) The bond required under section 5, if applicable.

(f) The license fee or fees required under section 5.

(g) Any other information the administrator requires.

(3) If a license applicant does not maintain an office in this state and does not have a resident agent in this state, the application shall include a written appointment of a statutory agent upon whom process, notice, or demand may be served. The statutory agent shall be an individual residing in this state or a corporation whose principal place of business is located in this state. If the identity or address of the statutory agent changes while the application is pending or after a license is issued, the applicant or licensee shall within 3 days file with the

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department a written appointment of the new statutory agent or written notice of the new address, as applicable.

(4) A new or renewal license applicant shall submit a separate application, on the prescribed form, for each place of business conducted by or to be established by the licensee within this state.

(5) An applicant for a renewal license shall submit the application for renewal of the license on or before the June 16 preceding the renewal period.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 2004, Act 283, Imd. Eff. July 23, 2004

492.105 Bond to accompany first license application; bond applicable to principal place of business; form; penal sum; execution; condition; action on bond; filing new bond or renewal certificate.

Sec. 5.

(a) Except as provided in subdivision (b), a bond, in the form prescribed by the administrator, in the penal sum of $20,000.00 shall accompany the first application by a person for license as a sales finance company and shall apply only to the principal place of business of the licensee. A bond, in the form prescribed by the administrator, in the penal sum of $10,000.00 shall accompany each application by a licensee for an additional location to transact business as a sales finance company.

(b) Each bond required under subdivision (a) shall be in the penal sum of $5,000.00 if the applicant is licensed under the mortgage brokers, lenders, and servicers licensing act, Act No. 173 of the Public Acts of 1987, being sections 445.1651 to 445.1683 of the Michigan Compiled Laws, Act No. 125 of the Public Acts of 1981, being sections 493.51 to 493.81 of the Michigan Compiled Laws, or the regulatory loan act of 1963, Act No. 21 of the Public Acts of 1939, being sections 493.1 to 493.26 of the Michigan Compiled Laws.

(c) The bond required under subdivision (a) shall be executed by a surety company authorized by the laws of this state to transact business within this state. A bond accompanying an application for license as a sales finance company, filed by a financial institution located within this state, may be executed by a financial institution on its own behalf, instead of a bond executed by a surety company. The bond shall be executed to the state of Michigan and shall be for the use of the state and for any person or persons. The condition of the bond shall be that the licensee will comply with and abide by all the provisions of this act, and all the rules and regulations of the administrator lawfully issued, and that the licensee will pay to the state, to the administrator or to any person or persons, any and all money that may become due to the state, to the administrator or to any person or persons from the licensee under the provisions of this act. A person who is aggrieved by the misconduct of a licensee and who has recovered a judgment against a licensee, and whose judgment is not satisfied within 30 days after it becomes final, may maintain an action upon the bond of the licensee in any court having jurisdiction of the amount claimed. Service of process for such an action may be served anywhere within this state.

(d) A new bond or renewal certificate shall accompany every application for renewal license and shall be filed annually at least 15 days before July 1.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1988, Act 242, Eff. Aug. 1, 1988

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492.106 License; application; fee; abatement in amount of license fee; expiration of license; examination fee; hourly rate and per contract rate; invoice; payment; disposition and use of fees and expenses.

Sec. 6.

(a) An application for license shall be accompanied by a license fee in the following amounts:

1. $30.00 for license as an installment seller of motor vehicles, permitting that installment seller to finance installment sales contracts made between the installment seller and an installment buyer.

2. $150.00 for the first license as a sales finance company, except financial institutions, which shall pay a fee of $35.00 for each office licensed as a sales finance office.

(b) A separate license fee of $75.00 shall be paid by each sales finance company, except financial institutions, for each additional place of business conducted by that sales finance company within the state.

(c) An abatement in the amount of the license fee shall not be made if the license is issued for less than 1 year, or if the license is surrendered, canceled, or revoked before the expiration of the license year for which issued.

(d) Each license issued under this act shall expire on July 1 annually. A renewal license fee in the same amount as that paid for the original license shall be paid annually for each respective type of license and for each licensed place of business.

(e) A licensee shall pay an examination fee for any examination of its records conducted by the administrator. The examination fee shall be the lesser of the actual hourly rate or per contract rate as established by this subdivision. An examination fee based on the per contract rate shall not be less than $150.00. Annually, the administrator shall determine and notify all licensees of the hourly rate and per contract rate at which examination fees shall be charged for all examinations conducted pursuant to this act during the calendar year. The hourly rate shall be not less than $20.00 per hour, nor more than $40.00 per hour for each examiner engaged in an examination. The per contract rate shall be not less than $0.08, nor more than $0.20 per installment sales contract. The examination fee shall be invoiced upon the completion of the examination and shall be due and payable upon receipt of the invoice by the licensee. A licensee shall not be required to pay for more than 1 examination in any 1 calendar year. An installment seller shall not be required to pay more than $200.00 for an examination unless the licensee holds its own installment sales contracts.

(f) All fees and expenses provided for in this section and in section 7(c) shall be paid into the state treasury to the credit of the financial institutions bureau, and money in this account shall be used only for the operation of the financial institutions bureau.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1952, Act 103, Eff. July 1, 1952 ;-- Am. 1970, Act 114, Imd. Eff. July 23, 1970 ;-- Am. 1984, Act 339, Eff. Mar. 29, 1985 ;-- Am. 1988, Act 242, Eff. Aug. 1, 1988

492.106a Receipt of completed application for new or renewal license; issuance of license within certain time period; report.

Sec. 6a.

(1) Subject to subsection (3), beginning on the effective date of the amendatory act that added this section, the administrator shall approve or reject a new or renewal license application within 90 days after the date a complete application under section 4 is received by

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the office of financial and insurance services or the date it is received by another agency or department of state government on behalf of the office of financial and insurance services, whichever is earlier.

(2) If an application described in subsection (1) is considered incomplete by the administrator, the administrator shall notify the applicant in writing or electronically within 30 days after receipt of the incomplete application, describing the deficiency and requesting the additional information, the unpaid fee, or the bond. The 90-day time period described in subsection (1) is tolled upon notification by the administrator of a deficiency until the date the requested information is received by the administrator. The determination of the completeness of an application does not operate as an approval of the application for the license and does not confer eligibility of an applicant determined otherwise ineligible for issuance of a license. The tolling of the 90-day time period under this subsection does not allow the administrator to otherwise delay the processing of the application, and that application, upon completion, shall be placed in sequence with other complete applications received at that same time.

(3) If the administrator fails to issue or deny a license within the time required by this section, the administrator shall return the license fee and shall reduce the license fee for the applicant's next renewal application, if any, by 15%. The administrator shall not discriminate against an applicant in the processing of the application based upon the fact that the license fee was refunded or discounted under this subsection.

(4) Beginning October 1, 2005, the administrator shall submit a report by December 1 of each year to the standing committees of the senate and house of representatives concerned with commerce issues and to the appropriations subcommittees of the senate and house of representatives generally responsible for appropriations to the office of financial and insurance services. The administrator shall include all of the following information in the report concerning the preceding fiscal year:

(a) The number of initial and renewal applications the administrator received and completed within the 90-day time period described in subsection (1).

(b) The number of applications denied.

(c) The number of applicants not issued a license within the 90-day time period and the amount of money returned to licensees and registrants under subsection (3).

History: Add. 2004, Act 283, Imd. Eff. July 23, 2004

492.107 License certificate; issuance; posting; license nontransferable and nonassignable; change in business location; notice; amendment of license certificate; fee; operating more than 1 place of business.

Sec. 7.

(a) Upon approving a license application, the administrator shall issue to the applicant a license certificate showing the name of the person authorized to do business under the license and the business address of the licensee. Upon issuance to a licensee, a license certificate shall be posted in a conspicuous place in the place of business of the licensee in full view of the public at all times.

(b) A license shall not be transferable or assignable.

(c) A licensee may change his or her place of business to another location within the same municipality for which the license certificate was issued. A licensee desiring to change the address of his or her place of business shall give prior written notice to the administrator and shall return the license certificate to the administrator for amendment. The administrator shall amend the license certificate to show the new address and the date of the change, which shall

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then be the authorized address of the licensee. A licensee shall pay a fee of $10.00 to amend a license certificate.

(d) Only 1 place of business may be operated under the same license. A licensee may operate more than 1 place of business by filing an application on the prescribed form for each additional place of business and complying with the bond and license fee provisions of this act. For an installment seller only, if every place of business is conducted in 1 city under 1 name and all business records are continuously kept in 1 place, only 1 license shall be required for all places of business conducted in that city.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1988, Act 242, Eff. Aug. 1, 1988

492.108 License; application, rejection, grounds, notice; retention of fee.

Sec. 8.

(a) The administrator may reject any application for license or any application for renewal of a license if he is not satisfied that the financial responsibility and the general fitness of the applicant and of the owners, partners or members thereof, if the applicant be a partnership or association, and of the officers and directors, if the applicant be a corporation, are such as to warrant the belief that the business for which application for license is filed will be operated in accordance with the provisions of this act.

(b) Whenever the administrator rejects an application for license he shall mail a notice of such action to the applicant and the applicant may, within 30 days of the date of such notice, appeal from such action to the circuit court in the manner provided for in section 9, subsection (d) of this act.

(c) Whenever the administrator rejects an application for license, he shall retain the license fee which accompanied the application, to defray costs of investigation.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.109 License; revocation or suspension; grounds; appeal.

Sec. 9.

(a) The administrator, upon 30 days written notice to the licensee, forwarded by registered mail to the place of business of such licensee, as shown in the application for license or as amended on the license certificate in case of change of address subsequent to issuance of the license certificate, may revoke or suspend any license if he finds that:

1. The licensee has made any material misstatement in the application for license, or that
2. The licensee has violated any provisions of this act, or that
3. The licensee refuses or has refused to permit the administrator or his designated representative to make examinations authorized by this act, or that
4. The licensee in the case of a sales finance company has failed to maintain in effect the bond required under the provisions of this act, or that
5. The licensee has failed to maintain satisfactory records required by this act, or that
6. The licensee has falsified any records required by this act to be maintained in connection with the business contemplated by this act, or that
7. The licensee has after proper notice failed to file any report with the administrator within the time stipulated in this act, or that
8. The licensee has failed to pay the fine required by this act for failure to file reports to the administrator within the time stipulated, or that

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9. The licensee has defrauded any retail buyer to the buyer's damage or wilfully failed to perform any written agreement with any retail buyer, or that

10. Any fact or condition exists or is discovered which, if it had existed or had been discovered at the time of filing of the application for such license, would have warranted the administrator in refusing to issue such license.

(b) The administrator may revoke or suspend only the particular license with respect to which grounds for revocation may occur or exist, but if he finds that grounds for revocation are of general application to all places of business or to more than 1 place of business operated by a licensee, he may revoke all of the licenses issued to such licensee or those licenses to which grounds for revocation apply, as the case may be.

(c) Whenever a license has been revoked, the administrator shall not issue another license to the licensee pursuant to the provisions of this act until the expiration of at least 1 year from the effective date of revocation of said license.

(d) Appeals may be taken from the action of the administrator in accordance with procedure prescribed in section 30 of Act No. 319 of the Public Acts of 1969, being section 487.330 of the Compiled Laws of 1948.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1970, Act 114, Imd. Eff. July 23, 1970

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492.110 Investigation and examination of records; access to place of business; required witness attendance; subpoena; forms, rules and regulations.

Sec. 10.

(a) The administrator is authorized and empowered to investigate and examine at any time during regular business hours any and all books, accounts, papers, records, documents and files, to the extent that such investigation and examination pertain to matters regulated under the provisions of this act, of any licensee and of any person who shall be engaged in business contemplated by this act. For this purpose the administrator shall have free access to the offices and places of business and any and all books, accounts, papers, records, documents and files of all such persons. A person who is not licensed under this act shall be presumed to be engaged in business contemplated by this act, if he, as principal, agent or broker advertises or solicits business for which a license is required by the provisions of this act, and the administrator and any person designated by him for that purpose is, in such case, hereby empowered to examine the books, accounts, papers, records, documents, files, safes and vaults of such persons for the purpose of discovering violations of this act.

(b) The administrator is empowered to require the attendance and testimony of witnesses and the production of any books, accounts, papers, records, documents and files relating to such business which the administrator has authority by this act to investigate, and for this purpose the administrator or his duly authorized representative may sign subpoenas, administer oaths and affirmations, examine witnesses and receive evidence. In case of disobedience of any subpoena or the contumacy of any witness appearing before the administrator, the administrator may invoke the aid of the circuit court of Ingham county, or any circuit court of the state, and such court shall thereupon issue an order requiring the person subpoenaed to obey the subpoena, or to give evidence, or to produce books, accounts, papers, records, documents and files relative to the matter in question. Any failure to obey such order of the court may be punished by such court as a contempt thereof.

(c) The administrator is hereby authorized and empowered to prescribe the various blank forms to be used by licensees in making reports, and to make rules and regulations relating to the enforcement of this act. A copy of every rule and regulation shall be mailed by the

administrator to all licensees under this act at their respective licensed places of business at least 10 days before the effective date thereof.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.111 Books, accounts and records; maintenance.

Sec. 11.

(a) Every licensee shall maintain, at the place of business designated in the license certificate, such books, accounts and records of the business conducted under the license issued for such place of business as will enable the administrator to determine whether the business of the licensee contemplated by this act is being operated in accordance with the provisions of this act.

(b) A licensee, operating 1 or more licensed places of business in this state, may maintain the general control records of all such offices at any 1 of such offices, or at any other office maintained by such licensee, upon the filing of a written request with the administrator designating therein the office at which such control records are maintained and upon approval of such request by the administrator.

(c) All books, accounts and records of licensee shall be maintained in the English language.

(d) All books, accounts and records of licensees, including any cards used in a card system, shall be preserved and available for examination by the administrator for at least 2 years after making the final entry therein.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

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492.112 Installment sale contract; contents; signatures; buyer's copy; notice; form; delivery acknowledgment; payments; applicability.

Sec. 12.

(1) An installment sale contract must be in writing, contain all of the agreements between the buyer and the seller relating to the installment sale of the motor vehicle sold, and be signed by both the buyer and the seller.

(2) An installment sale contract must be completed as to all essential provisions before the signing of the contract by the buyer and contain other information as the administrator may require.

(3) An exact copy of the installment sale contract must be furnished by the seller to the buyer without charge at the time the buyer signs the contract. The buyer's copy of the contract must contain the signature of the seller identical with the signature on the original contract.

(4) An installment sale contract must contain the following notice printed prominently and in the form indicated in 12-point type or larger directly above the space provided in the contract form for the signature of the buyer:

"Notice to buyer. Do not sign this contract in blank. You are entitled to 1 true copy of the contract you sign without charge. Keep it to protect your legal rights.".

(5) The seller shall obtain from the buyer a written acknowledgment of the delivery of the copy of the contract. The acknowledgment must be printed in 12-point type or larger and, if attached to the contract, it must be printed below the buyer's signature to the contract and independently signed.

(6) Except as otherwise provided in this subsection and section 22, an installment sale contract must provide for weekly, semi-monthly, or monthly payments of the time balance in substantially equal periods and amounts. This subsection does not do either of the following:

(a) Apply to an installment sale contract made between a seller and a buyer who is an employee of the seller.

(b) Prohibit an installment sale contract that extends the time for making installment payments for a period of not to exceed 3 months.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1954, Act 132, Imd. Eff. Apr. 23, 1954 ;-- Am. 1994, Act 2, Imd. Eff. Feb. 17, 1994 ;-- Am. 2024, Act 94, Imd. Eff. July 23, 2024

492.113 Installment sale contract; contents; collateral security; notice of legal rights; liability.

Sec. 13.

(1) An installment sale contract must include the full names and addresses of all the parties to the contract, the date when signed by the buyer, and a description of the motor vehicle sold that is sufficient for accurate identification.

(2) An installment sale contract must set forth all of the following separate items in the following order:

(a) The cash price of the motor vehicle. This amount must include any taxes, the cash price of agreed on accessories and installation of the accessories, the cash price of any extended warranty or service contract, and a documentary preparation fee. The documentary preparation fee must not exceed 5% of the cash price of the motor vehicle or $160.00, whichever is less. Beginning on January 1, 2005, the administrator shall adjust the maximum amount then in effect for the documentary preparation fee described in this subdivision every 2 years to reflect the cumulative percentage change in the Consumer Price Index for the 2 immediately preceding calendar years, as determined by the administrator. The administrator shall round the adjustment to the nearest $10.00 increment to set the fee every 2 years under this subdivision, but shall carry over and use the absolute value to calculate the next 2-year adjustment. As used in this subdivision, "Consumer Price Index" means the United States Consumer Price Index for all urban consumers, U.S. city average, as defined and reported by the Bureau of Labor Statistics of the United States Department of Labor.

(b) The down payment made by the buyer at the time of or before execution of the contract, indicating whether made in cash, represented by the agreed value of a trade-in motor vehicle or other goods, or both. The amount of cash and the value of any trade-in must be stated separately. A description that is sufficient for identification of any trade-in must be included.

(c) The unpaid cash price balance, which is the difference between the cash price under subdivision (a) and the down payment under subdivision (b).

(d) The cost of any insurance premium or travel emergency benefits pertaining to the operation of the automobile that the seller agrees to extend credit to the buyer to obtain. The installment sale contract must set forth the term of the insurance and a concise description of the terms of the insurance policy and the travel emergency benefits. If the precise cost of the insurance is not available at the time the contract is signed, an estimated amount, ascertained from the current published applicable manual of a recognized standard insurance rating bureau, may be set forth in the contract. Not later than 25 days after making the installment sale contract, the seller shall mail or cause to be mailed to the buyer at the buyer's address as

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shown on the contract a certificate or policy of insurance and a statement showing the exact cost of the insurance. Each installment sale contract must contain the following warning, printed prominently in red ink and in 12-point type or larger, directly preceding the notice provided for in section 12(4), enclosed by a continuous heavy line:

Warning: The insurance afforded hereunder does not cover liability for injury to persons or damage to property of others unless so indicated hereon.

(e) The cost of any guaranteed asset protection waiver that the seller agrees to extend credit to the buyer to obtain. For purposes of this subdivision, all of the following apply:

(i) "Guaranteed asset protection waiver" means that term as defined in section 3 of the guaranteed asset protection waiver act, 2009 PA 229, MCL 492.23.

(ii) A guaranteed asset protection waiver may be included as part of, or as an addendum to, an installment sale contract.

(iii) An installment seller that offers, sells, or provides guaranteed asset protection waivers to installment buyers in this state must comply with the guaranteed asset protection waiver act, 2009 PA 229, MCL 492.21 to 492.33.

(iv) Any cost to an installment buyer for a guaranteed asset protection waiver entered into in compliance with the truth in lending act, 15 USC 1601 to 1667f, and the regulations promulgated under that act, 12 CFR part 226, must be separately stated and is not considered a finance charge or interest.

(f) Other necessary or incidental costs that the seller contracts to pay on behalf of the buyer and for the amount of which the seller agrees to extend credit to the buyer as authorized under this act. The contract must contain an itemization of the nature and amount of the costs.

(g) The principal amount financed, which is the total of the amounts described in subdivisions (c), (d), (e), and (f).

(h) The finance charge, which is the consideration in excess of the total of the cash price under subdivision (a), excluding the amounts described in subdivisions (d), (e), and (f).

(i) The time balance, which is the total of the amounts described in subdivisions (g) and (h) and represents the total obligation of the buyer that the buyer agrees to pay in 2 or more scheduled payments.

(j) The payment schedule, which must include the number of payments, the amount of the payments, and the time of the payments required to liquidate the time balance. If the installment sale contract is for a new motor vehicle, the installment sale contract must contain the following notice printed prominently in 12-point type or larger directly below the federal Truth-In-Lending disclosure box:

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

(3) An installment sale contract must state clearly any collateral security given to secure the buyer's obligation under the contract.

(4) An installment sale contract must contain a summary notice of the buyer's principal legal rights respecting prepayment of the contract and rebate of the finance charge and reinstatement of the contract in the event of repossession.

(5) An installment sale contract must contain specific provisions concerning the buyer's liability for default charges, repossession, and sale of the motor vehicle in case of default or other breach of contract, and the seller's or holder's rights concerning any collateral security.

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History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1957, Act 26, Eff. Sept. 27, 1957 ;-- Am. 1968, Act 168, Imd. Eff. June 17, 1968 ;-- Am. 1990, Act 27, Imd. Eff. Mar. 13, 1990 ;-- Am. 2002, Act 699, Imd. Eff. Dec. 30, 2002 ;-- Am. 2009, Act 231, Eff. July 7, 2010 ;-- Am. 2024, Act 94, Imd. Eff. July 23, 2024

492.113a Installment sale transaction; certain payments by seller on behalf of buyer.

Sec. 13a.

(1) A seller in an installment sale transaction may pay on behalf of the buyer and agree to finance in the installment sale contract all or part of the balance of any indebtedness secured by a motor vehicle that the seller takes in trade in the installment sale transaction or all or any part of the balance owed under a lease of a motor vehicle that is terminated in connection with the installment sale transaction.

(2) If subsection (1) applies in an installment sale transaction, then the other necessary or incidental costs included in the installment sale contract under section 13(2)(e) shall include the amount the seller agreed to finance under subsection (1).

History: Add. 2005, Act 319, Imd. Eff. Dec. 27, 2005
Compiler's Notes: Enacting section 1 of Act 319 of 2005 provides:"Enacting section 1. It is the intent of the legislature that this section be construed as declaring the law as it exists before this section is enacted and not as modifying it."

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492.114 Installment sale contract; condition of signing; acceleration clause; right of repossession; prohibited provisions.

Sec. 14.

(a) An installment sale contract shall not be signed by a party to the contract unless it contains all of the information and statements required by this act.

(b) An installment sale contract shall not contain an acceleration clause under which any part or all of the time balance represented by payments, not yet matured, may be declared immediately payable because the seller or holder deems itself to be insecure.

(c) An installment sale contract shall not contain a provision authorizing a person acting on behalf of the seller or holder to enter upon premises of the buyer unlawfully or to commit a breach of the peace in the repossession of the motor vehicle or collateral security. A right of repossession of a motor vehicle provided in an installment sale contract shall be exercised only in the manner provided in part 6 of article 9 of the uniform commercial code, 1962 PA 174, MCL 440.9601 to 440.9628, concerning taking possession of and disposing of collateral.

(d) An installment sale contract shall not contain a provision by which the buyer waives a right of action against the seller, holder, or other person acting on behalf of the holder for an illegal act committed in the collection of the payments under the contract or in the repossession of the motor vehicle or collateral security.

(e) An installment sale contract shall not contain a provision by which the buyer executes a power of attorney appointing the seller, the holder, or the agent of the licensee as the buyer's agent in collection of the payments under the contract or in repossession of the motor vehicle sold or collateral security.

(f) An installment sale contract shall not contain a provision relieving the holder, or other assignee, from liability for legal remedies which the buyer has against the seller under the contract or under a separate instrument executed in connection with the contract.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1978, Act 149, Eff. Jan. 1, 1979 ;-- Am. 2000, Act 361, Eff. July 1, 2001

492.114a Evidence of obligation; holder subject to claims and defenses of buyer; limitation on buyer's recovery; mandatory provision in installment sale contract; sales to which section applicable; action to collect debt; designation of disinterested third party to receive payments; amount and distribution of payments.

Sec. 14a.

(a) A person shall not take a negotiable instrument, other than a currently dated check or draft, as evidence of the obligation of the buyer in a retail sale of a motor vehicle.

(b) A holder of an installment sale contract is subject to all the claims and defenses of the buyer arising out of the installment transaction, but the buyer's recovery shall not exceed the amount paid to the holder thereunder.

(c) An installment sale contract entered into under this act shall contain the following provision in at least 10-point boldface type:

Notice

Any holder of this consumer credit contract is subject to all claims and defenses which the debtor could assert against the seller of goods or services obtained pursuant hereto or with the proceeds hereof. Recovery hereunder by the debtor shall not exceed amounts paid by the debtor hereunder.

(d) This section applies only to sales made pursuant to an installment sale contract.

(e) In an action by the holder to collect a debt from the buyer, the court, after notice to the buyer and a hearing, may designate a disinterested third party to receive payments from the buyer. If the court finds that the buyer will not be unreasonably burdened nor deprived of adequate transportation by making the payments, an amount up to but not greater than the amount of each time balance payment due shall be paid to the disinterested third party as it becomes due during the period of litigation. At the conclusion of the litigation these payments shall be distributed pursuant to the judgment of the court.

History: Add. 1978, Act 149, Eff. Jan. 1, 1979 ;-- Am. 1980, Act 77, Imd. Eff. Apr. 3, 1980

492.115 Installment sale contract; sale, transfer, assignment; notice to buyer; exception; assignment contracts.

Sec. 15.

(a) Whenever an installment sale contract is lawfully sold, transferred or assigned to a person who is licensed as a sales finance company, pursuant to the provisions of this act, such new holder shall furnish to the buyer in such contract a written notice of such sale, transfer or assignment, excepting when assignment is made only to secure a bona fide commercial loan or pursuant to a bulk sale of installment sale contracts. Such notices shall set forth the name and address of the new holder and shall notify the buyer of the name and address of the person authorized to receive future payments on such contract. If such notice has not been given, any

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payment or tender of payment made to and any service of notice on the last known holder by the buyer shall be binding upon any subsequent holder. No installment sales contract shall be sold to any person doing business in this state who is not licensed under the provisions of this act.

(b) The provisions of this section shall not apply to an assignment of an aggregation of installment sale contracts, which is executed by a seller or sales finance company in connection with a bulk sale or as collateral security for a bona fide commercial loan, obtained at lawful rates of interest from a person regularly engaged in the business of lending money on the security of such assigned collateral, and under which, in the absence of default or other bona fide breach of the loan contract, ownership of the assigned contracts remains vested in the assignor and collection of payments on such assigned contracts is made by the assignor: And provided, That such assignment and loan contracts are not for the purpose of evading or circumventing the provisions of this act.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.116 Installment sale contract; insurance of vehicle, limitation, coercion prohibited; premium cost, buyer's certificate, terms of contract, cancellation.

Sec. 16.

(a) The buyer of a motor vehicle under an installment sale contract may be required to provide insurance on such motor vehicle at the buyer's expense for the protection of the seller or subsequent holder. Such insurance shall be limited to insurance against substantial risk of damage, destruction or theft of such motor vehicle: Provided, however, That the foregoing shall not interfere with the liberty of contract of the buyer and seller to contract for travel emergency benefits pertaining to the operation of the automobile or other or additional insurance as security for or by reason of the obligation of the buyer, and inclusion of the cost of such insurance premium and said travel emergency benefits in the principal amount advanced under the installment sale contract. Such insurance shall, if possible to obtain, be written for the dual protection of the buyer and of the seller, or subsequent holder, to the extent of his interest in the motor vehicle. Such insurance shall be for an amount, and period of time, and upon terms and conditions, which are reasonable and appropriate considering the type and condition of the motor vehicle, the amount of the time balance and the schedule of payments in the installment sale contract. In the event such insurance cannot be obtained for the dual protection of the buyer and the seller, or subsequent holder, or if obtained, is cancelled by the insurance company prior to expiration, the seller, or subsequent holder, may obtain insurance to protect his interest in the motor vehicle and the buyer may be required to pay the cost thereof. In such event, the seller, or subsequent holder, shall promptly notify the buyer that such insurance cannot be obtained, or is cancelled, and credit to the buyer the difference between the amount charged by the seller for such dual protection insurance and the cost to the seller of such single interest insurance (less, in the event of cancellation, the earned premium on the dual interest insurance for the period it is in force): Provided, That whenever such insurance is written for the protection of the seller, or subsequent holder, only, neither the insurance company issuing the policy nor any other person shall be subrogated to the rights of the insured as against the buyer.

(b) The buyer of a motor vehicle under an installment sale contract shall have the privilege of purchasing such insurance from any insurance company, agent or broker authorized to do business in Michigan other than the installment seller. No installment seller shall coerce, threaten, or in any manner influence any installment buyer to purchase insurance from any

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insurance company, agent or broker designated by such seller: Provided, however, That the inclusion of the cost of the insurance premium in the installment sale contract, when the buyer selects the company, agent or broker, shall be optional with the seller.

(c) Whenever the seller contracts to purchase, at the buyer's expense, such insurance on a motor vehicle sold under an installment sale contract, such insurance shall be purchased through an agent and/or broker or other person, authorized to conduct business in Michigan, and such insurance shall be written by an insurance company qualified to do business in Michigan. The status of the buyer and seller or holder, as set forth in such insurance contract, shall conform to the status of these parties in the installment sale contract. The cost of the premium on such insurance to the buyer shall not be in excess of the amount of the premium which others are required to pay to such insurance company for similar coverage, and in no event in excess of rates established in the then current published applicable manual of a recognized standard insurance rating bureau, or the rates fixed by authority of the state of Michigan.

(d) Whenever the seller contracts to purchase, at the buyer's expense, such insurance on a motor vehicle sold under an installment sale contract, a certificate of insurance and a statement showing itemized cost of such insurance shall be delivered to the buyer within 25 days of the date of the buyer's signing of the installment sale contract.

(e) The insurance policy or certificate of insurance on the motor vehicle which is furnished to the buyer, when the insurance is placed by the seller or subsequent holder at the buyer's expense, shall set forth complete information as to the effective dates, amounts of premiums and coverage, and shall contain all the terms of the insurance contract.

(f) When the seller or subsequent holder has placed, at the expense of the buyer, insurance on a motor vehicle sold under an installment sale contract and the buyer prepays the time balance under the contract prior to the expiration date of the insurance, such insurance shall remain in force unless the buyer requests cancellation thereof. The seller or holder shall not cancel the insurance under such circumstances without the buyer's consent, nor shall the seller or holder coerce the buyer to cancel the insurance. Unexpired insurance premiums received by the seller or holder, resulting from cancellation of insurance which was originally placed at the buyer's expense, shall be used in procuring comparable insurance as in subsection (g) of this section provided, and if such insurance cannot be obtained, shall be paid to the buyer or credited to any matured unpaid installments under the contract.

(g) When the seller contracts to purchase insurance at the buyer's expense and such insurance is cancelled by the insurance company prior to expiration, the seller or subsequent holder shall attempt to place comparable insurance with another insurance company and furnish or cause to be furnished to the buyer a copy of the insurance policy or certificate of insurance, subject to the same requirements of this act applicable to the original policy. In the event the holder is unable to obtain such insurance in another insurance company, he shall promptly notify the buyer by registered mail, addressed to the buyer at the address appearing upon the installment sale contract, unless the seller is in receipt of written notice of a change in the buyer's address, and in such event addressed to the buyer at such changed address. The buyer may then obtain such insurance from an insurance company, agent or broker of his own selection. The holder shall also be liable to the buyer for any loss suffered by the buyer through negligence on the part of the holder in promptly mailing notice to the buyer of his inability to obtain replacement insurance.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

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492.116a Unexpired insurance premiums; crediting.

Sec. 16a.

If unexpired insurance premiums received by the seller or holder resulting from the cancellation of insurance which was originally placed by the buyer's expense cannot be used in procuring comparable insurance as in section 16, subsection (g), such unexpired insurance premiums shall be credited to the last maturing installments under the contract.

History: Add. 1954, Act 132, Imd. Eff. Apr. 23, 1954

492.117 Installment sale contract; costs; fees.

Sec. 17.

(a) In addition to the cost of insurance premiums and travel emergency benefits authorized in the preceding section of this act, the seller of a motor vehicle under an installment sale contract may require the buyer to pay certain other costs incurred in the sale of a motor vehicle under such contract as follows:

1. Fees, payable to the state of Michigan, for filing a lien or encumbrances on the certificate of title to a motor vehicle sold under an installment sale contract or collateral security thereto.

2. Fees, payable to a public official, for filing or recording and satisfying or releasing the installment sale contract or instruments securing the buyer's obligation.

3. Fees for notarization required in connection with the filing and recording or satisfying and releasing a mortgage, judgment lien or encumbrance.

(b) The seller of a motor vehicle under an installment sale contract may also contract with the buyer to pay, on behalf of the buyer, such other costs incidental to the sale of a motor vehicle and contracted for voluntarily by the buyer as follows:

1. Fees in amounts established by and paid to the state of Michigan for titling and registration of the motor vehicle and issuance or transfer of registration plates.

2. If the buyer of a motor vehicle elects to title or register the motor vehicle electronically, fees payable to any third party authorized by the secretary of state and to the seller for electronic titling and registration of the motor vehicle.

(c) The foregoing costs may be charged, contracted for, collected or received by the seller from the buyer independently of the installment sale contract, or the seller may extend credit to the buyer for the amount of such costs and include such amount in the principal amount financed under the installment sale contract.

(d) Such other costs paid or payable by the buyer shall not exceed the amount which the seller expends or intends to expend therefor. Any such costs which the seller has collected from the buyer, or which have been included in the buyer's obligation under the installment sale contract which are not disbursed by the seller, as contemplated, shall be immediately refunded or credited to the buyer.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 2006, Act 302, Imd. Eff. July 20, 2006

492.118 Finance charge on installment sale contract; maximum rate; computation.

Sec. 18.

(1) A seller licensed under this act may charge the buyer a finance charge on any installment sale contract covering the retail sale of a motor vehicle in this state. The finance charge shall

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not exceed the rate permitted by the credit reform act, 1995 PA 162, MCL 445.1851 to 445.1864.

(2) The seller shall compute the finance charge on the principal amount financed as determined under section 13(2)(f).

(3) The seller shall compute the finance charge at the annual rates permitted by subsection (1) on installment sale contracts that are payable by installment payments, extending for a period of 1 year. On installment sale contracts providing for installment payments extending for a period that is less than or greater than 1 year, the seller shall compute the finance charge proportionately. If an installment sale contract provides for payment other than in equal successive weekly, semimonthly, or monthly installments, the finance charge may be at a rate that will provide the same annual percentage rate as is permitted on monthly payment contracts considering the schedule of payments in the contract. The seller shall disclose the annual percentage rate of the installment sales contract in accordance with disclosure requirements of the truth in lending act, title I of the consumer credit protection act, Public Law 90-321, 15 U.S.C. 1601 to 1608, 1610 to 1613, 1615, 1631 to 1635, 1637 to 1648, and 1661 to 1667e, and the regulations promulgated under the truth in lending act.

(4) The seller may compute the finance charge on the basis of a full month for a fractional month period in excess of 10 days.

(5) A seller may charge a minimum finance charge of $15.00 on an installment sale contract in which the finance charge, when computed at the rates indicated, results in a total charge of less than $15.00.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1974, Act 329, Eff. Apr. 1, 1975 ;-- Am. 1980, Act 79, Imd. Eff. Apr. 7, 1980 ;-- Am. 1981, Act 56, Imd. Eff. June 1, 1981 ;-- Am. 1981, Act 165, Imd. Eff. Dec. 2, 1981 ;-- Am. 1982, Act 320, Imd. Eff. Dec. 2, 1982 ;-- Am. 1983, Act 246, Imd. Eff. Dec. 1, 1983 ;-- Am. 1995, Act 166, Eff. Mar. 28, 1996 ;-- Am. 2002, Act 699, Imd. Eff. Dec. 30, 2002

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492.119 Installment sale contract; extension; refinance charges; maximum rate; cash loans.

Sec. 19.

(a) The holder of an installment sale contract may extend the scheduled due date, defer a payment or payments, or renew the unpaid time balance of the contract.

(b) The holder may contract for, receive, and collect a refinance charge for the extension, deferment, or renewal. The refinance charge shall not exceed the amount ascertained under the rates allowed by section 18(a).

(c) If 1 or more installment payments are extended or deferred, computing the refinance charge on the amount of the installment payment or payments or part of a payment that is refinanced, for the period of time for which each payment or part of a payment is extended or deferred, shall not exceed rates provided for in section 18(a).

The refinance charges may be computed on the basis of a full month for any fractional month period in excess of 10 days.

(d) If the unpaid balance of the contract is refinanced or renewed, a refinance charge may be assessed on the amount obtained by adding to the unpaid time balance of the contract the insurance cost and other costs incidental to refinancing and the unpaid default charges that may be accrued, and by deducting any rebate that may be due to the buyer for prepayment incidental to refinancing, at the rate of the finance charge provided for in section 18(a), but otherwise subject to the provisions of this act governing computation of the original finance charge. The provisions of this act governing minimum finance charges and minimum

prepayment rebate do not apply in calculating refinance charges on the contract renewed under this method of computation.

(e) The holder of an installment sale contract shall not include in any contract for refinancing the contract any cash loan to the buyer, nor any credit extended to the buyer incidental to the purchase of goods or services. A loan under this section does not include, nor does this act prohibit, a rearrangement of payments under the installment sale contract by a refinance transaction involving a restoration of certain installment payments made under the contract, but the refinance charge on the amount restored may not be more than that specified in section 18(a). The holder of the contract may embody in the refinance contract the cost of accessories, equipment, and parts for the motor vehicle sold under the contract, and the cost of repairs and services to the motor vehicle including finance charges on the contract.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1957, Act 216, Eff. Sept. 27, 1957 ;-- Am. 1995, Act 166, Eff. Mar. 28, 1996

492.120 Installment sale contract; default charge; maximum rate; computation; collection.

Sec. 20.

A default charge may be collected on each installment payment of an installment sale contract, including a contract subject to section 41, that is not paid on or before the due date of the payment. The default charge shall not exceed the rate permitted in the credit reform act on the amount of each payment in arrears. The default charge may be computed on the basis of a full calendar month for any fractional month period in excess of 10 days. Each default charges may be collected, when earned, during the term of the contract, or may be accumulated and collected at final maturity or at the time of final payment under the contract. The default charge shall not be collected on any payment in default because of an acceleration provision in the contract.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1993, Act 107, Imd. Eff. July 16, 1993 ;-- Am. 1995, Act 166, Eff. Mar. 28, 1996

Compiler's Notes: At the beginning of the fourth sentence, “Each default charges may...” evidently should read “Each default charge may... .”

492.121 Installment sale contract; prepayment of unpaid time balance; rebate of unearned finance charge.

Sec. 21.

(1) The buyer, notwithstanding the provisions of any installment sale contract, may prepay at any time all or a part of the unpaid time balance under an installment sale contract.

(2) Except as provided in section 41, when all of the time balance is liquidated before maturity by prepayment, refinancing, or termination by surrender or repossession and resale of the motor vehicle, the holder of the installment sale contract shall rebate to the buyer immediately the unearned portion of the finance charge. Rebate may be made in cash or credited to the amount due on the obligation of the buyer.

(3) The unearned portion of the finance charge to be rebated to the buyer shall be rebated by the actuarial method. The holder is not required to rebate a portion of the unearned finance charge that results in a net minimum finance charge on the contract less than $15.00. The

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holder is not required to rebate an unearned finance charge when the amount due, computed as set forth in this section, is less than $1.00.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1957, Act 216, Eff. Sept. 27, 1957 ;-- Am. 1978, Act 98, Imd. Eff. Apr. 5, 1978 ;-- Am. 1995, Act 166, Eff. Mar. 28, 1996

492.122 Installment sale contract; payments.

Sec. 22.

(1) An installment sale contract may provide for a series of weekly, semi-monthly or monthly payments in substantially equal periods and amounts, followed by a single larger payment that satisfies the unpaid time balance, in which event the installment buyer has the right to an option, at the time the larger payment becomes due, to make the larger payment or to enter into a second contract that conforms to all the provisions of this act except that the refinance charge provided for in the second contract must not exceed the finance charge rate provided for in the first contract.

(2) An installment sale contract for a new motor vehicle may provide for a series of monthly payments in unequal payment amounts, if both of the following conditions are met:

(a) The amount of any payment under the installment sale contract does not increase more than 40% from the amount of the first scheduled payment.

(b) The amount of each payment under the installment sale 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 installment sale contract.

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History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 2024, Act 94, Imd. Eff. July 23, 2024

492.122a Truth in lending act; effect of compliance.

Sec. 22a.

Compliance with the requirements of the truth in lending act, title I of Public Law 90-321, 15 U.S.C. 1601 to 1608, 1610 to 1613, 1615, 1631 to 1635, 1637 to 1638, 1640 to 1647, and 1661 to 1667e is compliance with the disclosure provisions of section 13 and of section 2 of Act No. 305 of the Public Acts of 1939, being section 566.302 of the Michigan Compiled Laws.

History: Add. 1969, Act 35, Imd. Eff. July 10, 1969 ;-- Am. 1993, Act 107, Imd. Eff. July 16, 1993

492.123-492.127 Repealed. 1962, Act 174, Eff. Jan. 1, 1964.

Compiler's Notes: The repealed sections pertained to the regulation of repossessions, redemptions, resales and deficiency judgments, and the rights, of parties with respect thereto.

492.128 Installment sale contract; buyer furnished statement of account, contents; fee for additional statement.

Sec. 28.

(a) At any time after execution of an installment sale contract and within 1 year after termination of such contract, the holder of such contract shall furnish the buyer, upon request, with a complete and detailed statement of account showing:

1. All amounts paid by the buyer on account of the obligation, dates of payment and the allocation of such payments to reduction of the time balance, refinance charges, default charges, court costs, attorney's fees, expenses of retaking, repairing, storing, or otherwise.

2. All amounts credited to the buyer as rebates for prepayment and unexpired premiums on insurance cancelled.

3. The amount of the installment payments, accrued charges and expenses incurred, if any, which are due and payable.

4. The number and amount of installment payments to become due and payable, if any, and the due dates thereof.

(b) The buyer shall be furnished with 1 such statement of account without charge during the term of the contract or within 1 year after termination, and the holder may require payment of a fee of 50 cents for any additional statements.

(c) The holder shall furnish the buyer, upon request and upon payment of a fee of 50 cents, with a duplicate copy of the installment sale contract to replace the buyer's copy of such contract which is required to be furnished to the buyer without charge at the time of execution of the contract.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.129 Installment sale contract; receipt, contents; payment by mail.

Sec. 29.

(a) Whenever payment is made on account of any installment sale contract, the person receiving such payment shall, at the time of receiving such payment, furnish to the buyer or to the person making the payment on behalf of the buyer, a complete written receipt therefor, if requested. A receipt must be given if payment is made in cash.

(b) Such receipt shall show the date of payment, the amount of the payment, and shall identify the obligation to which such payment is applicable.

(c) When issued for payments made at any office of the holder or mailed to such office, which payments are applied to reduction of the time balance, such receipt shall, if requested by the buyer, also set forth the unpaid time balance remaining due after crediting such payment. If such payment includes default charges authorized by this act, the amount of such default charges shall be set forth on the receipt independently of the payment applied to reduction of the time balance.

(d) When the buyer elects to make such payments by mail, the holder may require the buyer to supply a self-addressed stamped envelope as a condition for mailing such receipt to him, if he has been previously notified of such condition.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.130 Installment sale contract; payment in full, release, discharge, instruments delivered to buyer.

Sec. 30.

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(a) Upon payment in full of the time balance and other amounts lawfully due under an installment sale contract, the holder shall, unless the buyer is otherwise indebted to the holder and has secured such debt by lien upon the motor vehicle:

1. Return to the buyer the original of all instruments evidencing indebtedness or constituting security under an installment sale contract, which were signed by the buyer or his sureties or guarantors in conjunction with such contract, excepting such instruments as are filed or recorded with a public official and retained in the files of such official, and

2. Release all security interest in the motor vehicle or in collateral security to the obligation of the buyer under such contract, and

3. Deliver to the buyer all documents of title obtained from him.

(b) When the final payment on an installment sale contract is made in cash, money order or equivalent tender, by the buyer or his authorized representative, at the office of the holder, a legal discharge of this encumbrance, shall be delivered at the time of such tender of payment, if demanded by the buyer; otherwise delivery may be made at a later date in person or by mail as may be arranged between buyer and holder. All other instruments referred to in this section shall be delivered or mailed to the buyer within 25 days of the date of final payment.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

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492.131 Installment sale contract; limitation on charges; charges prohibited; equity transfer.

Sec. 31.

(1) A licensee under this act shall not charge, contract for, collect, or receive from the buyer, directly or indirectly, any further or other amount for costs, charges, examination, appraisal, service, brokerage, commission, expense, interest, discount, fees, fines, penalties, or other thing of value in connection with the retail sale of a motor vehicle under an installment sale contract in excess of the cost of insurance premiums, other costs, the finance charges, refinance charges, default charges, recording and satisfaction fees, court costs, attorney fees, and expenses of retaking, repairing, and storing a repossessed motor vehicle that are authorized under this act.

(2) A licensee under this act shall not collect any charge in connection with a contemplated sale of a motor vehicle under an installment sale contract if the contract is not consummated. This subsection does not affect the legal status of a deposit paid by a prospective buyer to a seller as a binder on the contemplated purchase of a motor vehicle.

(3) A licensee under this act shall not charge either of the following fees related to an installment sale contract that requires payments in unequal amounts under section 22(2):

(a) A fee based solely on the fact that the installment sale contract requires payments in unequal amounts instead of payments in equal amounts.

(b) A fee related to the prepayment of all of the unpaid time balance under the installment sale contract due to the resale of the motor vehicle.

(4) An insurance company, agent, or broker shall not pay or cause to be paid, directly or indirectly, to any installment seller, and an installment seller shall not receive from any insurance company, agent, or broker, any portion of an insurance premium involved in the retail installment sale of a motor vehicle other than for the benefit of the installment buyer, and all payments must be held by the installment seller in trust for the benefit of the installment buyer and must be paid to the installment buyer within 30 days, unless used in procuring comparable insurance or credited to matured unpaid installments under the contract as provided in section 16(f).

(5) Whenever in an installment sale contract under this act the seller or any subsequent holder has charged, contracted for, collected, or received from the buyer prohibited costs or charges in connection with the contract, all the costs and charges in connection with the contract, other than for insurance, are void and unenforceable and any amounts paid by the buyer for such costs and charges, other than insurance, must be applied on the principal of the contract.

(6) If a motor vehicle is covered by an installment sale contract, the buyer shall not transfer equity in that vehicle to another person without the written consent of the holder of the sale contract. The holder of the sale contract may charge a transfer fee of $25.00.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1951, Act 171, Imd. Eff. June 8, 1951 ;-- Am. 1955, Act 102, Imd. Eff. June 2, 1955 ;-- Am. 1995, Act 166, Eff. Mar. 28, 1996 ;-- Am. 2024, Act 94, Imd. Eff. July 23, 2024

492.132 Installment sale contract; waiver.

Sec. 32.

No act, agreement or statement of any buyer in any installment sale contract shall constitute a valid waiver of any provision of this act intended by the legislature for the benefit or protection of retail installment buyers of motor vehicles.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.133 Installment sale contract; prior contracts.

Sec. 33.

The provisions of this act shall not apply to or affect the validity of any contract otherwise within the purview of this act which is made prior to the effective date of the respective provisions of this act governing such contracts.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.134 Installment sale contract; expiration, surrender or revocation of license.

Sec. 34.

(a) The expiration, surrender or revocation of a license, issued pursuant to this act, shall not impair or affect the obligation of any motor vehicle installment sale contract entered into lawfully or lawfully acquired by a holder: Provided, however, That the holder of such contracts shall forfeit the right to charge, contract for, receive or collect refinance charges authorized by this act for renewal of a contract, if the license of such holder expired, was surrendered, or was revoked prior to the date of such renewal.

(b) A licensee whose license has expired, was surrendered or was revoked may thereafter sell, transfer or assign contracts entered into or acquired prior thereto to any licensed sales finance company or banking institution, and such sales finance company or banking institution acquiring such contracts may renew such contracts in accordance with the provisions of this act.

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(c) A licensee whose license has expired, was surrendered or was revoked shall not thereafter enter into new contracts for the retail sale f motor vehicles under installment sale contracts, and shall not thereafter discount, purchase or otherwise acquire such contracts.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.135 Installment sale contract; sales outside state.

Sec. 35.

Nothing in this act shall be construed to prevent the enforcement in the state of Michigan of an obligation arising from the sale of a motor vehicle made outside of the state of Michigan under an installment sale contract valid in such other state, entered into or executed by the buyer outside of the state of Michigan, whether or not such buyer was a resident of this state or the seller a licensee at the time they entered into such contract.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.136 Businesses not affected or impaired by acts.

Sec. 36.

This act shall not affect or impair a business conducted lawfully under the regulatory loan act, 1939 PA 21, MCL 493.1 to 493.24, the banking code of 1999, 1999 PA 276, MCL 487.11101 to 487.15105, or the credit union act, 2003 PA 215, MCL 490.101 to 490.601.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951 ;-- Am. 1970, Act 114, Imd. Eff. July 23, 1970 ;-- Am. 1977, Act 223, Imd. Eff. Nov. 23, 1977 ;-- Am. 2003, Act 221, Imd. Eff. Dec. 2, 2003 ;-- Am. 2012, Act 452, Eff. Dec. 31, 2012

492.137 Violation of act; penalty.

Sec. 37.

(a) Any person, partner, association, business corporation, banking institution, nonprofit corporation, common law trust, joint stock company or any other group of individuals, however organized, or any owner, partner, member, officer, director, trustee, employee, agent, broker or representative thereof who or which shall wilfully or intentionally engage in this state in business as installment seller or sales finance company as defined in this act without having obtained a license, as required under this act, shall be guilty of a misdemeanor, and upon conviction thereof shall be sentenced to pay a fine of not more than $5,000.00, or to suffer imprisonment of not more than 3 years, or both, at the discretion of the court.

(b) Any licensee conducting business under this act as an installment seller, sales finance company or any owner, partner, member, officer, director, trustee, employee, agent, broker or representative thereof who shall wilfully or intentionally violate any provision of this act, or shall direct or consent to such violation, shall be guilty of a misdemeanor, and upon conviction thereof shall be sentenced to pay a fine of not more than $500.00 for the first offense; and for each subsequent offense a like fine and/or suffer imprisonment not to exceed 1 year in the discretion of the court.

History: 1950, Ex. Sess., Act 27, Eff. Mar. 31, 1951

492.138 Repealed. 1988, Act 242, Eff. Aug. 1, 1988.

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Compiler's Notes: The repealed section pertained to enforcement of act.

492.139, 492.140 Repealed. 1964, Act 256, Eff. Aug. 28, 1964.

Compiler's Notes: The repealed sections transferred administration of repealed MCL 491.1 to 491.17 from state treasurer to state banking department and contained severability clause.

492.141 Optional method of computing finance charge.

Sec. 41.

Instead of a finance charge computed on the principal amount financed, the seller may charge from time to time a finance charge consisting of interest on the amount of the unpaid principal balance of the contract. In this event, the transaction is subject to this act as modified by the following provisions:

(a) The number and amount of installment payments required to be stated pursuant to section 13 may be estimated for purposes of this section assuming that each scheduled payment is made on the date it is due and in the scheduled amount.

(b) The holder of the contract has the option of deferring interest charges which accrue due to installment payments being received later than the periodic installment due date. The deferred interest charge shall be computed on the basis of additional interest charges accruing for late installment payments and appropriate interest reductions for installment payments made before the due date. On contracts providing for equal monthly installments, if the final installment is more than 105% of a previous installment as a result of the deferred interest charges, the installment buyer shall be given the option to pay the deferred interest charges not less than 25 days after the date the last installment payment is due.

(c) If the unpaid time balance is prepaid in full, together with all interest incurred to the date of prepayment, the balance of the original finance charge shall be canceled and the finance charge rebate provisions of section 21 do not apply.

History: Add. 1978, Act 98, Imd. Eff. Apr. 5, 1978 ;-- Am. 1995, Act 166, Eff. Mar. 28, 1996

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