

**HOME IMPROVEMENT FINANCE ACT (EXCERPT)**  
**Act 332 of 1965**

**445.1309 Optional method of computing finance charge.**

Sec. 309.

Instead of a finance charge computed on the principal amount financed as determined under section 203 or 308, 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 shall be subject to this act as modified by the following provisions:

(a) Finance charge shall mean the estimated amount of consideration in excess of the cash price which the buyer will pay in the form of interest assuming that each scheduled payment is made on the date it is due and in the scheduled amount.

(b) The maximum estimated finance charge shall not exceed the maximum dollar amount allowed pursuant to section 301 for contracts of the same contractual maturity computed on the actual number of days between installment payments.

(c) The number and amount of installment payments required to be stated pursuant to sections 203 and 308 shall 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.

(d) The holder of the contract shall have 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.

(e) If the entire principal 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 provisions of section 303 respecting a refund credit shall not be applicable.

**History:** Add. 1978, Act 96, Imd. Eff. Apr. 5, 1978