



**House  
Legislative  
Analysis  
Section**

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**RAISE LATE-PAYMENT CHARGES**

**House Bills 4605-4607**

**Sponsor: Rep. Dale Shugars**

**Committee: Business & Finance**

**Complete to 5-24-93**

**A SUMMARY OF HOUSE BILLS 4605 - 4607 AS INTRODUCED 4-1-93**

The bills would amend various acts to raise or revise the default charge that lenders regulated under the acts may charge when a borrower makes a payment on an installment contract after its due date.

House Bill 4605 would amend the Motor Vehicle Sales Finance Act (MCL 492.120 and 492.122a) to raise the default charge that a lender could charge a borrower who paid an installment payment after its due date from two percent per month on the amount of the late installment payment(s) to \$5 on a payment of \$100 or five percent of the amount of the late payment for amounts over \$100. The act currently provides that a late payment charge may be computed on the basis of a full calendar month for any fractional month period in excess of 10 days; the bill would delete this provision.

The Home Improvement Finance Act currently permits a lender to charge a borrower a "delinquency and collection" fee on each installment payment at least 10 days late of five percent of the late payment or \$5, whichever is less. In addition, a contract made under the act may provide for the borrower to pay court costs actually incurred and attorney's fees up to 20 percent of the amount due and payable under the contract if the attorney is not a salaried employee of the lender. House Bill 4606 would amend the act (MCL 445.1111 and 445.1209) to permit a lender under the act to charge a late fee of \$5 on a payment of \$100 or less, or five percent of the amount due when it was more than \$100. Under the bill, a contract could require the borrower to pay "reasonable" attorney's fees if it was referred for collection to an attorney who was not a salaried employee of the lender.

House Bill 4607 would amend the Retail Installment Sales Act (MCL 445.851a and 445.859) to allow a lender regulated under the act to charge a late fee of \$5 on an amount due of \$100 or less or five percent of the amount due if it was over \$100 (rather than the lesser of \$5 or five percent of the amount past due).

House Bills 4605-4607 (5-24-93)