

Act No. 142
Public Acts of 1994
Approved by the Governor
May 26, 1994
Filed with the Secretary of State
May 27, 1994

**STATE OF MICHIGAN
87TH LEGISLATURE
REGULAR SESSION OF 1994**

Introduced by Reps Alley, Middaugh Kaza Randall Gnodtke and Rhead

ENROLLED HOUSE BILL No. 5318

AN ACT to amend section 13 of Act No 21 of the Public Acts of 1939 entitled as amended An act to define and regulate the business of making regulatory loans to permit the licensing of persons engaged in that business to authorize licensees to make charges at a greater rate than unlicensed lenders to prescribe maximum rates of charge which licensees are permitted to make to regulate the advertising of the business of making regulatory loans to authorize credit life insurance and to permit charges for that insurance to prohibit assignments of wages or salaries earned or to be earned when given as security for a loan or as consideration for a payment of a regulatory loan to provide for the administration of this act and for the promulgation of rules to authorize the making of examinations and investigations and the publication of reports of examinations and investigations to provide for a review of decisions and findings of the commissioner of the financial institutions bureau under this act and to prescribe penalties as amended by Act No 14 of the Public Acts of 1991 being section 493 13 of the Michigan Compiled Laws

The People of the State of Michigan enact

Section 1 Section 13 of Act No 21 of the Public Acts of 1939 as amended by Act No 14 of the Public Acts of 1991 being section 493 13 of the Michigan Compiled Laws is amended to read as follows

Sec 13 (1) A licensee may lend money in an amount not to exceed the regulatory loan ceiling and may contract for compute and receive interest charges on the loan at a rate not to exceed 22% per annum on the unpaid balance The rate for a loan that is made for the purchase of a motor vehicle shall not exceed the rate provided for that class of vehicle in section 18 of the motor vehicle sales finance act Act No 27 of the Public Acts of the Extra Session of 1950 being section 492 118 of the Michigan Compiled Laws A loan by a licensee may be 1 of the following

(a) A closed end loan

(b) Open end credit in which access to the credit is by means of advances directly from the licensee or access checks issued by the licensee This subdivision does not apply to open end credit accessed by means of a credit or charge card

(2) A licensee shall not induce or permit a person to become directly obligated under more than 1 loan contract at the same time

(3) Charges on loans made under this act shall not be paid deducted or received in advance or compounded All charges on loans made under this act shall be computed on the unpaid principal balance or portions of the balance specifically expressed in every obligation signed by the borrower and computed on the basis of the number of days actually elapsed

(4) In addition to the interest and charges provided for in this act a loan processing fee not to exceed 2% of the principal up to \$40 00 may be charged for each closed end loan made and may be included in the principal of the loan A licensee shall not induce or permit a person to become obligated directly or contingently under more than 1 loan contract at the same time for the purpose or with the result of obtaining a loan processing fee not otherwise permitted

by this section. No other amount shall be directly or indirectly charged, contracted for, or received, except the lawful fees, if any, actually and necessarily paid out by the licensee to a public officer for filing, recording, or releasing in a public office a financing statement, an instrument securing the loan, or both, and for noting and releasing a lien or transferring a certificate of title under the Michigan vehicle code, Act No. 300 of the Public Acts of 1949, as amended, being sections 257.1 to 257.923 of the Michigan Compiled Laws. The fees permitted under this section may be collected at any time on or after the date the loan is made.

(5) A licensee shall not receive a loan processing fee for either of the following:

(a) A loan contract that is renegotiated, renewed, or modified;

(b) A loan contract that is issued to obligate a person to repay a sum of money that was previously lent to a person through a prior loan contract by the licensee.

(6) A handling fee of \$5.00 may be charged by the licensee for the return of an unpaid and dishonored check, draft, negotiable order, or similar instrument given to the licensee in full or partial repayment of a loan.

(7) A licensee may require the borrower to pay a fee for a late payment if the fee does not exceed the greater of \$5.00 or 5% of the minimum payment due that is received by the licensee 10 or more days after the due date.

(8) A licensee may charge a reasonable annual fee for the privilege of receiving open end credit from the licensee.

(9) If an amount other than or in excess of the charges permitted by this act is charged, contracted for, or received other than by a bona fide clerical error, the contract of loan shall be void and the licensee shall not have a right to collect or receive any principal, charges, or recompense whatsoever.

(10) As used in this section, open end credit means credit that is not secured by an interest in real property and is extended under a plan in which both of the following apply:

(a) The licensee reasonably contemplates repeated transactions;

(b) The amount of credit that may be extended to the borrower during the term of the plan is generally made available to the extent that any part of the outstanding balance is repaid.

This act is ordered to take immediate effect.

Co Clerk of the House of Representatives

Secretary of the Senate

Approved

Governor