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BILL ANALYSIS



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Senate Bill 578 (as introduced 10-22-15)
Sponsor: Senator Darwin L. Booher
Committee: Banking and Financial Institutions

Date Completed: 10-26-15

CONTENT

The bill would amend the Consumer Mortgage Protection Act to require a lender to provide an applicant for a mortgage loan with a copy of a special information booklet described in Federal regulations, instead of a document called "Borrowers Bill of Rights".

The bill also would repeal Section 7 of the Act, which pertains to a required notice about credit counseling.

(The Act defines "mortgage loan" as a loan or home improvement installment contract secured by a first or subordinate mortgage or other form of lien or a land contract that covers real property located in Michigan that is used as the borrower's principal dwelling and is designed for occupancy by four or fewer families. The term does not include a loan transaction in which the proceeds are used to acquire the borrower's principal residence; a reverse-mortgage transaction; an open-end credit plan; or a loan transaction in which the proceeds are not used primarily for a personal, family, or household purpose.)

The Act requires a lender, at the time a person applies for a mortgage loan, to provide the applicant with the "Borrowers Bill of Rights", which specifies the rights of borrowers. The rights enumerated in this document include, for example, the right to shop for the best loan and the right to be informed about the total cost of the loan. The bill would eliminate this language and, instead, require a lender to provide an applicant with a copy of the special information booklet described in 12 CFR 1024.6, issued under the authority of the Real Estate Settlement Procedures Act (RESPA).

(The special information booklet described in the Federal regulation addresses compliance with the requirements of the Truth in Lending Act and the RESPA. The booklet must include, for example, an explanation of each cost incident to a real estate settlement, an explanation of the standard real estate settlement form, and an explanation of the unfair practices and unreasonable charges to be avoided by the prospective buyer.)

Section 7 of the Consumer Mortgage Protection Act requires a lender to provide an applicant with a written notice regarding the value of credit counseling before taking out a mortgage loan. The bill would repeal that section.

The bill would take effect 90 days after its enactment.

MCL 445.1632 et al.

Legislative Analyst: Jeff Mann

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

Fiscal Analyst: Glenn Steffens

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.