

HOUSE SUBSTITUTE FOR  
SENATE BILL NO. 578

A bill to amend 2002 PA 660, entitled  
"Consumer mortgage protection act,"  
by amending sections 2, 6, and 13 (MCL 445.1632, 445.1636, and  
445.1643), section 2 as amended by 2012 PA 443; and to repeal acts  
and parts of acts.

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1       Sec. 2. As used in this act:

2       (a) "Commissioner" **OR "DIRECTOR"** means the ~~commissioner of the~~  
3 ~~office of financial and insurance regulation of the department of~~  
4 ~~licensing and regulatory affairs.~~ **DIRECTOR OF THE DEPARTMENT OF**  
5 **INSURANCE AND FINANCIAL SERVICES.**

6       (b) "Depository institution" means a bank, savings and loan  
7 association, savings bank, or credit union **THAT IS** chartered under

1 state or federal law.

2 (c) "Home improvement installment contract" means an agreement  
3 consisting of 1 or more documents that covers the sale of goods or  
4 furnishing of services to a buyer for improvements to the buyer's  
5 principal dwelling, if that dwelling is located in this state and  
6 used for occupancy of 4 or fewer families, under which the buyer  
7 promises to pay in installments all or any part of the price of the  
8 goods or services.

9 (d) "Mortgage loan" means a loan or home improvement  
10 installment contract secured by a first or subordinate mortgage or  
11 any other form of lien or a land contract that covers real property  
12 located in this state that is used as the borrower's principal  
13 dwelling and is designed for occupancy by 4 or fewer families.  
14 Mortgage loan does not include any of the following:

15 (i) A loan transaction in which the proceeds are used to  
16 acquire the borrower's principal dwelling.

17 (ii) A reverse-mortgage transaction.

18 (iii) An open-end credit plan. As used in this subparagraph,  
19 "open-end credit plan" means a loan in which the lender reasonably  
20 contemplates repeated advances.

21 (iv) A loan transaction in which the proceeds are not used  
22 primarily for a personal, family, or household purpose.

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

26 (f) "Reverse-mortgage" means a nonrecourse loan under which  
27 both of the following apply:

1 (i) A mortgage or other form of lien securing 1 or more  
2 advances is created in the borrower's principal dwelling.

3 (ii) The principal, interest, or shared appreciation or equity  
4 is payable only after the borrower dies, the dwelling is  
5 transferred, or the borrower ceases to occupy the dwelling as a  
6 principal dwelling.

7 (g) "Regulated lender" means a depository institution; a  
8 licensee or a registrant under the consumer financial services act,  
9 1988 PA 161, MCL 487.2051 to 487.2072, 1984 PA 379, MCL 493.101 to  
10 493.114, the secondary mortgage loan act, 1981 PA 125, MCL 493.51  
11 to 493.81, or the mortgage brokers, lenders, and servicers  
12 licensing act, 1987 PA 173, MCL 445.1651 to 445.1684; or a seller  
13 under the home improvement finance act, 1965 PA 332, MCL 445.1101  
14 to 445.1431.

15 (h) "State and federal laws" means, individually and  
16 collectively, 1 or more of the laws or regulations of this state or  
17 the federal government which regulate or are applicable to a  
18 mortgage loan or a person that is brokering, making, servicing, or  
19 collecting a mortgage loan, including, without limitation, the  
20 truth in lending act, 15 USC 1601 to 1667f, real estate settlement  
21 procedures act of 1974, Public Law 93-533, 88 Stat. 1724, equal  
22 credit opportunity act, 15 USC 1691 to 1691f, fair housing act,  
23 title VIII of the civil rights act of 1968, Public Law 90-284, 82  
24 Stat. 81, fair credit reporting act, 15 USC 1681 to 1681x, the  
25 homeowners protection act of 1998, Public Law 105-216, 112 Stat.  
26 897, ~~the~~ fair debt collection practices act, 15 USC 1601nt and 1692  
27 to 1692o, **DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION**

1 ACT, PUBLIC LAW 111-203, consumer financial services act, 1988 PA  
 2 161, MCL 487.2051 to 487.2072, mortgage brokers, lenders, and  
 3 servicers licensing act, 1987 PA 173, MCL 445.1651 to 445.1684, the  
 4 secondary mortgage loan act, 1981 PA 125, MCL 493.51 to 493.81,  
 5 1977 PA 135, MCL 445.1601 to 445.1614, and home improvement finance  
 6 act, 1965 PA 332, MCL 445.1101 to 445.1431.

7 Sec. 6. (1) ~~At~~ **SUBJECT TO SUBSECTION (2)**, AT the time a person  
 8 applies for a mortgage loan, the lender shall provide the applicant  
 9 ~~the following document.~~ **WITH A COPY OF THE SPECIAL INFORMATION**  
 10 **BOOKLET DESCRIBED IN 12 CFR 1024.6, ISSUED UNDER THE AUTHORITY OF**  
 11 **THE REAL ESTATE SETTLEMENT PROCEDURES ACT OF 1974, PUBLIC LAW 93-**  
 12 **533.**

13 ~~———— "BORROWERS BILL OF RIGHTS~~

14 ~~———— 1. You have the RIGHT to shop for the best loan for you and~~  
 15 ~~compare the charges of different mortgage brokers and lenders.~~

16 ~~———— 2. You have the RIGHT to be informed about the total cost of~~  
 17 ~~your loan including the interest rate, points, and other fees.~~

18 ~~———— 3. You have the RIGHT to obtain a "Good Faith Estimate" of all~~  
 19 ~~loan and settlement charges before you agree to the loan or pay any~~  
 20 ~~fees.~~

21 ~~———— 4. You have the RIGHT to know what fees are nonrefundable if~~  
 22 ~~you decide to withdraw your loan application.~~

23 ~~———— 5. You have the RIGHT to ask your mortgage broker to explain~~  
 24 ~~exactly what the mortgage broker will do for you.~~

25 ~~———— 6. You have the RIGHT to know how much the mortgage broker is~~  
 26 ~~getting paid by you and the lender for your loan.~~

27 ~~———— 7. You have the RIGHT to ask questions about charges and loan~~

1 ~~terms that you do not understand.~~

2 ~~—— 8. You have the RIGHT to a credit decision that is not based~~  
 3 ~~on your race, color, religion, national origin, sex, marital~~  
 4 ~~status, age, or whether any income is derived from public~~  
 5 ~~assistance.~~

6 ~~—— 9. You have the RIGHT to know the reason if your loan~~  
 7 ~~application is turned down.~~

8 ~~—— 10. You have the RIGHT to receive the HUD settlement costs~~  
 9 ~~booklet "Buying Your Home"."~~

10 (2) IF THE FEDERAL GOVERNMENT REPEALS OR AMENDS 12 CFR 1024.6  
 11 OR OTHERWISE CEASES PUBLICATION OF THE SPECIAL INFORMATION BOOKLET  
 12 DESCRIBED IN SUBSECTION (1), THE DEPARTMENT OF INSURANCE AND  
 13 FINANCIAL SERVICES SHALL PREPARE A DOCUMENT THAT DESCRIBES THE  
 14 RIGHTS OF BORROWERS IN MORTGAGE LOAN TRANSACTIONS; ANNUALLY REVIEW  
 15 THE DOCUMENT TO ENSURE THE ACCURACY OF ANY TELEPHONE NUMBERS,  
 16 INTERNET WEBSITE ADDRESSES, OR OTHER INFORMATION INCLUDED IN THE  
 17 DOCUMENT; AND MAKE THE DOCUMENT AVAILABLE TO LENDERS AND THE  
 18 PUBLIC. IF THE DOCUMENT DESCRIBED IN THIS SUBSECTION IS AVAILABLE  
 19 TO A LENDER UNDER THIS SUBSECTION AT THE TIME A PERSON APPLIES FOR  
 20 A MORTGAGE LOAN, THE LENDER SHALL PROVIDE THE APPLICANT WITH A COPY  
 21 OF THAT DOCUMENT.

22 Sec. 13. (1) ~~No later than December 31, 2003, the office of~~  
 23 ~~financial and insurance services~~ **THE DEPARTMENT OF INSURANCE AND**  
 24 **FINANCIAL SERVICES** shall develop and make available to local units  
 25 of government, financial institutions, and other interested persons  
 26 1 or more model programs for financial education.

27 (2) The program required under this section shall be designed

1 to teach personal financial management skills and the basic  
2 principles involved with saving, borrowing, investing, and  
3 protection against predatory and other fraudulent lending  
4 practices.

5 Enacting section 1. Section 7 of the consumer mortgage  
6 protection act, 2002 PA 660, MCL 445.1637, is repealed.

7 Enacting section 2. This amendatory act takes effect 90 days  
8 after the date it is enacted into law.