MOTOR VEHICLE INSTALLMENT SALES CONTRACTS
Act 305 of 1939

AN ACT to regulate retail installment sales contracts covering motor vehicles; to prescribe penalties for violations of the provisions of this act; and to repeal all acts and parts of acts inconsistent herewith.

History: 1939, Act 305, Eff. Sept. 29, 1939.

The People of the State of Michigan enact:

566.301 Motor vehicle installment sales contracts; definitions.

Sec. 1. Definition of terms. That in this act unless the context or subject matter otherwise requires:

(a) The term "retail installment sale" means and includes every retail contract to sell a motor vehicle and every retail sale of a motor vehicle to any person (1) in which the cash price of the motor vehicle may be paid in installments over a period of time, and (2) in which the seller has taken or retained a security interest in the motor vehicle thereby contracted to be sold.

(b) The term "motor vehicle" means every self-propelled device in, upon or by which any person or property is or may be transported or drawn upon a public highway, excepting devices used exclusively upon stationary rails or tracks and excepting also motorcycles, motor bicycles, farm tractors, road rollers and other machinery not designed primarily for highway transportation, but which may incidentally transport persons or property on the highway.

(c) The term "security interest" means a property interest in a motor vehicle which is the subject matter of a retail installment sale limited in extent to securing performance of some obligation of the retail buyer or of some third person to the retail seller and includes the interest of a mortgagee of a motor vehicle; the interest of the seller who retains title to a motor vehicle, whether or not expressed to be absolute, whenever such title is in substance retained for security only; and the interest of a bailor or lessor of a motor vehicle under any contract of bailment or leasing, by which the bailee or lessee contracts to pay as compensation a sum substantially equivalent to the value of the motor vehicle and by which it is agreed that the bailee or lessee is bound to become or has the option of becoming the owner of such motor vehicle upon full compliance with the terms of the contract.

(d) The term "seller" means a person, who sells or agrees to sell a motor vehicle, or any legal successor in interest of such person.

(e) The term "buyer" means a person who buys or agrees to buy a motor vehicle, or any legal successor in interest of such person.

(f) The term "retail" used in connection with the term "sale" or "contract" refers to and includes any transfer, conveyance, assignment or sale of a motor vehicle to any person other than a registered dealer in motor vehicles whose place of business is located in the state of Michigan or any other dealer in motor vehicles whose place of business is located outside of the state of Michigan when such transfer, conveyance, assignment or sale is made in the ordinary course of the seller's business.

(g) The term "retail installment contract" means any written instrument which is executed in connection with any retail installment sale and includes conditional sales contracts, purchase money chattel mortgages and bailment leases retaining a security interest in the seller.

(h) The term "cash price" means the price measured in dollars agreed upon in good faith by the parties as the consideration for the sale of a motor vehicle which is the subject matter of any retail installment sale, exclusive of all financing or other charges incident to such sale.

(i) The term "down payment" means that part of the cash price in any retail installment sale required by the retail seller to be paid at the time of the execution of the retail installment contract or prior to the delivery of possession of the motor vehicle sold.

(j) The term "finance charge" means any consideration which the retail buyer contracts to pay the retail seller for the privilege of paying the principal balance in installments over a period of time.

(k) The term "person" includes an individual, partnership, corporation and any other association.

(*l*) The term "finance company" as used in this act shall be deemed to include any person, firm, association or corporation engaged in the ordinary course of its business in purchasing or taking an assignment of or holding retail installment contracts.

The singular of any term shall include the plural thereof and the plural of any term shall include the singular. Each gender shall include each of the other genders.

History: 1939, Act 305, Eff. Sept. 29, 1939;—CL 1948, 566.301.

566.302 Contract; contents; delivery of copy and insurance policy to buyer.

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Sec. 2. Every retail installment sale of a motor vehicle shall be evidenced by an instrument in writing signed by the retail buyer and a copy thereof shall be delivered to him by the retail seller at the time of its execution. An acknowledgment of the delivery thereof contained in the body of the instrument shall be conclusive proof of delivery in any action to enforce any obligation arising out of the retail installment sale brought by any successor in interest to the rights of the retail seller. The written instrument shall contain all of the agreements of the parties made with reference to the subject matter of the retail installment sale and shall recite the following separate items as such and in the following order: (1) the cash price of the motor vehicle which is the subject matter of the retail installment sale; (2) the amount in cash of the retail buyers' down payments, whether made in money or goods or partly in money and partly in goods; (3) the unpaid balance of the cash price payable by the retail buyer to the retail seller, which is the difference between items 1 and 2; (4) the cost to the retail buyer of any insurance the retail seller has agreed to procure, if the retail seller has agreed to purchase the insurance and extend credit to the retail buyer for the price thereof and if the term of such insurance is less than the contract period, the period of the coverage also shall be recited; (5) the principal balance owed on the retail installment contract, which is the sum total of items 3 and 4; (6) the amount of the finance charge; (7) the time balance owed by the retail buyer to the retail seller and the number of installment payments required and the amount and date of each payment necessary finally to pay the time balance, which is the sum total of items 5 and 6.

Item 4 and item 6 may be added together and stated as 1 sum in the written instrument and, if so stated, item 5 may be omitted, but in such event the retail seller shall within 25 days after the making of the retail installment contract, mail or cause to be mailed to the retail buyer at his address as shown on the retail installment contract a statement reciting the separate amounts of all the items, 1 to 7, inclusive. The reference to insurance in the written instrument shall recite generally the type or types of insurance the retail seller has agreed to procure for the retail buyer, but such reference to insurance shall not be construed to imply the scope of the coverage, the terms, exceptions, limitations, restrictions or conditions of the contract or contracts of insurance to be furnished. Any retail buyer shall have the right to purchase his own insurance from any person other than the retail seller, and in such event item 4 shall be omitted. No retail seller shall coerce, threaten or in any manner influence any retail buyer to purchase insurance from such retail seller, or from any company, agent or broker designated by the retail seller.

Any retail seller, who in any retail installment contract has agreed to purchase insurance for the retail buyer and to extend credit for the price thereof, shall, within 25 days after the making of the retail installment contract, mail or cause to be mailed to the retail buyer at his address as shown on the retail installment contract, a policy or policies of insurance, and in the event such policy or policies shall not be so mailed the seller shall not be entitled to recover, collect or retain that part of the obligation which represents item 4 in such contract and the buyer shall not be liable therefor.

Under a written instrument evidencing a retail installment sale which does not substantially comply with the requirements of this section, the seller shall not be entitled to recover, collect or retain that part of the obligation which represents the finance charge and the buyer shall not be liable therefor.

History: 1939, Act 305, Eff. Sept. 29, 1939;—CL 1948, 566.302.

566.303-566.314 Repealed. 1962, Act 174, Eff. Jan. 1, 1964.

Compiler's note: The repealed sections provided for regulation of retail installment sales contracts covering motor vehicles.

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