

**MORTGAGE LENDING PRACTICES (EXCERPT)**  
**Act 135 of 1977**

**445.1602 Denying loan application or varying terms or conditions of loan contract; uniform application of policy or criteria; basis for consideration of loan application; minimum mortgage amount; minimum loan amount; opportunity to submit loan application; credit unions; written statement; compliance with equal credit opportunity act; application fee; copy of appraisal; copies of forms, reports, and correspondence; liability for error or omission; loan inquiry; pamphlet or document explaining criteria.**

Sec. 2.

(1) Except on the basis of written policies or criteria uniformly applied to all neighborhoods within a particular standard metropolitan statistical area or within the county in areas outside a standard metropolitan statistical area, a credit granting institution shall not deny a loan application or vary the interest rate, the term to maturity, the percentage required for a down payment, the application and appraisal procedures, or other terms or conditions of a loan contract for either of the following:

(a) Due to racial or ethnic characteristics or trends in the neighborhood in which the real estate is located.

(b) Due to the age of the structure on the real estate proposed as security or the age of other structures in the neighborhood in which the real estate is located. This subdivision does not preclude a credit granting institution from considering the physical condition and probable remaining useful life of the structure and all structures within a radius of 750 feet.

(2) A policy or criteria used by a credit granting institution is considered to be uniformly applied, even if a credit granting institution grants exceptions to the policy or criteria in favor of a loan applicant in not more than 5% of the loan applications submitted to the credit granting institution.

(3) Each loan application shall be individually considered on the basis of a factually supportable analysis of the lending risks associated with the proposed loan.

(4) A credit granting institution shall not impose a minimum mortgage amount greater than \$10,000.00, and a credit granting institution shall not impose a minimum loan amount of greater than \$1,000.00 for a home improvement loan.

(5) A credit granting institution shall not deny an individual an opportunity to submit a loan application. This act shall not be construed to require a credit union to allow loan inquiry or application by a person who is not a member or eligible to be a member of the credit union.

(6) A person who makes a loan application for a mortgage loan or home improvement loan that is denied or the terms of which are varied and not accepted by the applicant shall receive from the credit granting institution a written statement of the reasons for the rejection or variation of terms. A credit granting institution that complies with the requirements of the equal credit opportunity act, title VII of Public Law 90-321, 15 U.S.C. 1691 to 1691f, and the regulations promulgated under that act, is considered to have complied with the requirements of this subsection.

(7) A credit granting institution, unless otherwise prohibited by law, may charge an application fee uniform as to type of loan. If a credit granting institution includes appraisal in its written statement of reasons for rejection or variance or collects an application appraisal fee, then upon the request of a person making a loan application that is denied or the terms of which are varied and not accepted by the applicant, a credit granting institution shall provide the person, without additional charge, with a copy of the appraisal made in connection with the loan application. If an application appraisal fee is not collected, the copy may be made usable only for purposes related to this act. Copies of other completed forms, reports, and correspondence, except a credit report or correspondence pertaining to a credit report, used by the credit granting institution in reaching its decision shall be provided, on request and without charge, to a person making a loan application that is denied or the terms of which are varied and not accepted by the applicant.

(8) Except for an error or omission that is a violation of this act, a credit granting institution is not liable to an applicant or any other person for an error or omission in an appraisal or other supporting documents made available to an applicant.

(9) If a person makes a loan inquiry relating to the prospects of obtaining a loan, the credit granting institution shall respond to the inquiry and shall send or cause to be delivered to the person making the inquiry a copy of the pamphlet or other documents prepared pursuant to subsection (10).

(10) Each credit granting institution shall make available for public distribution at the institution's principal office and each branch office or service center a pamphlet or document explaining in general terms the credit granting institution's criteria for the approval or denial of a loan application. The pamphlet or other document shall prominently state that a person has the right to make a loan inquiry and to file a written application for a mortgage loan or home improvement loan and to receive a written response to the application. A credit granting institution may use a separate pamphlet or document for mortgage loans and home improvement loans, and the pamphlet or

document may contain additional material as well as the material required by this subsection. A copy of the pamphlet or other document shall be filed with the commissioner.

**History:** 1977, Act 135, Eff. July 1, 1978 ;-- Am. 1993, Act 43, Imd. Eff. May 27, 1993