

MICHIGAN STATUTORY INTEREST RATE CEILINGS

In addition to the state laws mentioned below, a bank, savings bank or credit union is authorized by the Depository Institutions Deregulation and Monetary Control Act of 1980 (DIDMCA), 12 USC 1831d, 12 USC 1463, and 12 USC 1785, to charge the greater of 1 percentage point in excess of the Federal Reserve discount rate or the highest rate permitted by state law to any lender on the type of loan in question (the most favored lender authority). DIDMCA also preempts state usury ceilings by allowing any rate of interest for virtually all first lien mortgages and mobile home loans as well as first lien mobile home installment contracts. Moreover, under DIDMCA, an individual selling his or her home and taking a first lien on the title or a land contract given in exchange for the sale of unencumbered property could be at any rate of interest. The states had the authority to override the federal preemption of the first lien mortgages and mobile home loans but had to take act before April 1, 1983. The state of Michigan did not take action before the deadline. With regard to other loans, states can override the preemption at any time. DIDMCA, as amended, also preempted certain state usury ceilings applicable to business and agricultural loans. The preemption expired on April 1, 1983.

Also, Title VIII of the Garn-St. Germain Depository Institutions Act of 1982, entitled “Alternative Mortgage Transaction Parity Act of 1982”, (AMTPA), 12 USC 3801 *et seq.*, authorizes state-chartered banks, credit unions, savings banks and other housing creditors (including licensees under the Mortgage Brokers, Lenders and Servicers Licensing Act, MCL 445.1651 *et seq.*, and the Secondary Mortgage Loan Act, MCL 493. 51 *et seq.*) to make alternative mortgage transactions notwithstanding any provisions of state law which restrict or prohibit the making of such transactions. States had the authority to override the federal preemption but had to take action before October 15, 1985. The state of Michigan did not take action before the deadline. Effective July 21, 2011, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), 12 USC 5301 *et seq.*, amended AMTPA to narrow the scope of federal preemption.

The following table is divided into two parts. The first part primarily applies to extensions of credit which, with two exceptions, are made exclusively by, “regulated lenders,” as defined under the Credit Reform Act (CRA), MCL 445.1851, *et seq.* The two exceptions are real estate mortgages and land contracts by all types of lenders and vendors (some not subject to the CRA) and business loans made by all types of lenders (some not subject to the CRA). The second part of the table covers extensions of credit by lenders which are not permitted to extend credit under the CRA. Among the lenders appearing in this part of the table, are licensees under the Credit Card Act (CCA), MCL 493.101 *et seq.* Although the CRA includes licensees under the CCA in the definition of “regulated lenders,” CCA licensees cannot exercise powers under the CRA since they remain subject to specific and controlling provisions contained in the CCA.

Business loans as used in this schedule includes agricultural loans. Variable Interest rate loans are allowed unless otherwise indicated.

References are to the Michigan Compiled Laws of 1970 (MCL) available on the Michigan Legislature website, www.legislature.mi.gov.

This document is intended to provide general information regarding state interest rate ceilings and certain loan terms. The information presented is not legal advice, is not to be acted on as such, may not be current, and is subject to change without notice.

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**PART I.
LENDERS SUBJECT TO CREDIT REFORM ACT,
MORTGAGE LOANS, AND BUSINESS CREDIT EXTENSIONS**

LOAN CATEGOREY	LEGAL CITATION	MAXIMUM CONTRACT RATE (SIMPLE INTEREST UNLESS INDICATED OTHERWISE)	OTHER TERMS	LATE CHARGE
1. Mortgages, Land Contracts				
a. Conventional first lien or land contract by a licensee/registrant under the MBLSLA ¹ , except as in 1c. ²	MCL 438.31c ³ , MCL 445.1651a(r)	25% per annum	Reasonable loan processing fee by contract. Mortgage or land contract used primarily for a personal, family, or household purpose.	Reasonable late charge by contract.
b. Conventional first lien or land contract by a licensee/registrant under the MBLSLA, except as in 1c.	MCL 438.31c ⁴ , MCL 445.1651	11% per annum	Loan processing fee not permitted; variable rates not permitted for some lenders.	Reasonable late charge by contract.
c. Loan or land contract in excess of \$100,000 secured by first or junior lien on other than single-family dwelling.	MCL 438.31c	No ceiling	Reasonable loan processing fee by contract for regulated lenders.	Reasonable late charge by contract.
d. Loan secured by junior lien, except as in 1c, 1d(ii), 2a, and 2b.				
i. By bank	MCL 445.1854, MCL 445.1857	25% per annum	All fees and charges as agreed to by borrower.	Late fee as agreed to by borrower.

¹ MBLSLA is the Mortgage, Brokers, Lenders, and Servicers Licensing Act, MCL 445.1651 *et seq.*

² FHA-VA loans are exempted from the Michigan Usury Law by MCL 438.31 and MCL 487.751.

³ DIDMCA allows any rate of interest.

⁴ DIDMCA allows person selling his/her principal residence, on which there is no prior lien, by first mortgage or land contract to charge any rate.

ii.	By savings bank (includes certain business loans secured by junior liens.)	MCL 445.1854, MCL 445.1857	25% per annum	All fees and charges as agreed to by borrower.	Late fee as agreed to by borrower.
iii.	By credit unions	MCL 445.1854, MCL 445.1857	25% per annum	All fees and charges as agreed to by borrower.	Late fee as agreed to by borrower.
iv.	By secondary mortgage licensees (loans may be secured by 1-4 family real property)	MCL 493.51(p), MCL 493.71, MCL 493.72, MCL 445.1854, MCL 445.1856	25% per annum	Loan processing fee not to exceed 5% of the gross amount of the loan; prepaid finance charge allowed to buy down interest rate; reasonable annual fee on open-end credit. Mortgage of land contract used primarily for a personal, family, or household purpose.	Greater of \$15.00 or 5% of the installment payment.
v.	By unlicensed person who is selling home, or a builder (loans may be secured by 1-4 family dwelling)	MCL 438.31c, MCL 493.80, MCL 493.52	11% per annum	Limited: two loans per year; loan processing fee not permitted.	Reasonable late charge by contract.
vi.	Realtor representing buyer or self	MCL 438.31c, MCL 493.52	11% per annum	Limited: two loans per year; loan processing fee not permitted.	Reasonable late charge by contract
vii.	Other unlicensed person	MCL 438.31, MCL 493.52	7%	Limit: two loans per year; loan processing fee not permitted	Reasonable late charge by contract.
2. Business Loans					
a. Loan to unincorporated borrower					
i.	By depository financial institution insurance company, finance subsidiary of manufacturer, or a related entity (includes business purpose loan secured by junior lien, except as in 1c)	MCL 438.61 ⁵ , MCL 438.31a	No ceiling	Reasonable loan processing fee by contract for regulated lenders; Must have sworn statement of business purpose if borrower is a natural person	Reasonable late charge by contract.
ii.	By other lender, except as in 1b and 1c	MCL 438.61, MCL 438.41	25% per annum	Must have sworn statement of business purpose if	Reasonable late charge by contract.

⁵ DIDMCA indicates that CUs and Savings Banks may charge the rate allowed for business loans by banks.

				borrower is a natural person; loan processing fee not permitted for certain unregulated lenders.	
b.	Loan or other credit extension to a corporation or limited partnership from any source, except as in 1c	MCL 450.1275, MCL 449.1109, MCL 438.41	25% per annum	Reasonable loan processing fee by contract.	Reasonable late charge by contract
c.	Regulated lenders, as defined under MCL 445.1852 ⁶ may make business loans to the extent authorized by law, except as in 1c	MCL 445.1854, MCL 445.1856	25% per annum	Processing fee of 2% of amount of loan.	Greater of \$15.00 or 5% of the installment payment.
3.	Credit Card, Auto, and other types of loans				
a.	Credit card or line of credit agreement by a depository financial institution	MCL 445.1854, MCL 445.1857	No ceiling ⁷	All fees and charges as agreed to by borrower.	Late charge as agreed to by borrower.
b.	All other types of loans by depository institutions except as in 1a and 1c	MCL 445.1854, MCL 445.1857	25% per annum ⁸	All fees and charges as agreed to by borrower.	Late charge as agreed to by borrower.
4.	Loans by Regulatory Loan Licensees	MCL 445.1854, MCL 445.1856, MCL 493.13	25% per annum	Processing fee of 5% of amount of loan up to \$500.00. ⁹	As permitted by CRA
5.	Unsecured Loans by Unlicensed Entity	MCL 438.31	7% if contract used; 5% if no contract used	All fees and charges as agreed to by borrower.	Late charge as agreed to by borrower.
6.	Auto Financing by Licensed Auto Dealers	MCL 445.1854, MCL 445.1856,	25% per annum	Processing fee not permitted; documentary	As permitted by CRA

⁶ Pursuant to MCL 445.1852, "Regulated lender" means a depository institution, a licensee under the consumer financial services act, Act No. 161 of the Public Acts of 1988, being sections 487.2051 to 487.2072 of the Michigan Compiled Laws, Act No. 379 of the Public Acts of 1984, being sections 493.101 to 493.114 of the Michigan Compiled Laws, the motor vehicle sales finance act, Act No. 27 of the Public Acts of the Extra Session of 1950, Act No. 125 of the Public Acts of 1981, being sections 493.51 to 493.81 of the Michigan Compiled Laws, or the regulatory loan act of 1963, Act No. 21 of the Public Acts of 1939, being sections 493.1 to 493.26 of the Michigan Compiled Laws, or a seller under the home improvement finance act, Act No. 332 of the Public Acts of 1965.

⁷ Pursuant to MCL 487.14201, a bank is authorized to collect interest and charges on loans and extensions of credit as permitted by the laws of this state or of the United States to any lender. A bank, on a credit card loan, can charge the interest rate and fees allowed to a regulated lender under the CRA. Pursuant to MCL 487.3430, a savings bank is authorized to collect interest and charges on a credit card loan as permitted by the CRA. A credit union is authorized on a credit card loan to charge the rate of interest allowed by the CRA. Also, as a result of the federal most favored lender authority, a federally insured state or national bank, state or federal savings bank, or state credit union, can charge the highest rate of interest allowed under Michigan law to any lender on the type of loan in question.

⁸ May charge rate authorized under MCL 445.1854 or 1% + Federal Reserve Discount.

⁹ The documentary preparation fee is adjusted every two years to reflect the cumulative percentage change in the consumer price index for the two immediately preceding calendar years. Please see the applicable bulletin for the permitted documentary preparation fee.

MCL 492.113,
MCL 492.118

preparation fee up to 5% of
cash price or \$280.00,
whichever is less.¹⁰

PART 2.
CREDITORS REGULATED BUT NOT SUBJECT TO THE CREDIT REFORM ACT

LOAN CATEGOREY	LEGAL CITATION	MAXIMUM CONTRACT RATE (SIMPLE INTEREST UNLESS INDICATED OTHERWISE)	OTHER TERMS	LATE CHARGE
1. Loans by Non-depository Credit Card Licensees	MCL 493.110	1.5% per month (18% per annum) on the unpaid balance.	Loan processing fee not permitted; annual fee is permitted.	Not permitted.
2. Financed Insurance Premiums	MCL 500.1509, MCL 500.1510	\$12 per \$100 plus \$18 per contract on premiums of \$100 or more; \$15 on premiums less than \$100 paid in 1-3 installments; \$17 on premiums less than \$100 paid in 4 or 5 installments.	Add-on interest only; \$18 charge need not be refunded upon cancellation or pre-payment.	Delinquency charge of \$1 to a maximum of 5% payment not to exceed \$5 per installment in default 10 days or more.

¹⁰ The documentary preparation fee is adjusted every two years to reflect the cumulative percentage change in the consumer price index for the two immediately preceding calendar years. Please see the applicable bulletin for the permitted documentary preparation fee.