



State of Michigan
John Engler, Governor

Department of Consumer & Industry Services
Kathleen M. Wilbur, Director

Office of Financial and Insurance Services
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July 28, 2000

XXXXX
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YYYYY

Dear XXXXX:

You recently wrote requesting confirmation that "YYYYY is not required to be licensed as a Sales Finance Company." You described the business of YYYYY as "purchas[ing] lease agreements from ZZZZZ, which is a licensed Sales Finance Company."

It is my determination, based upon your description of the business conducted by YYYYY and for the reasons set forth below, that YYYYY is not required to obtain a license as a sales finance company under the Motor Vehicle Sales Finance Act (Act).

While Section 3 of the Act requires licensure of those who engage in Michigan in the business of motor vehicle sales finance companies¹, section 2 of the Act defines "sales finance company" as exclusive of a person who purchases installment sale contracts from a sales finance company:

"Sales finance company" means a person engaged as principal, agent, or broker in the business of financing or soliciting the financing of installment sale contracts made between other parties, and includes the business of acquiring, investing in, or lending money or credit on the security of the retail seller's interest in such contracts whether by discount, purchase, or assignment of those contracts, or otherwise. **The term does not include** a person, financial institution, or sales finance company that takes assignments of, or an interest in, an aggregation of installment sale contracts only as security for bona fide commercial loans under which, in the absence of default or other bona fide breach of the loan contract, ownership of the contracts remains vested in the assignor and collection of payments on the contracts is made by the assignor, nor **a person who purchases installment sale contracts from a sales finance company** or a financial institution. The term includes a person, whether or not licensed under this act, who as a seller finances installment sale contracts for other sellers or sales finance companies. The term includes a financial institution."
[MCLA 492.102(6); MSA 23.628(2)(6)] *Emphasis added.*

¹ MCLA 492.103; MSA 23.628(3)

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In addition, the lease contracts that YYYYYY purchases from ZZZZZZ may not be “installment sale contracts” subject to the Act. Section 2 of the Act defines “installment sale contract” as:

“a contract for the retail sale of a motor vehicle, or which has a similar purpose or effect, under which part or all of the price is payable in 2 or more scheduled payments subsequent to the making of the contract, or as to which the obligor undertakes to make 2 or more scheduled payments or deposits that can be used to pay part or all of the purchase price, whether or not the seller has retained a security interest in the motor vehicle or has taken collateral security for the buyer's obligation, and *includes a loan, mortgage, conditional sale contract, purchase-money chattel mortgage, hire-purchase agreement, or contract for the bailment or leasing of a motor vehicle under which the hire-purchaser, the bailee, or the lessee contracts to pay as compensation a sum substantially equivalent to or in excess of the value of the motor vehicle, and any other form of contract that has a similar purpose or effect.* The terms do not include a sale or contract for sale upon an open book account in which the seller has not retained or taken a security interest in the motor vehicle sold or collateral security for the buyer's obligation, the buyer is not required to pay any sum other than the cash price of the motor vehicle sold in connection with the sale or extension of credit, and the buyer is obligated to pay for the motor vehicle in full within 90 days after the time the sale or contract for sale was made. These terms also mean and apply to any extension, deferment, renewal, or other revision of an installment sale contract. [MCLA 492.102(9); MSA 23.628(2)(9).] *Emphasis added.*

The most common motor vehicle leases in use today are not of a type that constitute installment sale contracts under the Act.

If you have further questions in this regard, please contact Ann Gaultney, Director, or Robert Andrews, Regional Supervisor, of the Examination Division in the Division of Financial Institutions at (517)373-3470.

Very truly yours,

/ss/

Frank M. Fitzgerald
Commissioner

cc: A. Gaultney
R. Andrews