

MICHIGAN STATUTORY INTEREST RATE CEILINGS

In addition to the state laws mentioned below, a bank, savings bank or credit union is authorized by a federal law (PL 96-221) 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). PL 96-221 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 PL 96-221, 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 action 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. PL 96-221 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, PL 97-320, entitled "Alternative Mortgage Transaction Parity Act of 1982," authorizes state-chartered banks, credit unions, savings banks and other housing creditors (including licensees under the Mortgage Brokers, Lenders and Servicers Licensing Act and the Secondary Mortgage Loan Act) 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.

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). The two exceptions are real estate mortgages and land contracts by all types of lenders and vendors (some not subject to the Credit Reform Act) and business loans made by all types of lenders (some not subject to the Credit Reform Act). 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). 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) and the Michigan Statutes Annotated (MSA).

Prepared by: Michigan Department of Consumer and Industry Services
Office of Financial and Insurance Services
Division of Financial Institutions
P.O. Box 30224
Lansing, Michigan 48909

Updated: April 3, 2000

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

LOAN CATEGORY	LEGAL CITATIONS	MAXIMUM CONTRACT RATE (SIMPLE INTEREST UNLESS INDICATED OTHERWISE)	OTHER TERMS	IMPACT OF PL 96-221 OR PL 97-320 WHERE INDICATED	LATE CHARGE
---------------	-----------------	--	-------------	--	-------------

1. Mortgages, Land Contracts

a. Conventional first lien or land contract by regulated lender, except as in 1c. ¹	Act 326, PA of 1966, MCL 438.31c, MSA 19.15 (1c).	25% per annum	Reasonable loan processing fee by contract.	Allows <u>any</u> rate of interest; PL 97-320 permits full parity on alternative mortgage transactions.	Reasonable late charge by contract.
b. Conventional first lien or land contract by unregulated lender, except as in 1c.	Act 326, PA of 1966, MCL 438.31c, MSA 19.15 (1c)	11% per annum	Loan processing fee not permitted; variable rates not permitted for some lenders.	Allows person selling his/her principal residence, on which there is no prior lien, by first mortgage or land contract to charge <u>any</u> rate.	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.	Act 326, PA of 1966 MCL 438.31c, MSA 19.15 (1c)	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.	Act 162 of PA 1995	25% per annum	All fees and charges as agreed to by borrower.		Late fee as agreed to by borrower.
ii) by savings bank (includes certain business loans secured by junior liens.)	Act 162 PA of 1995	25% per annum	All fees and charges as agreed to by borrower.		Late fee as agreed to by borrower.
iii) by credit unions	Act 285, PA of 1925; MCL 490.14; MSA 23.494; Act 162, PA of 1995	25% per annum	All fees and charges as agreed to by borrower.		Late fee as agreed to by borrower.

¹ FHA-VA loans are exempted from the Michigan Usury Law by Act 326, PA of 1966, MCL 438.31; MSA 19.15(1), as amended, and Act 2, PA of 1935 MCL 487.751; MSA 23.181, as amended.

LOAN CATEGORY	LEGAL CITATIONS	MAXIMUM CONTRACT RATE (SIMPLE INTEREST UNLESS INDICATED OTHERWISE)	OTHER TERMS	IMPACT OF PL 96-221 OR PL 97-320 WHERE INDICATED	LATE CHARGE
iv) by secondary mortgage licensees (loans may be secured by 1-4 family real property)	Act 125, PA of 1981, MCL 493.71, MSA 26.568(21); Act 162, PA of 1995	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.		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).	Act 326, PA of 1966, MCL 493.71, MSA 26.568 (21).	11% per annum	Limit: two loans per year; loan processing fee not permitted.		Reasonable late charge by contract.
vi) Realtor representing buyer or seller.	Act 326, PA of 1966, MCL 438.31c, MSA 19.15 (1c).	11% per annum	Limit: two loans per year; loan processing fee not permitted.		Reasonable late Charge by contract.
vii) other unlicensed person MCL 438.31c, MSA 19.15(1c).	Act 326, PA of 1966.	7% per annum	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, ² or a related entity (includes business purpose loan secured by junior lien, except as in 1c).	Act 52, PA of 1970, MCL 438.61, MSA 19.15. (71).	No ceiling	Reasonable loan processing fee by contract for regulated lenders; Must have sworn statement of business purpose if borrower is a natural person.	CUs and S&Ls may charge the rate allowed for business loans by banks.	Reasonable late charge by contract.

² Depository financial institution means a state or national bank, state or federal savings bank or savings and loan association, or credit union. Related entity means a business entity other than a natural person whose members, owners, partners, or limited partners include a depository financial institution, insurance company, or finance subsidiary of manufacturing corporation.

LOAN CATEGORY	LEGAL CITATIONS	MAXIMUM CONTRACT RATE (SIMPLE INTEREST UNLESS INDICATED OTHERWISE)	OTHER TERMS	IMPACT OF PL 96-221 OR PL 97-320 WHERE INDICATED	LATE CHARGE
ii) by other lender, except as in 1b and 1c.	Act 52, PA of 1966, MCL 438.61, MSA 19.15 (71).	25% per annum	Must have sworn statement of business purpose if borrower is a natural person; loan processing fee not permitted for certain unregulated lenders.		Reasonable late charge by contract.
b. Loan or other credit extension to a corporation or limited partnership from any source, except as in 1c.	Act 284, PA of 1972, MCL 450.1275, MSA 21.200 (275); Act 213, PA of 1982, MCL 449.1109, MSA 20.1109; Act 259, PA of 1968, MCL 438.41; MSA 19.15 (51).	25% per annum	Reasonable loan processing fee by contract.		Reasonable late charge by contract.
c. Regulated lenders, as defined of under Act 162 of 1995 may make business loans to the extent authorized by law, except as in 1c. except as in 1c.	Act 162 PA of 1995	25% per annum	For depository financial institutions all fees and charges agreed to by borrower. For non-depository institutions processing fee of 2% or amount of loan.		Greater of \$15.00 or 5% under Act 162 of the installment payment.. For depository institutions late fee as agreed to by borrower.
3. <u>Credit Cards, Auto, and other types of loans</u> (see also 1a, 1c, 1d, 2a, 2b)					
a. Credit card or line of credit agreement by a depository Financial institution.	Act 162 PA of 1995	No ceiling ³	All fees and charges as agreed to by borrower.	May charge rate authorized Under Act 162 PA of 1995.	Late charge as agreed to by borrower.
b. All other types of loans by depository institutions except as in 1a and 1c.	Act 162 PA of 1995	25% per annum	All fees and charges as agreed to by borrower.	May charge rate authorized Under Act 162 PA of 1995 or 1% + Federal Reserve Discount.	Late charge as agreed to by borrower.

³ Under section 4201 of the Banking Code of 1999, 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 Credit Reform Act. A savings bank, under section 430 of the Savings Bank Act, is authorized to collect interest and charges on a credit card loan as permitted by the Credit Reform Act. A credit union, under section 14 of the Michigan Credit Union Act, is authorized on a credit card loan to charge the rate of interest allowed by the Credit Reform Act. 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.

LOAN CATEGORY	LEGAL CITATIONS	MAXIMUM CONTRACT RATE (SIMPLE INTEREST UNLESS INDICATED OTHERWISE)	OTHER TERMS	IMPACT OF PL 96-221 OR PL 97-320 WHERE INDICATED	LATE CHARGE
4. <u>Loans by Regulatory Loan Companies</u>	Act 162 PA of 1995, Act 21, PA of 1939, MCL 493.1, MSA 23.667(1)	25% per annum	Loan processing fee not to exceed 2% of the loan up to		Greater of \$15.00 or 5% of the installment payment.
5. <u>Auto Financing by Licensed Auto Dealers</u>	Act 162 PA of 1995 Act 27, PA of 1950, MCL 492.101, MSA 23.628(1).	25% per annum	Processing fee not permitted; documentary preparation fee up to \$40.00.		Greater of \$15.00 or 5% of the installment payment.

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

LOAN CATEGORY	LEGAL CITATIONS	MAXIMUM CONTRACT RATE (SIMPLE INTEREST UNLESS INDICATED OTHERWISE)	OTHER TERMS	IMPACT OF PL 96-221 OR PL 97-320 WHERE INDICATED	LATE CHARGE
1. <u>Loans by Non-depository Credit Card Licensees</u>	Act 379, PA of 1984, MCL 493.110, MSA 23.1125 (110).	1.5% per month (18% per annum) on the unpaid balance.	Loan processing fee not permitted; annual fee is permitted.		Not permitted.
2. <u>Financed Insurance Premiums</u>	Act 218, PA of 1956, MCL 500.1509, MSA 24.11509.	\$12 per \$100 plus \$18 per contract on premiums of \$100 or more; \$15 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.