

December 27, 2024

The Honorable Gretchen Whitmer  
Governor of Michigan  
P.O. Box 30013  
Lansing, Michigan 48909

**Re: VETO OF HB 4900**

Dear Governor Whitmer,

I write on behalf of the American Financial Services Association (AFSA)<sup>1</sup>, the primary national trade association for the consumer credit industry. AFSA respectfully requests that HB 4900, passed by the Michigan Legislature during the 2024 lame duck session, not be signed into law.

AFSA members have a large footprint in Michigan and today provide Michiganders with approximately \$20 billion in credit access, helping families achieve their financial goals and manage unforeseen expenses. Unfortunately, credit will become far more difficult for working families to access if HB 4900 becomes law. As explained below, that legislation—a wholesale rewrite of debt collection practices in Michigan—was passed suddenly, during a chaotic lame duck legislative session, and without the careful deliberation it deserves. In addition to damaging Michigan’s reputation as a stable environment in which both consumers and businesses can thrive, the passage of HB 4900 risks codifying troublesome provisions that inexplicably shield high earners from collection practices, while at the same time making credit less available for those who need it most.

AFSA and its members understand that debt collection requires a careful balance between preserving the integrity of lending and protecting the ability of borrowers to achieve financial health and support their families. However, HB 4900 undermines both of those important goals. Its damaging effect should be avoided, and it should not become law.

**Troublesome Legislative Process**

At the outset, AFSA and its members are alarmed by the abrupt manner in which HB 4900 advanced through the Michigan Legislature. This bill was first introduced on July 18, 2023, and referred to the House Committee on Insurance and Financial Services. HB 4900 then sat dormant for 18 months. The House Committee heard exactly no testimony on the bill, much less held a vote or considered any

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<sup>1</sup> Founded in 1916, AFSA, based in Washington, D.C., is the primary trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA members provide consumers with many kinds of credit, including direct and indirect vehicle financing, traditional installment loans, mortgages, payment cards, and retail sales finance. AFSA members do not provide payday or vehicle title loans.

amendments. Then, late in the evening of a rare Friday session, during the lame duck period, the Michigan House discharged the bill from the Committee, adopted a substitute that the public had no opportunity to review, and passed the bill without bipartisan support. The precise time of passage by the House was after 9:00 P.M. on Friday, December 13. Notably, a member of the Michigan House later told the media that around this time, “we had been sitting there, and sitting there, and sitting there, ... We’re voting on bills that had never been through committee... they were trying to confuse people on bills. People didn't read anything. Amendments were popping up, and people didn't know what the amendments were. It was crazy.”

HB 4900 was later passed by the Michigan Senate in what news reports have called the longest legislative session in Michigan history, which spanned nearly 30 hours (by our count, the Senate did not pass HB 4900 until approximately the 26th hour).

Respectfully, those facts do not reflect a policymaking process under which a complicated and complete revision of the Michigan collection laws should be enacted. HB 4900 amends *9 distinct sections* of the Revised Judicature Act and *adds 10 new sections of law* that do not currently exist. It alters the process by which collection lawsuits should be resolved, amends exemptions for the attachment and levy provisions, changes wage garnishment, and places new requirements on depository institutions and the Michigan Department of Treasury. It would require implementation of these many changes on a rapid 180-day timeline. It is simply not legislation that can be responsibly crammed through at the last hour of a legislative session—not without posing serious harm.

AFSA members operate in all 50 states and are constantly adapting to legal and regulatory changes. Legal reforms are not new to us. While AFSA continues to hold the State of Michigan and your leadership in high regard, to enact such sweeping legal changes through a rushed, closed-door process is simply inconsistent with the business environment in which our members hope to operate. For that reason alone, AFSA respectfully asks that HB 4900 not be signed into law.

### **Indefensible Provisions and Harmful Effect to Michigan’s Credit Environment**

Given the inadequate process explained above, it is no surprise that HB 4900 was passed by the Legislature with certain provisions that are difficult to justify, and implications that will most harm Michigan’s working families.

Most inexplicably, HB 4900 would amend Section 4032(2)(a)(ii) of the Revised Judicature Act to limit to 15% the amount of disposable (post-deductions) wages that can be garnished—*regardless of a debtor’s income level*. That is a decrease from the current 25% that can be garnished. In other words, HB 4900, while attempting to shield certain amounts from garnishment, offers identical protections to multi-millionaires and those earning \$40,000 or less per year. AFSA can think of no justification for providing additional debt-relief to high-earning-individuals.

HB 4900 will also greatly limit how financial institutions offer credit products. In response to the increased risk of non-recovery, lenders will be forced to tighten credit requirements, raise interest rates, and reduce the availability of credit products. This will restrict access to affordable credit for consumers who need it most, particularly those with lower credit scores. In extreme cases, lenders might scale back lending altogether in Michigan, creating a significant gap in credit access for vulnerable populations.

A survey of AFSA members that would be most affected by HB 4900 illustrates the scale of the problem. Those members, who report thousands of potentially affected accounts, explain that the reduction in recovery that will be caused by HB 4900 will lead to:

- Fewer credit options for borrowers, particularly those with lower credit scores;
- Higher interest rates as lenders attempt to mitigate the increased risk;
- Repayment periods that will more than double, leaving debtors with higher repayment obligations because interest on their debts will accrue for much longer;
- A rise in delinquencies and defaults, compounding financial challenges for working Michigan families.

Studies confirm the damaging effect that HB 4900 will have on borrowers. A 2017 New York Federal Reserve study found that restricting collection activities leads to a significant decrease in auto and credit card originations, deterioration in household financial health, and reduced credit access for borrowers with low credit scores.<sup>2</sup> The Philadelphia Federal Reserve noted that increases in garnishment exemptions correlate with lower recovery rates and reduced availability of revolving credit.<sup>3</sup> Evidence published in the *Journal of Finance* shows that collection restrictions often push consumers toward higher-cost, less-regulated forms of credit, such as payday loans.<sup>4</sup>

## Conclusion

HB 4900 would have devastating effects on AFSA members in Michigan and the consumers they serve. Given its drastic changes, and the lack of transparency surrounding its passage in the middle of a chaotic lame duck session, its enactment into law would serve as an unfortunate deterrent to other AFSA members looking to expand their businesses into Michigan and offer affordable credit.

We urge you to consider the consequences of HB 4900 on Michigan's credit market, its consumers, and national perceptions of Michigan's business environment. AFSA appreciates that collection laws must protect the integrity of the credit system, including the ability of lenders to collect outstanding loan

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<sup>2</sup> Bharath, S. A., S. D. Chava, and L. J. Kogan, *The Impact of Debt Collection Restrictions on Credit Market Outcomes*, Staff Report No. 814, Federal Reserve Bank of New York, 2017, available at [https://www.newyorkfed.org/medialibrary/media/research/staff\\_reports/sr814.pdf](https://www.newyorkfed.org/medialibrary/media/research/staff_reports/sr814.pdf)

<sup>3</sup> Baker, D., and J. L. Haughwout, *The Impact of Credit Access on Household Debt and Well-Being*, Working Paper No. 20-06, Federal Reserve Bank of Philadelphia, 2020, available at <https://www.philadelphiafed.org/-/media/frbp/assets/working-papers/2020/wp20-06.pdf>.

<sup>4</sup> *The Journal of Finance*, 78(1), available at <https://afajof.org/issue/volume-78-issue-1/>

amounts, while ensuring that borrowers are able to access safe, affordable credit. Unfortunately, HB 4900 undermines those important objectives.

AFSA stands ready to work with your administration and the Legislature in an open exchange, to seek solutions that support Michigan's working families without hindering their access to affordable credit. Thank you for your consideration of our comments. If you have any questions or would like to discuss this further, please do not hesitate to contact me at [erayhan@afsamail.org](mailto:erayhan@afsamail.org) or (805) 501-8873.

Sincerely,

A handwritten signature in black ink, reading "Elora Rayhan". The signature is written in a cursive style with a large, looping "E" and "R".

Elora Rayhan  
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