

How Michigan's New Assignment of Rents Act Affects Commercial Tenants

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The Michigan Uniform Assignment of Rents Act (MUARA) will take effect on September 22, 2022, and has important implications for a tenant's rights. If a tenant's landlord defaults on its loan, to whom must the tenant pay rent, and how does the tenant avoid getting caught in the crossfire?

When a landlord defaults on its loan, its lender may notify the tenants that rents must be paid to the lender instead of the landlord. The MUARA provides a form of notice that the lender may use; however, the lender can use a different form if it includes detail on how and where the tenant must deliver those payments as well as other related information, and the lender must notify the tenant that it may consult with a lawyer about any questions.[1] Critically, if the tenant complies with the lender's notice and delivers the rent due to the lender instead of the landlord, the tenant will have satisfied its obligation to pay rent under its lease. This obligation to deliver rent to the lender will continue until the tenant receives a court order directing the tenant to pay rent in a different manner or a signed document from the lender canceling its notice, whichever occurs first.[2] Further, once the lender delivers such notice to the tenant, any modifications to the existing lease will not be binding on the lender unless the lender has consented in writing to such changes.[3]

Tenants should carefully review and comply with these notices because they can have a significant impact on the tenant's rights and obligations. For example, if a tenant continues to pay its landlord after receiving the lender's notice, the lender may still require that the tenant make that same payment to it—from the tenant's perspective, a double payment. Thankfully for tenants, the MUARA allows for additional time for tenants to review the notice with its counsel before having to make the next payment of rent. The MUARA specifically provides that a tenant will not be in default under its lease with respect to rent payments becoming due within 30 days after receiving lender's notice until the earlier of the 10th day after the due date for the next regularly scheduled rent payment or 30 days after tenant's receipt of the lender's notice.[4] So, if a tenant receives the lender's notice on the 28th day of the month and rent is regularly due on the 1st, the tenant has at least until the 10th to review the lender's notice and deliver rent to the correct party.

If you have any questions about how the MUARA may affect your rights as a tenant, or for any other questions about the issues raised in any of the other articles in Miller Canfield's series about the MUARA, please feel free to contact us.

[1] Public Act No. 115 of 2022. The MUARA takes effect September 22, 2022.

[2] *Id.* § 9(3)(d)

[3] *Id.* § 9(3)(e)

[4] *Id.* § 9(4)(a-b)