

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1581 (Delegate Conaway)
Rules and Executive Nominations

**Consumer Protection - Car Title and Refund Anticipation Loans - Restrictions
and Disclosure**

This emergency bill prohibits (1) the principal balance of a “car title loan,” as defined in the bill, from exceeding \$4,000; (2) the monthly payment from exceeding 50% of the borrower’s gross monthly income; and (3) a lender from refinancing a car title loan unless the original loan balance has been reduced by at least 20%. The bill further requires a lender under a “refund anticipation loan” – as defined in the bill – to post a fee schedule at the lender’s place of business, include a fee schedule on the loan application, state that extra fees may apply under certain circumstances, and state the interest rate charged for the loan. Violation of the bill is an unfair or deceptive trade practice under the Maryland Consumer Protection Act (MCPA), subject to MCPA’s civil and criminal penalty provisions.

Fiscal Summary

State Effect: Potential minimal increase in general fund revenues and expenditures due to the bill’s imposition of existing penalty provisions. If the Consumer Protection Division of the Office of the Attorney General receives fewer than 50 complaints per year stemming from the bill, the additional workload can be handled with existing resources.

Local Effect: Potential minimal increase in revenues and expenditures due to the bill’s imposition of existing penalty provisions.

Small Business Effect: Potential minimal.

Analysis

Current Law: An unfair or deceptive trade practice under MCPA includes any false, falsely disparaging, or misleading oral or written statement, visual description, or other representation of any kind which has the capacity, tendency, or effect of deceiving or misleading consumers. The prohibition against engaging in any unfair or deceptive trade practice encompasses the offer for or actual sale, lease, rental, loan, or bailment of any consumer goods, consumer realty, or consumer service; the extension of consumer credit; and the collection of consumer debt.

The Consumer Protection Division is responsible for enforcing MCPA and investigating the complaints of aggrieved consumers. The division may attempt to conciliate the matter, hold a public hearing, seek an injunction, or bring an action for damages. A merchant who violates MCPA is subject to a fine of up to \$1,000 for the first violation and up to \$5,000 for each subsequent violation. In addition to any civil penalties that may be imposed, any person who violates MCPA is guilty of a misdemeanor and, on conviction, is subject to a fine of up to \$1,000 and/or imprisonment for up to one year.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Maryland Department of Transportation, Department of Legislative Services

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ncs/ljm

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