

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

House Bill 1201
Economic Matters

(Delegate Bobo, *et al.*)

Consumer Protection - Maryland Motor Vehicle Financing Disclosure Act

This bill requires a motor vehicle dealer, before the sale of a motor vehicle, to provide a consumer buyer a financing disclosure form containing specified information and limits the compensation a dealer may receive for assisting a consumer buyer to obtain financing for purchasing a motor vehicle.

Violation of the bill is an unfair or deceptive trade practice under the Maryland Consumer Protection Act.

Fiscal Summary

State Effect: Assuming that the Consumer Protection Division receives fewer than 50 complaints per year stemming from this bill, any additional workload could be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The disclosure form must include a notice containing information about the consumer's credit score and its effect on the interest rate being offered on the car loan that the dealer is able to arrange. The notice must also include a statement that says a lower interest rate may be available from another lending source and specify the dealer's loan processing fee or dealer markup.

A dealer may only receive as compensation for assisting a consumer buyer to obtain financing for purchasing a motor vehicle: (1) a loan processing fee of up to \$150; or (2) a dealer markup of up to 1.5% of the interest rate of the loan. A loan processing fee may be charged only once and must be a flat fee that does not fluctuate based on the amount of the loan, the interest rate, or the loan's term. A dealer markup must be added to the buy rate offered by the dealer to the consumer buyer.

A waiver by a consumer buyer of any of the bill's provisions is void and unenforceable.

The bill applies to a dealer that arranges a loan, arranges financing, makes a credit sale, sells or otherwise transfers a conditional sales contract, or makes a similar transaction for a consumer buyer in connection with the sale of a motor vehicle to that buyer.

Current Law: A motor vehicle dealer's assistance of a consumer borrower in obtaining credit for the purchase of a motor vehicle is not specifically regulated by statute.

The Consumer Protection Division within the Office of the Attorney General is responsible for pursuing unfair and deceptive trade practice claims under the Maryland Consumer Protection Act. Upon receiving a complaint, the division must determine whether there are "reasonable grounds" to believe that a violation of the Act has occurred. Generally, if the division does find reasonable grounds that a violation has occurred, the division must seek to conciliate the complaint. The division may also issue cease and desist orders, or seek action in court, including an injunction or civil damages, to enforce the Act. Violators of the Act are subject to: (1) civil penalties of \$1,000 for the first violation and \$5,000 for subsequent violations; and (2) criminal sanction as a misdemeanor, with a fine of up to \$1,000 and/or up to one year's imprisonment.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Transportation, Office of the Attorney General (Consumer Protection Division), Department of Legislative Services

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