

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 959

(Senator Mooney, *et al.*)

Finance

Consumer Protection - Motor Vehicle Buyer's Bill of Rights

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 prohibits a dealer from disposing of a trade-in vehicle before financing is finalized.

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: A dealer may not dispose of a “trade-in vehicle” taken in conjunction with the sale of a vehicle until the financing for the vehicle is finalized. Until the financing is finalized, a consumer may return the vehicle and receive any trade-in vehicle back from a dealer. Financing is considered finalized when the financing agreement is signed by the consumer and the lender, and the dealer receives payment for the motor vehicle from the lender.

The disclosure form must contain information about the lowest interest rate that can be offered based on the consumer’s credit rating, the amount of the loan, and the term of the loan. The notice must also state that a lower interest rate may be available from another

lending source, specify the dealer's loan processing fee or dealer markup, and inform the buyer of the right to return the vehicle until the financing on the vehicle is finalized.

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 to 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.

Small Business Effect: Dealers would have to hold trade-in vehicles until the financing on the sale of a vehicle is finalized; however, as dealers are likely to have storage space for such vehicles anyway and carry insurance on vehicles on the lot, the effect would be minimal.

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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