

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 248
Finance

(Senator Mooney, *et al.*)

Environmental Matters

Consumer Protection - Motor Vehicles Financed Through Dealer - Rights of Purchasers

This bill requires a motor vehicle dealer, before the sale of a motor vehicle that is conditioned on the dealer obtaining approval of financing for the consumer buyer, to provide the buyer with a financing disclosure form containing specified information, and prohibits a dealer from disposing of a trade-in vehicle before financing is finalized.

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: If the sale of a motor vehicle to a consumer buyer is conditioned on a dealer obtaining approval of financing for the buyer, until the financing is approved on terms to which the buyer and dealer agree, the dealer may not dispose of a “trade-in vehicle” taken in conjunction with the sales contract.

If financing on the agreed terms is not approved, the buyer may cancel the contract. If the buyer cancels the contract because financing is not approved, the dealer must return any trade-in vehicle and down payment or other payments made in connection with the sales contract. In order to receive the returns, the motor vehicle delivered to the buyer in connection with the contract must be returned to the dealer in the same condition as delivered to the buyer within two days after notice that the financing has not been approved.

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.

Additional Information

Prior Introductions: Similar bills were introduced during the 2005 session. SB 959 was reported favorable with amendments from the Finance Committee, but no further action was taken. HB 1201 received an unfavorable report from the Economic Matters Committee.

Cross File: None.

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

Fiscal Note History: First Reader - February 8, 2006
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