

**Department of Legislative Services**  
Maryland General Assembly  
2016 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 530 (Delegate Stein)  
Economic Matters

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**Credit Regulation - Motor Vehicle Sales - Assignment of Financing Agreements**

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This bill requires an assignee of a retail installment agreement or an assignee of an agreement, a note, or any other evidence of a loan made to finance the purchase of a motor vehicle to provide payment to the seller within two business days after approval.

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**Fiscal Summary**

**State Effect:** The bill does not materially affect governmental finances or operations.

**Local Effect:** The bill's imposition of existing penalty provisions does not have a material impact on local government finances or operations.

**Small Business Effect:** Minimal. Assignees of financing agreements that operate as small businesses may be impacted if they do not provide payment to the seller within the specified time period.

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**Analysis**

**Current Law:** According to the Maryland Vehicle Law, a "motor vehicle" is a vehicle that is self-propelled or propelled by electric power obtained from overhead electrical wires and is not operated on rails. Such a vehicle includes a low-speed vehicle.

An "installment sale agreement" is a contract for the retail sale of consumer goods, negotiated or entered into in this State, under which part or all of the price is payable in one or more payments after the making of the contract and the seller takes collateral security or keeps a security interest in the goods sold. An installment agreement includes

a prospective installment sale agreement, a purchase money security agreement, and a specified contract for the bailment or leasing of consumer goods.

State law imposes maximum finance charges that apply to the financing of a motor vehicle sale through a retail installment contract. For a new vehicle, the finance charge may not exceed 16.5% of the outstanding balance. For a used motor vehicle, permissible maximum finance charges range from 22% to 27% of the outstanding balance, depending on the age of the vehicle. A service or other charge not expressly authorized by the statutory provisions may not be included in the retail installment sale of a motor vehicle. Accordingly, a mechanical repair contract may be financed by the seller, as long as the cost of the mechanical repair contract is separately itemized in the financing agreement.

A “closed-end credit” agreement is defined as an extension of credit by a credit grantor to a borrower under an arrangement or agreement other than a revolving credit plan.

A seller may assign a retail installment agreement and receive a portion of the finance charge only if the fact is disclosed in the agreement. The specific amount to be received need not be disclosed. However, except for an overcharge which results from a genuine error in computation and is corrected within 60 days from the date of the agreement, if a holder collects a financing charge greater than the maximum permitted, the holder must forfeit to the buyer all the finance charges paid and payable. Unless the buyer has notice of an assignment of an installment sale agreement relating to consumer goods, payments to the last known holder of the agreement discharge the buyer’s obligation for those payments.

For retail installment sales, if a complaint for violation is filed with the Commissioner of Financial Regulation, the commissioner may investigate the complaint and hold a hearing on it in accordance with the Financial Institutions Article. If the commissioner finds that a person has engaged or is engaging in any prohibited act, the commissioner can issue a cease and desist order. In addition, any person who knowingly violates or participates in the violation of specified provisions of the retail installment sales subtitle is guilty of a misdemeanor and on conviction is subject to a maximum fine of \$100 for the first offense and \$500 for any subsequent offense.

For closed-end credit agreements, any credit grantor who willfully violates any provision of the closed-end credit subtitle is guilty of a misdemeanor and on conviction is subject to maximum penalties of a \$1,000 fine, imprisonment for one year, or both. Credit grantors are also subject to specified civil penalties.

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Office of the Attorney General (Consumer Protection Division); Department of Labor, Licensing, and Regulation; Maryland Department of Transportation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 2016  
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