

Department of Legislative Services  
Maryland General Assembly  
2018 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 434  
Economic Matters

(Delegate Davis)

Finance

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Vehicle Manufacturers - Notice to Purchasers and Lessees - Warranty  
Requirements

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This bill requires a motor vehicle manufacturer, distributor, or factory branch to provide a notice to the purchaser or lessee of a motor vehicle within 90 days specifying, among other things, that federal law prohibits a manufacturer or dealer from voiding a warranty (or denying coverage) because (1) a person other than the dealer performed service on the vehicle or (2) an aftermarket or recycled part was previously used to repair the vehicle. The notice must also specify that a manufacturer or dealer *may* deny coverage (and charge for repairs) if it discovers – and, pursuant to Federal Trade Commission (FTC) requirements, demonstrates – that an aftermarket or recycled part is defective or was installed incorrectly and caused damage to another part of the vehicle otherwise covered under warranty. The bill does not apply to a new motor vehicle purchased solely for commercial or industrial use.

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Fiscal Summary

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law/Background:** A motor vehicle manufacturer, distributor, or factory branch must be licensed by the Motor Vehicle Administration (MVA) in order to, among other things, transfer new vehicles and conduct business in new vehicles in Maryland. Likewise,

a person may not conduct the business of a dealer unless licensed by MVA. MVA may refuse to grant, suspend, revoke, or refuse to renew a license under specified circumstances. For a manufacturer, distributor, or factory branch, those circumstances include a finding that the person (1) made any material misrepresentation in transferring a vehicle or truck component to a dealer or distributor; (2) failed to comply with any written warranty agreement; or (3) failed to reasonably compensate any franchised dealer for specified work.

### *Magnuson-Moss Warranty Act*

According to FTC, the Magnuson-Moss Warranty Act (which is enforced by FTC), makes it illegal for manufacturers or dealers to claim that a warranty is void or to deny coverage under the warranty simply because someone other than the dealer did the work. Similarly, it is illegal for companies to void the warranty simply because the owner used an aftermarket or recycled part. The manufacturer or dealer can, however, require consumers to use select repair facilities or parts if the repair services or parts are provided to consumers free of charge under the warranty.

FTC notes that there may be certain situations where a repair may not be covered. For example, if an owner or the owner's mechanic replaced a belt improperly and the engine is damaged as a result, the manufacturer or dealer may deny responsibility for fixing the engine under the warranty. However, the manufacturer or dealer must be able to demonstrate that it was the improper belt replacement, rather than some other defect, that caused the damage. Even so, the warranty would still be in effect for other parts of the car.

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## **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 529 (Senator Astle) - Finance.

**Information Source(s):** Federal Trade Commission; Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

**Fiscal Note History:** First Reader - February 5, 2018  
nb/ljm Third Reader - March 29, 2018  
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