

HOUSE BILL 655

I3

0lr1473

By: **Delegates Queen, Charkoudian, D.M. Davis, Mosby, Palakovich Carr, Shetty, and K. Young**

Introduced and read first time: January 29, 2020

Assigned to: Economic Matters

Committee Report: Favorable with amendments

House action: Adopted with floor amendments

Read second time: March 12, 2020

CHAPTER _____

1 AN ACT concerning

2 ~~Consumer Protection~~ Commercial Law – Automobile Financing Charges –
3 Required Dealer Disclosures

4 FOR the purpose of requiring a certain dealer to disclose certain information to a buyer in
5 a certain manner before executing a financing agreement on a contract for the sale
6 of a vehicle; requiring a certain dealer to obtain a buyer's signature on certain
7 disclosures before executing a financing agreement on a contract for the sale of a
8 vehicle; ~~prohibiting a certain dealer from participating in finance charges that would~~
9 ~~result in a certain difference between the buy rate and the contract rate; establishing~~
10 ~~that a dealer who participates in finance charges associated with a contract for the~~
11 ~~sale of a vehicle by the dealer is a credit services business; altering a certain~~
12 ~~definition;~~ defining a certain ~~terms~~ term; and generally relating to finance charges
13 associated with a contract for the sale of a vehicle by a dealer.

14 ~~BY repealing and reenacting, without amendments,~~
15 ~~Article — Commercial Law~~
16 ~~Section 14-1901(a)~~
17 ~~Annotated Code of Maryland~~
18 ~~(2013 Replacement Volume and 2019 Supplement)~~

19 ~~BY repealing and reenacting, with amendments,~~
20 ~~Article — Commercial Law~~
21 ~~Section 14-1901(c)(2)~~
22 ~~Annotated Code of Maryland~~

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



~~(2013 Replacement Volume and 2019 Supplement)~~

BY adding to

Article – Commercial Law

Section ~~14-1906.1~~ 12-609.1

Annotated Code of Maryland

(2013 Replacement Volume and 2019 Supplement)

~~BY adding to~~

~~Article – Transportation~~

~~Section 15-311.4~~

~~Annotated Code of Maryland~~

~~(2012 Replacement Volume and 2019 Supplement)~~

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Commercial Law

~~14-1901.~~

~~(a) In this subtitle the following words have the meanings indicated.~~

~~(e) (2) “Credit services business” includes [a]:~~

~~(I) A person who sells or attempts to sell written materials containing information that the person represents will enable a consumer to establish a new credit file or record; AND~~

~~(II) A DEALER, AS DEFINED IN § 15-101 OF THE TRANSPORTATION ARTICLE, WHO PARTICIPATES IN FINANCE CHARGES ASSOCIATED WITH A CONTRACT FOR THE SALE OF A VEHICLE BY THE DEALER.~~

~~14-1906.1. 12-609.1.~~

~~(A) (1) IN THIS SECTION, THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.~~

~~(2) “BUY RATE” MEANS THE LOWEST ANNUAL PERCENTAGE RATE INCLUDED IN THE CONTRACT FOR THE SALE OF A VEHICLE THAT AN INDIRECT LENDER WOULD REQUIRE IN ORDER TO PURCHASE THE CONTRACT FROM THE DEALER.~~

~~(3) “CONTRACT “CONTRACT RATE” MEANS THE ANNUAL PERCENTAGE RATE IN:~~

1 ~~(#)~~ (1) A CONTRACT OFFERED FOR THE SALE OF A VEHICLE;
2 OR

3 ~~(#)~~ (2) A FINAL CONTRACT FOR THE SALE OF A VEHICLE.

4 (B) THIS SECTION APPLIES ONLY TO A DEALER WHO PARTICIPATES IN
5 FINANCE CHARGES ASSOCIATED WITH A CONTRACT FOR THE SALE OF A VEHICLE BY
6 THE DEALER.

7 (C) (1) BEFORE EXECUTING A FINANCING AGREEMENT ON A CONTRACT
8 FOR THE SALE OF A VEHICLE TO A BUYER, A DEALER SHALL:

9 (I) IN WRITING ON ~~A DOCUMENT THAT IS SEPARATE FROM THE~~
10 ~~FINANCING AGREEMENT~~ THE SALES CONTRACT, DISCLOSE TO THE BUYER ALL
11 FINANCING OFFERS FOR WHICH THE BUYER WAS APPROVED, INCLUDING ~~THE BUY~~
12 ~~RATE AND~~ THE TERM IN MONTHS FOR EACH OFFER; AND

13 (II) IN WRITING ON A DOCUMENT THAT IS SEPARATE FROM THE
14 FINANCING AGREEMENT AND SEPARATE FROM THE DISCLOSURE REQUIRED UNDER
15 ITEM (I) OF THIS PARAGRAPH, DISCLOSE TO THE BUYER WHETHER OR NOT THE
16 ~~DEALER IS BEING COMPENSATED~~ MAY ASSIGN THE CONTRACT AND RETAIN ITS
17 RIGHT TO RECEIVE A PART OF THE FINANCE CHARGE FOR INCREASING THE
18 CONTRACT RATE TO A HIGHER RATE THAN THE BUY RATE BY A SPECIFIC LENDER.

19 (2) THE DISCLOSURE UNDER PARAGRAPH (1)(II) OF THIS
20 SUBSECTION SHALL STATE IN AT LEAST 12 POINT TYPE:

21 ~~(#)~~ ~~THE BUY RATE;~~

22 ~~(#)~~ (I) THE CONTRACT RATE THAT THE DEALER IS OFFERING
23 THE CONSUMER; AND

24 ~~(#)~~ (II) ~~THE TOTAL AMOUNT OF DEALER COMPENSATION;~~
25 AND

26 ~~(#)~~ ~~THE AMOUNT OF DEALER COMPENSATION ATTRIBUTABLE~~
27 ~~TO THE DIFFERENCE BETWEEN THE BUY RATE AND THE CONTRACT RATE; AND~~

28 ~~(#)~~ (III) (II) THE TOTAL AMOUNT THAT THE CONSUMER WILL OWE
29 DURING THE TERM OF THE FINANCING AGREEMENT ATTRIBUTABLE TO:

30 ~~1.~~ ~~THE~~ ~~THE~~ ~~TOTAL~~ ~~AMOUNT~~ ~~OF~~ ~~DEALER~~
31 ~~COMPENSATION; AND~~

~~2. THE AMOUNT OF DEALER COMPENSATION ATTRIBUTABLE TO THE DIFFERENCE BETWEEN THE BUY RATE AND THE CONTRACT RATE.~~

(3) BEFORE EXECUTING A FINANCING AGREEMENT ON A CONTRACT FOR THE SALE OF A VEHICLE TO A BUYER, THE DEALER SHALL OBTAIN THE BUYER'S SIGNATURE ON THE DISCLOSURES REQUIRED UNDER THIS SUBSECTION.

~~(D) A DEALER MAY NOT PARTICIPATE IN FINANCE CHARGES THAT WOULD RESULT IN A DIFFERENCE BETWEEN THE BUY RATE AND THE CONTRACT RATE OF MORE THAN:~~

~~(1) 2 ANNUAL PERCENTAGE RATE POINTS FOR A CONTRACT THAT HAS AN ORIGINAL SCHEDULED TERM OF 60 OR FEWER MONTHLY PAYMENTS; OR~~

~~(2) 1.5 ANNUAL PERCENTAGE RATE POINTS FOR A CONTRACT THAT HAS AN ORIGINAL SCHEDULED TERM OF MORE THAN 60 MONTHLY PAYMENTS.~~

~~Article - Transportation~~

~~15-311.4.~~

~~A DEALER WHO PARTICIPATES IN FINANCE CHARGES ASSOCIATED WITH A CONTRACT FOR THE SALE OF A VEHICLE BY THE DEALER IS A CREDIT SERVICES BUSINESS AS DEFINED IN § 14-1901 OF THE COMMERCIAL LAW ARTICLE.~~

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect October 1, 2020.

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.