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**Testimony to the Senate Finance Committee**  
**SB 134 – Consumer Protection – Electronic Transactions – Sale of Vehicles**  
**Position: Favorable**

February 5, 2020

The Honorable Delores G. Kelley  
Senate Finance Committee  
3 East, Miller Senate Building  
Annapolis, MD 21401  
cc: Members, Senate Finance Committee

**Honorable Chair Kelley and Members of the Committee:**

I'm a consumer advocate and Executive Director of Consumer Auto, a group that brings together consumer-friendly auto dealers and consumer advocates to work for safety, transparency, and fair treatment for Maryland drivers and car buyers.

We support **SB 134** because it will help make sure car buyers are properly informed about car contracts as the industry moves toward electronic contracting. By mandating that dealers make sure a carbuyer gets a chance to review a readable electronic or physical copy of the contract before an e-signature is recognized, the bill will protect consumers against auto sales fraud or against being pushed into ratifying a poor deal they may not fully understand.

In the car showroom as in other sales contexts, electronically-signed contracts are on the rise. As *Automotive News* reported April 8, 2019, “Lenders and dealers are steadily increasing adoption of electronic contracting for auto loans and leases to cut costs and improve efficiencies...”<sup>1</sup> *Forbes* magazine reported in April 2017 that “The majority of Nissan Motor Acceptance and Ford Motor Credit sales, for example, are signed by e-contract”<sup>2</sup>

The practice is likely to continue to expand quickly – because many dealers see electronically-signed auto contracts as a way to save time and money on paperwork, and make the lengthy process of reviewing car sales documents faster and less taxing for their customers. Unfortunately, the process can also undermine the opportunity for car buyers to carefully review car sales documents and, in some cases, expose them to fraud.

Across the country we've seen numerous consumer complaints and lawsuits from carbuyers who were overcharged or charged for add-on services they had not requested or even told they had signed contracts they testify that they never signed. As *Forbes'* reporting found, “Some unethical dealers have used e-contracts to charge more than the agreed-upon sales price, tack on hundreds or thousands of dollars in extra add-ons that consumers didn't want or agree to buy, or

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1 <https://www.autonews.com/finance-insurance/where-do-i-e-sign>

2 <https://www.forbes.com/sites/dianahembree/2017/04/15/e-contract-abuse-alert-how-car-dealers-can-fake-your-auto-loan/#33b31d1c65c5>



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overcharge for government fees and engage in other illegal practices – such as e-signing consumers’ names without showing buyers the contract.”<sup>3</sup>

One Connecticut carbuyer filed suit after learning that the electronic contract he was told he had signed did not give him credit for his \$4,000 trade-in, charged him \$2,300 more than he believed he had agreed to for a Ford-250 pickup, and charged him an outrageous 18.99% interest rate. His legal complaint insisted that he had never seen or signed a retail sales installment contract.<sup>4</sup>

And it’s easy to see how electronic contracts can expose consumers to this kind of fraud. It is, frankly, difficult enough for many consumers to carefully review the documents and various charges involved in a car purchase even when they have the chance to carefully review a paper contract. It’s even more difficult if all they get to see is a quick glance on-screen through a lengthy sales contract agreement.

Electronic contracts can also be much more easily doctored or revised by unscrupulous auto dealers. Paper documents will show tell-tale signs of manipulation if they’re doctored or revised and a forged physical signature can be shown to be fraudulent in court. But that kind of manipulation is more difficult to trace in the case of e-contracts.

As leading car safety advocate Rosemary Shahan, founder and president of Consumers for Auto Reliability and Safety (CARS) explains, e-contracting can easily facilitate fraud:

*Unscrupulous car dealers and shady lenders love e-contracting... The combination of all-electronic transactions and high-pressure sales tactics at the car dealership, which are aimed at consumers who are often tired and feeling rushed after hours of haggling and test-driving cars, make it much easier for dealers and crooked lenders to get away with fraud, forgery and other flim-flam.*<sup>5</sup>

**SB 134** addresses this problem simply and clearly by mandating that dealers give carbuyers a fair chance to review an electronic or paper copy of any contract available before an electronic signature can be valid. That’s a common sense way to protect consumers against fraud or misunderstandings in the terms of a contract they likely will be paying for many years.

We support **SB 134** and ask you to give it a **FAVORABLE** report.

Sincerely,

Franz Schneiderman  
Consumer Auto

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3 Ibid.

4 <https://jalopnik.com/car-dealers-are-using-electronic-loan-contracts-to-scam-1821021493>

5 <https://jalopnik.com/how-shady-dealerships-are-using-electronic-contracts-to-1794624438>