

consumerauto_FAV_sb134

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Position: FAV



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...”¹ *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”²

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

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>



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

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.⁴

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.*⁵

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

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>

CPD_FAV_SB 134

Uploaded by: Straughn, Karen

Position: FAV

BRIAN E. FROSH
Attorney General

ELIZABETH F. HARRIS
Chief Deputy Attorney General

CAROLYN QUATTROCKI
Deputy Attorney General



WILLIAM D. GRUHN
Chief
Consumer Protection Division

STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL
CONSUMER PROTECTION DIVISION

February 5, 2020

Writer's Direct Dial No.
410-576-7942
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To: The Honorable Delores G. Kelley
Chair, Finance Committee

From: Karen S. Straughn
Consumer Protection Division

Re: Senate Bill 134 – Consumer Protection – Electronic Transactions – Sale of Vehicles
(SUPPORT WITH AMENDMENTS)

The Consumer Protection Division of the Office of the Attorney General submits the following written testimony in support of Senate Bill 134 submitted by Senator Brian J. Feldman. Attached are amendments to the bill that have been agreed upon between the Division and the Maryland Auto Dealers Association. With the amendments, this bill provides that the valid sale of a motor vehicle by an electronic contract requires that the consumer be given a clear and readable copy of all documents they are required to execute and a reasonable period of time to review them before agreeing to the sale.

The purchase of a motor vehicle from a dealership is a complicated, time consuming process that requires a number of documents to be signed or initialed. More often than not, the process is complicated by the inability to easily see the contract when signing or not being given sufficient time to review it. This bill attempts to remedy these concerns by requiring that when a motor vehicle is sold by a dealer through the use of an electronic contract, a clear and readable copy of the complete purchase agreement be given to the consumer in advance. The bill further requires that the consumer be given a reasonable period of time to review the contract. This ensures that consumers are not forced to attempt to read what they are signing on a small illegible screen and helps to ensure mutual consent.

As amended, the bill would further require that an electronic sale can only be entered into by a licensed dealer and if the vehicle is not delivered to the consumer at the time of sale, would require delivery of the vehicle to the consumer's home within seven days unless the buyer agrees to a different date in writing.

The Consumer Protection Division regularly receives calls and complaints from consumers who allege they were told they could only obtain a copy of the contract once all the signatures are complete. In addition, they are often only given a small signature pad to sign, but the provisions of the contract are only visible to the dealer. In one complaint, an elderly consumer advised that she was required to fill out a finance agreement on a screen with small print that she was unable to see clearly. After signing the agreement she advised that she believed the figures had been changed, resulting in charging her \$1000.00 more than she had agreed. The business eventually refunded the \$1,000.00, but allowing a consumer to obtain a copy of the contract in advance, would provide them with a better opportunity to review the documents and make an informed decision.

For these reasons, we ask that the Finance Committee return a favorable report on this bill.

cc: The Honorable Brian J. Feldman
Members, Finance Committee

Section 15-311.4 ELECTRONIC SALE AND DELIVERY OF VEHICLES

- (A) ONLY A DEALER MAY CONTRACT FOR SALE AND DELIVERY OF A MOTOR VEHICLE BY ELECTRONIC MEANS.
- (B) A CONSUMER SHALL BE DEEMED NOT TO HAVE AGREED TO ENTER INTO A TRANSACTION FOR THE SALE OR LEASE OF A VEHICLE WITH A DEALER BY ELECTRONIC MEANS UNLESS THE DEALER PROVIDES A CONSUMER WITH:
 - (I) A CLEAR AND READABLE COPY OF EACH DOCUMENT SIGNED BY THE CONSUMER IN AN ELECTRONIC OR WRITTEN FORMAT; AND
 - (II) REASONABLE OPPORTUNITY FOR THE CONSUMER TO REVIEW THE DOCUMENTS BEFORE PROVIDING AN ELECTRONIC SIGNATURE.
- (C) UPON EXECUTION BY BOTH THE DEALER AND CONSUMER OF A MOTOR VEHICLE CONTRACT BY ELECTRONIC MEANS, IF THE VEHICLE IS NOT DELIVERED TO THE CONSUMER AT THE DEALERSHIP, THE DEALER SHALL DELIVER THE MOTOR VEHICLE FROM THEIR PRIMARY BUSINESS LOCATION TO A PHYSICAL ADDRESS PROVIDED BY THE BUYER AT A DATE AND TIME AGREED UPON BY THE BUYER AND THE DEALER THAT IS WITHIN SEVEN BUSINESS DAYS UNLESS THE BUYER AGREES IN WRITING TO A DIFFERENT DELIVERY DATE.

MADA_FWA_SB134

Uploaded by: Martz, Travis

Position: FWA



DATE: February 5, 2020

TO: Senate Finance Committee

FROM: Peter Kitzmiller (President)
Travis Martz (General Counsel)

RE: SB 134 (Senator Feldman)

POSITION: SUPPORT WITH AMENDMENTS

The Maryland Automobile Dealers Association (MADA) represents over 300 franchised new car and truck dealers, and their 24,000 employees. We strongly support SB 134.

As electronic signatures have become more commonplace, automobile dealerships have embraced electronic document signing as part of the vehicle sales process. Furthermore, automobile shoppers are embracing online shopping for cars at the same time. MADA supports electronic document signing with proper transparency.

MADA also supports the dealership licensing arm of the MVA. Companies that choose to advertise vehicles online only and sell to Maryland consumers should be held to the same licensing standards. Maryland customers that purchase a vehicle online and have it delivered away from the dealership should be able to identify where the dealership is located per their license in the event an issue with the purchase arises.

MADA respectfully asks the Senate Finance Committee to give SB 134 a favorable report with the proposed amendments.

Augustine_FAV_SB155

Uploaded by: White, Marceline

Position: FWA

MALCOLM AUGUSTINE
Legislative District 47
Prince George's County

Finance Committee
Energy and Public Utilities Subcommittee

Senate Chair, Joint Committee on the
Management of Public Funds



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-Testimony of Senator Malcolm Augustine

Regarding Senate Bill 155: Consumer Protection – Mobile Home Purchasers

Before Senate Finance Committee

On February 5, 2020

Chair Kelley, Vice-Chair Feldman, and members of the Senate Finance Committee.

It's important to note that key stakeholders including Maryland Department of Labor, Maryland's Commissioner of Financial Regulation, the General's office and members of the Mobile Home industry, worked out a compromise on this consumer protection bill. This Mobile Purchaser Consumer Protection bill was part of the much larger consumer protection bill presented by Senator Rosapepe last year who, along with Senator Reilly, is a co-sponsor of this bill.

Maryland is currently home to approximately 33,000 mobile homes.

Senate Bill 155 makes three (3) overarching changes to current law that will ensure reasonable protections for owners of mobile homes. The bill:

1. Establishes a duty of good faith and fair dealing for mobile home retailers;
2. Requires retail sellers of mobile homes to provide consumers with certain disclosures of their rights at the time of sale; and
3. Expands the notice requirement in the mobile home foreclosure process from 10 days to 30 days, with exceptions for abandoned or voluntarily surrendered property.

Establishing a duty of good faith and fair dealing for retail sellers of mobile homes will ensure that Maryland's consumers are protected from illicit lending practices and prevent retailers from steering consumers toward captive finance companies. Requiring disclosures at the time of sale will ensure that Maryland's consumers are aware of their rights and abilities to seek redress.

By aligning the foreclosure process for mobile homes more closely to the process for residential real property, Senate Bill 155 ensures that families in mobile homes are protected from undue foreclosure. This bill will require creditors to provide a 30-day (rather than 10-day) notice and waiting period

before undertaking any efforts to repossess the home. **Please note that creditors retain the ability to repossess the home quicker than 30 days if the home is abandoned or voluntarily surrendered.**

Senate Bill 155 will provide greater protections for the owners of mobile homes that are consistent with protections afforded to homeowners under federal law. **For the aforementioned reasons, I respectfully request a favorable report from the Committee on Senate Bill 155.**

Background Information

Purpose: The Office of the Commissioner of Financial Regulation (OCFR) seeks to enhance consumer protection provisions related to the purchase of mobile homes in Maryland. These enhancements are accomplished by adopting certain consumer protection standards similar to those found in state and federal law.

Proposal: The bill codifies the federal definition of “dwelling” and provides a State law definition of “mobile home” in order to prevent Maryland law from being affected by potential changes made at the federal level. This bill also strengthens consumer protections by establishing a duty of good faith and fair dealing for the mobile and manufactured home retailers doing business across Maryland in order to prevent them from steering customers toward captive financing companies, and further requiring them to provide consumers with certain disclosures regarding their rights.

Further, the bill formalizes certain foreclosure rules regarding chattel loans that involve mobile homes, aligning them with those applicable to residential real property. Specifically, it establishes a 30-day notice and waiting period before repossession efforts are taken (expanded from the 10-day notice and waiting period

under current law) while preserving a creditor's ability to repossess property sooner under circumstances that are similar to those applicable to real property. In sum, this proposal provides greater protections for upwards of 30,000 Marylanders who own or reside in mobile homes, and is consistent with similar protections that are provided under federal law.

Fiscal Information: While it is difficult to anticipate or quantify the number of complaints that will arise out of the new requirements, OCFR is confident that the proposal can be implemented and carried out with existing resources.

MCRC_FWA_SB134

Uploaded by: White, Marceline

Position: FWA



Maryland Consumer Rights Coalition

Testimony to the Senate Finance Committee
SB134: Consumer Protection - Electronic Transactions - Sale of Vehicle
Position: Favorable With Amendments

February 5, 2020

Senator Delores Kelley, Chair
Senate Finance Committee
3 East Miller Senate Office Building
Annapolis, MD 21401
Cc: Members, Senate Finance

Honorable Chairwoman Kelley and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances financial justice and economic inclusion for Maryland consumers through research, education, direct service, and advocacy. Our 8,500 supporters include consumer advocates, practitioners, and low-income and working families throughout Maryland.

I write today in favor of SB134 with the sponsor amendment and another proposed amendment.

MCRC works with a number of private consumer attorneys in Maryland. We convene meetings with consumer attorneys and the Maryland Vehicle Administration to coordinate, collaborate, and share concerns. A number of attorneys have raised the issue of electronic contracts as a concern. Consumers who have sought counsel because of potential fraud, deceptive practices, or false advertising faced challenges because they signed electronic contracts and didn't have a copy of the contract. If they did have a copy of the contract, they rarely had one signed by both the customer and the dealer (having a signed copy from both parties is needed to enforce the deal, should a dealer renege for some reason).

We support SB 134 with the amendments offered by the Office of the Attorney General and we recommend one additional amendment. To ensure enforceability of the contract, MCRC recommends the following amendment:



Maryland Consumer Rights Coalition

A CONSUMER SHALL BE DEEMED NOT TO HAVE AGREED TO ENTER INTO A TRANSACTION FOR THE SALE OR LEASE OF A VEHICLE WITH A DEALER BY ELECTRONIC MEANS UNLESS THE DEALER PROVIDES A CONSUMER WITH:

A CLEAR AND READABLE COPY OF EACH DOCUMENT SIGNED BY THE CONSUMER **and the dealer** IN AN ELECTRONIC OR WRITTEN FORMAT; AND

With the addition of these two amendments, MCRC supports SB 134 and urges a favorable report.

Best,

Marceline White
Executive Director