



**Testimony to the House Economic Matters Committee
HB 931 – Vehicle Laws – Manufacturers and Dealers – Incentives
Position: Favorable**

Feb. 25, 2022

The Honorable C.T Wilson
House Economic Matters Committee
251 Lowe House Office Building
Annapolis, MD 21401
cc: Members, House Economic Matters Committee

Honorable Chair Wilson and Members of the Committee:

I'm a consumer advocate and Executive Director of Consumer Auto, a non-profit group that works for safety, transparency, and fair treatment for Maryland drivers and car buyers.

We support **HB 931** because it will make access to rebates and other cost-saving auto incentive offers more widely and fairly available to car buyers – and help to give more consumers in more markets access to a better selection of vehicles.

Under current practices, those car buyers who qualify for financing – and are willing to accept financing – through the proprietary (or “captive”) lending arms most car manufacturers operate may get access to rebates and other special considerations that are not available to other car buyers. As a result, those who finance their vehicles through a local credit union or independent bank in many cases in effect pay more for their vehicles. Since many consumers won't qualify for financing through the automakers' captive financing arms, that practice excludes some car shoppers from significant benefits.

Another serious concern for consumers is that, because the captive financing firms operate through local dealers, in some cases their financing offers go hand-in-hand with pressure from dealers to add fees for additional products and services (i.e. window-etching, extended warranty offers to their car loan. These services can add thousands of dollars to the price consumers pay for the car (and to the long-term cost of repaying their loans) while providing little real value to consumers.

As one consumer advice site explains:

“When you're getting a loan through a dealership's finance department, they're likely to try to sell you a number of add-ons. Some, like [GAP coverage](#), make sense, while others, like window etching, are unnecessary. These dealer add-ons increase the loan amount and be costly if you don't catch them and have them removed before signing your contract.”¹

This kind of “loan-packing” is a common (and costly) complaint from car buyers. Indeed consumer advocates often encourage car shoppers to arrange financing outside the dealer network before

1 <https://www.autocreditexpress.com/blog/captive-auto-lenders-the-pros-and-cons/>



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going to a showroom, in part to prevent exposure them from being exposed to pressure from dealers to add unnecessary extras to their loan package.

By requiring franchised dealers to offer relevant rebates to all purchasers of the same line of vehicles, **HB 931** would extend access to these offers more fairly and more widely – and protect consumers against undue pressure that can come along with financing through the car makers' captive financing firms.

By buttressing requirements that manufacturers make sure they provide cars to their dealers on a fair basis – and one that is transparent enough that they can, on request, explain it to their dealers – the bill also should help car buyers get access to a fuller and more adequate selection of vehicles. That's an important protection for car shoppers – especially in a market where limited vehicle production is adding to shortages of attractive and high-demand vehicles in many markets.

We support HB 931 and ask you to give it a FAVORABLE report.

Sincerely,

Franz Schneiderman
Consumer Auto