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The Honorable C. T. Wilson  
House Economic Matters Committee  
House Office Building, Room 231  
Annapolis, MD 21401

**re: HB 587**  
Motor Vehicle Financial Protection Product Agreements Act  
**OPPOSE**

Dear Chair Wilson and Members of the Committee:

I write in opposition to HB 587. As an attorney who has practiced law in Maryland for more than 40 years, representing literally hundreds of individual Marylanders who were deceived and cheated by car dealers, I know well the Pandora's Box of problems this bill would open.

Under HB 587, the General Assembly would *preauthorize* the creation of virtually unlimited new motor vehicle financial protection product agreements – including products that don't yet exist. Products and agreements which no-one has seen. Products and agreements for which any charge would be preauthorized, no matter how extreme. And taken as a whole, provisions in this bill will preclude or handcuff oversight by any government agency concerned with consumer protection.

These troubling concerns flow from several key provisions in HB 587:

Proposed section 33-101(Q) of this bill states: “ ‘Motor Vehicle Financial Protection Product Agreement’ **includes:** (1) a debt waiver agreement; and (2) a Vehicle Value Protection Agreement.” (emphasis added). That's the whole definition. Note this definition *does not exclude* any product agreement that bold and creative minds can argue constitutes a “motor vehicle financial protection product agreement.” It is vague and broad: there are no standards, guardrails or limitations whatsoever. The bill simply preauthorizes the creation and sale of products in Maryland, some of which do not yet exist.

If this bill is enacted, under proposed 33-102(C)(1)(I), any costs are deemed “**authorized.**” This means that not only is any product that could be deemed a financial protection product agreement authorized but also that *any* charge for a financial protection product agreement has been authorized.

But that's not all. In a third provision, HB 587 would establish that any charge for one of these still undisclosed agreements **"is not a finance charge or interest."** 33-102(C)(1)(II). Without trying to explain the intricacies of the federal Truth in Lending Act or Maryland statutes protecting consumers, that provision alone will empower unscrupulous creditors to circumvent Maryland's long-standing laws against usury in a number of instances. It also would preclude or substantially hamper regulation by the Maryland Commissioner of Financial Regulation.

And for the cherry on top of these giveaways, HB 587 declares that **any** product which can be squeezed within the bill's wide open definition of "Motor Vehicle Financial Protection Product Agreements" is **not insurance** (see 33-102(E)). By so stating, this bill would have the General Assembly prejudge a whole category of undisclosed, yet-to-be-invented products and spare them from regulation or scrutiny by the Maryland Insurance Administration, including its Consumer Education and Advocacy Unit.

When these four provisions are combined with the remaining provisions of the bill, they take away the tools responsible government officials need to strike a reasonable balance between the good that may be found in new financial protection products and the dangerous opportunities for abuse these products clearly involve.

Instead of HB 587's blind endorsement of vaguely defined and currently undisclosed products, sound public policy strongly suggests what should happen when a new financial protection product agreement is proposed: government officials with relevant expertise (experts from the Maryland Insurance Administration, Maryland A.G.'s Consumer Protection division and the MVA), working with car dealers, industry groups and consumer advocates, should have an opportunity to analyze and debate the benefits, costs and potential for misuse of these products, in the public interest. Such a process, some form of which has worked for many years, has served Marylanders well. HB 587 would short-circuit informed, fair and balanced decision making and render essential regulation highly unlikely.

## **THE PRODUCTS PROPOSED IN HB 587 CAN AND PREDICTABLY WILL BE ABUSED BY PREDATORY CAR DEALER PERSONNEL**

It's not my intent to condemn all car dealers, though they suffer a reputation that may even be below that of the practitioners in my profession. But my busy career is testament to the fact that virtually every week, dozens of Marylanders are deceived or forced by car dealer personnel into purchasing products – especially the kind of financial product agreements HB 587 would blindly preauthorize – that they don't need, often don't even know they've purchased and which have zero value or are close to worthless.

This happens because of pressure from dealer management to increase revenues and commission based incentives that sadly and repeatedly, in too many cases, overcome this country's traditional values of honesty, integrity and looking out for our fellow man. Sometimes it happens because dealers are pressured by their financing sources.<sup>1</sup>

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<sup>1</sup> For example, the Maryland Attorney General's office recently handled a case against Santander, a huge company, which unlawfully pressured dealers to sell Guaranteed Asset Product (GAP) agreements and extended warranties. Santander is now prohibited from doing so under a settlement agreement it reluctantly reached with the A.G. But

The wide array of deceptive techniques for controlling a consumer's auto purchase or lease are legendary. They include falsely telling consumers they must purchase (abusive) products because the lender requires it; deceptively hiding the price of (abusive) financial products in the car's purchase price; the old "four square" (a way of manipulating figures during negotiations); the "five finger close" (where the dealer's closer covers up figures or terms on a document the consumer would balk at if seen); "payment packing" (where the dealer quotes a monthly payment large enough to hide the cost of abusive products, without the consumer's knowledge); fraudulently inflating a consumer's income to trick lenders into approving a deal the customer can't afford; "power booking" (misrepresenting equipment on the car being sold and/or traded-in to falsify value); "bundling" (falsely saying that 2 or more different products must be purchased together); overcharging women, minorities, persons whose native tongue is not English or first-time car buyers because they don't expect pushback; forging customer signatures; and many others.

Many Marylanders have incurred large medical expenses, or experienced other setbacks, that significantly damage their credit scores. These consumers often struggle to be approved for a car loan. When a person has been turned down repeatedly, that person becomes very vulnerable: when they finally find a car dealer willing to finance their purchase, they understandably are grateful and can be easily led to sign documents where directed. I have represented many consumers who never knew they purchased or were charged for products similar to those HB 587 would greenlight. Some products like those this bill would authorize are so worthless and have so few claims that in a surprising number of sales, dealers will just pocket the money, never bothering to purchase what it induced the customer to pay for because it is so unlikely the customer would ever need to take advantage of or make a claim under the product. The Maryland A.G.'s office recently had to address that very same scenario, a kind of fraud which unfortunately has victimized a number of my own clients. Sadly, the kind of products HB 587 would authorize are the very kind of products most susceptible to abuse because vulnerable consumers are most likely to pay or be tricked or forced into paying for financial protection products that are difficult to understand.

In my judgment, based on the experiences of hundreds of my clients, the General Assembly would be recklessly endangering Maryland consumers were it to pass HB 587.

I urge this Committee to give an unfavorable report on HB 587.

I have been authorized by attorney Jane Santoni of Santoni, Vocci & Ortega, LLC in Lutherville-Timonium, to state that she joins in this opposition to HB 587.

Sincerely,

/s/

Mark H. Steinbach  
Of Counsel

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given its limited resources, the A.G.'s office can only do so much and there are innumerable large and small dealers all across the state, with personnel too many of whom yield to temptation to cheat and defraud.