Testimony to the Senate Finance Committee
SB 573: Motor Vehicle Financial Protection Agreements Act
Position: Unfavorable

February 17, 2022

The Honorable Delores Kelley, Chair
Senate Finance Committee
3 East, Miller Senate Office Building
Annapolis, Maryland 21401
Cc: Members, Senate Finance Committee

Honorable Chair Kelley and Members of the Committee:

The Maryland Consumer Rights Coalition (MCRC) is a statewide coalition of individuals and organizations that advances economic rights and financial 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.

We are in strong opposition to SB 573 and ask for an unfavorable report.

As drafted, this legislation would amend the Maryland Code's Insurance article to authorize the sale of new products that the bill declares are **NOT** insurance [*see proposed 33-102(E)*]. New products should be subject to more scrutiny since this legislation would make troubling changes to undermine current consumer protections in Maryland law. This is a clear attempt to circumvent Maryland's long standing usury laws that protect consumers, allowing creditors to mislead consumers about the true cost of credit. The Maryland General Assembly, time and time again, has passed legislation to cap interest rates for consumers. If passed, HB 587 would undo and undermine the express will of this committee and the General Assembly in capping consumer loans at 36 percent.

Specifically, SB 573 would authorize the creation and sale of three new products: "Motor Vehicle Financial Protection Product Agreements," "Vehicle Value Protection Agreements," and for leases, "Excess Wear and Use Agreements." To our knowledge, no consumers have been clamoring for these types of agreements. Car dealers are the only ones who will benefit should SB 573 pass.

In fact, the legislation opens a Pandora's box which would enable car dealers to add a series of unnecessary products that under the SB 573 definition, cannot be considered insurance *[33-102(E)]* and cannot be regulated as a finance charge or interest *[33-102(C)(1)(I) and (II)]*.

If passed, SB 573 creates a deeply troubling precedent: it would allow the General Assembly to pre-clear products not yet invented by car dealers. But we all know who will pay the cost: Marylanders who already can scarcely afford today's high monthly car payments.

SB 573 also allows those who create and sell "Motor Vehicle Financial Protection Product Agreements," to make many of them non-cancellable after 30 days *[33-103(B)(1)]*. Even if they can be canceled, consumers would have to pay a needlessly hefty $75 charge. And in some cases, providers of these agreements can cancel them after consumers have already purchased a car in reliance on that agreement, leaving consumers without recourse and unable to undo their car purchase *[33-103(G)]*.

This bill would harm low-income and working families across Maryland. In 2021, auto loans increased by $8 billion, to $1.38 trillion nationally[1] and auto loans were the third largest reason for consumer debt. Research from the Center for Responsible Lending and the National Consumer Law Center have found that Black and Brown consumers are sold more unnecessary auto financial products than white car buyers.

This bill would undermine critical consumer protections in Maryland, cost low-income, predominantly borrowers of color expensive fees for unnecessary products, and charge them expensive fees for canceling the products. All told, this is deeply troubling and unnecessary legislation.

For all of these reasons, we oppose SB 573 and urge an unfavorable report.

Best,

Marceline White
Executive Director

[1] https://www.cnbc.com/2021/05/12/household-debt-climbs-to-14point64-trillion.html

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