



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

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

Feb. 16, 2022

Honorable Chair Kelley 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.

Consumer Auto **opposes SB 573** because we are concerned that it could open the door for some in the auto industry to market vaguely-defined (or as yet undefined) and weakly-regulated financial products that may be toxic for car buyers. Packing car loans with such financial products can push up the costs of cars significantly while providing little or no actual value to consumers.

The bill, oddly, would amend the Insurance article of the Maryland Code to allow for the marketing of ill-defined financial products its language declares are “not insurance.” But just what these products may turn out to be is less clear. The bill tells us [(33-101(Q))] that the “Motor Vehicle Financial Protection Product Agreement” it authorizes “includes” 1: “a debt waiver agreement” and 2: “A vehicle value protection agreement.” But it does not in any obvious way limit what else may, at some point, be authorized as allowable “financial protection product agreements.”

The bill language does, however, make clear that [(33-102(C)(1)(I))] “the amount charged or financed” for such an agreement will be deemed “an authorized charge,” “notwithstanding any other provision of law.” That strongly suggests that any charge for these questionable products will be considered “authorized,” even if it violates other consumer protection regulations.

More troubling still is that that the characterization of these products seems pitched to circumvent regulatory protections for consumers. The bill language says that a Financial Protection Product Agreement is not only “not insurance” [(33-102(E))] but also “not a finance charge or interest.” [(33-102(C)(1)(II)].

Stipulating that these ill-defined products are “not insurance” would exempt them from scrutiny or regulation by the Maryland Insurance Administration. Defining them not to be financing or interest charges could enable creditors to evade Maryland’s usury and lending laws and would limit the ability of Maryland’s Commissioner of Financial Regulation to regulate them. As a result, car buyers may end up with little regulatory protection against added costs and other abuses imposed by predatory financial products.

We oppose SB 573 and ask you to give it an Unfavorable Report.

Sincerely,
Franz Schneiderman
Consumer Auto