



**TESTIMONY IN SUPPORT OF HOUSE BILL 587/SENATE BILL 573
MOTOR VEHICLE FINANCIAL PROTECTION PRODUCT AGREEMENT ACT**

The Guaranteed Asset Protection Alliance (“GAPA”) supports the passage of House Bill 587/Senate Bill 573 (Motor Vehicle Financial Protection Product Agreements Act)

By way of background, GAPA, formed in 2006, is comprised of companies experienced in offering quality motor vehicle financial protection products throughout the country. Our members include insurance companies, lenders, and administrative services companies who, together, bring valuable products to a competitive market in a responsible way. GAPA’s mission is to preserve the viability of its industry and promote fair and equitable legislation and regulation of its members and their products so that its members may continue to offer meaningful options to consumers who choose to purchase these protections.

To this end, GAPA developed a model act that has been the basis for laws in over 24 states. GAPA recently updated its model act (as reflected in HB587/SB573) to include and regulate additional, newer types of motor vehicle financial protection products.

Motor vehicle financial protection products are optional agreements that protect a consumer’s financial interest in the consumer’s current or future motor vehicle. They include debt cancellation agreements, excess wear and use waivers, and vehicle value protection agreements. Debt cancellation agreements (as defined in Commercial Law Article Sections 12-601 and 12-1001) (sometimes referred to as “Gap waivers”) can be offered to a borrower who is financing the purchase of a car. As soon as the borrower drives off the dealer’s lot, their car is diminished in value. Because of this de-valuation, the amount the borrower owes exceeds the amount the vehicle is worth. If the car is totaled or stolen such that it is a total loss, the consumer may owe more than the amount covered by the primary insurance proceeds. The additional amount owed to the lender would come out of the borrower’s pocket in the absence of a debt cancellation agreement. If a debt cancellation agreement was purchased, the creditor would waive some or all of the amount owed in excess of the primary insurance proceeds.

Excess wear and use waivers can be purchased by the lessee of a leased vehicle so that all or part of any amounts that become due under the lease for excessive wear and use of the leased vehicle are canceled or waived.

Vehicle value protection agreements provide a reduction of some or all of the contract holders finance agreement deficiency balance or towards the purchase or lease of a replacement vehicle or vehicle services following a loss, theft, damage, obsolescence, diminished value, depreciation or other adverse event. They include trade-in credit agreements, diminished value agreements, and depreciation benefit agreements, among other types of similar agreements.

The bill places financial requirements on companies offering these motor vehicle financial protection products and require certain written disclosures to be provided to consumers purchasing these products.

The bill also contains enforcement provisions and potential fines for violations, under the regulation of the Maryland Insurance Administration.

Passage of HB587/SB573 will put in place appropriate consumer protections including:

- A 30 day free look period during which the consumer may return the product without penalty fees or costs.
- A requirement that the product be optional for the borrower and that the terms of the financing and terms of the purchase not be conditioned upon the purchase of the product.
- Cancellation and refund requirements.
- Definitions of key terms.
- Various disclosure requirements to ensure that consumers can make an informed decision about purchasing the product.
- Financial solvency protections as to the providers of these products.

For additional information, contact Marta Harting (mdharting@venable.com).