

HOUSE BILL 655

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0lr1473

By: **Delegates Queen, Charkoudian, D.M. Davis, Mosby, Palakovich Carr, Shetty, and K. Young**

Introduced and read first time: January 29, 2020

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Consumer Protection – Automobile Financing Charges – Required Dealer**
3 **Disclosures**

4 FOR the purpose of requiring a certain dealer to disclose certain information to a buyer in
5 a certain manner before executing a financing agreement on a contract for the sale
6 of a vehicle; requiring a certain dealer to obtain a buyer's signature on certain
7 disclosures before executing a financing agreement on a contract for the sale of a
8 vehicle; prohibiting a certain dealer from participating in finance charges that would
9 result in a certain difference between the buy rate and the contract rate; establishing
10 that a dealer who participates in finance charges associated with a contract for the
11 sale of a vehicle by the dealer is a credit services business; altering a certain
12 definition; defining certain terms; and generally relating to finance charges
13 associated with a contract for the sale of a vehicle by a dealer.

14 BY repealing and reenacting, without amendments,
15 Article – Commercial Law
16 Section 14–1901(a)
17 Annotated Code of Maryland
18 (2013 Replacement Volume and 2019 Supplement)

19 BY repealing and reenacting, with amendments,
20 Article – Commercial Law
21 Section 14–1901(e)(2)
22 Annotated Code of Maryland
23 (2013 Replacement Volume and 2019 Supplement)

24 BY adding to
25 Article – Commercial Law
26 Section 14–1906.1
27 Annotated Code of Maryland

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(2013 Replacement Volume and 2019 Supplement)

BY adding to

Article – Transportation

Section 15–311.4

Annotated Code of Maryland

(2012 Replacement Volume and 2019 Supplement)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Commercial Law

14–1901.

(a) In this subtitle the following words have the meanings indicated.

(e) (2) “Credit services business” includes [a]:

(I) A person who sells or attempts to sell written materials containing information that the person represents will enable a consumer to establish a new credit file or record; AND

(II) A DEALER, AS DEFINED IN § 15–101 OF THE TRANSPORTATION ARTICLE, WHO PARTICIPATES IN FINANCE CHARGES ASSOCIATED WITH A CONTRACT FOR THE SALE OF A VEHICLE BY THE DEALER.

14–1906.1.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) “BUY RATE” MEANS THE LOWEST ANNUAL PERCENTAGE RATE INCLUDED IN THE CONTRACT FOR THE SALE OF A VEHICLE THAT AN INDIRECT LENDER WOULD REQUIRE IN ORDER TO PURCHASE THE CONTRACT FROM THE DEALER.

(3) “CONTRACT RATE” MEANS THE ANNUAL PERCENTAGE RATE IN:

(I) A CONTRACT OFFERED FOR THE SALE OF A VEHICLE; OR

(II) A FINAL CONTRACT FOR THE SALE OF A VEHICLE.

(B) THIS SECTION APPLIES ONLY TO A DEALER WHO PARTICIPATES IN FINANCE CHARGES ASSOCIATED WITH A CONTRACT FOR THE SALE OF A VEHICLE BY

1 THE DEALER.

2 (C) (1) BEFORE EXECUTING A FINANCING AGREEMENT ON A CONTRACT
3 FOR THE SALE OF A VEHICLE TO A BUYER, A DEALER SHALL:

4 (I) IN WRITING ON A DOCUMENT THAT IS SEPARATE FROM THE
5 FINANCING AGREEMENT, DISCLOSE TO THE BUYER ALL FINANCING OFFERS FOR
6 WHICH THE BUYER WAS APPROVED, INCLUDING THE BUY RATE AND THE TERM IN
7 MONTHS FOR EACH OFFER; AND

8 (II) IN WRITING ON A DOCUMENT THAT IS SEPARATE FROM THE
9 FINANCING AGREEMENT AND SEPARATE FROM THE DISCLOSURE REQUIRED UNDER
10 ITEM (I) OF THIS PARAGRAPH, DISCLOSE TO THE BUYER WHETHER OR NOT THE
11 DEALER IS BEING COMPENSATED FOR INCREASING THE CONTRACT RATE TO A
12 HIGHER RATE THAN THE BUY RATE.

13 (2) THE DISCLOSURE UNDER PARAGRAPH (1)(II) OF THIS
14 SUBSECTION SHALL STATE IN AT LEAST 12 POINT TYPE:

15 (I) THE BUY RATE;

16 (II) THE CONTRACT RATE THAT THE DEALER IS OFFERING THE
17 CONSUMER;

18 (III) THE TOTAL AMOUNT OF DEALER COMPENSATION;

19 (IV) THE AMOUNT OF DEALER COMPENSATION ATTRIBUTABLE
20 TO THE DIFFERENCE BETWEEN THE BUY RATE AND THE CONTRACT RATE; AND

21 (V) THE TOTAL AMOUNT THAT THE CONSUMER WILL OWE
22 DURING THE TERM OF THE FINANCING AGREEMENT ATTRIBUTABLE TO:

23 1. THE TOTAL AMOUNT OF DEALER COMPENSATION;
24 AND

25 2. THE AMOUNT OF DEALER COMPENSATION
26 ATTRIBUTABLE TO THE DIFFERENCE BETWEEN THE BUY RATE AND THE CONTRACT
27 RATE.

28 (3) BEFORE EXECUTING A FINANCING AGREEMENT ON A CONTRACT
29 FOR THE SALE OF A VEHICLE TO A BUYER, THE DEALER SHALL OBTAIN THE BUYER'S
30 SIGNATURE ON THE DISCLOSURES REQUIRED UNDER THIS SUBSECTION.

31 (D) A DEALER MAY NOT PARTICIPATE IN FINANCE CHARGES THAT WOULD
32 RESULT IN A DIFFERENCE BETWEEN THE BUY RATE AND THE CONTRACT RATE OF

1 MORE THAN:

2 (1) 2 ANNUAL PERCENTAGE RATE POINTS FOR A CONTRACT THAT HAS
3 AN ORIGINAL SCHEDULED TERM OF 60 OR FEWER MONTHLY PAYMENTS; OR

4 (2) 1.5 ANNUAL PERCENTAGE RATE POINTS FOR A CONTRACT THAT
5 HAS AN ORIGINAL SCHEDULED TERM OF MORE THAN 60 MONTHLY PAYMENTS.

6 Article – Transportation

7 15-311.4.

8 A DEALER WHO PARTICIPATES IN FINANCE CHARGES ASSOCIATED WITH A
9 CONTRACT FOR THE SALE OF A VEHICLE BY THE DEALER IS A CREDIT SERVICES
10 BUSINESS AS DEFINED IN § 14-1901 OF THE COMMERCIAL LAW ARTICLE.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
12 October 1, 2020.