

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

Committee Report: Favorable with amendments

House action: Adopted with floor amendments

Read second time: March 12, 2020

CHAPTER _____

1 AN ACT concerning

2 ~~Consumer Protection~~ Commercial Law – Automobile Financing Charges –
3 Required Dealer 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 a certain ~~terms~~ term; 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(c)(2)~~
22 ~~Annotated Code of Maryland~~

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



~~(2013 Replacement Volume and 2019 Supplement)~~

BY adding to

Article – Commercial Law

Section ~~14-1906.1~~ 12-609.1

Annotated Code of Maryland

(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.~~

(c) ~~(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. 12-609.1.~~

(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 “CONTRACT RATE” MEANS THE ANNUAL PERCENTAGE RATE IN:~~

~~(H)~~ (1) A CONTRACT OFFERED FOR THE SALE OF A VEHICLE;
OR

~~(H)~~ (2) 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
THE DEALER.

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

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

(II) IN WRITING ON A DOCUMENT THAT IS SEPARATE FROM THE
FINANCING AGREEMENT AND SEPARATE FROM THE DISCLOSURE REQUIRED UNDER
ITEM (I) OF THIS PARAGRAPH, DISCLOSE TO THE BUYER WHETHER OR NOT THE
DEALER ~~IS BEING COMPENSATED~~ MAY ASSIGN THE CONTRACT AND RETAIN ITS
RIGHT TO RECEIVE A PART OF THE FINANCE CHARGE FOR INCREASING THE
CONTRACT RATE TO A HIGHER RATE THAN THE BUY RATE BY A SPECIFIC LENDER.

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

~~(I)~~ THE BUY RATE;

~~(H)~~ (I) THE CONTRACT RATE THAT THE DEALER IS OFFERING
THE CONSUMER; AND

~~(H)~~ (II) ~~THE TOTAL AMOUNT OF DEALER COMPENSATION;~~
AND

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

~~(V)~~ ~~(H)~~ (II) THE TOTAL AMOUNT THAT THE CONSUMER WILL OWE
DURING THE TERM OF THE FINANCING AGREEMENT ~~ATTRIBUTABLE TO:~~

~~1. THE THE TOTAL AMOUNT OF DEALER
COMPENSATION; AND~~

~~2. THE AMOUNT OF DEALER COMPENSATION~~
~~ATTRIBUTABLE TO THE DIFFERENCE BETWEEN THE BUY RATE AND THE CONTRACT~~
~~RATE.~~

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

~~(D) A DEALER MAY NOT PARTICIPATE IN FINANCE CHARGES THAT WOULD~~
~~RESULT IN A DIFFERENCE BETWEEN THE BUY RATE AND THE CONTRACT RATE OF~~
~~MORE THAN:~~

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

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

~~Article — Transportation~~

~~15-311.4.~~

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

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

Approved:

Governor.

Speaker of the House of Delegates.

President of the Senate.