

REVENUE: No revenue impact

FISCAL: No fiscal impact

Action:	Do Pass
Vote:	7 - 0 - 0
Yeas:	Berger, Edwards C., Esquivel, Holvey, Rosenbaum, Smith P., Schaufler
Nays:	0
Exc.:	0
Prepared By:	Theresa Van Winkle, Administrator
Meeting Dates:	3/19, 3/26

WHAT THE MEASURE DOES: Clarifies that the Lemon Law applies to vehicles sold in any state to an Oregon resident. Establishes a 14-day deadline for a vehicle dealer to finalize or reject a transaction in which a vehicle is sold through financing.

ISSUES DISCUSSED:

- Measure corrects two issues that affect consumers who purchase new vehicles as well as new car dealers
- Sections of the measure make dealer requirements more consistent with Driver and Motor Vehicle Services Division law
- Protection for consumers who cannot obtaining financing for a vehicle on agreed upon terms with the dealer

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Lemon Law protects consumers when they purchase a new vehicle by requiring an authorized dealer to correct problems the consumer discovers after the purchase. However, the law does not apply to an Oregon resident who purchases a vehicle in another state because the current version of Oregon's Lemon Law refers only to vehicles purchased in Oregon. HB 2941 clarifies that the statute applies to residents who purchase a new vehicle in any state.

Under current statute, a vehicle dealer can let consumers drive off the lot with a vehicle after they apply for financing that has not been finalized, known as a "spot deliver." If a spot deliver falls through due to the dealer not being able to find financing for the customer at the negotiated terms, it can cause a difficult situation for both the dealer and the consumer. The buyer is required to return the vehicle to the dealer within five days of receiving notice that they cannot acquire financing, and the dealer is required to return the trade-in vehicle and the entire down payment amount to the consumer.

The dealership is required to pay off the trade-in within 15 days, but the rules are vague as to how long the dealer has to fully consummate the transaction. If the dealer pays off the trade-in before the transaction cannot be finalized, the vehicle is still technically owned by the consumer and the dealer must sell the trade-in back to the consumer. In many cases, the consumer's trade in was "upside down" (the owed loan amount is greater than the vehicle's worth) and the dealer may have to sell the vehicle to the consumer at a different amount than what was quoted during the sale of the new vehicle.

HB 2941 clarifies current statute to require dealers to complete the deal within 14 days, either by finalizing or rescinding the transaction. In doing such, consumers will know if the new vehicle has been financed at the negotiated terms and dealers have clear provisions to follow when financing the sale of a vehicle.

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This summary has not been adopted or officially endorsed by action of the committee.