

**REVENUE:**

**FISCAL:**

**SUBSEQUENT REFERRAL TO:**

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**Action:**

**Vote:**

**Yeas:**

**Nays:**

**Exc.:**

**Prepared By:** James LaBar, Administrator

**Meeting Dates:** 3/18

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**WHAT THE MEASURE DOES:** Requires auto dealers to obtain a license from the Department of Consumer and Business Services (DCBS) if they make loans and do not sell the loans on the secondary market. Enables DCBS director to enforce requirements with cease and desist order or by imposing civil penalty. Becomes operative January 1, 2016. Declares emergency, effective on passage.

**ISSUES DISCUSSED:**

**EFFECT OF COMMITTEE AMENDMENT:**

*(-1 amendment)* Designates a person as a buy-here-pay-here lender if they hold onto a finance contract for 14 days, instead of 45 days. Substitutes “loans” for “finance contracts.” Requires interest rates on loans must decrease with down payments. Provides guidelines that the director adopts for determining when a borrower has an ability to repay must include net income and expenses. Requires that the price of the car must be disclosed before any credit checks occur. Removes disclosure language that directs the borrower back to the dealer to resolve problems. Prohibits repossession of a vehicle for 30 days after the consumer fails to make a scheduled payment, rather than 10 days. Prohibits the installation of devices that remotely monitor or disable a vehicle’s vital systems.

**BACKGROUND:** It is difficult for many Oregon families to be self-sufficient and financially productive without a vehicle. Unfortunately, this can expose families to abuses in the used car market. In 2012, motor vehicle sales were the fifth most complained about activity on the Department of Justice’s (DOJ) list of Top 10 Consumer Complaints.

One example of a predatory practice is “buy here, pay here” or BHPH – in which dealers sell pre-owned, older, high-mileage vehicles to consumers with low or no credit and retain the consumer’s loan note. Dealers who practice BHPH charge interest rates of up to 30 percent APR and may also rely on swift collections and repossessions as part of their business models. Estimates vary on the instances of repossession, but some suggest that the default rate constitutes 25 percent of BHPH transactions, resulting in vehicles being subsequently resold to new purchasers. BHPH practices in the used car market reduce consumers’ ability to obtain a car that meets their needs.

Under current law, vehicle dealers must obtain certificates of authority from the Oregon Department of Transportation. But stemming abusive financial practices in BHPH transactions is not the focus of the motor vehicle statutes. Some state and federal laws require certain disclosure, but dealer conduct around timing can frustrate the purpose of those disclosures. Although the DOJ is likely able to take action under the general provisions of the Unlawful Trade Practices Act, the Department of Consumer and Business Services (DCBS) cannot require dealers that directly enter into sales or lease contracts to obtain a consumer finance lending license or help consumers who have been harmed.

3/17/2015 3:20:00 PM \*

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