

SB 338 A STAFF MEASURE SUMMARY

Carrier: Sen. Manning Jr

Senate Committee On Judiciary

Action Date: 03/01/17

Action: Do pass with amendments. (Printed A-Eng.)

Vote: 5-0-0-0

Yeas: 5 - Dembrow, Linthicum, Manning Jr, Prozanski, Thatcher

Fiscal: No fiscal impact

Revenue: No revenue impact

Prepared By: Channa Newell, Counsel

WHAT THE MEASURE DOES:

Exempts licensed consumer finance companies from requirements placed on persons who sell guaranteed asset protection waivers.

ISSUES DISCUSSED:

- Consumer finance companies supply personal loans to consumers in small dollar amounts
- Consumer finance companies are not payday lenders, title lenders, or credit unions
- Guaranteed asset protection (GAP) waiver is product that covers difference between amount owed on vehicle and insurance payout on vehicle if vehicle declared total loss
- GAP waivers not considered insurance, but insurance companies offer similar products
- Amendment limits consumer finance company exemption to contracts purchased by company, not to those generated by company

EFFECT OF AMENDMENT:

Limits exemption to finance agreements sold or assigned to consumer finance companies.

BACKGROUND:

When a consumer buys or leases a new vehicle and the vehicle is subsequently destroyed or stolen, the consumer may be left owing a greater amount to a lender or the leasing entity than the consumer will receive from an auto insurance policy. A guaranteed asset protection (GAP) waiver is a product a consumer may purchase in conjunction with a motor vehicle lease or sale that is intended to pay for the difference between the amount owed under a finance agreement and either the amount covered by auto insurance or the value of the vehicle immediately before the loss or theft. In 2015, the Legislative Assembly enacted House Bill 2845, which removed GAP waivers from the Insurance Code. Currently, entities offering GAP waivers must follow specific requirements, such as disclosure of the waiver cost, notice on how to cancel a waiver, and the method used to determine the amount of the waiver. Banks and credit unions offering GAP waivers are exempt from these requirements.

Senate Bill 338 A extends the exemption given to banks and credit unions on the GAP waiver notice requirements to finance agreements purchased by consumer finance companies.