

SB 366 STAFF MEASURE SUMMARY

Senate Committee On Judiciary

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Meeting Dates: 1/28

WHAT THE MEASURE DOES:

Removes the sunset on statutes allowing creditors to offer guaranteed asset protection (GAP) waivers in connection with the sale of an automobile. Retains ability for creditor to offer GAP waivers with specific disclosures, financial protections, and evaluation period for borrower. Retains provisions specifying that GAP waivers are not insurance and not subject to the Insurance Code. Retains violation of GAP waiver statutes within Unlawful Trade Practices Act.

ISSUES DISCUSSED:

EFFECT OF AMENDMENT:

No amendment.

BACKGROUND:

In 2015, House Bill 2845 (Ch 523, Oregon Laws 2015), allowed creditors to offer guaranteed asset protection (GAP) waivers to consumers outside of the regulation of the Insurance Code and specified certain parameters for offering GAP waivers. A GAP waiver is a product a consumer may purchase in connection with financing a vehicle that waives the difference between the actual value of a vehicle and amount of the loan for the vehicle. This arises in cases in which a new vehicle is purchased on finance and is soon thereafter destroyed or lost. As soon as the car is purchased, its value diminishes from the original amount and the car may be valued less than the amount financed. If the vehicle is lost or destroyed, the insurance will only cover the actual value of the car. The GAP waiver "waives" the difference between the amount owed under the finance agreement and the actual value of the vehicle. House Bill 2845 set parameters on the terms of GAP waivers, termination of the waiver, the evaluation period for the product, and the methods for termination. Additionally, the measure made violations of those terms actionable under the Unlawful Trade Practices Act. Finally, a sunset was placed on the ability of creditors to offer this product.

Senate Bill 366 removes the sunset on the GAP waiver statutes, thereby allowing the statutes currently in place to remain in effect.