

## **HB 2801 STAFF MEASURE SUMMARY**

### **House Committee On Business and Labor**

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**Prepared By:** Erin Seiler, LPRO Analyst

**Meeting Dates:** 2/8

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#### **WHAT THE MEASURE DOES:**

Prohibits seller from selling or leasing motor vehicle if sale or lease is contingent upon lender's agreement to purchase retail installment contract or lease agreement. Provides that if seller sells retail installment contract or lease agreement to lender, lender must provide final approval of funding within 14 days after buyer takes possession of motor vehicle. Provides that if lender does not agree to buy retail installment contract or lease agreement or agrees to buy on terms other than exact terms that seller and buyer agreed to, seller must retain retail installment contract or lease agreement, must notify buyer of seller's retention and may not thereafter sell, assign, transfer or delegate any of the benefits, duties or obligations of the contract or agreement. Provides that seller's failure to comply with provisions of Act deprives seller of right to collect payment due under contract or agreement and right to repossess motor vehicle.

#### **ISSUES DISCUSSED:**

##### **EFFECT OF AMENDMENT:**

No amendment.

##### **BACKGROUND:**

Contingent financing, is also known as "yo-yo" financing. Contingent financing is when a consumer and auto dealership enter a sales contract, the terms of the contract are agreed to, but the contract contains contingent provisions, particularly around the determination of the interest rate the consumer would have to pay. A consumer agrees to a specified interest rate, an interest rate contingent on the ability of the auto dealership to secure the financing at the agreed-upon terms. If the auto dealership cannot secure financing at the-agreed-upon interest rate, the dealership could require the consumer to agree to new contract with the dealership with a higher interest rate, or return the car.

House Bill 2801 eliminates contingent, or "yo-yo", financing by giving dealers 14 days to finalize a lender; if the auto dealer is not able find one within that time, the auto dealer is obligated to hold the loan at the initial agreed-upon terms. The measure outlines the loan payments notice and process requirements, as well as the auto dealers responsibilities to comply with loan and payment notice requirements and timelines.