



Title: Maryland House Bill 587

Subject: GAP Waivers and Vehicle Value Protection Agreements

Summary:

Maryland House Bill 587 is GAPA's initiative to create a statutory framework for motor vehicle financial protection products. The bill largely follows the GAPA model act as it:

- Authorizes the issuance of debt waivers and vehicle value protection agreements;
- Establishes disclosure requirements;
- Mandates a minimum 30-day "free-look" period;
- States that in order to receive an early termination refund on a gap waiver, the borrower must provide a written request;
- Provides for enforcement under the Commissioner of Insurance;
- Provides financial responsibility requirements;
- Requires retail sellers to insure their GAP obligations with a CLIP; CLIP is optional for other creditors and for gap waivers on leases;
- Prohibits mandating purchase of a financial protection product as a condition of sale, lease, or financing of a motor vehicle; and
- States that motor vehicle financial protection products agreements are not insurance and are exempt from insurance regulation.

However, the legislation differs from the model act in that this bill:

- Requires agreements that are non-cancelable after the free look period to state that fact in at least 12-point bold font;
- Prohibits a vehicle value protection provider from cancelling the agreement unless
 - cancellation is allowed under the agreement, and
 - except in limited circumstances, the provider mails written notice of the cancellation to the holder stating the effective date and reason for cancellation at least 10 days prior to cancellation; and
- Requires certain debt waiver agreement cancellation procedure disclosures.

If passed, the legislation would take effect on October 1, 2022, but it would not apply to motor vehicle financial protection product agreements offered, sold, or given in the State before January 1, 2023.

Date Filed: 01/31/2022

Date/Type of Last Action: 01/31/2022 First Reading Finance
02/03/2022 Hearing 2/17 at 1:00 p.m.
03/01/2022 Withdrawn by Sponsor