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March 3, 2020

The Honorable Dereck Davis
Economic Matters Committee
Room 231
House Office Building
Annapolis, Maryland 21401
cc: Members, Economic Matters Committee

RE: HB 0655

Honorable Chair Davis and Members of Economic Matters Committee:

I am writing in support of HB 0655 which will require a car dealer who participates in finance charges associated with a vehicle sale to disclose certain information to a buyer in writing before financing the vehicle.

I have been a consumer advocate since 2002 and, as an attorney representing scores of Maryland citizens who have been the subject to unfair and deceptive practices and fraud in auto purchases and financing, I have seen first-hand the problems with excessive charges. The victims of these charges are often Maryland's most vulnerable populations but Marylanders across the economic, educational, and social spectrum can be affected. For example, the last time my husband and I purchased a vehicle, we were not told of any "yield spread premium" until we specifically asked. Sure enough, there was a proposed mark up on the interest rate. Most people won't ask.

The issue is that often people qualify for a lower interest rate than that which the dealer offers, but people don't know that. They are also not told that the dealer is getting a certain percentage of the interest rate charged by the finance company returned to the dealer. This is the "yield spread premium."

For example, a car buyer may be told that he qualifies for an interest rate of 23% and that is the best rate he can get. However, the buyer actually qualifies for a 20% interest rate, and the additional 3% (the "yield spread") is returned to the dealer by the finance company.

This bill would allow the car purchaser to be made aware of that fact so he can make an informed decision. He may decide that the convenience of dealer financing is worth the additional cost, or he may decide to seek financing elsewhere, or he can negotiate the rate with

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the dealer. Regardless, the consumer deserves to know accurate interest rate information BEFORE he agrees to the financing.

This bill also limits the amount of dealer compensation for the “yield spread premium,” which is a much-needed requirement, especially in light of the fact that it is often the poorest, most vulnerable Marylanders who are subject to it.

This bill simply allows people to be treated fairly and honestly, and to be informed BEFORE they commit to one of the largest purchases of their lives. I hope you pass this important legislation.

Very truly yours,

/s/

Jane Santoni