



## FACT SHEET on SB 956, AB 1447 and AB 1534

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- ✓ Three bills pending in the California State Legislature will collectively deny thousands of Californians with less-than-perfect credit the opportunity to own a car and place undue financial burden on California's State, County and Municipal governments.
- ✓ Many of the buy-here pay-here (BHPH) units that are part of the 9,000 businesses in California selling pre-owned vehicles will have to stop lending to customers with less-than-perfect credit when government imposes additional unsustainable and arbitrary risks and costs. Consider that:
  - Traditional financial institutions will not lend to these credit-challenged customers
  - Low-income and consumers with less-than-perfect credit will no longer have access to loans to buy the vehicles they need
  - Reducing options will make it more difficult for people with less-than-perfect credit to get to their jobs, schools and doctor's appointments
- ✓ The real cost of the three so-called consumer protection bills can be measured in loss of sales tax revenue to California's State, county and city governments.
  - The California Board of Equalization reports that sales of pre-owned vehicles in California for calendar year 2011 totaled more than **\$5 billion dollars**.
  - **Used car sales, which generated nearly \$468 million in sales tax in calendar 2011, are projected to drop by between \$234 million and \$337 million a year if these bills pass and are signed by Governor Brown.**
- ✓ Based on the regulations to be imposed by SB 956, AB 1447 and AB 1534, **affected dealers will stop financing used car sales to buyers in the high risk credit category**. Sales volume loss is projected to be in the 50-90% range.
- ✓ Three out of five cities in California rely on sales taxes for their already depleted general fund budgets to pay for public safety services such as police and fire protection.
- ✓ New and used car dealerships are already among the most highly regulated industries and contribute significant revenues to state and federal treasuries through the collection of sales taxes and additional fees.
- ✓ A rigorous licensing and expensive servicing requirement will be imposed on every BHPH dealer to provide a 30-day / 1,000 mile warranty on every car sold (AB 1447):
  - The cost per service contract could range from \$150-\$200+ per vehicle as the law does not allow for year or mileage requirements.

- This would remove the option a dealer has now to sell a car “AS IS” under Federal Trade Commission guidelines; an option dealers can use when selling older, less expensive vehicles with higher mileages that do not easily fit into a cost effective warranty category.
  - According to California law, a dealer may not offer a warranty unless approved by the Department of Insurance and they must meet the minimum liquidity and loss reserve requirements to cover mass losses and claims.
  - Dealers already have an incentive to disclose mechanical coverage after-the-sale by displaying the Federal Buyer’s Guide. Under Federal Guidelines dealers must properly disclose on their inventory displayed for sale whether a vehicle is being sold “AS IS” or with a “Warranty” and what the warranty covers. There is a wide variance of warranty coverages depending on vehicle age, mileage and overall condition. If not properly displayed on the vehicle and disclosed during sales process, the FTC can fine an automotive dealer \$10,000 per infraction.
- SB 956 will:
- Cap interest rates on retail installment sales and leases (which, in fact, don’t even have an “interest rate”) at a floating rate that, at the moment would be 17.25%. The current rate is far lower than the average credit card rate. The dealer in this case would be expected to carry a much higher amount financed at a lower rate, compared to credit cards that have a higher rate and lower average balances.
  - Impose a licensing requirement (beyond the presently required dealer license) with the Department of Corporations adding expensive additional bonding requirements.
  - Require a BHPH dealer to wait 11 days after default before initiating repossession proceedings with delinquent account holders to recover or protect their company’s assets.
  - Limit the amount of repossession expenses the dealer can pass along to the consumer to \$500
  - Require the dealer to hire a licensed repossession agency to repossess a vehicle from a defaulting consumer, adding to the cost of repossession to the consumer.
  - Require the dealer to allow the consumer two months’ time to repay fees and charges in connection with past-due payments that have been brought current.
- AB 1447 will:
- Require sellers to provide a 30 day / 1,000 mile warranty at additional expense
  - Prohibit BHPH dealers from using customer obtained references after the sale for legitimate collection purposes.
- AB 1534 will:
- Impose a regulation requiring dealers to affix a label to every car stating its “reasonable market value” – a vague term at best not taking into account the enormous differences between two similar make/model/year cars in vastly different condition. A disservice to consumers placing an equal value on two very different automobiles.
  - Contain information used to determine the “reasonable market value”.
- In sum:
- **These three bills are a knee-jerk reaction to sensationalized *LA Times* articles that were unfounded and biased about the buy-here, pay-here industry.**
  - **These proposed laws will hurt the very consumers the bills’ authors claim they are protecting - by limiting low income workers and those with less-than-perfect credit access to reasonable automotive financing and transportation. This will disrupt individuals’ ability to get to their jobs, schools and doctor’s appointments.**

- **Losses in sales tax revenues to state and local governments will be in the \$234 million to \$337 million dollar range.**
- **Businesses selling pre-owned vehicles will no longer lend to high credit-risk buyers when government increases that risk.**
- **We are asking for a “NO VOTE” on SB 956, AB 1447 and AB 1534 and a call for an independent study of the general & fiscal impact these bills to be completed to understand the true effects these bills will have on California’s driving public, state revenues, and the business community.**

### About the Coalition

The Coalition to Protect our Freedom to Drive is an organization comprised of concerned small businesses, state and local government officials, automotive associations, consumers, automobile owners, Chambers of Commerce and others eager to protect access to vehicles for all Californians – not just the most affluent and credit worthy.

The Coalition stands in opposition to proposed legislation – AB 1447, AB 1534 and SB 956 – as collectively, the legislation will deny thousands of low-income and credit-challenged Californians the freedom to own a vehicle, damage thousands of California jobs and businesses and severely deplete revenues to local government.

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