

February 25, 2016

To: Members of the Banking Committee

Fr: Connecticut Bankers Association

Contacts: Tom Mongellow, Fritz Conway

Re: H.B. No. 5297, An Act Concerning Interest Transparency

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This bill would require automobile dealers to disclose information concerning the “mark-up” that can be earned by a dealer when providing financing to a buyer. The bill would also require dealers to provide disclosures concerning “ancillary products or services” that are sold by the dealer as a part of the financing transaction.

The CBA recognizes the need for consumers to make informed purchase decisions. However, the bill as presently drafted appears to present a number of logistical compliance problems for dealers, with potentially unintended consequences for banks who regularly purchase auto loan portfolios/contracts. These problems, if not resolved, could result in increased risks for banks that purchase auto loan contracts in good faith.

As a matter of federal law, if a retail buyer of an automobile has a claim against a dealer for a disclosure violation, that claim can be asserted against anyone (e.g. a bank), who purchases the auto loan contract. This applies even if the purchaser of the loan contract has no knowledge of the problem and had no practical ability to detect or prevent it.

The CBA would welcome the opportunity to work with the Banking Committee to further explain our concerns and the unintended consequences that are presently associated with the bill.