74th OREGON LEGISLATIVE ASSEMBLY - 2007 Regular Session **MEASURE:** **HB 2941**
STAFF MEASURE SUMMARY **CARRIER:** **Sen. Starr**
Senate Committee on Business, Transportation, and Workforce Development

REVENUE: No revenue impact
FISCAL: No fiscal impact

Action:		Do Pass
Vote:		5 - 0 - 0
	Yeas:	Deckert, George L., Monnes Anderson, Starr, Metsger
	Nays:	0
	Exc.:	0
Prepared By:		Janet Adkins, Administrator
Meeting Dates:		5/10

WHAT THE MEASURE DOES: Clarifies that the "Lemon Law" applies to new vehicles sold in any state to an Oregon resident. Establishes a 14-day deadline for a vehicle dealer to finalize or reject a transaction in which a vehicle is sold through financing.

ISSUES DISCUSSED:
- Reciprocity with other state lemon laws
- Lemon laws as more of dispute between consumers and manufacturers, not dealers
- Problems caused by current sales and financing practices
- Deadlines in measure placing burden on the dealer to finalize financing
- Protection for consumers who cannot obtaining financing for a vehicle on agreed upon terms with the dealer

EFFECT OF COMMITTEE AMENDMENT: No amendment.

BACKGROUND: The Lemon Law protects consumers when they purchase a new vehicle by requiring an authorized dealer to correct problems the consumer discovers after the purchase. However, the law does not currently apply to an Oregon resident who purchases a vehicle in another state because the current version of Oregon's Lemon Law refers only to vehicles purchased in Oregon. House Bill 2941 clarifies that the statute applies to Oregon residents who purchase a new vehicle in any state. The Washington Legislature recently passed similar legislation.

Under current statute, a vehicle dealer can let consumers drive off the lot with a vehicle after they apply for financing that has not been finalized, a practice known as "spot deliver." If the dealer is not able to find financing for the customer at the negotiated terms, the situation can become difficult for both the dealer and the consumer. The buyer is required to return the vehicle to the dealer within five days of receiving notice that financing has not been acquired, and the dealer is required to return the trade-in vehicle and the entire down payment amount to the consumer.

The dealership is required to pay off the trade-in within 15 days, but the statutes are not specific as to how long the dealer has to fully consummate the transaction. If the dealer pays off the trade-in before the transaction can be finalized, the vehicle is still technically owned by the consumer and the dealer must sell the trade-in back to the consumer. In many cases, the consumer's trade in was "upside down" (the consumer owes more than the vehicle is worth) and the dealer may have to sell the vehicle to the consumer at a different amount than what was quoted during the sale of the new vehicle.

House Bill 2941 requires dealers to complete the deal within 14 days, either by finalizing or rescinding the transaction. With this deadline in place, consumers will know if the new vehicle has been financed at the negotiated terms and dealers will have clear provisions to follow when financing the sale of a vehicle.