

SENATE BILL REPORT

SSB 6571

As Passed Senate, February 9, 2006

Title: An act relating to financing practices of motor vehicle dealers.

Brief Description: Refining the definition of "bushing."

Sponsors: Senate Committee on Financial Institutions, Housing & Consumer Protection (originally sponsored by Senators Berkey, Benton, Fairley, Honeyford, Franklin and Parlette).

Brief History:

Committee Activity: Financial Institutions, Housing & Consumer Protection: 1/26/06, 1/31/06[DPS].

Passed Senate: 2/9/06, 45-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS, HOUSING & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 6571 be substituted therefor, and the substitute bill do pass.

Signed by Senators Fairley, Chair; Berkey, Vice Chair; Benton, Ranking Minority Member; Benson, Brandland, Finkbeiner, Franklin, Keiser, Schmidt and Spanel.

Staff: Jennifer Arnold (786-7471)

Background: Current law requires that when an offer to purchase or lease a vehicle is accepted contingent on securing financing, or on some other factor, the auto dealer must give final acceptance or rejection of the offer within three days (excluding Saturdays, Sundays, and holidays), without further negotiation. This means, for example, an offer made on Tuesday must be accepted or rejected by Friday.

Definition of Bushing.

Failure to adhere to this three-day limit to accept, or reject, an agreement to purchase or lease a motor vehicle is called "bushing." Bushing has been prohibited in statute since 1967, when Washington first specified unlawful practices for motor vehicle dealers.

Dealer rejections and renegotiations.

If the dealer rejects the agreement, any money, trade-in vehicle, or anything else given as initial payment or security must be returned, and the deal must be called off, before there can be any attempt to reopen negotiations. Dealers, however, may renegotiate the dollar amount of the trade-in allowance given to buyers in two situations: (1) the buyer fails to disclose that the title to the vehicle has been branded or (2) the vehicle has substantial physical damage or mechanical defects that could not reasonably have been discovered when the offer was accepted.

Summary of Bill: The prohibition on bushing is amended to clarify that it:

- applies only to situations where there is a contract signed by the buyer or lessee;
- does not affect the right of a dealer to take legal action against a buyer or lessee who is not truthful about income, employment, or debt in applying for financing or a lease (unless the dealer was involved in the deception); and
- applies to situations where the dealer is seeking financing from a bank or other commercial lending institution, as well as situations where financing is through the dealership.

The dealer may inform the buyer or lessee of whether an offer has been accepted or rejected by e-mail, if the dealer also communicates this information by any additional means.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: This bill is necessary in order to update the anti-bushing statutes and to strengthen protections for both consumers and motor vehicle dealers. The bill's language represents a compromise that balances the interests of consumers, dealers, and the public. Consumers and dealers benefit from the certainty and finality that this bill brings in negotiated motor vehicle transactions.

Testimony Against: None.

Who Testified: PRO: Scott Hazelgrove, Washington State Auto Dealers Association.