

California State Law Changes

Military and Veteran Consumer Protection Act of 2022 - California

California Senate Bill 1311 (SB 1311)

California Senate Bill 1311, known as the Military and Veteran Consumer Protection Act of 2022 (MVCPA) will be effective **January 1, 2023**. The MVCPA prohibits the financing of credit-related ancillary products (Guaranteed Asset Protection [GAP], Credit Life/Credit Disability [CLAH]) with a vehicle purchase to “Covered Members” in the State of California.

To adhere to SB 1311, Chrysler Capital will not take assignment of Retail Installment Contracts (RICs) with a buyer or co-buyer who is an active duty service member that includes any credit-related ancillary products effective January 1, 2023, in the State of California.

If a contract with a Covered Member includes GAP and/or CLAH, the contract will be returned to the Dealer. Dealers will be required to provide an MLA Certificate from the Department of Defense for each borrower on the loan package only if GAP and/or CLAH are included in the contract. To determine Covered Member status, Dealers must use the MLA Department of Defense (DoD) website <https://mla.dmdc.osd.mil/>.

The provision applies to Covered Members only, not dependents (children/spouses) of Covered Members. An MLA Certificate will be required along with completing an Eligibility Identification Form to verify the applicant(s) is a dependent that is not in the military. Both the MLA Certificate and Eligibility Identification Form are required in the loan package if GAP and/or CLAH are included in the contract.

Dealer Requirement: To prevent funding delays and contract returns, please adhere to the regulatory change. The Eligibility Identification Form is located on the Chrysler Capital Dealer Website, Dealertrack and RouteOne. See frequently asked questions below.

Frequently Asked Questions

Which credit-related ancillary products are impacted by the law change?

The products impacted are GAP and CLAH, when included on an RIC for a Covered Member.

To determine Covered Member status, what services/website is acceptable?

MLA DoD website: <https://mla.dmdc.osd.mil/>

What is an acceptable MLA Certificate?

To determine Covered Member status, dealers must use the DoD website <https://mla.dmdc.osd.mil/>. Certificate of status provided from the DoD will be required on all contracts that include GAP or CLAH for all borrowers. Dealers will need to submit a copy of the DoD printout in the contract package.

If a customer is a Covered Member, are there steps to follow that would allow the sale of GAP and/or CLAH?

There is no scenario where Chrysler Capital will purchase an RIC which includes GAP and/or CLAH for a Covered Member.

Does this Act apply to dependents (children/spouse) of an Active Military Covered Member?

The provision applies to Covered Members only, not dependents (children/spouses) of Covered Members. An MLA Certificate will be required along with a completed Eligibility Identification Form to verify the applicant(s) is a dependent that is not in the military. Both the MLA Certificate and Eligibility Identification Form are required in the loan package if GAP and/or CLAH are included on the contract.

What if a Dealer did not furnish a certificate from the DoD website at the time of deal submission?

If a GAP and/or CLAH product was sold and the Dealer did not furnish a certificate from the DoD website at the time of deal submission, the contract will be returned.

How will Dealers obtain the Eligibility Identification Form?

The Eligibility Identification Form can be found on the Chrysler Capital Dealer Website, Dealertrack and RouteOne. Dealers will need to print it out and have the applicant(s) and the Dealer sign the form and submit it in loan package if GAP and/or CLAH are included in the contract.

What is the consequence of not having proof of Covered Member status where GAP and/or CLAH are included in the amount financed, whether misplaced or not correctly completed?

The contract will be returned to the Dealer. Dealers should retain proof of MLA Covered Member status in the consumer's file at the dealership for future reference.

Does a Dealer have to ask every customer wishing to buy GAP and/or CLAH if they are military or a dependent?

To determine Covered Member status, Dealers must use the DoD website: <https://mla.dmdc.osd.mil/>. Simply asking consumers does not satisfy law requirement for Dealers to verify whether a customer is a Covered Member. Proof of MLA status is required.

Does this apply to California customers purchasing a vehicle outside of California?

No, this is California Dealer specific.

Is there other acceptable Dealer validation MLA documentation?

Dealers may also provide a printout of an applicant's credit bureau report showing MLA Covered Member status in the contract package.

California Guaranteed Asset Protection Waivers – AB2311

California Assembly Bill (AB) 2311 will be effective **January 1, 2023**. The bill will require necessary disclosures to be created and provided to consumers in California when purchasing a GAP product. The amount a Dealer can charge a consumer for a GAP product must be capped. The new provision also states that the GAP amount must not be more than 4% of amount financed. The amount charged for

an optional debt cancellation agreement or GAP Waiver must be included within the itemization of the amount financed on the retail installment contract. New requirements include, but are not limited to:

- » Required disclosures
- » Product limitations
- » Customer communications must include itemized contract balances
- » Conditions for termination of GAP Waiver agreement
- » Refund process

Dealer Requirement: To avoid funding delays and contract returns, please adhere to the regulatory change. Where applicable, please utilize GAP forms approved by F&I Sentinel when submitting contracts for funding.

California SB 1099

California enacted CA SB 1099 effective **January 1, 2023**. A provision of a contract that states that the act of filing a petition commencing a case for bankruptcy under Title 11 of the United States Code by the buyer or other individual liable on the contract or the status of either of those persons as a debtor in bankruptcy is a default is void and unenforceable.

Dealer Requirement: To avoid funding delays, please adhere to the regulatory change. It is not known at this time whether the manufacturers of the forms will be revising the contracts. The clause will be unenforceable but the contract itself is still valid even if the clause is included. Please use new and approved contracts as they become available.

Please contact your Dealer Relationship Manager with questions regarding this important update.