



2023 CALIFORNIA LAW UPDATE

California Senate Bill 1311 and Assembly Bill 2311 (effective January 1, 2023) change the financing of credit related ancillary products as follows:

CALIFORNIA SB 1311

Amendment to California's Military and Veterans Code extending certain protections to service members. This bill voids a security interest in a motor vehicle if the financing includes a credit-related product and any buyer is a "covered member" per the Military Lending Act. The term "covered member" means a member of the "armed forces" who is- (A) on active duty under a call or order that does not specify a period of 30 days or less; or (B) on active Guard and Reserve Duty.

Dealership Impact

We will conduct a Military Lending Act search for every buyer or co-signor listed on the contract. If any signee is a "covered member," we will not fund a contract that finances credit related ancillary products (GAP, CL / AH). If the buyer is a spouse or dependent of a "covered member," and the "covered member" is not a signee, we may fund contracts that finance credit related ancillary products (GAP, CL / AH) as long as the MLA eligible buyer signs the California Military Veteran Consumer Protection Act of 2022 Certification Form indicating that they are NOT a "covered member."

CALIFORNIA AB 2311

Implements new guidelines regarding GAP waivers for customers.

Dealership Impact

The following items will apply to our dealers and their funding process:

- » GAP cost cannot exceed more than 4% of the amount financed.
- » SFS will not fund GAP where the amount financed is less than 70% of MSRP for new, or average retail value for used vehicles.
- » GAP funded on or after January 1, 2023 must be updated with the new disclosures and requirements.

Effective 1/1/2023, SFS will only accept GAP forms from approved ancillary product vendors in CA that have an effective date of 1/1/23 or after.

First Investors Financial Services is partnering with our dealers to avoid funding contracts under these guidelines. It is the dealers responsibility to ensure compliance with all laws governing a transaction.

Please contact your Sales Rep or Underwriter for assistance.