



February 3, 2206

Maine Joint Standing Committee on Health Coverage, Insurance and Financial Services
Cross Building, Room 220, 287-1314
HCIFS@legislature.maine.gov
c/o Legislative Information Office
100 State House Station
Augusta, ME 04333

RE: Support LD 2056, Making motor vehicle financing more accessible

Senator Bailey, Representative Mathieson, and distinguished members of the Health Coverage, Insurance and Financial Services Committee:

On behalf of Ford Motor Company, I'd like to express our appreciation for the opportunity to provide testimony today regarding our support of the proposed amendment to **Maine's Title 9-A: Consumer Credit Code §3-308**, which governs motor vehicle installment sales contracts.

This section of the code currently requires that an installment sales contract must have payments in substantially equal amounts, effectively prohibiting dealers and customers from utilizing flexible payment options like Ford Credit's Flex Buy program. Mainers are uniquely restricted from accessing innovative financing programs, such as Flex Buy, because of this requirement.

Ford Credit, the financing arm of Ford Motor Company, has offered a program called Flex Buy since 2004 and it is presently offered in 45 states. Unfortunately, Maine is one of only 5 outlier jurisdictions where this product cannot be offered. Flex Buy offers a payment structure focused on providing lower payments for the first three years of the contract compared to standard financing, providing consumers with greater flexibility to manage their budgets. Flex Buy operates like traditional retail financing with a fixed interest rate and customer ownership, but it distinguishes itself with an unequal payment structure: lower payments for the first 36 months, increasing at month 37 to ensure the balance is paid in full by the contract term. Flex Buy is typically offered with 66- or 75-month terms. There are no prepayment penalties.

In other states, we've seen that consumers appreciate reduced payments during the initial period of a contract to meet their financial goals. As vehicle prices have increased, payment affordability is increasingly a concern. For example, a recent college graduate may want a new vehicle with current technology and safety features. The lower initial payment of a Flex Buy contract during the first 36 months may allow them to purchase that vehicle based on their current income, and as their income increases, they can afford a higher payment. We also often see customers choose to trade in their vehicle when the payment increases, allowing them to purchase another new vehicle.

The proposed amendment would bring Maine's law into alignment with the majority of other states by removing the requirement for payments in substantially equal amounts. By doing so, it would level the playing field for Mainers, granting them the freedom to determine the payment amounts that best meet their financial needs. This amendment does not remove consumer protections. In fact, Flex Buy contracts are designed to ensure consumers are aware of their payment obligations for the entire term of their contract and are not required to pay additional fees.

Our data analytics team tracks the performance of Ford Credit's Flex Buy customers and compares that to customers with standard amortizing contracts with similar terms. We see very similar performance between

customers in standard amortizing contracts and Ford Credit's Flex Buy contracts across the 45 states that allow for this type of flexible financing.

In conclusion, Ford respectfully requests the Committee advance legislation to amend this code, aligning Maine with the majority of states and empowering consumers to choose the financing options that best fit their individual needs and financial circumstances. If the committee has further questions, I, along with my colleagues at Ford Credit, would be happy to provide information to you. Thank you for your consideration.

Respectfully submitted,

Michelle Elder
Regional Director, Government Affairs
Ford Motor Company

Appendix

- I. Sample Ford Flex Buy Truth in Lending Disclosure as required by federal law includes the customer payment schedule

FEDERAL TRUTH-IN-LENDING DISCLOSURES				
ANNUAL PERCENTAGE RATE <small>The cost of your credit as a yearly rate</small>	FINANCE CHARGE <small>The dollar amount the credit will cost you</small>	Amount Financed <small>The amount of credit provided to you or on your behalf</small>	Total of Payments <small>The amount you will have paid when you have made all scheduled payments</small>	Total Sale Price <small>The total cost of your purchase on credit, including your downpayment</small>
0.90%	\$ 957.16	\$ 36,438.50	\$ 37,395.66	of \$ 39,214.26 \$ 76,609.90

Your Payment Schedule will be:		
Number of Payments	Amount of Payments	When Payments are Due <small>Monthly unless otherwise checked <input type="checkbox"/> Semi-Annually <input type="checkbox"/> Annually</small>
36	529.11	starting 7/13/2019
29	612.79	7/13/2022
1	612.79	12/13/2024
N/A	N/A	N/A

Prepayment: If you pay off your debt early, you will not have to pay a penalty.

Security Interest: You are giving a security interest in the vehicle being purchased.

Late Payment: You must pay a late charge on the portion of each payment received more than 10 days late. The charge is 5 percent of the late amount or \$25.00, whichever is less.

Contract: Please see this contract for additional information on security interest, nonpayment, default, the right to require repayment of your debt in full before the scheduled date, and prepayment penalty.



II. Sample Ford Flex Buy Amortization Schedule

Amortization Schedule
 Flex Buy 66 - 15% Decrease
 Equal 60-month payment \$621.30

	<u>Interest</u>	<u>Principal</u>	<u>Total Paym</u>	<u>Payoff</u>
1	27.33	500.78	528.11	35937.72
2	26.95	501.16	528.11	35436.56
3	26.58	501.53	528.11	34935.03
4	26.20	501.91	528.11	34433.12
5	25.82	502.29	528.11	33930.84
6	25.45	502.66	528.11	33428.17
7	25.07	503.04	528.11	32925.13
8	24.69	503.42	528.11	32421.72
9	24.32	503.79	528.11	31917.93
10	23.94	504.17	528.11	31413.75
11	23.56	504.55	528.11	30909.20
12	23.18	504.93	528.11	30404.28
13	22.80	505.31	528.11	29898.97
14	22.42	505.69	528.11	29393.28
15	22.04	506.07	528.11	28887.22
16	21.67	506.44	528.11	28380.77
17	21.29	506.82	528.11	27873.95
18	20.91	507.20	528.11	27366.74
19	20.53	507.58	528.11	26859.16
20	20.14	507.97	528.11	26351.19
21	19.76	508.35	528.11	25842.85
22	19.38	508.73	528.11	25334.12
23	19.00	509.11	528.11	24825.01
24	18.62	509.49	528.11	24315.52
25	18.24	509.87	528.11	23805.65
26	17.85	510.26	528.11	23295.39
27	17.47	510.64	528.11	22784.75
28	17.09	511.02	528.11	22273.73
29	16.71	511.40	528.11	21762.33
30	16.32	511.79	528.11	21250.54
31	15.94	512.17	528.11	20738.36
32	15.55	512.56	528.11	20225.81
33	15.17	512.94	528.11	19712.87
34	14.78	513.33	528.11	19199.54
35	14.40	513.71	528.11	18685.83
36	14.01	514.10	528.11	18171.74
37	13.63	599.16	612.79	17572.57
38	13.18	599.61	612.79	16972.96
39	12.73	600.06	612.79	16372.90
40	12.28	600.51	612.79	15772.39
41	11.83	600.96	612.79	15171.43
42	11.38	601.41	612.79	14570.01
43	10.93	601.86	612.79	13968.15
44	10.48	602.32	612.79	13365.83
45	10.02	602.77	612.79	12763.07
46	9.57	603.22	612.79	12159.85
47	9.12	603.67	612.79	11556.17
48	8.67	604.12	612.79	10952.05
49	8.21	604.58	612.79	10347.47
50	7.76	605.03	612.79	9742.44
51	7.31	605.48	612.79	9136.96
52	6.85	605.94	612.79	8531.02
53	6.40	606.39	612.79	7924.62
54	5.94	606.85	612.79	7317.78
55	5.49	607.30	612.79	6710.47
56	5.03	607.76	612.79	6102.71
57	4.58	608.21	612.79	5494.50
58	4.12	608.67	612.79	4885.83
59	3.66	609.13	612.79	4276.70
60	3.21	609.58	612.79	3667.12
61	2.75	610.04	612.79	3057.08
62	2.29	610.50	612.79	2446.58
63	1.83	610.96	612.79	1835.62
64	1.38	611.41	612.79	1224.21
65	0.92	611.87	612.79	612.33
66	0.46	612.33	612.79	0.00