Region Legal Service Office,
Naval District Washington
Legal Assistance Department

Preventative Law Handout

AUTOMOBILE – REPOSSESSION

If you borrowed money to purchase your car and the loan is not yet fully paid, either the dealer or a lending institution probably has a security interest in the car. If you fail to make the scheduled payments or otherwise breach your contract, the lender may repossess your car and sell it. The two types of repossession are voluntary and involuntary.

VOLUNTARY REPOSSESSION:
A voluntary repossession occurs when you personally return the car to the lender or otherwise consent to the lender taking possession of the car. This will normally occur when you are unable to continue making payments, or have already failed to make scheduled payments. Beware, a voluntary repossession does not relieve you of your duty to pay off the loan! If the car is sold for less than the amount you owe, **you are still liable to pay the difference**.

INVOLUNTARY REPOSSESSION:
As mentioned above, if you fail to make scheduled payments or otherwise breach your contract, the lender may repossess your car. If repossession is done without your approval, it is an involuntary repossession. An involuntary repossession is legal as long as the lender follows the applicable state's law. The relevant state is the one in which your lease was entered into.

Washington, D.C.:
In D.C., the lender can repossess your car if you've failed to make a payment or failed to do something else the loan contract requires. The lender is allowed to repossess the car themselves, but not if doing so causes "a breach of the peace." D.C. Municipal Regulations 16-340.2.

If you've only missed one payment and it has been less than 15 days since the missed payment, the lender has to give you notice in writing, in person or by mail, at least 10 days before repossession. That notice has to explain the situation and what you need to do to avoid repossession. 16-341.1-3.

In any event, the lender has 5 days after repossession to give you a written notice explaining how you can get the car back, what further costs you might be responsible for, the location of the car, and the location where you can make required payments. 16-431.4. After you get the notice telling you how to get your car back, the lender has to give you 15 days to pay off what you owe or otherwise get back into compliance with the lease. 16-341.5, 16-342.1.

NOTE: You don't get to take advantage of these protections if the car was repossessed because you intentionally hid or damaged the car or committed fraud with regard to the loan. §14–2008(i).

After repossession, the lender can sell your car. If you've paid off less than 50% of the sale price of the car, the lender can sell your car privately or publicly, though you have the right to request a public sale or auction within the 15-day period described above. 16-344.1. If you've paid off more than 50% of the sale price, the lender has to hold a public sale or hold a public auction. 16-344.1-2. The lender has to give or send you written notice 10 days in advance of any sale or

auction. 16-344.5-7. If the car is sold and the amount doesn't cover what you owe, you're responsible for paying off the difference. On the flip side, if the car sells for more than what you owe, you get the extra money. 16-345.2.

Maryland:
In Maryland, the lender can repossess your car if you've failed to make a payment or failed to do something else the loan contract requires. They can use the legal system or repossess the car themselves. Maryland Code §14–2008(a)(2). After the lender repossesses your car, they have to send you a written notice within 5 days telling you how you can get the car back, what further costs you might be responsible for, the location of the car, and the location where you can make required payments. §14–2008(e).

After you get the notice telling you how to get your car back, the lender has to give you 15 days to pay off what you owe or otherwise get back into compliance with the lease. §14–2008(g)–(h).

In any event, the lender is **not allowed** to use force or break the law in the process of repossessing the car. §14–2008(a)(2). Also, according to the Maryland Consumer Debt Collection Act (see Resources below), there are a number of things that the lender is normally not allowed to do, such as threaten violence or criminal prosecution, contact your employer, use abusive language against your or your family, and more.

NOTE: You don't get to take advantage of these protections if your car was previously repossessed within the 18 months before the current repossession or the car was repossessed because you intentionally hid or damaged the car or committed fraud with regard to the loan. §14–2008(i).

If your contract says that you're responsible for any "deficiency" after the sale of the repossessed car, the lender can sell your car at a private sale or public auction and come after you for any remaining balance. §14–2009(a)–(b)(1). The lender has to send you written notice 10 days in advance of any sale or auction. §14–2009(b)(2). The sale or auction has to be conducted in a "commercially reasonable manner." §14–2009(a)(3). If the lender sells the car in a private, they have to give you certain information about the sale in writing. §14–2009(c). In any event, the lender has to give you a written statement showing how the money from the sale of the car was applied to what you owe. §14–2009(e). **If the lender fails to do any of these things or fails to provide you the notice after repossession mentioned above, the lender cannot come after you for any more money after they sell the car**. §14–2009(e)(3).

Virginia:
In Virginia, the lender can repossess your car if you've failed to make a payment or failed to do something else the loan contract requires, and then sell the car. Virginia Code § 6.2-2217(A), (D). The lender needs to notify you 15 days prior to the sale of the car and provide you with a written statement of the amount you owe along with other details. Within that 15 days, you have the right to get your car back if you pay off the costs you owe. § 6.2-2217(B). **The lender cannot come after you for more money after they sell your car**, and you are still entitled to the extra money if the car sells for an amount above what you owe. § 6.2-2217(A). However, if you intentionally damage or hide the car, or if you engage in certain fraudulent activity with regard to the lender, the lender can come after you for the costs not covered by the sale. § 6.2-2217(E).

OPTIONS AVAILABLE TO YOU AS A CONSUMER AND CAR OWNER:
If your car has not yet been repossessed, you should consider making up any back payments, as well as continuing to make future payments. If you are unable to catch up on the amount you owe on the loan, you should try to sell the car yourself. By selling the car on your own, you will most likely receive more money than a lender will receive at the foreclosure sale. To ensure that

title to the vehicle will transfer when you sell it, check with the lender beforehand to determine what is required to release title to the automobile.

RESOURCES

Maryland Consumer Debt Collection Act:
https://mgaleg.maryland.gov/2023RS/Statute_Web/gcl/14-202.pdf
D.C. Municipal Regulations – Repossession: https://casetext.com/regulation/district-of-columbia-administrative-code/title-16-consumers-commercial-practices-and-civil-infractions/chapter-16-3-buying-selling-and-financing-motor-vehicles/rule-16-340-repossession
Virginia Code: https://law.lis.virginia.gov/vacode/title6.2/chapter22/section6.2-2217/
Federal Trade Commission: www.ftc.gov
Military AutoSource: 1-833-823-7638; https://militaryautosource.com/
Better Business Bureau: www.bbb.org
National Automobile Dealers Association: www.nada.com
Kelley Blue Book: www.kbb.com

This handout is for informational purposes only and is not intended to be specific legal advice. If you need legal advice, speak with an attorney at your nearest Legal Assistance Office. Legal Assistance Offices can be found at https://legalassistance.law.af.mil/

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