Chapter 2

Part 2

Forms Required for Finance Deals and Consignment

Disclosures of Consumer Credit and Notice to Vehicle Credit Applicant

NOTICE TO VEHICLE CREDIT APPLICANT

If the dealer obtains and uses your credit score from a credit reporting agency in correlation with your application to finance the purchase of a vehicle, the dealer must disclose the score to you.

The credit score is a computer generated report, calculated by a credit reporting agency, at the time the dealer requests the score, and is based on information the credit reporting agency has on file. The scores are based on data about your credit history and payment patterns. Credit scores are important because they are used in determining whether to offer credit. The score may also be used to determine the annual percentage rate you may be offered. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit scoring technologies change. Credit scores may differ from one credit reporting agency to another.

If you have questions regarding your credit score, please contact the credit reporting agency at the address or telephone provided. The credit reporting agency does not participate in the decision to take any action on your application for credit. They will be unable to provide you with specific reasons for any decision made on your credit application.

If you have questions concerning credit terms relative to your purchase or lease of a vehicle, ask the dealer.

Your credit score was obtained from the credit reporting agency or agencies marked below:

Garrett Thomas Eddings
Applicant's Name

French Connection Auto Sales
Dealership Name

When offering credit or financing at a dealership, it is important to remember that a dealership cannot give a customer a copy of their credit report. Instead, you give a customer notice to the applicant going over their credit report. Here are some of the items that must be included in this report.

- The name of the consumer
- The name of the dealership
- The customer's credit score
- How is that score utilized at the dealership?
- How do you receive a copy of that credit report?
- How can you contact the credit bureau if you have questions or need to address problems with the information in the report?

◯ **Equifax** P.O. Box 2104 Allen, TX 75013 (888) 397-3742 www.experian.com	◯ **Experian** P.O. Box 2104 Allen, TX 75013 (888) 397-3742 www.experian.com	◯ **TransUnion** P.O. Box 2104 Allen, TX 75013 (888) 397-3742 www.experian.com
Applicant's credit score obtained from this credit reporting agency: N/A	Applicant's credit score obtained from this credit reporting agency: N/A	Applicant's credit score obtained from this credit reporting agency: N/A
Range of possible scores from this credit reporting agency: 200 to 900	Range of possible scores from this credit reporting agency: 200 to 900	Range of possible scores from this credit reporting agency: 200 to 900

By signing, you acknowledge that before signing a vehicle purchase contract or lease agreement, you received a completely filled-in copy of this disclosure document. This document is provided only for purposes of complying with statutory requirements.

Oct 18, 2021
Date

Applicant's Signature

Red Flags Rule

The Federal Trade Commission's Identity Red Flags Rule is a set of regulations designed to protect consumers and businesses from identity theft. The rule requires financial institutions and creditors, including car dealerships, to develop and implement an identity theft prevention program that is tailored to their particular business and risks.

The Identity Red Flags Rule is important because identity theft can have serious financial and personal consequences for individuals and businesses. By implementing an effective identity theft prevention program, car dealerships can help to safeguard their customers' personal and financial information, reduce the risk of fraud and identity theft, and comply with federal regulations.

The Identity Red Flags Rule program requires car dealerships to identify, detect, and respond to warning signs, or "red flags," that may indicate the possibility of identity theft. Some examples of red flags in the automotive industry may include:

- Suspicious identification documents, such as a driver's license that appears to be altered or fake.
- An unusual or suspicious pattern of vehicle purchases or financing.
- Requests to use a different address or phone number than those on file.
- Alerts or notifications from credit reporting agencies or other sources indicating possible fraud or identity theft.

To comply with the Identity Red Flags Rule, car dealerships must create a written identity theft prevention program that includes:

- A program administrator who is responsible for overseeing the program.
- A risk assessment to identify potential red flags and assess the dealership's level of risk.
- Policies and procedures for detecting, preventing, and responding to red flags.
- Training for employees on how to identify and respond to red flags.
- Oversight of third-party service providers who may have access to customer information.

Overall, the Identity Red Flags Rule is an important program for car dealerships in California and across the country. By implementing effective identity theft prevention programs, car dealerships can help to protect their customers' personal and financial information, reduce the risk of fraud and identity theft, and comply with federal regulations.

Truth In Lending Act & Key Elements Car Dealers Need to Be Aware Of

- The Truth in Lending Act (TILA) is a federal law that requires lenders to disclose the terms and conditions of a loan or credit transaction, including the annual percentage rate (APR) and other associated costs, to consumers. This law applies to all forms of consumer credit, including conditional sales contracts for used vehicles purchased from California car dealers.
- A conditional sales contract is a type of financing agreement where the buyer takes possession of the vehicle but pays for it over time, typically with interest. Under TILA, car dealers must provide buyers with a clear and accurate disclosure of the financing terms and the total cost of the vehicle, including any fees or charges associated with the loan.
- Closed-end credit refers to a loan with a fixed term and a set number of payments, such as a car loan. Open-end credit, on the other hand, refers to a line of credit that can be used repeatedly up to a certain limit, such as a credit card.
- Prime credit refers to borrowers with a high credit score and a good credit history, while subprime credit refers to borrowers with a lower credit score or a history of delinquencies or defaults.
- The Equal Credit Opportunity Act (ECOA) is another federal law that prohibits lenders from discriminating against borrowers on the basis of race, color, religion, national origin, sex, marital status, age, or receipt of public assistance.
- Regulation Z is a set of regulations issued by the Federal Reserve Board under the Truth in Lending Act. It requires lenders to provide borrowers with clear and accurate disclosures of the terms and costs of credit transactions, including loans for the purchase of vehicles.
- The Federal Consumer Credit Protection Act is a federal law passed in 1968 that provides various protections to consumers regarding credit and debt. The law includes several titles, including the Truth in Lending Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, and the Fair Debt Collection Practices Act, among others. These titles provide regulations and guidelines for creditors, credit bureaus, and debt collectors, and aim to ensure that consumers are treated fairly and provided with accurate information regarding credit and debt. The law is enforced by the Consumer Financial Protection Bureau and the Federal Trade Commission.

It is important to note that ALL of these forms lead to the breaking down of the conditional sales contract into more compartmentalized sections that make it easier for customers to understand.

Consignment

A consignment agreement for a used car dealer is a contract between the dealer and an individual (the "consignor") who wants to sell their vehicle through the dealer. Under this agreement, the consignor entrusts the dealer to sell their vehicle on their behalf, with the dealer receiving a commission or fee for their services.

A typical consignment agreement for a used car dealer should include the following items:

1. Description of the vehicle: This should include the year, make, model, and VIN number of the vehicle, as well as any other important details such as the mileage and condition of the vehicle.

2. Selling price: The agreement should specify the minimum price that the consignor is willing to accept for the vehicle, as well as the commission or fee that the dealer will receive for selling the vehicle.

3. Term of the agreement: The agreement should specify the length of time that the vehicle will be listed for sale with the dealer, as well as any renewal options or termination provisions.

4. Responsibilities of the parties: The agreement should specify the responsibilities of the dealer and the consignor, such as who will be responsible for preparing the vehicle for sale, marketing the vehicle, and handling any paperwork related to the sale.

5. Payment terms: The agreement should specify when and how the consignor will be paid for the sale of their vehicle, as well as any other fees or expenses that may be deducted from the sale proceeds.

In California, there is a 20-day timeline for a dealer to pay a consigner after the sale of their vehicle. The consignment agreement should specify the payment terms, such as when the consignor can expect to receive payment and how the payment will be made. It is important for dealers to honor the terms of the consignment agreement and make timely payments to consignors to maintain a good reputation and avoid legal disputes.