

Minnesota Car Buyer Bill of Rights

The 2007 Minnesota Legislature enacted legislation popularly known as the Minnesota “Car Buyer Bill of Rights.” The law was effective January 1, 2008 and will impact the business practices of all car and light truck dealers. Commercial transactions are not covered. The law requires two new disclosures for finance customers and regulates the use of the word “certified” when describing used vehicles. Browse to the legal area at www.mada.org for a link to the law.

The Car Buyer Bill of Rights passed by the Legislature does not include a provision allowing a customer a legal right to return a vehicle. A 2-day cancellation option was proposed at the beginning of the last legislative session but was ultimately removed from the bill that passed this year. Proposed language restricting finance reserves and mandating credit score disclosure was also removed from the current enactment.

Product Price and Payment Disclosure

Effective January 1, 2008 dealers must make a new written disclosure when a customer enters into an installment sales contract with the dealership and wishes to purchase and finance one or more of the following F&I products:

- Service contract
- Insurance product
- Debt cancellation agreement (GAP)
- Surface protection product defined as
 - Undercoating
 - Rustproofing
 - Chemical or film point sealant or protectant; or
 - Chemical sealant or stain inhibitor for carpet and fabric
- Theft deterrent device defined as
 - Vehicle alarm system
 - Window etch product
 - Body part marking product
 - Steering lock
 - Pedal or ignition lock; or
 - Fuel or ignition kill switch

The disclosure must set forth the following information:

- Description of each item in the above categories that the customer has decided to purchase and finance.

The law uses the word “description.” MADA suggests providing some descriptive words along with the product category of the item that the customer is purchasing. For example, a service contract might be described “3-year comprehensive coverage from Ford” or “credit life insurance” to describe an in insurance product. MADA also suggests a reference to formal coverage documents for the customer to review in advance of purchase.

- The total cash selling price of each product.
- The amount of the regular installment payment - excluding any charges for the above products.
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Here are some additional requirements for this disclosure:

- The disclosure must be made “prior to the execution of a retail installment contract.”
- The disclosures – including the product descriptions – must be in at least 10 point type.
- The disclosure form must be in writing. Minnesota statutes provide alternatives for electronic written disclosures if certain standards are met. These provisions are only available if the parties agreed to conduct the transaction electronically. If you use paper for your installment sales contract, the disclosure would have to be on paper as well.
- The disclosure form must be signed by the customer. If the installment sales contract shows more than one buyer, all buyers must sign.
- The disclosures “must be contained in a single document that is separate from the retail installment contract and any other vehicle purchase documents.” Even though the disclosures may not be included on the installment contract or vehicle purchase agreement, they could be combined with other disclosures or with an F&I product menu.

Note: If your menu offers additional F&I products that don’t fit the categories above, it may be difficult to adapt it to fulfill the requirements of the Car Buyer Bill of Rights. The base payment on the menu should be without any product at all. However, when the customer compares the two disclosed payments required by the Bill of Rights, the difference must be based solely on the cost of products included in the categories shown above.

- The Car Buyer Bill of Rights disclosures are only required in consumer installment sales transactions when the vehicle is purchased primarily for personal, family or household use.
- The disclosures only apply to retail installment sales contracts. They are not required for bona fide consumer leases.

Credit Report Disclosure

Effective January 1, 2008, if a dealer or a lender obtains a consumer credit report “in connection with an application for credit initiated by a buyer for the purchase or lease of a motor vehicle” the following requirements apply:

- The dealer must provide the buyer a written notice describing the buyer’s right to obtain the credit report information.
 - The notice must include contact information for “four principal consumer reporting agencies.” This provision is difficult to comply with because there are only three principal consumer credit reporting agencies. MADA used the California model when creating the disclosure form available from MADA Services. The form has a blank box to insert a fourth credit reporting agency if the dealer happens to use one.
 - The notice must be made in at least ten-point bold face type on a document separate from the sales or lease contract.
 - The notice must also contain these words:

“NOTICE TO MOTOR VEHICLE CREDIT APPLICANT

A consumer report from a consumer reporting agency was used in connection with your application to finance the acquisition of a motor vehicle. Consumer reports include data about your credit history and payment patterns. Consumer reports are important because they are used in determining whether to extend credit and may be used to determine the annual percentage rate you may be offered.

If you have questions about your consumer report, you are entitled to know the name, address, and telephone number of the consumer reporting agency that provided the consumer report used to evaluate your loan application. You may ask the dealer for this information. You may then contact the consumer reporting agency at the address and telephone number provided. You are entitled under federal law to a free copy annually of your consumer report by calling 1-877-322-8228 or visiting annualcreditreport.com.”

- The law provides that the buyer has a right to find out the name of the specific credit reporting agency or agencies that each lender used to evaluate a credit application. In order to implement this provision, if the buyer gives the dealer a written request, the dealer is required to forward that request to the lender. The lender is then required – prior to the sale or lease of the vehicle – to tell the dealer what credit reporting agency it used so the dealer can share that information with the customer. A lender who denies credit and is required to give a notice of adverse action is not required to comply with this provision.

- Similar to the product price and payment disclosure, the credit report disclosure only applies to consumer sales for personal, family or household purposes.
- However, unlike the product price and payment disclosure, the credit report disclosure also applies to transactions which result in a consumer lease.

Certified Used Vehicles

The final major provision of the Car Buyer Bill of Rights regulates use of the label, “Certified” when describing used motor vehicles.

The law prohibits a dealer from advertising or selling a used car or light truck using the word, “certified” or similar descriptive term if the dealer knows or should know that:

- The odometer on the vehicle does not indicate actual mileage, has been rolled back or otherwise altered to show fewer miles, or has been replaced with an odometer showing fewer miles than actually driven;
- The vehicle was reacquired by the vehicle’s manufacturer or a dealer pursuant to state or federal warranty laws;
- The title to the vehicle has been inscribed with the notation “damaged,” “flood,” “junk,” “lemon law buyback,” “manufacturer repurchase,” “nonrepairable,” “rebuilt,” “reconditioned,” “salvage,” or similar title designation required by this state or another state;
- The vehicle has sustained damage in an impact, fire, or flood, that substantially impairs its use or safety; or
- The vehicle has sustained frame damage.

The law requires the dealer to inspect any vehicle labeled as “certified” and requires the dealer to provide the buyer with a completed inspection report indicating all the components inspected. The law does not provide any minimum standards for the inspection or the report.

Finally, a certified vehicle must come with a warranty. The dealer may not sell a certified vehicle “AS IS” or disclaim the implied warranty of merchantability.

MADA members with questions about the Car Buyers Bill of Rights should contact Jim Schutjer at your MADA office.