REGULATION B-2016-01

Vermont Disclosure Form - Amount to Be Financed in a Motor Vehicle Retail Installment Contract

Table of Contents

Section 1. Authority and Scope
Section 2. Purpose
Section 3. Definitions
Section 4. Calculation of Cash Price
Section 5. Content of Disclosure
Section 6. Form of Disclosure
Section 7. Delivery of Disclosure
Section 8. Requirements of the Retail Installment Contract
Section 9. Effective Date

Section 1. Authority and Scope

1.1 This regulation is promulgated pursuant to the authority granted by 8 V.S.A. § 15 and 9 V.S.A. § 2355(f)(1)(J).

1.2 This regulation shall apply to all motor vehicle retail installment transactions governed by Title 9 V.S.A. Chapter 59.

Section 2. Purpose

2.1 The Vermont Disclosure Form ("Disclosure Form") required by 9 V.S.A. 2355 (f)(1)(J), must include the "amount financed on the motor vehicle retail installment contract as a percentage of the cash price of the vehicle." The purpose of the Disclosure Form is to inform consumers of the impact of adding negative equity to a motor vehicle retail installment contract. However, this Disclosure Form is required in connection with every motor vehicle retail installment contract regardless of whether or not the transaction involves negative equity.

2.2 The purpose of this regulation is to modify the current version of the Vermont Disclosure Form to clarify the meaning and calculation of the "Cash Price" and the "cash price of the vehicle" (or "Vehicle Price") for purposes of the Disclosure Form.

2.3 The Federal Truth in Lending Act, implemented by Regulation Z, defines "Cash Price" to be "the price at which a creditor, in the ordinary course of business, offers to sell for cash property or service that is the subject of the transaction. At the creditor's option, the term may include the price of accessories; services related to the sale; service contracts; and taxes and fees for license, title, and registration." 12 CFR Part 1026.2(a)(9).

A motor vehicle dealer may calculate the Cash Price on the motor vehicle retail installment contract in a manner consistent with Regulation Z. However, to fulfill the purpose of the Vermont Disclosure Form, Optional Items that may be included in the Cash Price under Regulation Z must be deducted in order to ensure that the amount financed as a percentage of the Vehicle Price is calculated on a consistent basis.

Therefore, when calculating the amount financed on the motor vehicle retail installment contract as a percentage of the Vehicle Price for purposes of the Disclosure Form, the "Cash Price" as it appears on the motor vehicle retail installment contract must be adjusted by subtracting any optional costs of services related to the sale; service contracts; and taxes and fees for license, title, and registration. By removing the Optional Items that creditors are allowed to include in the Cash Price under Regulation Z, the Vehicle Price on the Disclosure Form accurately reflects negative equity being financed.

Section 3. Definitions

3.1 "Cash Price" means the minimum price for which the motor vehicle, including accessories, subject to the retail installment contract or another motor vehicle of like kind and quality, including similar accessories, may be purchased for cash from the seller by the buyer. 9 V.S.A. § 2351(6). If the dealer charges a documentation fee, it must be included in the cash price.

3.2 "Maintenance Agreement" means a contract of limited duration that provides for scheduled maintenance only. 8 V.S.A. § 4247.

3.3 "Optional Items" means those items that may be included in the Cash Price under Regulation Z and the Truth in Lending Act. This includes services related to the sale, service contracts, purchase and use tax, and fees for license, title and registration. Accessories may also be included in the Cash Price but are not excluded from the Vehicle Price and therefore are not included in the definition of Optional Items.

3.4 "Service Contract" means any contract or agreement to perform or indemnify for a specific duration the repair, replacement, or maintenance of property for operational or structural failure due to a defect in materials, workmanship, or normal wear and tear, with or without additional provisions for incidental payment of indemnity under limited circumstances, including towing, rental, and emergency road service. 8 V.S.A. § 4247.

3.5 "Vehicle Price" means the Cash Price minus any Optional Items included in the Cash Price under Regulation Z. Vehicle Price is equivalent to the "cash price of the vehicle" [as referenced in 9 V.S.A. § 2355(f)(1)(J)] to be used when calculating the amount financed as a percentage of the cash price of the vehicle for purposes of the Disclosure Form.

3.6 "Warranty" means a warranty made solely by the manufacturer, importer, or seller of property or services, without charge, that is not negotiated or separated from the sale of the product and is incidental to the sale of the product, and that guarantees indemnity for defective parts, mechanical or electrical breakdown, labor, or other remedial measures, such as repair or replacement of the property or repetition of services. 8 V.S.A. § 4247.

Section 4. Calculation of Cash Price

4.1 Multiple forms of motor vehicle retail installment contracts are in use in Vermont. Depending upon the form used or the practices and procedures of a particular dealer, the components of Cash Price may vary. Consistent with Regulation Z, Optional Items may be included in the Cash Price on the motor vehicle retail installment contract. By definition, a Warranty, if applicable, is included in the Cash Price because the cost of a warranty is incorporated into the product pricing and cannot be separated from the sale of the product.

4.2 The Cash Price may not include any insurance, debt cancellation agreements, or similar agreements or contracts. The Cash Price must be consistent on all forms relating to any given transaction wherever the term is used. Regardless of a particular dealer's practices and procedures, the Cash Price on the retail installment contract will also be the Cash Price on the Disclosure Form and the Cash Price on the Department of Motor Vehicles Dealer's Vehicle (Inventory) Record.

Section 5. Content of Disclosure

5.1 If the method of calculating the Cash Price includes Optional Items, the Disclosure Form requires that they be itemized and then deducted from the Cash Price to reach the Vehicle Price.

5.2 Section 2 of the Disclosure Form discloses the amount financed as a percentage of the Vehicle Price for purposes of determining whether or not negative equity is being financed in the transaction.

Section 6. Form of Disclosure

6.1 The Disclosure Form shall be printed on a separate sheet of paper that is easily distinguished from all other disclosures, applications, or other documents presented to the buyer of the motor vehicle. A copy of the completed Disclosure Form must be given to the buyer(s). The Disclosure Form shall be printed in a size equal to at least 12-point type.

Section 7. Delivery of Disclosure

7.1 The Disclosure Form is required to be delivered with every motor vehicle retail installment contract regardless of whether or not the transaction involves negative equity.

7.2 The Disclosure Form shall be attached to and shall become part of the motor vehicle retail installment contract and must be assigned, sold, or transferred together with any

assignment, sale, or transfer of the motor vehicle retail installment contract to which it was originally related.

7.3 Section 2355(f)(1)(J) of Title 9 requires a motor vehicle dealer to provide to the buyer(s) an unexecuted copy of the Disclosure Form prior to consummation of the transaction and requires that the Disclosure Form be signed by the buyer(s).

Section 8. Requirements of the Retail Installment Contract

8.1 The method of calculating the Cash Price may impact the retail installment contract. Optional Items that may be included in the Cash Price must be itemized on the retail installment contract as required by 9 V.S.A. § 2355. Specifically, these items include the cost of service contracts and the amount of all official fees, which the Department interprets to include the purchase and use tax. In order to reconcile these two requirements, if Optional Items are included in the Cash Price, the creditor must itemize the amounts attributed to these Optional Items on the retail installment contract in a conspicuous manner so that the borrower is aware of the Optional Items that are included in the Cash Price.

Section 9. Effective Date

9.1 This regulation shall take effect upon adoption.

VERMONT DISCLOSURE FORM - AMOUNT TO BE FINANCED IN A MOTOR VEHICLE RETAIL INSTALLMENT CONTRACT

Name of Buyer(s) Date:

_____

Trade-in or Cancellation of Lease

Dealership allowance for trade-in: $_____

Amount owed on trade-in or lease
as of _____(date): $_____

EQUITY ☐ POSITIVE ☐ NEGATIVE* $_____

*If the EQUITY is NEGATIVE, the amount the Dealer is offering you in trade for your vehicle is less than what is currently owed on your vehicle. You MAY be financing an amount for the NEW vehicle that exceeds the VEHICLE PRICE.

THIS DISCLOSURE MUST BE PROVIDED WITH EVERY MOTOR VEHICLE RETAIL INSTALLMENT CONTRACT.

CASH PRICE (from retail installment contract) $ _____

If any of the following Optional Items are included in the Cash Price, itemize and deduct each from the Cash Price to calculate Vehicle Price.

Service Contract $_____

Purchase and Use Tax $_____

Fees (license, title, registration) $_____

Other (describe)_____ $_____

VEHICLE PRICE $ _____

AMOUNT FINANCED on motor vehicle retail installment contract $ _____

The **AMOUNT FINANCED** on the motor vehicle retail installment contract as a percentage of the **VEHICLE PRICE**** _____%

**If this number is greater than 100% the amount financed is greater than the Vehicle Price.

Buyer: _____ Date: _____

Buyer: _____ Date: _____

Name of Dealership
Street Address
City, State, Zip
Telephone No.

White Copy – Retail Contract Yellow Copy – Dealer Copy Pink Copy – Customer Copy