

AUTOMOTIVE ADVERTISING STANDARDS

Table of Contents

Introduction	2
BBB Contact Information	2
Overview of BBB Services	2-3
Automotive Advertising Review Procedures	4
Availability of Vehicles	5
Inclusion in Price and Add-Ons	5
Minimum Trade Allowance	5
Disclosure of Material Facts	6-7
Disclosures in Invoice Ads	7
Rebate Offers	7
Free Offers	7
Unsupported Selling Claims	8-9
Buy-down Interest Rate	9
Variable Interest Rate Disclosures	9
First Time Buyer Discounts	9
Employee, College Graduate and Military Personnel Discounts	9
Closed End Credit Requirements	10-11
Lease Disclosure Requirements	11-14

AUTOMOTIVE ADVERTISING STANDARDS

Introduction

Automotive Advertising Standards apply to Broadcast, Print, Direct Mail, all types of Signage (including on location signage and billboards) and Web-based advertising.

These Automotive Advertising Standards were originally adopted in April 1993 through a collaborative effort of the Better Business Bureau (BBB) Serving Western Michigan, the Grand Rapids New Car Dealers Association (GRNCDA) and the Holland New Car Dealer Association (NCDA), in response to advertising issues identified by the Michigan Attorney General's Office, GRNCDA, Holland NCDA, and the BBB.

These standards were revised in February 2013 with input from the GRNCDA and the BBB Serving Detroit and Eastern Michigan.

These basic principles of truthful and non-deceptive advertising are standards that members of the Grand Rapids and Holland New Car Dealers Associations have subscribed to, and agree to follow. These standards are based on Federal, state and local advertising laws, the BBB Code of Advertising and industry best practices.

NOTE: The primary responsibility for truthful and non-deceptive advertising rests with the advertiser; it is up to the advertiser, not the ad agency or media, to use the proper disclosures.

Contact Information

BBB Serving Western Michigan
2627 E Beltline Ave SE Ste 320
Grand Rapids, MI 49546
www.westernmichigan.bbb.org
(616) 774-8236 or (800) 684-3222
FAX (616) 774-2014

Office Hours

Mondays -Thursdays 8:00 am - 4:30 pm
Fridays 8:00 am - 3:30 pm

BBB Staff

Phil Catlett, President & CEO
Terry Glenn, Director, Operations
Barbara Krezmien, Director, Administrative Services
Melissa Brewer, Director, Digital Media / Charity Review
Adam Offenbecker, MIS / IT Systems Analyst
Sheila Balczak, Records Administrator
Kathryn Crawford, Advertising Review Specialist / Volunteer Coordinator
Rusty McKellar, Accreditation Development Coordinator
Amy Kridler, Trade Practice Assistant
Karen Gregory, Trade Practice Assistant

Overview of BBB Services

Consumer Information Services (616) 774-8236

Consumers may receive information such as BBB Business Reviews, Charity Reviews, and Consumer Alerts 24 hours/day using the BBB's automated voice response system, website, Facebook page, or BBB Mobile app. BBB representatives are available to assist consumers with questions during the following times:

Mon - Thurs 8:30 am - 12:00 pm, 1:00 pm - 4:30 pm
and Fridays 9:30 am - 12:00 pm, 1:00 pm - 3:30 pm

AUTOMOTIVE ADVERTISING STANDARDS

Overview of BBB Services cont.

Alternative Dispute Resolution (BBB Auto Line) (800) 955-5100

Automobile complaints that allege manufacturer defects on vehicles that are still covered by the manufacturer's original warranty are mediated and arbitrated by this department. Participation of automobile manufacturers in BBB's Auto Line Program is voluntary. To check if a manufacturer participates in your state, go to www.dr.bbb.org/autoline/participants.asp. Auto Line complaints may be filed online, faxed to (703) 276-0634 or mailed as follows:

Attn: Auto Line Manager
Council of Better Business Bureaus
4200 Wilson Blvd, Ste 800
Arlington, VA 22203-1838

Trade Practices/Complaint Processing

Consumers who wish to file a complaint against a business may go to www.westernmichigan.bbb.org and click on "File a Complaint" to file electronically and for fastest processing. Consumers may also submit a letter of complaint. The complaint letter must include contact information for both the consumer and the company, a description of the problem, and the desired resolution. Copies of any pertinent documents may be submitted with the complaint letter.

The BBB reviews all complaints within 1-2 business days upon receipt and processes those on which it can offer assistance. The BBB will also refer consumers to an appropriate regulatory agency or other offices for matters that are beyond BBB purview. Complaints should be submitted to BBB where the company is located as they are processed according to the location of the company rather than the consumer. For assistance in filing a complaint consumers may call (616) 774-8236 or (800) 684-3222 and speak with a BBB representative.

For questions regarding dispute resolution or arbitration services, contact Terry Glenn, Director, Operations at (616) 774-0157 or (800) 787-2221 or by e-mail at Terry@wm.bbb.org.

Charity Review

BBB's Wise Giving Alliance evaluates charities that solicit nationally for compliance with 20 Standards of Charity Accountability. The BBB Serving Western Michigan has a local Charity Review Program which evaluates local charities. National and local Charity Reviews are available to consumers 24 hours/day using the BBB's automated voice response system, website, Facebook page, or BBB Mobile app.

For more information about the Charity Review Program, contact Melissa Brewer, Director, Charity Review, at (616) 774-0157 or (800) 787-2221 or by e-mail at Melissa@wm.bbb.org.

Advertising Review

The BBB promotes truth and integrity in advertising and trade practices to protect the marketplace. Local advertising is monitored to ensure compliance with Federal, state and local advertising laws and the BBB Code of Advertising. Companies are contacted to request voluntary substantiation, modification or discontinuance of advertising claims.

For questions regarding Advertising Review, request a copy of the BBB Code of Advertising, or submit an advertisement for review, contact Kathryn Crawford, Advertising Review Specialist at (616) 774-0157 or (800) 787-2221 or by e-mail at Kathryn@wm.bbb.org.

AUTOMOTIVE ADVERTISING STANDARDS

Automotive Advertising Review Procedures

1. The Better Business Bureau (BBB) will monitor the marketplace through their field representatives (staff and volunteers) to determine if auto dealers are complying with the Automotive Advertising Standards and BBB Code of Advertising.
2. The BBB will send an initial letter by email, fax, or mail (preferred method of contact) to any dealer who is found to be violating the Automotive Advertising Standards. This letter will advise the dealer of the BBB's position with respect to the dealer's advertising practices and ask the dealer to provide substantiation in support of the advertisement, modify the advertisement, or discontinue the same altogether. A courtesy call will also be made to the dealer within 1-2 business days of initial notification to ensure receipt.
3. The dealer will be asked to respond to this letter within 14 days of initial notification. The BBB requires dealers to submit a written response to provide the requested substantiation or informing the BBB of the exact date the advertisement was modified or discontinued. Written responses may be submitted using the link provided to the Ad Review Case, by e-mail, fax, or mail.
4. If the BBB does not receive a response during the requested time frame, the dealer will be sent a "Second Notice" after the 14th day following the original communication. This notice will inform the dealer that a response is required within 10 days, or the matter may be referred to the Attorney General. At this time, the President of the GRNCDA (or Holland NCDA) will also be notified regarding the advertising concern and the dealer's failure to respond to the initial notice.
5. If the BBB does not receive a response to the "Second Notice," and the advertisement has not been modified or discontinued, the Ad Review Case will be closed and the company's BBB Business Review will be revised accordingly. If the issue is a violation of Federal or state advertising law, the matter will be referred to the Attorney General's office.
6. The BBB will then monitor that dealer to determine if the particular violation continues. If the dealer commits the same violation within 30 days of the initial notification and the violation is not in compliance with Federal or state advertising law, the BBB will automatically refer the matter to the Attorney General without further notice to the dealer.
7. Representatives of the BBB, the GRNCDA, and the Holland NCDA shall periodically meet to determine whether the Automotive Advertising Standards should be modified in light of a dealer advertising practice, enforcement efforts by the Attorney General's office or changes in the law, etc.

AUTOMOTIVE ADVERTISING STANDARDS

1) Availability of Vehicles

A specific vehicle advertised for sale shall be:

- A. At the dealership in possession of the advertiser and willingly shown and sold as advertised, illustrated or described, at the advertised price and terms.
- B. If the specific advertised vehicle is not immediately available, the advertisement must clearly state that the specific vehicle advertised is available by order only with delivery to be made within a reasonable period of time.
- C. If a vehicle is available only by order, this condition must be clearly and conspicuously disclosed.

According to the Michigan Consumer Protection Act, "advertising goods or services with intent not to supply reasonably expectable public demand, unless the advertisement discloses a limitation of quantity in immediate conjunction with the advertised goods or services" is prohibited.

The BBB advises dealers to be sure that they can meet reasonably expected public demand of sale priced cars, or state the number of vehicles available at the advertised price.

As a general guideline, the BBB suggests that when a dealer advertises a sale price and a total number of vehicles available, without disclosing which ones are available at the advertised price, at least 10% of the total number of vehicles should be available at the advertised price.

2) Inclusion In Price and Add Ons

When the price of a vehicle is advertised, the vehicle shall be:

- A. Fully identified as to year, make, and model, including stock number if limited availability exists.
- B. In addition, the stated price must include all charges which the customer must pay for the vehicle, including, but not limited to, "dealer preparation," "dealer handling," "additional dealer profit," "additional dealer margin," and all dealer installed options if the vehicle is already so equipped.
- C. No dealer shall charge purchasers of new motor vehicles for "dealer prep" or other specified pre-delivery services when the manufacturer or distributor of the vehicle in question has agreed to reimburse the dealer for such services.
- D. Freight may be added to the advertised price only on new or unused vehicles, and only in the amount specified by the manufacturer.
- E. Freight and/or destination charges may also be excluded from the advertised price, if the advertisement fully and prominently discloses this fact.
- F. An advertised purchase price, unlike an advertised payment amount, may not be understated by disclosing required cash or trade-in amounts.
- G. The advertised price need not include state and local taxes, license plates, registration and title fees, or the document preparation fee that reflects the cost of services actually performed by the dealer in processing title and registration documents, but these should be mentioned in a disclaimer within/near the body of the advertisement.

3) Minimum Trade-In Allowance

Since the amount of the trade-in will vary depending on the condition, model, and age of a buyer's vehicle, no specific trade-in amount or range of amount shall be used in advertising. Prohibited advertisements include, but are not limited to:

"Minimum Guaranteed (\$1,000) for your trade-in" or "(\$1,000) Minimum Trade Value"

"At least (\$1,000) for your trade-in"

"We'll give you (\$1,000) for your trade, regardless of its condition"

"Push, pull or tow (drag) - we'll give you (\$1,000)"

"Cash for Clunkers" or "Clunker Cash"

AUTOMOTIVE ADVERTISING STANDARDS

4) Disclosure of Material Facts

- A. When certain types of vehicles and transactions are advertised, either in print or by electronic media or broadcast, this set of standards requires disclosure of certain material facts. **Any such disclosure must be made in a clear and conspicuous manner in order to minimize the possibility of misunderstanding by consumers.**

In the Federal Trade Commission (FTC) case known as *In the Matter of Dunphy Nissan, Inc. et al.* (Docket No. C-3924, Decision and Order issued February 7, 2000), the FTC defines the phrase "clearly and conspicuously." "Clearly and conspicuously" shall mean as follows:

1. In a television, video, radio, or internet or other electronic advertisement, an audio disclosure shall be delivered in a volume, cadence, and location sufficient for an ordinary consumer to hear and comprehend it. A video disclosure shall be of a size and shade, and shall appear on the screen for a duration and in a location sufficient for an ordinary consumer to read and comprehend it.
 2. In a print advertisement, a disclosure shall be in a type size and location sufficiently noticeable for an ordinary consumer to read and comprehend it, in print that contrasts with the background against which it appears.
- B. Factors to be taken into consideration include, but are not limited to, ad layout, headlines, illustrations, type size, contrast, crawl speed, and editing.
- C. Commonly known abbreviations may be used in advertising; those not generally known shall be avoided.
- D. An asterisk * may be used to give additional or qualifying information about a word or term. However, asterisks or other reference symbols may not be used as a means of contradicting or substantially changing the meaning of any advertised statements. Multiple asterisks must be clearly explained.
- E. To assure legibility and understanding, type size used in print advertising shall be a minimum of 6 point. THIS IS SIX POINT FONT. Where type is reversed out of black, the minimum type size shall be 8 point. THIS IS 8 POINT FONT.
- F. Qualifying statements on television and radio shall be of sufficient content, clarity, and length to be easily understood in order to assure consumer understanding.
- G. Vehicles in service prior to sale such as "**executive**", "**demonstrators**", "**driver education**", "**dealer owned**", "**factory owned**", or "**program**" cars shall be clearly identified as such. The difference between the price of the vehicle as advertised and the price of a comparable new vehicle may not be described as "savings" or "price reduction."

The Michigan Vehicle Code defines a "New Motor Vehicle" as a "motor vehicle which is not and has not been a demonstrator, executive or manufacturer's vehicle, leased vehicle, or a used or second hand vehicle." MCL 257.33a. The Michigan Vehicle Code further notes, "[a] motor vehicle dealer shall not advertise or represent a motor vehicle to be a demonstrator, executive or manufacturer's vehicle, leased vehicle, new motor vehicle, or used or secondhand vehicle unless the vehicle so described is as defined in this act." MCL 257.248a.

- H. An **advertisement for a motor vehicle lease** shall not be presented in a manner that a reasonable person could interpret as being an ad for the sale of a motor vehicle. **The word "lease" shall appear boldly and conspicuously in close proximity to the payment amount.** Likewise, an advertisement for the sale of a motor vehicle shall not be presented in a manner that a reasonable person would interpret as being an advertisement for a motor vehicle lease. "Sign & Drive" may only be used if it is conspicuously identified as a vehicle purchase or lease in close proximity to the payment amount.

AUTOMOTIVE ADVERTISING STANDARDS

- I. When **credit terms** are advertised, they **must comply fully with** the specific disclosure requirements of the Credit Advertising provisions of the **Federal Consumer "Truth in Lending Act" and Regulation Z** (See pages Section 13, p. 10-11 for information regarding required disclosures).
- J. When **lease terms are advertised**, they **must comply fully with** specific disclosure requirements of the Lease Advertising provisions of the **Federal Consumer "Truth in Lending" Act and Regulation M** (See pages Section 14, p. 11-14 for information regarding required disclosures).
- K. Advertisements offering specific credit and specific lease terms must state only those terms that actually are or will be arranged. 12 CFR 226.24(a) and 23 CFR 213.7(a).
- L. Representations in advertisements must not violate any provisions of the Michigan Consumer Protection Act, MCL 445.901 et seq.
- M. Representations in advertisements must not violate any provisions of: the Michigan Vehicle Code, MCL 257.1 et seq.; the Motor Vehicle Sales Finance Act, MCL 492.101 et seq.; the Motor Vehicle Installment Sales Contracts Act, MCL 566.301 et seq.; the Motor Vehicle Lease Contracts Act, MCL 445.991 et seq.
- N. New motor vehicle advertisements must comply with the requirements of the Monroney Sticker Law. 15 USC 1231-1233.
- O. Used motor vehicle advertisements must comply with the FTC Used Car Rule requiring posting of the Buyers Guide. 16 CFR 455.

5) Disclosures in Invoice Ads

- A. The unqualified terms **"invoice"**, **"factory invoice"** or **"dealer invoice"**, shall not be used as **reference price (such as \$100. over invoice)** unless the advertisement containing such terms **clearly and conspicuously states that the invoice may not reflect dealer cost.**
- B. The following disclosure is recommended: **"The invoice total may not reflect the factory cost of the vehicle to the dealer."** The invoice also may not reflect the ultimate cost of the vehicle due to the possibility of future rebates, allowances, discounts and incentive awards from the manufacturer.
- C. In advertisements where **"cost"** is **synonymous with "invoice"** the following disclosure is required: **"'Cost' means 'Invoice' and the invoice total may not reflect the factory cost of the vehicle to the dealer."**

6) Rebate Offers

The terms "rebate", "cash rebate", or similar terms may be used only if payment of money will be made by the retailer or a third party to a purchaser after the sale, or used as down payment at the time of sale.

- A. The advertisement must also clearly indicate the source of the rebate.
- B. If the source of the rebate is both the dealer and a third party, the advertisement must clearly state, "dealer participation may affect consumer price."

7) Free Offers

The word "free" may be used in advertising whenever the advertiser is offering an unconditional gift (e.g. free oil changes for life to original owner must be free).

If receipt of the "free" merchandise or service is conditional on a purchase:

- A. The normal **price** of the merchandise or service to be purchased must not have been increased nor its **quality** or **quantity** reduced.
- B. The advertiser must **disclose** this condition clearly and conspicuously together with the "free" offer (not by placing an asterisk (*) or other symbol next to "free" in referring to the conditions in a footnote).
- C. The "free" offer must be **temporary**; otherwise it would become a continuous combination offer, no part of which is free.
- D. **FREE WARRANTY**: the term "free warranty" should not be used to describe the manufacturer's warranty which is included in the price of the vehicle. If there is an extended manufacturer's warranty which is totally free it must be clearly stated.

AUTOMOTIVE ADVERTISING STANDARDS

8) Unsupported Selling Claims

Unsupported claims or statements that are not readily substantiated may not be used.

A. **OBJECTIVE** claims refer to specific performance standards and can be measured or proven by facts, and are documented with third party verification. Examples include:

1. "# 1 Dealer in Michigan" would require documented proof to verify that claim.
2. "Largest Inventory in Grand Rapids" would require proof via a third party to support this claim with a specific survey and specific date.

B. **SUBJECTIVE** claims are expressions of opinion and are considered advertising "**puffery**." Subjective superlatives which mislead consumers should not be used.

Examples of puffery include:

1. Nicest Dealer in Town
2. Best Chevy Dealer in Grand Rapids

C. **Credit Approval Claims** must be factual statements and verifiable as they imply that consumer credit will be extended to anyone regardless of the person's credit score or financial ability to pay.

1. "No Credit Rejected," "Guaranteed Credit Approval," or "Everyone Approved" shall not be used unless there are absolutely no credit qualifications needed to obtain financing.
2. "All Applications Accepted" - this is literally true, but is clearly an attempt to mislead consumers and may not be used. Accepting applications is one thing, but 'implying' that financing is available, regardless of the financial ability to repay, is questionable at best.
3. When minimum credit approval qualifications exist, they must be stated in the advertisement. "6 Months Employment, One Year as a Resident, Minimum \$1,500 per Month Income"

D. **SALES DATES**

1. Beginning and ending dates of a bona fide sale should be stated in the advertisement.
2. Perpetual sales must be avoided and advertisers must prove the sale offering has not become the regular price.

E. **LIQUIDATION SALES**

The unqualified term 'liquidation sale' means that the advertiser's entire business is in the process of actually being liquidated prior to actual closing. Examples include:

1. "LIQUIDATING ALL 2001 VEHICLES" is OKAY as it qualifies which specific products are offered.
2. "LIQUIDATING ALL USED CARS" is **not okay**, UNLESS you are going out of the used car business and have the proper local/state license to go out of business.

F. **EMERGENCY SALES**

1. SHALL NOT BE USED unless the stated reason is a fact and with specific dates.
2. For example, "LOST OUR LEASE" - all vehicles must be sold before (date) before moving to our new location.

G. **NO OFFERS REJECTED** must not be used, as it isn't true as an unqualified statement.

H. **PRICE BEATING/MEETING COMPETITOR'S PRICING** and "**WE WILL NOT BE UNDERSOLD**"

1. Ads that claim a company policy of matching or beating competitor's pricing may be used PROVIDED the terms of the offer are specific, and in good faith, and provided they are verifiable.
2. Advertisers must be aware that such claims can create, "**an implicit obligation to adjust prices for specific merchandise upon showing that the advertiser's price for that merchandise is not as low as (or lower than) the competitors.**"
3. **THE BBB "SUGGESTS" THAT NO PRICE EQUALING/BEATING CLAIMS BE USED unless factual documentation is provided for every "meet/beat" transaction.**
"Lowest Price Claims" - despite an advertiser's best efforts to know competitive prices, the speed with which prices fluctuate, and the difficulty of determining the prices of all sellers at all times, **make this claim impossible to prove. Because of this, lowest price claims should not be used.**

AUTOMOTIVE ADVERTISING STANDARDS

- I. **ACQUISITION SALE** - These ads include many misleading statements; "bank ordered sale, our site specially selected, 3 days only, pay only acquisition fee & drive away." **All claims must be third party verifiable or should not be used.**
- J. **PAY OFF TRADES** - a statement such as "We will pay off your trade no matter what you owe," should not be used unless it truly means the seller is willing to pay off the outstanding debt **WITHOUT** including the cost as negative equity as part of the new transaction. If seller passes on cost to the consumer, the following disclaimer must be used: **NOTICE TO BUYER this will not relieve you of your debt, any negative equity will be added to the new purchase agreement.**

9) Buy-down Interest Rate

Advertisements must clearly and conspicuously disclose that dealer participation may affect consumer cost.

10) Variable Interest Rate Disclosures

When advertising a variable rate of interest for the sale or lease of a new or used vehicle, the dealer should include the following four disclosures:

- A. The maximum rate of interest that may be incurred
- B. The monthly payment amount may increase
- C. The number of payments required may increase
- D. The final payment may be larger than the advertised monthly payment amount

Note: When advertising "special" discounts, reference to that discount must be made in a "clear and conspicuous manner." Discounts should be referenced next to the price.

11) First Time Buyer Discount Disclosure

Since "first time buyer" discounts are conditioned on the individual financing of the vehicle through the manufacturer's credit division, the discount must be identified as the "first time buyer amount to finance" or some equivalent that makes the financing conditions clear.

12) Employee, College Graduate and Military Personnel Discounts

- A. Many dealerships offer discounts to a select group of customers. These customers include automobile manufacturer employees, recent college graduates, and military personnel. Dealer advertising that includes special discounts must clearly and conspicuously reference the source of the discount.
- B. Failure to **CLEARLY** identify the deduction of discounts is a violation of Motor Vehicle Advertising Standard #4, which requires the disclosure of material facts whenever a vehicle price is advertised.
- C. The following is an example of clear identification of a discount:
Sale Price: \$9,000 College Grads: \$8,500
In this example, it is clear that the \$8,500 price includes a college graduate discount.
- D. Advertising a vehicle price, then referring to a discount by an asterisk (*) is not a clear and conspicuous means of disclosure.
- E. If a dealer advertises a number of vehicles, all of which include the discount, it would be clear and conspicuous to advertise these discounts through a headline, i.e., "Prices for Employees and Eligible Family Members Only."
- F. The BBB expects dealers to clearly identify the inclusion of discounts in any vehicle price.

AUTOMOTIVE ADVERTISING STANDARDS

13) Closed End Credit Requirements

The main requirements governing advertising of closed-end credit concern "triggering terms" and "finance rates." These requirements may apply to a single advertisement. This section explains these basic requirements and offers additional guidance for special issues.

- A. It is a violation of the Federal "Truth in Lending Act" and Regulation Z (Section 226.24) to promote a vehicle purchase containing any of the following "triggering terms" without including the required disclosures. These regulations are intended to ensure that all important terms of a credit plan, not just the most attractive ones, appear in an advertisement.
- B. **Closed End Credit Triggering Terms** are as follows:
 1. **Amount of Down Payment** (expressed as either a dollar amount or percentage)
Examples:
 - a. 10% down
 - b. \$1,000 down
 - c. \$49.00 down
 2. **Amount of any Monthly Payment**
Examples:
 - a. \$279 per month
 - b. \$299/mo.
 - c. \$23.44 per \$1,000 financed
 3. **Number of Payments or Period of Repayment**
Examples:
 - a. 48 months to pay
 - b. Four year terms
 4. **Amount of any Finance Charges**
Examples:
 - a. \$1,500 finance charges
 - b. Less than \$1,200 interest
- C. If any of the above "Triggering Terms" are used, **the following DISCLOSURES must be stated in the advertisement:**
 1. **The amount or percentage of the down payment**
Examples:
 - a. \$2,500 down
 - b. 10% down required
 2. **Terms of Repayment** (the number and amount of all scheduled payments)
The terms of repayment may be expressed in a variety of ways, as long as they convey the required information. Similarly, the length of the loan can be expressed as the number of payments or the time period of the loan.
Examples:
 - a. 269.00 per month for 36 months
 - b. 48 months at \$299 per month
 - c. 48 monthly payments of \$23.44 for each \$1,000 borrowed
 3. **The Annual Percentage Rate (APR) for the term of the loan**
 - a. Annual Percentage Rate must be spelled out in full or abbreviated as APR (ie: 10.8 % APR)
 - b. If the Annual Percentage Rate (APR) may be increased after consummation of the credit transaction, that fact must also be stated. Consummation means the time at which a consumer becomes contractually obligated on a credit transaction; the time the obligation arises is a matter determined under state law.
- D. Some statements about credit terms are too general to trigger additional disclosures because they do not contain any of the triggering terms.

AUTOMOTIVE ADVERTISING STANDARDS

Examples:

1. Take years to pay
 2. No closing costs
 3. No down payment
 4. Easy monthly payments
 5. Loans available at 5% below our standard APR
 6. Low down payment accepted
 7. Pay weekly
 8. Terms to fit your budget
 9. Financing available
 10. 0% APR Financing Available
- E. The more specific a statement, the more likely it is to trigger disclosures.

Examples:

1. The statement, "drive it home for \$199" which implies that the required cash down payment is no more than \$199 does trigger full disclosure.
2. The statement, "0% APR for 72 months" requires disclosure as the term of the repayment (Note: 72 months) is a triggering term.

14) Lease Disclosure Requirements

- A. It is a violation of the Federal "Truth in Lending Act" and Regulation M to promote a vehicle purchase containing "triggering terms" without including the required disclosures. The Federal Trade Commission, effective January 1, 1988, revised portions of Regulation M. These regulations affect the manner in which dealers may advertise automobile leases and are effective for all forms of advertising and advertising mediums.
- B. Any advertisement that includes a "triggering term" must also clearly list all of the disclosures outlined in Regulation M. To assist you with complying with the law, these standards address the requirements for lease advertising disclosure.
- C. For more information, you may wish to reference the FTC's publication entitled, "Advertising Consumer Leases" available at <http://business.ftc.gov/documents/bus18-advertising-consumer-leases> or by calling (877) 382-4357, TTY (866) 653-4261.
- D. Triggering Terms for consumer leases are as follows:
 1. The amount or percentage of the **down payment**
 2. The specific **terms of repayment**
 3. The **Annual Percentage Rate** (and if the APR may be increased after the start of the credit transaction).
- E. When any of the above "triggering terms" are used in any consumer lease advertisement, the following **disclosures** must appear clearly and conspicuously within the advertisement:
 1. A statement that the **transaction advertised is a lease**. The word "lease" must appear clearly and conspicuously in close proximity to the payment amount.
 2. The **total amount due at lease start (inception)**. Lease inception costs must:
 - a. Be shown in a dollar amount
 - b. Include all costs except, tax, title, and plates
 - c. When nothing is due, that too must be stated
 - d. Dealers may not state the lease inception costs as a percentage of a formula
Example: first month's payment, security deposit, destination, tax, title, and plates
 - e. It is not accurate to advertise "\$0 Down," "No Money Down," or similar statements if the lease contains an acquisition fee, a capitalized cost reduction charge, or destination charges.
Example: It is NOT accurate for dealers to advertise that a vehicle can be leased with "no money down," but also advertise that the consumer must pay \$500 in acquisition fees or a \$2,500 capitalized cost reduction.

AUTOMOTIVE ADVERTISING STANDARDS

3. Whether or not a **Security Deposit is due and if so, at what amount**
 - a. If a security deposit is required, it must be disclosed.
 - b. Merely stating "refundable security deposit" or "capitalized cost reduction" should be avoided as these amounts must be listed in the advertisement.
 - c. The dollar figure of the security deposit must be included in the total amount due at lease inception.
 - d. If no security deposit is due, that too must be stated.
4. The **number and amount of all scheduled lease payments** must be included.
5. In leases where consumers' liability is based on the difference between the property's residual value and its realized value at the end of the lease term, that an **extra charge** may be imposed at the end of the lease term. The terms "realized value" and "residual value" are defined in Regulation M.
 - a. Realized value is:
 1. The price received by the lessor for the leased property at disposition;
 2. The highest offer for disposition of the lease property; or
 3. The fair market value of the leased property at the end of the lease term.
12 CFR 213.2(m)
 - b. Residual value is:
 1. The value of the leased property at the end of the lease term, as estimated or assigned at consummation by the lessor, used in calculating the base periodic payment.
12 CFR 213.2(n)
- F. The required disclosures apply to all lease ads. If your TV or radio ads refer clearly and conspicuously to a TOLL FREE NUMBER, you can limit the information in the TV or Radio advertisement. You must still state:
 1. A statement that the transaction is a lease
 2. Total amount due on delivery
 3. Number, amounts and due dates of payments

*** Toll free number only for TV & Radio ads**
- G. GRNCDA members have agreed to use the Lease Box Disclosure Format:

Down Payment	\$0,000
Refundable Security Deposit	\$000
Amount Due at Start	\$0,000
Total Payment for Lease	\$0,000
Lease End Purchase Option	\$00,000
Cost per Mile Over Allowed	\$.00

License, title, tax, document additional

- H. Though not required by FTC, the BBB suggests that your advertisement state the number of miles included in the lease term and the cost per extra mile.
- I. Other Items to Avoid:
 1. Stating that the customer has an option to purchase the vehicle without indicating at what time and what price.
 2. Using too many or unknown abbreviations in a lease disclosure.
Examples:
 - a. Opt. at end for deter. price
 - b. ttl pymt. X 36

AUTOMOTIVE ADVERTISING STANDARDS

15) Examples of Legal Lease Disclaimers

1) No Right To Purchase At End Of Lease:

Closed end lease for qualified customer, lease payment of \$263. for 48 months, 60,000 mile limitation, \$.06 per mile for excess mileage over 72,000 miles, lessee has no right to purchase vehicle at lease end. Lessee responsible for excessive wear and tear. Total lease payment of \$14,352. Due at inception is first month's payment, no down payment, and the refundable security deposit of \$300. plus current tax, license and title fees.

2) No Obligation To Purchase But Option To Purchase for Specific Price:

Closed end lease for qualified customer, lease payment of \$299. for 36 months, 45,000 mile limitation, \$.15 per mile for excess mileage over 45,000 miles, lessee has no obligation to purchase vehicle at lease end, lessee has option to purchase at lease end for \$7,500. Lessee responsible for excessive wear and tear. Total lease payment of \$6,838.20. Due at lease inception is first month's payment, no down payment, and the refundable security deposit of \$250. plus current tax, license and title fees.

3) Down Payment/Manufacturer's Incentives Assigned To Dealer Option Purchase Price:

Closed end lease for qualified customer, lease payment of \$206. for 48 months, 60,000 mile limitation, \$.10 per mile for excess mileage over 60,000 miles, lessee has no obligation to purchase vehicle at lease end, but does have the option to purchase at lease end for \$10,000, lessee responsible for excessive wear and tear. Total lease payment of \$10,888. Due at lease inception is first month's payment, down payment of \$1,000 and the refundable security deposit of \$225. plus current tax, license and title fees. All manufacturer's incentives assigned to dealer.

16) Lease Disclaimer Worksheet

VEHICLE STOCK NUMBER: _____

1) Monthly Payment \$ _____

2) Lease term of _____ months

3) Mileage limitations of _____ miles

4) Cost per mile over mileage limitation \$ _____

5) Total Payment for Lease \$ _____
(Monthly payments plus down payments)

6) Security Deposit \$ _____

7) Down Payment (Capital Reduction Cost) \$ _____

8) Option to Purchase Yes No

9) Option Price (if applicable) \$ _____

AUTOMOTIVE ADVERTISING STANDARDS

17) Lease Box Disclaimer Format

Closed end lease for qualified customer, lease payment of \$(amount per month) for (number of months) with a lease limit of (total number of non-penalty miles permitted under lease) and (cost per mile over limitation) per mile above that figure.

(SELECT A OR B.. WHICHEVER IS APPLICABLE)

- A. Lessee has no right to purchase vehicle at lease end.
- B. Lessee has the option but no obligation to purchase at lease end.

Lessee is responsible for excessive wear and tear. Total payment under lease is \$(total dollar cost to consumer under lease). Due at lease inception is first month's payment (either down payment or no down payment) and refundable security deposit of \$(amount of security deposit) plus current tax, license, and title fees. (If applicable, insert that "All manufacturer's incentives assigned to dealer.")

LEASE BOX DISCLAIMER

Required of GRNCDA and Holland NCDCA members; Suggested for ALL West Michigan Dealers




MAZDA
 626
 4 DOOR



\$219

only *per mo.*

36 Mo. Lease.....12,000 mi. yr.

Down Payment	\$0,000.00
Refundable Security Deposit	\$000
Amount Due at Start	\$0,000.00
Total Payment for Lease	\$0,000.00
Lease End Purchase Option	\$00,000.00
Cost Per Mile Over Limitation	\$.00

(License, title, tax, document fee additional)

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