



MOTOR VEHICLE ADVISORY BULLETIN

Disclosure of Equity

In 2009, the Texas Legislature passed House Bill 2438 (HB 2438) to help lessen confusion about the amount of equity remaining on vehicles that buyers trade in when purchasing another vehicle under a retail installment contract. The bill gave authority to the Texas Finance Commission to adopt a rule containing the standard disclosure form to be provided to buyers when a trade-in motor vehicle is involved in a retail installment transaction. (See 7 Texas Administrative Code §84.204 at <http://www.sos.state.tx.us/tac/index.shtml>.)

The Finance Commission adopted the new rule and the standard disclosure form in December 2009 to carry out the legislature's intent in providing more clear information on the amount of equity in a buyer's trade-in motor vehicle. The rule provides the standard form for the disclosure of equity that must be given to the buyer before a trade-in motor vehicle may be accepted when the buyer is purchasing another vehicle under a retail installment contract. Dealers must begin using the standard form on March 1, 2010.

Acknowledgment of Buyer

HB 2438 and the new rule (§84.204, referenced above) do not require an acknowledgment of the buyer. The disclosure of equity standard form ("equity disclosure form") contained in the rule does not include an acknowledgment of the buyer.

Dealers are allowed to provide and obtain on a separate form a signed acknowledgment from the buyer stating that the buyer has received a completed copy of the equity disclosure form before signing the retail installment contract.

Alternatively, dealers may include an acknowledgment on the standard equity disclosure form in close proximity to the buyer's signature that is substantially similar to the following:

"I have received a completed copy of the Texas Disclosure of Equity in Trade-in Motor Vehicle form before I signed the retail installment contract."