



MOTOR VEHICLE ADVISORY BULLETIN

Disclosure of Equity

In 2009, the Texas Legislature passed House Bill 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.

Frequently Asked Questions

Q: If a trade-in motor vehicle will be accepted as part of a retail installment transaction, must the disclosure of equity standard form ("equity disclosure form") be used?

A: Yes, whether the equity is negative or positive.

Q: May a retail seller use one equity disclosure form for multiple trade-ins accepted under a single retail installment transaction?

A: Yes. The retail seller must identify all trade-in vehicles (including make, model, year, and VIN), adding lines if necessary. The retail seller may use aggregate dollar amounts for the dealership allowance, amount owed, and equity amount.

Q: Is the retail seller required to give a copy of the equity disclosure form to the retail buyer?

A: Yes.

Q: Does the retail seller have to keep a copy of the equity disclosure form?

A: Yes, even if the retail installment contract is assigned. (*See* 7 Texas Administrative Code §84.707(d)(2)(G) and §84.708(e)(2)(G).)

Q: Does an acceptance company/subsequent holder of the retail installment contract have to keep a copy of the equity disclosure form?

A: No. (*See* 7 Texas Administrative Code §84.709.)

Q: Does the equity disclosure form have to be submitted to the OCCC for plain language review?

A: No, the rule includes the standard form that must be used.

Q: If a vehicle is not being purchased under a retail installment contract, is the equity disclosure form required?

A: No.