

# Motor Vehicle Sales Finance

## Module 1: Motor Vehicle Sales Finance Licensing Chapter 348, Texas Finance Code



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## Learning Objectives

After completing this module, you will:

- Know the purpose of Chapter 348 of the Texas Finance Code,
- Know who is required to obtain a motor vehicle sales finance license to make, acquire or collect retail installment contracts,
- Know the definition of a Retail Installment Transaction,
- Know and understand specific terms and definitions from Chapter 348 of the Texas Finance Code, and
- Know the responsibilities of a motor vehicle sales finance licensee under Chapter 348 of the Texas Finance Code.

## What is the Purpose of Chapter 348?

### Chapter 348 of the Texas Finance Code (TFC)

- ▶ provides regulation of Retail Installment Transactions (RITs) and Retail Installment Contracts (RICs),
- ▶ identifies who must be licensed under Chapter 348 TFC,
- ▶ defines an RIT,
- ▶ provides regulatory requirements associated with RITs,
- ▶ defines specific terms and activities associated with motor vehicle sales financing and RITs, and
- ▶ outlines specific components required in an RIC



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## Who Must Be Licensed?

### ▪ Dealers who:

- ▶ Provide financing of RICs, or
- ▶ Arrange for third-party loans  
*(Note: the loan's effective rate must be above 10%)*

### ▪ Holders who:

- ▶ Acquire Retail Installment Contracts (RICs), or
- ▶ Acquire Balances of RICs

A holder includes retail sellers who assign or transfer RICs, and acceptance companies and related finance companies that acquire RICs

*Note: "Registered Offices" for additional locations of the same legal entity must still have the authority (or permission) to operate. Applications for this authority must be submitted for each location.*

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## What is a Retail Installment Transaction?

A Retail Installment Transaction is one in which:

- a *retail buyer purchases* a motor vehicle *from a retail seller* other than principally for the purpose of resale, and

*A Retail Buyer is the individual purchasing the vehicle from a franchised or independent retail seller (motor vehicle dealer)*

- *agrees* with the retail seller *to pay part or all of the cash price in one or more deferred installments.*

*A Retail Seller is the motor vehicle dealer selling the motor vehicle to the buyer through a Retail Installment Transaction*

## What is a Motor Vehicle?

Under Chapter 348 a motor vehicle is:

- an automobile,
- a truck, or
- a motor home (*non-towable motor homes*)

A motor vehicle does **not** include a:

- motorcycle
- moped
- boat trailer
- travel trailer
- utility trailer
- horse trailer

*See Section 348.001(4) of the Texas Finance Code for a more detailed list of vehicles included in the definition of a motor vehicle.*

## Is a Contract Required?

**Yes**

Every Retail Installment Transaction (RIT) requires a Retail Installment Contract (RIC)

An RIC may be

- ▶ Comprised of one or more commercially prepared contracts. (e.g. software generated, pre-printed, plain language)



Or

- ▶ Comprised of several individually prepared documents (document set) that when combined validate an RIT.



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## Is a Buyer's Order a Contract?

A Buyer's Order is:

- ▶ a preliminary written computation,
- ▶ related to the purchase of a vehicle through an RIT, and
- ▶ a specific description of
  - the motor vehicle being purchased, and
  - each motor vehicle being traded in.

A Buyer's Order is **not**

- A binding agreement, and
- Not part of the Retail Installment Contract



A buyer's order **cannot** be used to document an RIT

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## Where Do I Get a Motor Vehicle Sales Finance License?

### The Office of Consumer Credit Commissioner

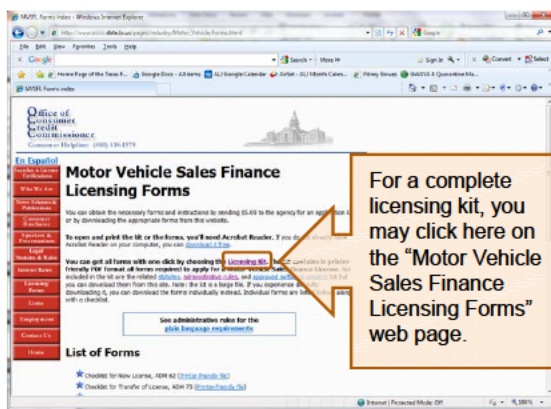
Dealers and Holders **must file an application** with the Office of Consumer Credit Commissioner, **and be granted a motor vehicles sales finance license, before**

- ▶ Initiating and Closing an RIC,
- ▶ Acquiring an RIC, or
- ▶ Collecting on an RIC

## Where Can I Get Application Forms?

Licensing Application Forms can be found on the Office of Consumer Credit's website:

[http://www.occc.state.tx.us/pages/industry/Motor\\_Vehicle/Forms.html](http://www.occc.state.tx.us/pages/industry/Motor_Vehicle/Forms.html)



For a complete licensing kit, you may click here on the "Motor Vehicle Sales Finance Licensing Forms" web page.

Click here to go to the website and select the information you would like to review

## What Can I Do With My License?

After being granted a Chapter 348 motor vehicle sales finance license from the Office of Consumer Credit Commissioner, you may:

- ▶ enter into motor vehicle retail installment contracts with retail buyers,
- ▶ acquire or receive assignment of motor vehicle retail installment contracts, and
- ▶ service and collect payments on a motor vehicle retail installment contracts.



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## What Are My Responsibilities?

Once you have been granted a Chapter 348 motor vehicle sales finance license, you **must**:

- ▶ comply with Chapter 348 of the Texas Finance Code,
- ▶ comply with the applicable regulations under the Texas Administrative Code,
- ▶ maintain adequate books and records as required by law, and
- ▶ prepare for compliance examinations by the Office of Consumer Credit Commissioner.

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**Thank you for your participation in this self-paced module.**

If you have any questions, you may contact the Office of Consumer Credit Commissioner at:

- 512-936-7600, or
- [info@occc.state.tx.us](mailto:info@occc.state.tx.us)