

**OFFICE OF CONSUMER CREDIT
COMMISSIONER**

Motor Vehicle Sales Financing
Retail Installment Contracts

Rudy Aguilar
Director, of Consumer Protection
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2601 N. Lamar Boulevard
Austin, Texas 78705
www.occc.state.tx.us
info@occc.state.tx.us
512-936-7600



When must a retail installment contract be used?

A Retail Installment Contract (RIC):

- is required for each Retail Installment Transaction.
- may be comprised of one or more prepared documents that when combined evidence a retail installment transaction.

This requirement may be found in Section 348.101 of the Texas Finance Code.

Examples include, but are not limited to:

- Pre-printed Plain Language Contracts
- Software-Generated Plain Language Contracts
- Related Required Documents
- Authorized Addendums

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Will a buyer's order meet the requirements?



A Buyer's Order (or Purchase Agreement)

- ✓ Is a non-binding, preliminary computation
- ✓ Is not a Retail Installment Contract
- ✓ Must include a documentary fee disclosure (if documentary fees are assessed)
- ✓ Is not required in a Retail Installment Transaction
- ✓ Does not contain required disclosures for retail installment contracts
- ✓ Does not provide the remedies that are contained in a retail installment contract (e.g. no right to place a lien or repossess the vehicle)
- ✓ Is a required record if produced

References:

- Section 348.001, Texas Finance Code
- Section 84.708, Texas Administrative Code

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What if I don't use a retail installment contract?

Failure to Use a Retail Installment Contract Violates:

State Statute and/or Regulations

- ✓ Sections of Chapter 348, Texas Finance Code
- ✓ Sections of Chapter 84, Texas Administrative Code
- ✓ Sections of the Business & Commerce Code

Federal Statute and/or Regulations

- ✓ Regulation Z
- ✓ Truth In Lending Act



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Which forms do I use to create a contract?

Plain Language Requirements

- All retail installment contracts must contain plain language.
- Plain language contracts may be developed
 - ✓ Using standard model clauses,
 - ✓ Using non-standard forms submitted for review by the OCCC, or
 - ✓ Using pre-printed forms that have been approved by the OCCC



Plain language contracts are those documents that show a retail installment transaction has occurred and which contain 'reader-friendly', 'reader-focused' text.

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What are the basic requirements for a contract?

Remember...

The contract:

- Must be **written**
- Must be **dated**
- Must be **fully completed**
- Must be **signed** by the retail seller and retail buyer



Even if the Seller did not sign the RIC, the contract is not voided if:

- The Buyer signed the RIC
- The vehicle was delivered

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What is the "cash price" for a sale?



Regulation Z requires itemization of finance charges if those charges were not included in the cash price.

Cash Price

- Offered to Cash & Credit Customers
- May include:
 - ✓ Accessories
 - ✓ Services Related to Sale
 - ✓ Service Contracts
 - ✓ Sales Tax & Vehicle Inventory Tax
 - ✓ License, Title, & Registration Fees

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What are "itemized charges"?

Itemized charges are those additional charges and costs that were not included in the cash price of the vehicle.

Itemized charges **must** be specifically authorized by Chapter 348 of the Texas Finance Code before they may be included in the RIC.

Itemized Charges

- Not included in cash price
- May include:
 - ✓ Service Contracts
 - ✓ Insurance & Service Contracts
 - ✓ Sales Tax & Vehicle Inventory Tax
 - ✓ License, Title, & Registration Fees
 - ✓ Motor Vehicle Inspection Fees

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How do I calculate the unpaid balance of a cash price?

ITEMIZATION OF AMOUNT FINANCED

1. Cash price (Optional additional description: "(including any accessories, services, and taxes)") _____(1)

2. Downpayment =
[If netting add. (if negative, enter "0" and see Line 4.A. below)]

Gross trade-in	\$ _____
- payoff by Seller	\$ _____
= net trade-in	\$ _____
<i>[If not netting add. (if negative enter "0" and see Line 4.A. below)]</i>	
+ cash	\$ _____
+ Mfrs. Rebate	\$ _____
+ other (describe) _____	\$ _____
Total downpayment	\$ _____(2)

3. Unpaid balance of cash price (1 minus 2) _____(3)

Original Cash price of Vehicle → (1)
Allowances given for trade-ins, down payments and rebates → (2)
Unpaid balance of cash price → (3)

Example of Retail Installment Contract

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