

CARS RULE COMPLIANCE

The CARS Rule

This document presents a brief overview of the requirements of the FTC CARS Rule and Mosaic's compliance solution to address these requirements.

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Combating Auto Retail Scams

The CARS Rule gives the FTC first strike capability to penalize dealers for violations of the Rule.

REQUIREMENTS

1

Prohibits misrepresentations about material information.

The CARS Rule makes it illegal for a dealer to make misrepresentations about certain topics that would affect a consumer's buying or leasing choices. Deceptive claims about price, financing, or Add-ons as examples.

2

Requires dealers to clearly disclose the offering price — the actual price anyone can pay to get the car, excluding only required government charges.

Before they visit the dealership and throughout the transaction, consumers have the right to know the drive-off-the-lot price. If a dealer mentions optional add-ons, the dealer has to tell the consumer they can say no. And if discussing a monthly payment, the dealer has to tell the consumer the total payment.

3

Makes it illegal for dealers to charge consumers for Add-ons that don't provide a benefit.

Under the CARS Rule, if the consumer won't benefit from an add-on product or service, the dealer can't charge for it.

4

Requires dealers to get consumers' express, informed consent before charging them for anything.

That means no surprise fees or hidden charges. Dealers must get a buyer's clear and informed "yes" to what they're buying and how much they're being charged.

5

Requires dealers to keep records demonstrating compliance with the Rule for two years - including records of training materials.

Scripts and training materials are important evidence of a Dealer's compliance program regarding the Rule's requirements, including of the information and instructions that dealership staff are given.

New Requirements

REQUIREMENT 1

The CARS Rule prohibits misrepresentations about material information in the following categories:

- The costs or terms of buying, financing, or leasing a vehicle
- Any costs, limitation, benefit, or any other aspect of an add-on product or service;
- Whether the terms are, or transaction is, for financing or a lease
- The availability of any rebates or discounts that are factored into the advertised price but not available to all consumers
- The availability of vehicles at an advertised price
- Whether any consumer has been or will be preapproved or guaranteed for any product, service, or term
- Any information on or about a consumer's application for financing
- When the transaction is final or binding on all parties
- Keeping cash down payments or trade-in vehicles, charging fees, or initiating legal process or any action if a transaction isn't finalized or if the consumer doesn't wish to go forward with a transaction
- Whether or when a dealer will pay off some or all of the financing or lease on a consumer's trade-in vehicles
- Whether consumer reviews or ratings

are unbiased, independent, or ordinary consumer reviews or ratings of the dealer or the dealer's products or services

- Whether the dealer or any of the dealer's personnel or products or services is or was affiliated with, endorsed or approved by, or otherwise associated with the United States government or any federal, state, or local government agency, unit, or department, including the Department of Defense or any branch of the military
- Whether consumers have won a prize or sweepstakes
- Whether, or under what circumstances, a vehicle may be moved, including across state lines or out of the country
- Whether, or under what circumstances, a vehicle may be repossessed
- Any of the disclosures required by the Rule

REQUIREMENT 2

The CARS Rule requires dealers to clearly disclose the Offering Price – the actual price any consumer can pay to get the car, excluding only required government charges.

The CARS Rule requires dealers to clearly and conspicuously disclose the following:

Offering price

- The full cash price for which the dealer will sell or finance the vehicle to any consumer. The only costs that can be excluded from

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New Requirements

the Offering Price are required government charges – for example, taxes, license and registration costs, or inspection or certification fees.

Offering Price must also be disclosed in:

- a. Any ad that references, expressly or by implication, a specific vehicle
- b. Any ad that represents, expressly or by implication, any monetary amount or financing term for any vehicle
- c. Any communication with a consumer that refers, expressly or by implication, to a specific vehicle or to any monetary amount or financing term. In its first response to a consumer, the dealer must clearly disclose the offering price. If the communication or response is in writing, the offering price must be disclosed in writing

Add-ons aren't required

- Dealers must clearly disclose that an add-on isn't required and that the consumer can buy or lease the vehicle without the add-on, if that's the case.

The total of payments for a financed or lease transaction

- Dealers must clearly disclose the total amount the consumer will pay after making all payments as scheduled

Monthly payments comparison

- If a dealer makes any express or implied comparison between payment options that

includes a discussion of a lower monthly payment, the dealer must clearly disclose that the lower monthly payment will increase the total amount the consumer will pay to buy or lease the vehicle, if that's the case.

REQUIREMENT 3

The CARS Rule makes it illegal to charge consumers for Add-ons that don't provide a benefit.

What's an Add-on?

Under the Rule it is any product or service not provided to the consumer or installed by the manufacturer that the dealer, directly or indirectly, charges the consumer for.

Examples of illegal Add-ons:

- Charges for "nitrogen-filled tires" that contain no more nitrogen that naturally exists in the air.
- Add-ons that don't provide coverage for the vehicle, the consumer, or the transaction, or are duplicative of the car's warranty coverage.
- A GAP Agreement where the consumer's vehicle or neighborhood is excluded from coverage or the loan-to-value ratio means the consumer won't benefit financially from the product or service.

New Requirements

REQUIREMENT 4

The CARS Rule requires dealers to get consumers' express, informed consent before charging them for anything.

Express, Informed Consent

An affirmative act communicating unambiguous assent to be charged, made after receiving clear and conspicuous disclosures of:

1. What the charge is for; and
2. The amount of the charge, including, if the charge is for a product or service, all fees and costs the consumer will be charged over the period of repayment with and without the product or service

Note: the consumer's consent must be in close proximity to when and where the dealer makes the clear disclosures. This information must be conveyed in writing, and *also orally for in-person transactions*.

What does NOT constitute Express, Informed Consent?

1. A signed or initialed document, by itself.
2. A prechecked box
3. An agreement obtained through any practice that has the effect of impairing consumers' autonomy, decision-making, or choice

To summarize, consumers have a right to know in advance what they'll be charged and must give an unambiguous and fully informed "yes" before the business can charge them.

REQUIREMENT 5

Requires dealers to keep records demonstrating compliance with the Rule for two years - including records of training materials. Scripts and training materials are important evidence of a Dealer's compliance program regarding the Rule's requirements, including of the information and instructions that dealership staff are given.

- Dealers should implement a CARS Rule policy, and record employees have read and acknowledged it.
- Dealers should train employees on the CARS Rule, and track successful completion of training for at least two years.

PENALTIES

What's the penalty for violating the CARS Rule?

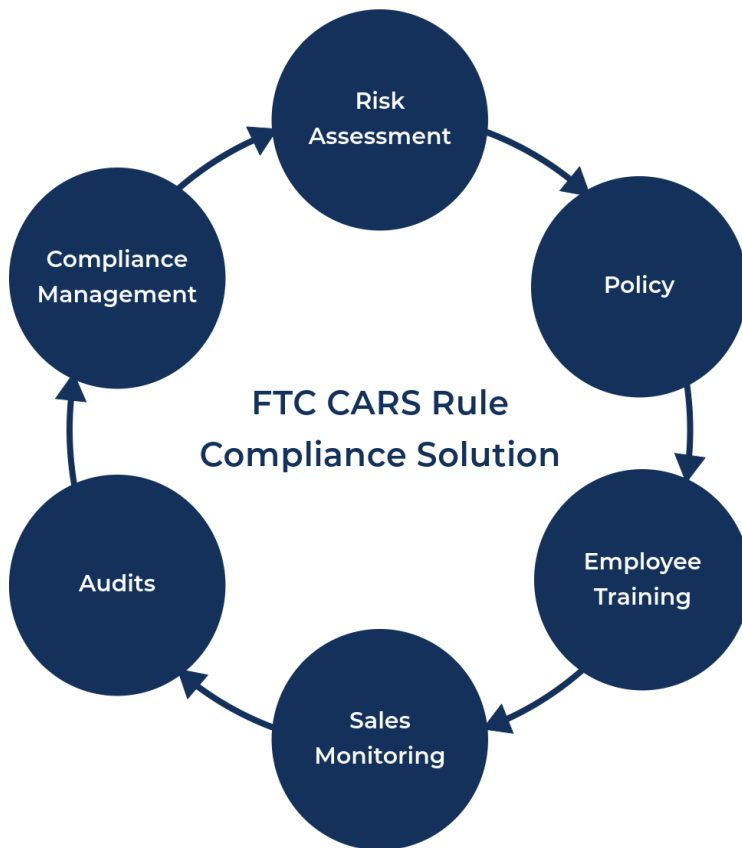
The violation of any FTC Trade Regulation Rule – including the CARS Rule – could result in provisions that will require a company to change how it does business going forward, to give money back to injured consumers, and to pay civil penalties of as much as \$50,120 per violation. Non compliance is considered a deceptive trade practice.

COMPLIANCE SERVICES

Mosaic's CARS Solution

Fully managed compliance for the CARS Rule in one place.
Let our compliance advisors help ensure your store's success.

OUR SOLUTION





Risk Assessment

Identify your CARS compliance risk and receive a guided action plan to mitigate it.



Policy

Implement a policy built by attorneys and have it digitally deployed to ensure store-wide compliance.



Employee Training

Educate your team on the CARS Rule and receive best practices on how to protect your dealership.



Sales Monitoring

Check against AI for CARS compliant communication and record mandated oral acceptance of purchases for a desired time.



Audits

Audit your website, advertisements, prices and sales paperwork for CARS compliance.



Compliance Management

Get expert guidance and support from a dedicated compliance advisor who will track and manage your CARS compliance with you.

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Contact Mosaic to learn how your dealership can achieve complete compliance with the CARS Rule.



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