

# Minnesota Automotive Advertising Standards ( July 2011)

The Better Business Bureau of Minnesota and North Dakota has promoted truth in advertising since 1912. Back then, advertising was limited to print ads. Today, the average consumer will encounter over 2,000 advertisements per day in many forms including banner ads and text messaging.

Since 1984, the BBB has worked with GMADA and MADA to create an ethical advertising environment and promote the effectiveness of self-regulation. A set of voluntary advertising standards have been developed to assist dealers and their ad agencies.

The Better Business Bureau provides valuable services to the automotive industry:

- Advertising Standards: A set of guidelines have been created to assist dealerships with their advertising.  
<http://www.bbbmnd.org/advertisingstandards.html>
- Prior to Publication Ad Review Service: Advertisements sent to the BBB before print or broadcast are reviewed for compliance of industry standards. The BBB usually works with the General Manager, owner or the dealerships ad agency representative.
- Secret Shoppings: The BBB conducts secret shoppings over the phone and on-site to make sure that the dealership's advertising is consistent with their selling practices.
- Advertising Challenges: Each month the BBB verifies 60-80 automobile advertising claims spanning all forms of media in Minnesota for adherence to the Automotive Ad Standards and applicable federal and state laws.
- Competitor complaints: The BBB will investigate advertising issues initiated from competing dealerships and will keep the competitor's name/dealership anonymous.
- Advertising Seminars: The BBB offers free advertising seminars to auto dealerships to address concerns and give instruction relating to the Automotive Advertising Standards.
- Ad Alerts and Case Reports: The BBB provides information to dealerships on emerging issues in advertising. The BBB also provides MADA and GMADA reports of our efforts on behalf of the industry.

A dealerships participation in this self-regulatory program displays their commitment to ethical advertising and selling practices. Participation in this program also serves to prevent consumer complaints about advertising and improves the overall reputation of the industry.

For further information, please contact:

Karen Thompson  
Advertising Review Manager  
(651) 695-2418 Fax: 651-699-7665  
kthompson@thefirstbbb.org

## INTRODUCTION

These standards of practice set forth certain basic principles in advertising the sale and lease of new and used automobiles and trucks. The standards apply to advertisements both in both print and electronic media.

The foundation for the standards lies in the Better Business Bureau's "Code of Advertising," the Basic Principles of which are:

- a. The primary responsibility for truthful and non-deceptive advertising rests with the advertiser. Advertisers must be prepared to substantiate any claims or offers made before publication or broadcast and, upon request, present such substantiation promptly to the advertising medium or the Better Business Bureau.
- b. Advertisements which are untrue, misleading, deceptive, fraudulent, untruthfully disparaging of competitors, or insincere offers to sell, shall not be used.
- c. Advertisements should advise customers of facts and qualities of a product that will allow a more intelligent choice.
- d. An advertisement as a whole may be misleading although every sentence separately considered is literally true. Misrepresentation may result not only from direct statements, but by omitting or obscuring material facts.

Advertisers, advertising agencies and media should also be sure that they comply with federal, state and local laws and regulations as they relate to advertising and selling practices, including licensing requirements where applicable.

The Better Business Bureau will continue to work with the Automobile Dealer Steering Committee to develop and publish additional standards as needed. The basic principles of truthful and non-deceptive advertising, as outlined in the BBB "Code of Advertising," address more general advertising issues and may be looked to by dealers for further guidance.

**1. Availability of Vehicles.** A specific vehicle advertised for sale shall be in the possession of the advertiser and willingly shown and sold, as advertised, illustrated, or described at the advertised price and terms. Or, it should be available for order, with delivery guaranteed within a reasonable period of time. If a vehicle is available only by order, this condition must be clearly and conspicuously disclosed.

If a dealer advertises a price or special terms for a new vehicle, the identical price and terms must be available on all similarly equipped new vehicles of the same make and model offered for sale by the advertiser unless otherwise clearly and conspicuously disclosed in immediate conjunction with the price or special term reference, i.e. "3 only at this price."

If a dealer advertises a new vehicle and has insufficient similarly equipped vehicles to meet reasonably anticipated demand at the advertised price and terms, the dealer must specify the number of so similarly equipped vehicles in immediate conjunction with the special advertised price or terms. For example the phrase, "3 only at this price" could be placed next to the advertised price.

A dealer may not place an ad for a new vehicle or fail to take reasonable steps to rescind placement of an ad for a new vehicle if the dealer knows or should know that the available supply of similarly equipped vehicles will be depleted by the time the ad appears.

**2. Inclusion In Price and Add-Ons.** When the price of a vehicle is advertised in a local medium, the vehicle shall be fully identified as to year, make, and model. In addition, the stated price must include all charges which the customer must pay for the vehicle including, but not limited to, "freight" or "destination charges," "dealer preparation," "dealer handling," "additional dealer profit," "additional dealer margin," and "undercoating or rustproofing" if the vehicle is already so equipped. The advertised price need not include state and local taxes, tags, registration and title fees, and a document administration fee not to exceed \$75 which reflects the cost of services actually performed by the dealer in processing title and registration documents.

If a customer must meet certain eligibility requirements (i.e. first-time buyer, military discount) to receive an advertised price, all of the essential requirements must be clearly and conspicuously disclosed in immediate conjunction with the advertised price. The disclosure must be made in a manner and sufficient detail for a reasonable consumer to determine his or her eligibility for the advertised price.

Acceptable Advertising:

2011 Pontiac Sunbird	
\$33,995	MSRP
\$5,000	Rebates to all
\$695	Military Rebate* OR AARP Discount^
\$28,300 **	To Qualified Buyers

\*Must be Active Duty Military  
^Must have current AARP Membership  
\*\* Tax, Title, License and Document Fee not included in price  
All rebates to dealer and may not be combined

Unacceptable Advertising:

2011 Pontiac Sunbird
Available for \$27,605*

\*Includes rebates. Tax, Title, License and Document Fee not included in price.  
See dealer for details.

**Finance and other Transactional Rebates and Discounts.** If an advertised price is only available to customers who agree to a secondary transaction (i.e. financing or trading a vehicle) with the dealer or a third party, the essential requirements of the secondary transaction must be clearly and conspicuously disclosed in immediate conjunction with each expression of the advertised price. If the secondary transaction is for vehicle financing, an available Annual Percentage Rate (APR) must also be clearly and conspicuously disclosed in immediate conjunction with each expression of the advertised price.

Examples of Acceptable Advertising

2015 Pontiac Sunbird

**\$24,000**

(Price includes \$1,000 finance incentive only if you finance with ABC Motors. 7% APR\*)

\*On approved credit for well qualified buyers

2015 Pontiac Sunbird

MSRP .....	\$26,000
ABC Motors Discount .....	-\$1,000
ABC Motors Finance Cash.....	-\$1,000
(only if you finance with ABC Motors. 7% APR*)	

**\$24,000**

\*On approved credit for well qualified buyers

Examples of Unacceptable Advertising

2015 Pontiac Sunbird

**\$24,000\***

\*Price includes \$1,000 finance incentive only if you finance with ABC Motors. 7% APR. On approved credit for well qualified buyers.

2015 Pontiac Sunbird

MSRP .....	\$26,000
ABC Motors Discount .....	-\$1,000
ABC Motors Finance Cash* .....	-\$1,000

**\$24,000**

\*On approved credit for well qualified buyers

**3. Minimum Trade-In Allowances.** Since the amount of trade-in allowance will vary depending on the condition, model, and age of a buyer's vehicle, no specific trade-in amount or range of amounts shall be used in advertising.

**4. Disclosure of Material Facts.** When certain types of vehicles and transactions are advertised, either in print or electronic media, this standard requires disclosure of certain material facts. Any such disclosure must be made in a clear and conspicuous manner to minimize the possibility of misunderstanding by the audience. Factors to be taken into consideration include, but are not limited to, ad layout, headlines, illustrations, type size, contrast, crawl speed and editing. Commonly known abbreviations may be used in advertising, however, those not generally known shall be avoided.

An asterisk may be used to give additional information about a word or term. However, asterisks or other reference symbols should not be used as a means of contradicting or substantially changing the meaning of any advertised statements.

- a. Used Vehicles** - Vehicles of the current and one preceding model year which are "used" shall be clearly and conspicuously identified as such in immediate conjunction with the model, model year or price designation contained in the ad. The term "rental return" is sufficient identification of used vehicle status.
- b. Branded Titles and Defects** - Any advertisement for a vehicle with salvage history, buyback history, branded title, frame damage, defective core support or faulty airbag shall clearly and conspicuously disclose the brand, history or defect in immediate conjunction with the model, model year or price designation of the advertised vehicle.

**5. Invoice or Cost Ads.** This standard recognizes that the public is entitled to believe that the terms "invoice", "cost" and similar terms mean "net cost" without qualification.

The terms "invoice", "factory invoice" or "dealer invoice" shall not be used as a reference price (such as "\$100 over invoice") unless the invoice price is the actual net cost to the dealer, or unless the amount shown relating to the reference price is the maximum total of all dealer holdback, advertising rebates, incentives, rebates or other costs not directly associated with the price of the vehicle as delivered to the dealer and the amount advertised over invoice.

The term "cost", "dealer cost", or other similar terms shall not be used as a reference price unless it reflects the actual net cost to the dealer. "Actual net cost" equals invoice cost less the maximum total of all dealer holdback, advertising rebates, incentives, rebates or other costs not directly associated with the price of the vehicle as delivered to the dealer.

Examples: \$599 Over Invoice

\$650 Over Cost

Because these prices reflect actual net cost, no further qualification is required in advertising.

## 6. Advertising Credit and Lease Terms.

### Credit Advertisements

When advertising consumer credit terms, the Annual Percentage Rate, "APR", may be stated alone without disclosing other terms of credit.

**Triggering Terms.** However, if any of these five terms are used, additional disclosures are required:

1. The amount of any finance charge
2. The amount of the down payment expressed as a percentage or dollar amount
3. The amount of any payment expressed as a percentage or dollar amount
4. The number of payments
5. The period of repayment (i.e. the total time required to repay)

**Triggered Disclosures.** If a closed-end credit ad contains a triggering term, all three of the following disclosures must be made.

1. The amount or percentage of the down payment;
2. The terms of repayment; Repayment terms can be expressed by the exact repayment schedule or in a variety of ways. As an example, a dealer who offers a loan might advertise terms: "48 monthly payments of \$25 per \$1000 borrowed."
3. The "annual percentage rate".

**For television and radio ads only,** if a triggering term is advertised, the advertiser may elect to disclose only the Annual Percentage Rate and a Toll-Free number where the consumer can call for additional credit cost information. Language must accompany the telephone number indicating that disclosures are available by calling the telephone number, such as "call 1-800-000-0000 for details about credit costs and terms."

### Lease Advertisements

**Advertising Covered.** Any message that invites, offers or announces to the public the availability of a consumer lease, whether in visual, oral or print (including electronic) media is covered. That includes:

- Messages in newspapers, magazines, leaflets, catalogs, and fliers;
- Messages on radio, television and public address systems;
- Direct mail;
- Telephone solicitations;
- Signs or displays; and
- Online information, such as the Internet.

**Clear and conspicuous disclosures.** The required disclosures in your ad must be reasonably understandable. That is, consumers must be able to see and read or hear, and understand, the information. Many factors, including the size, duration and location of the required disclosures, and the background or other information in the ad, can affect whether the information is clear and conspicuous. This requirement applies to all mandatory disclosures, including those offered through a toll-free (or collect or local) telephone number.

**Terms that trigger additional lease disclosures.**

- A statement of any capitalized cost reduction or other payment required before or at lease consummation, or by delivery if delivery takes place after consummation, or that no payment is required - or
- The amount of any payment.

**If a triggering term is used**, the ad must include these disclosures clearly and conspicuously:

- That the transaction advertised is a lease,
- The total amount due before or at consummation, or by delivery if delivery takes place after consummation,
- The number, amounts and due dates or periods of scheduled payments under the lease,
- Whether or not a security deposit is required, and
- In leases where the consumer's liability is based on the difference between the property's residual value and its realized value at the end of the lease term, that an extra charge may be imposed at the end of the lease term.

**Rules that apply to the total amount due at consummation or delivery.**

- The total amount due at consummation or delivery must be stated. If you also choose to itemize the total amount due at consummation or delivery, the total amount due at consummation or delivery must still be clear and conspicuous, that is, readable and understandable to consumers.
- Except for the periodic payment, any positive or negative reference to a charge that is part of the total amount due at consummation or delivery cannot be more prominent than the total amount due at consummation or delivery.
- If third-party fees that vary by state or locality - such as taxes, license or registration - are involved, your ad may give a total amount due at consummation or delivery including the fees based on a particular state or locality while explaining that fact and the fact that such fees vary by state or locality or, exclude the fees from the total amount due at consummation or delivery but disclose that fact. The disclosures about third-party fees also must be clear and conspicuous.

**Special options for radio and TV lease ads.** The triggering terms and required disclosures described above apply to all lease ads. But, if your radio or TV ad refers clearly and conspicuously to a toll-free (or collect or local) phone number through which consumers can obtain the required lease information, and if you follow certain procedures, you can somewhat limit the information provided in your radio or TV ad. To use this approach, your radio or TV ad still must clearly and conspicuously state:

- That the transaction advertised is a lease,
- The total amount due before or at consummation, or by delivery if delivery occurs after consummation, and
- The number, amounts, and due dates or periods of scheduled payments under the lease.

Your radio or TV ad also must clearly and conspicuously indicate that consumers can get all the required disclosures through the toll-free (or collect or local) phone number or print ad. Your radio or TV ad also must include the publication's name and date.

**Lease Interest Rate Disclosure.** Until a generally accepted standard is adopted for motor vehicle lease interest rate calculation and comparison, no advertisement to promote a motor vehicle lease may refer to lease interest, lease interest rate, lease interest factor, cost of money factor or similar terms.

Acceptable Credit Advertisement:

2011 Pontiac Sunbird for \$289 per month

\$1500 down. 36 monthly payments. 6% APR. Tax, Title, License and Document Fee not included. On Approved Credit

Acceptable Lease Advertisements:

Print Lease Ad - 2011 Pontiac Sunbird

\$1500 down. Lease for \$445 per month for 48 months. No security deposit. 15,000 annual miles. Tax, Title, License and Document Fee not included. On Approved Credit

Radio Lease Ad – Stop by Spectacular Motors! We have 30 Pontiac Sunbirds available for lease! \$1500 down and only \$445 a month for 48 months! Call 888-111-1234 for additional details about this lease offer!

**7. Rebate Offers.** The terms "rebate", "cash rebate", or similar terms may be used only when payment of money will be made by the retailer or manufacturer to a purchaser after the sale, and the advertising should make clear who is making the payment.

**8. Free Offer.** The word "free" may be used in advertising whenever the advertiser is offering an unconditional gift. If receipt of the "free" merchandise or service is conditional on a purchase:

- a. The normal price of the merchandise or service to be purchased must not have been increased nor its quantity or quality reduced. A "normal price" is not established if vehicles are usually sold at a price negotiated rather than an established regular (normal) price;
- b. The advertiser must disclose this condition clearly and conspicuously together with the "free" offer (not by placing an asterisk or symbol next to "free" and referring to the condition(s) in a footnote); and
- c. The "free" offer must be temporary; otherwise, it would become a continuous combination offer, no part of which is free.

**9. Buy-Down Interest Rates.** No buy-down interest rate may be offered if any of the costs of securing the buy-down are passed onto the customer in any way.

**10. Price Equaling.** An advertisement which expresses a policy of matching or bettering competitors' prices should fully disclose any conditions which apply and specify what evidence a consumer must present to take advantage of the offer. Such evidence should not place an unreasonable burden on the consumer such as producing a signed contract from another dealer or requiring the consumer to find a vehicle with such identical features that the possibility of doing so is highly unlikely.

**11. Origin or Prior Use of Used Vehicles.** If an ad for a used vehicle of the current and one preceding model year contains any reference to the origin or prior use of the vehicle, the ad must clearly and conspicuously disclose the specific origin or prior use (i.e. rental return, taxi cab, etc.) in immediate conjunction with the model, model year or price designation contained in the ad.

**12. Rental Return Vehicles.** Dealers shall affirmatively disclose the prior use of all vehicles of the current and one preceding model year known by the dealer to be rental return vehicles by affixing a window label immediately adjacent to the FTC Buyers Guide which clearly and conspicuously discloses the prior use of the vehicle in rental service.

**13. One Price Advertising.** "One price," "set price," "no haggle," "fixed price," "firm price," "non-negotiable price" and similar terms shall mean that the dealer will maintain the same non-negotiable prices for all customers for the same vehicles, and that such prices will not change unless a general price adjustment is made for all customers. Other advertised terms, phrases or campaigns may also lead a reasonable customer to believe that the dealership is a one price dealership.

A One Price dealer may not alter or negotiate the vehicle price offered in a particular transaction. Altering a vehicle price includes "reappraising" a trade-in vehicle, changing the terms of sale, or changing vehicle features or options where the effect is to alter the net offered price.

Example of advertising that suggests a one price dealership:

No Hagglng! No Negotiations! The only discussion is which car works best for you!
---

**14. Discount Certificates and Coupons.** Advertising may not state that a dealer accepts discount certificates or coupons not issued by a motor vehicle manufacturer as a reduction of the purchase price or as a down payment for a motor vehicle unless the selling price of the advertised vehicle is an established regular price not arrived at through a negotiation.

A discount certificate or coupon, which uses a manufacturer's rebate or other manufacturer incentive as a fulfillment, must clearly and conspicuously disclose the involvement of the manufacturer and any eligibility conditions to obtain the incentive.

**15. Advertiser Identification.** Advertisers may not use motor vehicle manufacturer names or logos on direct mail pieces or other advertisements in any fashion which falsely suggests that the manufacturer is sponsoring or specially recommending a particular sales event or dealer or that the manufacturer is conducting the mailing on behalf of the dealer.

The name and address of each dealer sponsoring a promotion must be clearly and conspicuously disclosed in the advertisement or mailing.

**16. Acquisition Sales.** No advertisement may mislead a consumer about the source or ownership of an advertised vehicle or the true nature of the advertised transaction. For example, a dealer may not advertise an "acquisition sale" or the terms "acquisition fee" or "take over payments" if the ad falsely conveys the impression that a prospective customer would assume the obligations and/or equity of a current seller or owner under an existing credit sale or lease. Since the term "acquisition fee" is associated with lease transactions, it should not be used to describe a "down payment" quoted in a credit sale advertisement.

### **17. Superlative Claims.**

**Subjective** superlative claims are expressions of opinion or personal evaluation. For example, "ABC Motors is your best choice when looking for a new car." Such opinions, statements of corporate pride and promises are considered "puffery" and not subject to test of their truth and accuracy. Subjective superlative statements, which are not misleading, are permitted.

**Objective** superlative claims are statements of fact that can be proved or disproved. For example, "ABC Motors has the largest inventory of used vehicles in Minnesota." Such claims shall not be used unless the advertiser can reasonably substantiate the claim.

Some objective claims may be impossible to reasonable substantiate. For example, "ABC Motors has the lowest prices in Minnesota." Such statements are not permitted.

### **18. Misleading Credit Availability Claims.**

Credit availability claims shall not be used unless true. For example, "ABC Motors can finance everyone – regardless of credit history" may not be used unless consumer credit will be extended to anyone regardless of the person's credit worthiness or financial ability to pay.

Misleading credit availability claims – even though literally true – are not permitted. For example, "All credit applications accepted" may be literally true, but a reasonable consumer may be misled to believe that credit will be extended regardless of their credit worthiness.

It is not permissible for an advertiser to substantiate a credit availability claim with credit offerings in unreasonable amounts or on unreasonable terms. A credit offering is not reasonably available unless the advertiser is willing to finance at least 1/3 of the purchase price of an offered vehicle.

No advertisement may contain misrepresentations, misleading statements, or create the likelihood of confusion or misunderstanding that an automobile financing offer:

- a. is only available to specified or limited number of consumers, when it is not; or
- b. is available for "THIS WEEK ONLY" or a limited time, when it is not; or
- c. is from or approved by the United States Bankruptcy Court, the State of Minnesota or any other governmental agency or unit. The use of official looking seals, emblems, photos, graphics or other symbols of government that suggest official approval or sponsorship is prohibited.