



Finance & Insurance

Best Practices for Minnesota Dealers

DEFINITIONS.

- (1) “F&I product” means an insurance, financial or service product offered for sale by a motor vehicle dealer for a separate charge in conjunction with the sale or lease of a motor vehicle including but not limited to service contracts, credit insurance, GAP protection and maintenance plans.
- (2) “Service contract” means a contract or agreement made for consideration over and above the lease or purchase price of a motor vehicle that undertakes to perform or provide repair or replacement service, or indemnification for that service, for the operational or structural failure of a motor vehicle due to defect in materials or workmanship or normal wear and tear.
- (3) “GAP protection” means a program offered through insurance or otherwise designed to reduce or eliminate a consumer’s liability in the event of total loss to a vehicle for the difference between the vehicle insurer’s loss payment and the balance owing on an installment sales contract or lease.
- (4) “Dealer” means a motor vehicle dealer licensed under Minnesota Statutes.
- (5) “Motor vehicle” or “vehicle” means a passenger automobile including pickup trucks and vans.
- (6) “Consumer” means a purchaser or lessee of a motor vehicle to be used primarily for personal, family or household purposes.
- (7) “Conditional delivery” means the delivery, sale, or lease of a vehicle to a consumer subject to approval and acceptance of the consumer for financing by a lender or lessor.

PROHIBITED PRACTICES. A dealer shall not:

- (1) add the cost of any F&I product to a consumer’s motor vehicle purchase agreement or installment sales contract without first obtaining the consumer’s express consent to purchase the product.
- (2) inform or suggest to a consumer that a F&I product is a required purchase.
- (3) inform or suggest to a consumer that purchase of a F&I product will increase the likelihood that the consumer will be approved for financing or that financing will be approved on more favorable terms to the consumer.

- (4) inform or suggest to a consumer that the price of any F&I product is included in the price of the motor vehicle.
- (5) misrepresent the scope or extent of coverage under a service contract.
- (6) make a conditional delivery of a motor vehicle if the dealer knows that the lender or lessor will not approve the consumer for financing according to the terms set forth in the installment sales or lease contract.
- (7) inform or suggest to a consumer that the sale or lease of a vehicle subject to conditional delivery is a final or completed transaction.
- (8) sell or transfer a vehicle received in trade for a vehicle subject to conditional delivery until the installment sale or lease is final and complete.

DISCLOSURE REQUIRED. Prior to a consumer's agreement to purchase a F&I product, the dealer shall clearly and conspicuously disclose in writing on a form which is acknowledged by the consumer:

- (1) The total price of each F&I product offered to the consumer. If the consumer is offered and elects to purchase a lesser-priced version of a F&I Product than the one originally offered, the lesser price shall be disclosed orally but is not required to be disclosed in writing prior to the consumer's agreement.
- (2) A statement that the purchase of F&I products is optional and will not aid in obtaining financing.
- (3) If a service contract is offered, a statement that the service contract will not cover the full cost of every repair or maintenance procedure, that certain repairs may already be covered by a standard manufacturer's warranty, and that the consumer has a right to review the service contract terms prior to purchase. If a deductible may apply to the service contract, a statement should be added that a deductible might apply.
- (4) If the dealer may collect a fee or receive a portion of the consumer's finance charge for originating financing, the following statement, "Dealer may receive a fee or a portion of the finance charge for originating the loan."

The disclosure document must be separate from the vehicle purchase agreement, installment sales contract and lease, but may include additional information and options pertaining to F&I products, vehicle financing and leasing.

SERVICE CONTRACT CANCELLATION REQUESTS. A dealer shall promptly honor all requests by a consumer to cancel a service contract in accordance with its provisions, provided that a dealer may respond to a consumer's oral request to cancel a service contract by requesting that the consumer verify the cancellation request in writing.