

Federal Privacy Act



The Gramm-Leach-Bliley Federal Privacy Act requires financial institutions to make certain privacy disclosures to their customers.

Auto dealerships are caught up in the requirements of the law when they take credit applications, obtain consumer credit reports and enter into installment sales contracts and leases of motor vehicles. What follows is a simplified summary of the law:

- Dealers must provide a written privacy disclosure to consumer credit and lease customers.
- No car dealer can totally escape the disclosure requirements.
- Only consumer transactions for personal, family or household purposes are covered.
- This is a sales department issue. Parts and service should not be affected.
- Cash customers who pay by cash or check or arrange their own financing are not affected. No disclosure is required.
- Credit card sales do not trigger the disclosure.
- If a customer fills out a credit application and the dealer submits it to one or more lenders, a privacy disclosure might be required:
 - If the dealership and customer end up making a deal, a privacy disclosure is mandatory.
 - If the dealership and customer don't make a deal, the disclosure is not mandatory if the dealership only shared the applicant's information with lending institutions that the customer specifically authorized.
- All bets are off and substantial additional disclosures and customer opt out language is required if a dealership sells customer information to outsiders for marketing purposes.
- The privacy disclosure forms available from MADA Services are based on model forms published by the Federal Trade Commission. New forms must be in use no later than January 1, 2011 and must be customized for each dealership.
- The safest procedure would be to give the disclosure to all credit applicants.
- An alternative, if all applicants specifically authorize submitting their application to each lender, is to make the disclosure when signing the customer out on a credit sale or lease.