

2013 BHPH Legislation
Understanding The New Laws For Compliance

I. The new laws-What is required?

- A BHPH dealer must provide a 30 day/1000mile written warranty to customer for **every vehicle**.
- The Buyer's Guide must reflect the covered items and the term.
- A BHPH dealer must have customer sign an acknowledgement if GPS tracking device is used.
- A BHPH dealer **may not require** the customer to make payments at the dealership.
- A BHPH dealer must display a retail valuation, as near to the Buyer's Guide as possible.

II. Am I a BHPH Dealer?

- BHPH dealer is defined as a dealer who carries 10% or more of his conditional sales contracts in-house.
- Example: January through March total sales:
100 vehicles sold
-50 cash sales
50 **conditional sales contracts**
- With this example, 4 in-house contracts are the most you can carry and **not be BHPH**.

III. BHPH Dealer Exclusions

- Dealers who are lessors of vehicles primarily two years old or newer
- Dealers who certify 100% of vehicles and employ 5 certified master technicians in a BAR licensed repair facility
- Dealers whose total notes carried in-house are less than 10% of their conditional sales contracts.

IV. Contract Assignment

- Must be assigned to an unaffiliated third party finance company within 45 days.
- In-house contracts that are paid within 30 days are not considered toward BHPH total.
- Assigned recourse contracts repurchased due to default are not part of BHPH total.

V. The Warranty Requirement

- The 30 day, 1000 mile warranty must be provided at no extra cost to the purchaser.
- See handout for itemized list of covered items.
- Buyer must be given a written warranty.
- Dealer should retain a signed copy from cust in jacket.
- As administrator, dealer must outline any special requirements of the policy, how to file a claim, where repair will be done, etc.
- Warranty required for all sales (incl cash sales)
- Dealer may choose to use a third party to implement the warranty.

VI. Acting as Warranty Administrator

- Plan to cover all possible scenarios and have that information on the Written Warranty.
- Make it clear that you will not be responsible for damage or neglect.
- Indicate how you will handle claims and repairs.
- Make sure the cust knows he has a vested interest in the vehicle.

VII. Displaying Retail Valuation

- Use any nationally published valuation source, display in window nearest Buyer's Guide
- Must show heading "REASONABLE MARKET VALUE OF THIS VEHICLE" 16 pt. bold type.
- Indicate that the reasonable market value is being provided only for comparison shopping and is not the retail sales price or the advertised price of the vehicle.

- Valuation must be current within 60 days.
- Must provide customer with copy of valuation.
- Does not influence asking price.
- BHPH valuation product will be available soon.

VIII. Justifying Pricing

- Many dealers struggle with valuations v. asking price, especially BHPH dealers.
- No additional info permitted on Valuation.
- Addn'l options, reconditioning, repairs, detail can be listed on a label **next to** the mandatory Valuation label to justify a price that may be greater than the Valuation.

IX. Who will be checking on me?

- DMV will be adding BHPH laws to the list of items they check during spot inspections.
- They will ask if you are a BHPH or not.
- You will need to perform your own audit.
- If non-BHPH, you should keep a ledger of your audits.
- Beware of trial attorneys. They prey on dealers who have had negative reviews online.

X. GPS Acknowledgement

- Buyers must acknowledge the presence of a GPS tracking device, if one is present.
- GPS suppliers should have forms, if not...
- Have customer sign Statement of Facts with disclosure "I understand that this vehicle has been equipped with a GPS tracking system" and provide copy for cust and keep copy for your records.

XI. Trade in cautions

- Remember the possibility exists that you may cancel a sale in lieu of repair.
- If you cancel a sale and have sold a trade in, you will be required to pay the customer the value on the original contract. (caution over-allowances!)
- DMV has stated that a cancelled sale will be considered a rollback.

XII. Creative Options

Typical Sub-Prime Bank financing may not always be possible (or profitable).

- Note assignment is possible with special options available thru some lenders.
- Sell portfolio within 45 days of sale.

11.040 Used Vehicle Rollback

A used vehicle rollback occurs when the buyer returns the vehicle to the dealer after it has been operated, causing fees to become due, but before the transfer application is completed.

- Rollback procedures do not apply once certificates have been issued to the first buyer, even if the vehicle is subsequently returned to the dealer.
- Rollback procedures may also be applicable if:
 - a contract must be rewritten to accommodate any changes to the original registered owner(s), **or**
 - there is a new purchaser, and the transfer application has not been completed.
- If the financing is rejected on the first contract, but is successful on the second contract, and there is no change to the registered owner(s), the vehicle can be sold with just corrections on the title.
- The *Report of Sale–Used Vehicle* (REG 51) **cannot** be voided.
 - **All** fees are due **within 30 days** of the date of sale shown on the REG 51 to avoid any late penalty or ASF.
 - The fees due may be posted in the dealer's name or the first buyer's name.
 - The dealer can also register a rollback in the first buyer's name using the dealer's address.