



BUREAU OF
CONSUMER PROTECTION

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

May 25, 1988

Mr. James Schutjer
Assistant Counsel
Minnesota Automobile Dealers Association
277 University Ave.
St. Paul, MN 55103

Re: Used Motor Vehicle Trade Regulation Rule,
16 C.F.R. Part 455.

Dear Mr. Schutjer:

This is in response to your letter of May 5, 1988, with attachments relevant to Minnesota statute §325F.662 concerning the sale of used motor vehicles. Attachment 1 to your letter is a proposed Buyers Guide that is designed to comply with the new Minnesota law.

You have requested an opinion concerning the compliance of this Buyers Guide with the FTC's Used Car Rule. Please note that the views expressed in this letter are solely those of staff. They have not been approved or adopted by the Commission or any individual Commissioner. They do, however, reflect the opinions of the staff charged with enforcement of the Used Car Rule.

The form you submitted as Attachment 1 varies in several respects from the standard form required by the Rule. However, you believe that these variances are necessary both to comply with the Minnesota law and to make the form readable for consumers. Most of these variances occur in the blank area of the Buyers Guide, which is to be used for warranty disclosures, and do not affect the overall layout or style of the Buyers Guide.

In order to meet the specificity of disclosure required by the Minnesota law and to have room to list all systems covered without enlarging the Buyers Guide, you have deleted the lines under the words "systems covered" and "duration." The absence of the lines does not appear to adversely affect the clarity of the "systems covered" disclosure, possibly because the type is large enough to read clearly and the use of bold type highlights the major components. The "duration" disclosure also appears to be sufficiently conspicuous.

To assist dealers in complying with the Minnesota law concerning disclosure of exclusions from warranty coverage, you have pre-printed on the form a "waiver" section. Such a disclosure is allowed by the Used Car Rule. The Statement of Basis and Purpose for the Rule, 49 F.R. 45692, ("SBP") notes that dealers who offer warranties on some parts of a car may wish to

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disclaim warranties on other parts. The SBP specifically states that dealers "may use the space provided for the warranty disclosures to write in such disclaimers or exclusions." Id. at 45710. Therefore, Minnesota's requirement concerning disclosure of exclusions, and your method of meeting that requirement, are compatible with the Used Car Rule.

The reverse side of the Buyers Guide form in Attachment 1 contains a line for the purchaser's signature. Although not required by the Rule, the Enforcement staff does not object to the use of a customer signature line on the back of the Buyers Guide such as the one you have included.

Other than these variances, I note that the form appears to contain two deviations from the required specifications that should be corrected. First, the boxes next to the words "As Is - No Warranty" and "Warranty" should be 54 pt boxes. Your boxes appear to be less than 40 pt. Second, the headings of the systems listed on the back of the form should be in bold type. It appears that your form does not use bold headings, although the photocopied form you sent me may not have shown this accurately.

You asked whether it would be permissible to use colored ink to print the box marks, to fill in the 100% figures, to list the systems covered, and to print the waiver language. Language used to fill in the blanks on the Buyers Guide may be printed in a colored ink. All other language must be in black ink.

I hope that this adequately responds to your questions. Please call me at 202-326-3021 if you need more information or if I may be of further assistance.

Sincerely yours,

Joyce E. Plyler
Used Car Rule Coordinator
Division of Enforcement

cc: James Jacobson
Office of Attorney General
State of Minnesota

Gary Johnson
Northland IADA

Douglas I. Greenhaus
National Automobile Dealers Association

Charlie Tupper
National Independent Auto Dealers Association



MINNESOTA AUTOMOBILE DEALERS ASSOCIATION

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GARY D. RIPPENTROP, EXECUTIVE VICE PRESIDENT

May 5, 1988

Joyce E. Plyler, Attorney
Used Car Rule Coordinator
Division of Enforcement
Bureau of Consumer Protection
Federal Trade Commission
601 Pennsylvania Avenue, N.W.
Washington D.C. 20580

Dear Joyce:

Confirming our telephone conversation, MADA seeks to obtain F.T.C. staff approval for a Buyers Guide form developed to satisfy the requirements of new Minnesota Statute §325F.662 which is effective August 1, 1988. As I indicated on the phone, our timetable has been moved up by two months. In order to have forms available in a timely fashion, we need F.T.C. approval no later than June 1, 1988. MADA is working closely with representatives of the Minnesota Attorney General's Office in an effort to smoothly implement the provisions of the new Minnesota law. I have enclosed a number of documents for your review and information:

Attachment 1 - Buyers Guide Form. This is the form for which we are seeking F.T.C. approval. We request that you approve the form as complying with 16CFR Part 455. We are not seeking review for state law compliance.

The face of the form is intended to comply in full with 16CFR Part 455.2(2). Capitalization, punctuation and wording of all items, headings and text on the form is exactly as shown in the Rule.

The only deletions are most of the rule lines located immediately below the "Systems covered" and "Duration" portion of the form. These rule lines were deleted to make the form more readable, cleaner looking, and more understandable for the consumer. As a fallback position in the event the F.T.C. fails to approve deletion of the rule lines, it will be necessary for us to fit all the language in some fashion within the lines. I firmly believe that the information would be less clear and that the rule lines would detract from the readability of the form.

The preprinted additions to the face of the form are the marks in the boxes, the 100% figure in the spaces for percentage of

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dealer participation, the list of covered components, the "waiver" disclosure and the rule lines which box off the sections. The list of covered components and a waiver disclosure are mandated by the new Minnesota law. The rule lines which box off the various sections of the disclosure - we feel - add to the readability of the form.

Even though our present intention is to print the entire Buyers Guide, including additional language, with 100% black ink, would it be permissible to print the box marks, the 100% figures, the list of systems covered and/or the waiver language with a colored ink?

With respect to the reverse of the form, it is exactly as specified in the Rule except for the addition of the customer signature line. Most of the Buyers Guide forms currently in use in Minnesota are distributed by Norick Brothers, a forms house located in Oklahoma City (See Attachment 2). These Buyers Guides contain the signature line. MADA believes that the customer signature line serves to elevate the importance of the Buyers Guide form in the used car transaction and serves the best interests of both dealers and consumers. We ask that you approve the line with a signature form on the reverse.

NOTE: The new Minnesota law will require either a 60-day warranty or a 30-day warranty depending on the mileage of the vehicle. At this point, I have had only the 60-day document typeset. We anticipate making a 30-day warranty duration Buyers Guide available in an identical format to the 60-day document for which we are seeking review.

Attachment 2. Buyers Guide Form currently widely used in Minnesota. I am enclosing this form for informational purposes only. This form will still be available and widely used on vehicles not covered by the new Minnesota Used Car Warranty law.

Attachment 3. Sample warranty document. Rough Draft Again, I enclose this document for informational purposes only. We are not seeking F.T.C. approval of this form. I enclose the form to show that there will be a warranty document (either a 60-day or a 30-day) which each customer purchasing a covered vehicle will receive.

Attachment 4. Minnesota Statutes §325F.662. This is the new law which has been enacted and signed by the Governor. It will be effective August 1, 1988.

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Joyce, I appreciate your indulgence in wading through this letter. I look forward to hearing from you early next week so we can discuss a conference call with representatives of MADA, the Minnesota Attorney General's office and appropriate staff of the F.T.C.

Sincerely,

James Schutjer
MADA Assistant Counsel

JS/pk
Enclosures

cc: D. Douglas Blanke
Minnesota Attorney General's Office

BUYERS GUIDE

IMPORTANT: Spoken promises are difficult to enforce. Ask the dealer to put all promises in writing. Keep this form.

VEHICLE MAKE _____

MODEL _____

YEAR _____

VIN NUMBER _____

DEALER STOCK NUMBER (Optional) _____

WARRANTIES FOR THIS VEHICLE:



AS IS - NO WARRANTY

YOU WILL PAY ALL COSTS FOR ANY REPAIRS. The dealer assumes no responsibility for any repairs regardless of any oral statements about the vehicle.



WARRANTY

DRAFT

- FULL **LIMITED WARRANTY.** The dealer will pay 100% of the labor and 100% of the parts for the covered systems that fail during the warranty period. Ask the dealer for a copy of the warranty document for a full explanation of warranty coverage, exclusions, and the dealer's repair obligations. Under state law, "Implied warranties" may give you even more rights.

SYSTEMS COVERED:

Engine: lubricated parts; intake manifolds; engine block; cylinder head; rotary engine housings; ring gear; **Transmission:** case; internal parts; torque converter; **Drive axle:** axle housings and internal parts; axle shafts; drive and output shafts; universal joints; **Brakes:** master cylinder; vacuum assist booster; wheel cylinders; hydraulic lines and fittings; disc brake calipers; **Steering:** gear housing and internal parts; power steering pump; valve body; piston; **Water pump;** **Externally mounted mechanical fuel pump;** **Note:** covered parts do not include the secondary drive axle on vehicles, other than passenger vans, mounted on a truck chassis.

Other systems covered _____

DURATION: 30 days or 1000 miles, whichever comes first

WAIVER:

Even though specified as covered, there is **NO WARRANTY PROTECTION** for the following defect(s) or repair problem(s):

If there are any exclusions, **YOU MUST CIRCLE THIS ENTIRE WAIVER SECTION AND SIGN BELOW:**

CUSTOMER SIGNATURE

- SERVICE CONTRACT.** A service contract is available at an extra charge on this vehicle. Ask for details as to coverage, deductible, price, and exclusions. If you buy a service contract within 90 days of the time of sale, state law "implied warranties" may give you additional rights.

PRE PURCHASE INSPECTION: ASK THE DEALER IF YOU MAY HAVE THIS VEHICLE INSPECTED BY YOUR MECHANIC EITHER ON OR OFF THE LOT.

SEE THE BACK OF THIS FORM for important additional information, including a list of some major defects that may occur in used motor vehicles.