

The Federal Trade Commission (FTC) developed these FAQs to help the automobile industry comply with the Federal Trade Commission Act. The FTC Act requires that an advertisement's net impression not be misleading to a reasonable consumer. These FAQs address various common questions and are accurate statements of the law as a general matter. But the net impression of any given advertisement always turns on the specific circumstances of that advertisement. Advertisers should consider seeking the guidance of legal counsel for situations not addressed by these FAQs. You can find information about the FTC Act and other laws at ftc.gov. Please note that this document represents the views of FTC staff and is not binding on the public or the Commission.

FAQs

1. Why is the FTC focused on price transparency?

One of the FTC's enforcement priorities is ensuring that advertised pricing is transparent and truthful. When consumers do not know the true price of any product, including cars, the consequences are felt across the marketplace. The FTC's focus on price transparency is driven by the evidence and complaints we see every day in the marketplace: when the price a consumer sees in an ad is not the price they will actually pay, the entire shopping experience breaks down. A consumer might walk onto a car lot expecting one price, only to learn after investing time, arranging transportation, or even negotiating, that the real cost is hundreds or thousands of dollars higher. That kind of surprise does not just frustrate the individual buyer; it distorts the broader market. Consumers lose the ability to comparison-shop. They cannot make informed decisions because they are evaluating prices that do not reflect reality. And legitimate dealers trying to compete honestly for consumers' business by advertising truthful, all-in prices are unfairly disadvantaged by competitors willing to advertise artificially low numbers that no customer can actually obtain. The result is a marketplace that cannot function efficiently.

That is why the FTC is committed to ensuring that the price consumers see in advertising is the actual price they will pay, aside from required government charges like taxes. That commitment flows directly from the FTC Act, which prohibits deceptive or unfair acts or practices. Although every advertisement is ultimately assessed on its specific facts, certain long-standing principles apply. These FAQs reflect staff's views and explain how the FTC Act governs pricing practices so that consumers can trust the prices they see, and legitimate businesses can compete on a level playing field.

2. What needs to be included in the advertised price, and what can be left out?

When a consumer sees a price in a car advertisement, they reasonably expect that number to reflect what they will actually have to pay when they walk onto the lot. When additional fees or charges are required by the dealer and added to the final cost but consumers discover them only after investing time, sitting through negotiations, or even preparing to sign paperwork, that's a problem. That kind of surprise not only frustrates buyers, it distorts the competitive landscape: dealers who advertise artificially low prices gain an unfair edge over those who truthfully advertise what a car really costs.

That is why the FTC Act requires that the advertised price be the *actual* price any consumer can walk in and pay. In other words, if a dealer requires a consumer to pay a fee to purchase the car, that fee must be included in the advertised price.

Dealers may exclude government-required charges, *i.e.*, amounts a Federal, State, or local government agency requires the consumer to pay directly. As explained in more detail below, everything else must be included in the advertised price. This includes dealer-required fees that governments authorize but do not mandate, and fees the government requires the *dealer* to pay but that the dealer passes onto consumers.

The goal is simple: to ensure that the advertised price reflects reality. That way, consumers can comparison-shop with confidence, and honest dealers can compete fairly on transparent, all-in pricing.

3. In what advertisements do dealers have to be transparent and truthful about pricing?

Consumers encounter car prices across a wide range of media, including dealership or third-party websites, social media, print advertisements, roadside signs, or even phone calls and text messages with a dealer's staff. Regardless of the format, every one of these touchpoints is subject to the FTC Act. Therefore, when a dealer presents a price in any one of these or similar formats, the FTC Act requires that the price be truthful and transparent. Consumers rely on all of these statements, and inaccurate or misleading information in any of these formats can cause the same consumer harm.

4. For internet ads with a price, must all webpages list the actual price?

On webpages that state any amount a consumer may pay, the actual price must be listed as the most prominent amount. Such webpages include inventory-search pages and individual-vehicle-listing pages.

5. Can the MSRP or discounts and rebates be included in ads?

Yes, as long as the actual price is the most prominently displayed amount, and consumers know what price they would need to pay to get the car. Prominence is not limited to font size. Take, for example, a dealer that lists the actual price in 16-point font in an online advertisement, and the MSRP in a smaller font. If the dealer displays the smaller-font MSRP in a place that is more likely to draw attention, the actual price isn't the most prominent amount. Likewise, displaying words like "the price you'll get" in close proximity to both the actual price and MSRP would be confusing. By contrast, a dealer could list the MSRP of a vehicle in an online advertisement if it is less prominent than the actual price. Again, whether any given ad is lawful is a fact-specific inquiry; at the end of the day, the overall ad can't be misleading. Otherwise, consumers and competition suffer.

For example, a dealer advertising a \$34,999 car can offer a \$1,000 discount for first responders in an online ad, as long as the \$34,999 price any consumer could walk in and pay is the most prominent and the terms of the discount are clear. As another example, a dealer advertising a \$39,999 vehicle can offer a \$2,000 discount for using dealer financing, as long as the \$39,999 price that any consumer would pay using any financing is listed most prominently.

6. How should document fees be disclosed?

The advertised price must include any mandatory fee, including the full document fee if the dealer requires any consumer to pay it. For example, if a dealer advertising a \$40,000 vehicle would also charge any consumer an \$85 document fee on the transaction, the advertised price must be \$40,085, and there must be no additional charges, aside from charges the government requires the consumer to pay.

Dealers sometimes discount certain fees such as document fees. For example, a dealer might quote a lower fee to one buyer while requiring a higher, mandatory fee from another. When that happens, the dealer cannot advertise a price that reflects only the lower fee. Advertising a price based on a smaller fee misleads any shopper who would actually be required to pay the higher fee. Under the FTC Act, the advertised price must reflect the full document fee that *any* consumer would be required to pay. In

other words, if some consumers will be quoted a higher mandatory doc fee, the dealer must build that higher fee into the advertised price so that every consumer can rely on the advertised number as the actual price they could walk in and pay.

7. There are also state laws on document fees. How should dealers comply with those laws and disclose the actual price accurately?

Across the country, states take a few different approaches to regulating document fees. Some, like the FTC, rely on general laws prohibiting unfair and deceptive acts or practices; some require dealers to give consumers a separate disclosure of the fee; others impose caps or require specific wording.

What the Commission expects is straightforward. The FTC Act requires that the actual price—the price that any consumer could walk in and pay—is the most prominent amount in an advertisement. In other words, the dealer must make sure the *actual price* remains the clearest and most prominent amount in the ad. Once that FTC Act requirement is satisfied, dealers are free to provide the additional disclosures that state law mandates.

State-specific document fee rules do not change the fundamental FTC Act requirement that the advertised price must reflect every dealer-required charge and must be the most prominent amount consumers see. Once dealers satisfy that obligation, they can make any additional document fee disclosures state law requires.

8. How should a processing fee be disclosed in a leasing advertisement?

The FTC Act prohibits deception, whether in sales, financing, or leasing. Processing fees due upfront in a leasing transaction must be included in any advertisement concerning the total amount due upfront. Also note that the FTC Act's requirements do not alter dealers' compliance obligations under the Consumer Leasing Act and Regulation M, the Truth in Lending Act and Regulation Z, or other federal laws.

9. How should dealers account for price negotiations and optional items when advertising prices?

Dealers and consumers can negotiate, and consumers can certainly pay less than the price advertised. Regardless, the dealer's legal obligation remains the same: any advertised price must reflect the actual price that any consumer can pay to purchase the car, whether they negotiate or not. That means a dealer cannot advertise a price around a discount or rebate only available to a subset of buyers. In other words, the advertised price cannot be based on a lower price some consumers have gotten if

another consumer who comes to the lot would be quoted more than that price. For example, a buyer who sees a car advertised for \$24,999 expects that figure to be the amount they can walk in and pay. If they arrive and are quoted \$26,499 because the dealership only offered \$24,999 to a handful of prior shoppers, the consumer has been misled.

The same principle governs optional items. Dealers can also offer additional options such as protection packages, accessories, or other goods and services as long as they do not mislead consumers. For example, dealers cannot suggest an add-on is required when it is in fact optional, imply that an installed “option” cannot be removed and that the consumer must pay for it, misstate the cost of an option, or include charges for options the consumer did not agree to. The FTC has brought lawsuits challenging such conduct and will not hesitate to do so moving forward.

10. Can dealers advertise a car that is in transit, in the dealers’ inventory but at an offsite location, or recently sold?

Many consumers shop for cars online before ever visiting a dealership and often rely on ads to decide whether a trip to the lot is worthwhile. And dealers may, at times, list vehicles that are on their way from the manufacturer, stored offsite, or available through inventory sharing. Dealers who advertise vehicles that are on their way from the manufacturer or otherwise not physically on the lot at the time the advertisement is released should ensure that the advertisement makes clear that the car is not physically on the lot. To be clear, it is not deceptive in and of itself for a car that is not physically present on the lot to be advertised for sale. The key is transparency: consumers must not be led to believe the car is available on the lot if the car is not. If a vehicle is in transit or located elsewhere, the ad must plainly state that fact.

Regarding a car that was recently sold, it depends on when the car was sold and what the ad says. As a general matter, dealers must not advertise cars that have already been paid for and delivered or otherwise aren’t available as a tactic to draw consumers to the dealership and then steer them to higher-priced options. Advertising a car that is no longer available just to draw consumers to the dealership is a deceptive tactic the FTC Act prohibits.

Regarding cars that are in transit to the dealer, it is permissible to use a representative photo to advertise the car, as outlined in FAQ 11, if the advertisement also makes clear that the car is not physically present on the lot, as discussed above. But such cars must be available for purchase after arrival, *i.e.*, the car must actually be in transit and must not be allocated to fulfilling another consumer’s paid-for order.

11. Can dealers use a representative photo of a particular vehicle in an ad?

Dealers may use a representative photo if it is truly representative of the vehicle being sold—*i.e.*, it is the same in make, model, condition, and all other material characteristics—and when a reasonable consumer would understand that the picture is illustrative rather than the exact car. This may be more common for new vehicles, where units are by and large the same and consumers may expect stock photos to stand in for the actual car. It may also be common when a car is in transit to a dealer.

Because antique or used cars are rarely identical as they often differ in condition, it is reasonable for consumers to expect the photo to show the exact car offered for sale.

12. Who is responsible for accurately disclosing price in ads—dealers, third-party advertisers, or OEMs?

In brief: everyone who has control over the advertising is responsible for making sure the ads state the actual price as the most prominent amount. Here are some tips.

Dealers should make sure the pricing information they're advertising is accurate. When working with third parties, dealers should provide the actual price and take all steps within their control to ensure that the third party discloses it as the most prominent amount. Dealers should make sure no one at the dealership provides any contradictory instructions.

Third-party advertisers should make sure this accurate price appears the most prominently when any amount is stated.

OEMs should make sure none of their policies or practices conflict with these requirements and keep in mind that everyone who has control over the advertising is responsible for making sure ads state the actual price as the most prominent amount.

13. How long do dealers have to come into compliance?

Price transparency is not a new requirement, and it has tremendous benefits for consumers and for competition. The FTC Act and Section 5's requirements have been in effect for decades. If anyone is misleading consumers about price, they are risking FTC action. The FTC will continue to monitor the marketplace to protect both consumers and competition.

14. If some dealers aren't advertising prices accurately, those who follow the law can't compete. How can the FTC help?

The FTC encourages the public to report potential violations at [ReportFraud.ftc.gov](https://reportfraud.ftc.gov) and to include details about the dealership and the violation. If you have documentation, like copies of ads or actual contracts, please note the documentation in the comments field. The FTC closely reviews submitted reports, which can play a critical role in the agency's consumer protection work.

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FTC staff take seriously the provision of guidance to the public and recognize that responses to frequently asked questions cannot cover every circumstance. Accordingly, staff welcome opportunities to consider additional questions, engage with stakeholders, and potentially provide more guidance as needed.