

Don't Get Stuck With Window Stickers

By Joe Bartolone
gvo3& Associates www.gvo3.com

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Did you ever stop and look at all the different types of window stickers applied to new and used cars? SALE, DEMO, LOW MILEAGE, ONE OWNER, RED TAG SALE, CERTIFIED PRE-OWNED, REBATE, 0% FINANCING. The list goes on and on. Aside from the marketing stickers, there are also three very important window stickers that every new and used car are required to have. For new cars this includes the Monroney sticker and Addendum sticker. Used cars take a different set of stickers, including the FTC Used Car Buyer's Guide. There are specific requirements for each of these stickers, and dealers should be aware of the risks and exposures associated with each. This is why reviewing window stickers is an integral part of a gvo3 & Associates sales and F&I compliance audit.

Monroney Sticker

The Automobile Information Disclosure Act of 1958, commonly known as the Monroney Act or Price Sticker Act, requires the affixing of a retail price sticker to the windshield or side window of new vehicles with a gross vehicular weight rating of less than 8,500 pounds. The sticker must include the manufacturer's suggested retail price (MSRP), engine and transmission specifications, standard equipment and warranty details, and optional equipment and pricing. It must also state city and highway fuel economy ratings, which is determined by the Environmental Protection Agency (EPA).

The Monroney Act also prohibits the sticker from being removed or altered prior to the sale of a vehicle. Criminal prosecution is possible for the willful removal of a label and is punishable as a Class A misdemeanor, carrying a fine of \$100,000 per violation for an individual, and \$200,000 per violation for an organization. Violators also face imprisonment of up to one year.

Generally, there aren't many issues when it comes to new vehicles, as new cars come from the factory with the Monroney sticker already affixed. All a dealer has to do is leave it on the window until the vehicle is sold. In recent years, however, dealers have started installing window tint as a dealer add-on prior to the vehicle sale. Some dealers outsource the process while others have invested in the equipment and materials to install it themselves. In either case, the Monroney sticker will have to be removed to apply the window tint, then returned once the work is completed. Well, that's how it's supposed to work.

What we've noticed in our sales and F&I compliance reviews is that there can be a breakdown in the process. By spot checking the new-car inventory, we have found Monroney stickers placed in the glove box, or lying on the front dashboard, back seat or floor. There are several reasons why this might have happened. The dealer may have hired a new porter, a new detail or set-up person that didn't realize the stickers had to be re-affixed. Sometimes, the stickers are removed on demo rides, and other times the sun may cause the adhesive to fail. Bottom line: If you're installing window tint to your new vehicles, make sure someone is checking the new-car inventory on a regular basis to ensure the Monroney stickers are properly displayed.

Addendum Window Sticker

The purpose of the Addendum Window Sticker is to disclose additional dealer-installed accessories (i.e., products installed prior to the vehicle's sale). The price of the accessories is added to the MSRP to reflect a new total price. Dealers may also use the Addendum Window Sticker to add additional markup on high-demand/short-supply vehicles. This amount is usually disclosed as "Additional Dealer Markup" or "Retail Market Adjustment."

Dealers risk coming under the scrutiny of their state attorney general's office when using the Addendum Window Sticker to add products such as paint protection, fabric protection and etc. Using these products as a discounting tool and giving the consumer the appearance that these products are not optional has been viewed as an unfair and deceptive trade practice in many states. Including additional dealer markup to every new vehicle is another risky practice.

Our recommendation is to limit additional dealer accessories to "hard adds" only, and to limit the use of additional markup to those hard-to-find specialty vehicles.

FTC Used Car Buyer's Guide

Dealers who sell more than five cars in a 12-month period must comply with the FTC's Used Car Rule, which applies in all states except Wisconsin and Maine. These two states are exempt because they have similar regulations that require dealers to post disclosures on used vehicles.

The rule states that you must post a buyer's guide before you "offer" a vehicle for sale. A vehicle is offered for sale when you display it for sale, or let a consumer inspect it for the purpose of buying it, even if the vehicle is not fully prepared for delivery.

The Buyer's Guide is a disclosure document that gives consumers important purchasing and warranty information, including:

- Whether the vehicle is being sold "as is" or with a warranty
- What percentage of the repair costs a dealer will pay under warranty
- That oral promises are difficult to enforce
- To get all promises in writing
- To keep the Buyer's Guide for reference after the sale
- The major mechanical and electrical systems on the car, as well as some of the major problems customers should be aware of before purchasing
- To ask to have the car inspected by an independent mechanic before they buy

The Buyer's Guide must be posted prominently and conspicuously on or in a vehicle when a car is available for sale. This means it must be in plain view and that both sides must be visible. If you are using an outside service to affix your used-car guides, make sure you have a process that ensures a temporary guide is placed in the vehicle prior to the arrival of the outside service, especially if they only visit the lot once or twice a week. {+PAGEBREAK+} **Warranty Information**

The buyer's guide has two versions: the "As Is–No Warranty" and the "Implied Warranties Only."

As Is–No Warranty means the dealer assumes no responsibility for any repairs, regardless of any oral statements about the vehicle. If your state allows it, and you choose not to offer a warranty — written or implied — you must use the AS IS version and check the box next to the heading "AS IS–No WARRANTY."

Implied Warranty means that the dealer does not make any specific promises to fix things that need repair when the customer purchases the vehicle, or after the sale. But state law governing "implied warranties" may give consumers some rights, and might require dealers to take care of serious problems that were not apparent when the vehicle was purchased.

If you offer the vehicle with an express warranty, you must check the box next to the heading "WARRANTY," and complete that section of the guide. Most dealers will offer a LIMITED warranty, which means the dealer must disclose the percentage of parts and labor covered by the warranty, the major components covered, and the duration of the warranty. The dealer must also explain the applicable deductible.

Balance of Factory Warranty

If you elect to disclose that the manufacturer's warranty hasn't expired, you must check the "WARRANTY-FULL" box and include the following disclosure (in its entirety) in the "systems covered" section: "MANUFACTURER'S WARRANTY STILL APPLIES. The manufacturer's original warranty has not expired on the vehicle. Consult the manufacturer's warranty booklet for details as to warranty coverage, service location, etc." Remember, using phrases such as "balance of factory warranty" are not sufficient.

Certified Pre-Owned Vehicles

A certified pre-owned used vehicle typically includes a limited factory warranty. Since the term "certified" wasn't coined when the Used Car Rule was enacted back in 1985, there is no specific reference to this type of warranty in the rule. However, the FTC guidance for a certified limited factory warranty is that you check the WARRANTY-LTD box and include the following disclosure (again, in its exact language) in the "systems covered" section: "MANUFACTURER'S WARRANTY APPLIES. Consult the manufacturer's written warranty for details as to warranty coverage, service location, etc. The dealership itself assumes no responsibility for any repairs, regardless of any oral statements about the vehicle. All warranty coverage comes from the manufacturer's warranty."

Service Contracts

If you offer a service contract for repairs, check the box next to the words "SERVICE CONTRACT." However, if your state regulates service contracts as the "business of insurance," you don't have to check this box. Again, check with your attorney general or state insurance commissioner to find out if your state regulates service contracts as insurance.

The Spanish-Translated Used Car buyer's Guide

If you conduct a used-car transaction in Spanish, you must post a Spanish language Buyer's Guide on the vehicle before you display or offer it for sale. Here's the tricky part: how do you know which vehicle your Spanish-speaking customer is going to want? The next question is: Do I

always have to have both an English and Spanish guide posted on all my used cars if I transact business in Spanish? This is the guidance we got from the

FTC on this issue:

- If you conduct used-car transactions in Spanish regularly, then you should post both an English and Spanish translation guide on all your used cars. Regularly means around five transactions per week. You should also have both guides on each used car if you are advertising “se habla espanol” and have Spanish-speaking salespeople.
- If you conduct used-car transactions in Spanish occasionally, then you should have Spanish translation guides available that you can show the customer prior to offering a vehicle for sale. Occasionally means one or two transactions per every three months.
- In both cases, make sure the Spanish translation guides you are displaying are the same as the English version of the guide on the vehicle.
- You must give the buyer the original or an exact copy of the vehicle’s Buyer’s Guide at the time of sale. If the guide you’re using includes a signature line, make sure the buyer signs the guide that reflects all final changes. We recommend you keep a copy of the signed guide on file as evidence that the customer signed the guide and that you provided them with a copy.

The penalty for not properly disclosing a Used Car Buyer’s Guide or failing to provide a buyer with the guide or an exact copy is \$11,000 per violation.

It would be impractical to try and include all of the specifics of the Buyer’s Guide or the requirements of the Magnuson-Moss Warranty Act and Warranty Disclosure Rule in this article. I would encourage you to check with your local or state dealer associations, or state attorney general’s office to get the specifics for your state. You can also download a copy of the FTC’s “A Dealer’s Guide to the Used Car Rule” at <http://www.ftc.gov/opa/1998/07/usedcars.htm>.

Make sure you have provisions for these three window stickers in your compliance program, and you won’t get stuck on window stickers.

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