

Driven

NADA MANAGEMENT SERIES

L55

A DEALER GUIDE TO

Federal Advertising Requirements



NATIONAL
AUTOMOBILE
DEALERS
ASSOCIATION

This management guide was prepared for the National Automobile Dealers Association (NADA) in 2015 to assist its dealer members in their efforts to comply with federal advertising requirements and restrictions. It does not address state and local laws that also govern dealership advertising. This guide is offered for informational purposes only and is not intended as legal advice. It is essential that dealers consult legal counsel that is knowledgeable about the full range of federal, state and local laws that govern dealership advertising concerning the legal sufficiency of their advertising practices.

The presentation of this information is not intended to encourage concerted action among competitors or any other action on the part of dealers that would in any manner fix or stabilize the price or any element of the price of any good or service.

L55

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Federal Advertising Requirements

INTRODUCTION

Advertising vehicles and other products and services is an important activity in the operation of an automobile dealership, and typically involves the dealership and media personnel, and on occasion third-party vendors.

In terms of legal compliance, dealer advertising is a very challenging activity because it is heavily regulated at the federal and state level (and sometimes even at the local level). Additionally, it is heavily scrutinized because it draws the attention of the public, including law enforcement personnel.

The purpose of this *Driven* management guide is to provide the reader with a basic understanding of the federal laws that apply to dealer advertising, including the Federal Trade Commission Act (FTC Act); the Truth in Lending Act and its implementing regulation, Regulation Z; the Consumer Leasing Act and its implementing regulation, Regulation M; and other requirements. These federal statutory guidelines provide numerous binding requirements on dealers (and others) when engaged in advertising activity.

In particular, Section 5 of the FTC Act prohibits unfair or deceptive acts or practices that affect commerce and therefore prohibits unfair or deceptive advertising in any medium, including television, radio, newspapers, magazines, signs, banners, the Internet or direct mail. The Federal Trade Commission (FTC) is the federal agency that is primarily involved in monitoring advertising activities of businesses, such as automobile dealerships, for legal compliance purposes. Under the FTC Act, the FTC is authorized to:

- ▶ Prevent unfair methods of competition
- ▶ Prevent unfair or deceptive acts or practices in or affecting commerce

- ▶ Seek monetary redress and/or relief for conduct injurious to consumers
- ▶ Prescribe trade regulation rules defining with specificity acts that are unfair or deceptive, and establish requirements designed to prevent such acts or practices
- ▶ Conduct investigations relating to the organization, business practices and management of entities engaged in commerce

Consistent with this authorization, the FTC has prepared guides (“FTC Guides”) that are designed to help advertisers avoid advertising practices that are unfair or deceptive. The FTC Guides are administrative interpretations of the federal laws and are extensively discussed in this *Driven* management guide. Unlike the federal statutory requirements outlined above, the FTC Guides are not binding on either the FTC or the public; however, the FTC has authority to take action against an advertiser regarding practices that are inconsistent with the FTC Guides. Generally, the FTC has the burden to prove the practice is unfair or deceptive. The FTC Guides do not preempt federal, state or local laws, although it should be noted that compliance with state and local laws by an advertiser does not preclude the FTC from taking action under the FTC Act.

Keep in mind that certain regulations governing advertising are issued by the Consumer Financial Protection Bureau (CFPB) with respect to certain entities that are not motor vehicle dealers and to dealer operations that are not covered by the dealer exclusion from CFPB authority that is contained in section 1029 of the Dodd-Frank Act (such as “Buy Here Pay Here” operations). The regulatory citations contained in this management guide are those issued by the FTC that govern dealers who are excluded from CFPB authority.

This *Driven* management guide does not include a discussion of advertising law as it relates to marketing via telephone, and has only limited guidance regarding advertising via text message or fax communications. Dealers are directed to the NADA management guide entitled “A Dealer Guide to Federal Telemarketing Restrictions” and other *Driven* guides for a discussion of those topics. This management guide also does not discuss advertising issues under state law relating to brokering, the use of third-party lead/referral services or contractual restrictions that may be imposed on dealers by manufacturers, vendors or other third parties.

Caution Regarding State Law. This *Driven* management guide also does not address specific individual state law requirements that apply to dealer advertising. Most states have laws that are either specifically or generally applicable to dealer advertising; statutes that prohibit unfair and deceptive acts and practices would be generally applicable, for example. In many cases, such state laws can be more prescriptive and can include far more detailed requirements or prohibitions than federal law. Dealers must take into account any state laws applicable to their advertising efforts as part of developing a comprehensive advertising law compliance strategy.

This *Driven* management guide is divided into sections designed to allow easy reference to specific topics. In addition, specific hypothetical examples of bad and good advertising are included on pages 4-17 to help illustrate the applicable federal advertising laws. These examples do not address additional state or local advertising requirements that may apply.



Example A

All Star Dealership

1234 Main Street, Hometown

2015 Typhoon 4-door Sedan V6 • Automatic • Air Conditioning



1 We will pay off your trade, no matter what you owe

2 **3** **4**
1.9% Financing for 60 Months

Offer expires 1/31/15.

- 1** This is a deceptive statement. See [Sections 36](#) and [37](#).
- 2** Finance rate must be described as annual percentage rate. See [Section 2](#).
- 3** No disclosure of material condition to financing (on approved credit). See [Section 9](#).
- 4** 60 months is Regulation Z trigger term-additional disclosures required. See [Section 29](#).

EXAMPLE



Example A

All Star Dealership

1234 Main Street, Hometown

2015 Typhoon 4-door Sedan

V6 • Automatic • Air Conditioning



1 We pay top dollar
for your trade

2
1.9% APR Financing for 60 Months

4 **3**
1.9% APR financing for 60 months on approved credit through ABC Financial Company
at \$17.48 per month per thousand financed with 10% down. Offer expires 1/31/15.

1 Statement is not misleading.
See [Section 36](#).

2 Finance rate described as
APR. See [Section 2](#).

3 Discloses financing is on
approved credit, a material
condition. See [Section 9](#).

4 60 months is Regulation Z
trigger term-additional infor-
mation disclosed. See [Section 29](#).

EXAMPLE DOES NOT INCLUDE ADDITIONAL STATE OR LOCAL ADVERTISING REQUIREMENTS THAT MAY APPLY.



Example B

All Star Dealership

1234 Main Street, Hometown

2015 Cyclone 4-door Sedan

V6 • Automatic • Air Conditioning

New Year's Sweepstakes ¹

*Buy a car in January
for a chance to win a trip to Hawaii.
See dealership for details.*



- 1** Illegal lottery. See [Section 34](#).
- 2** Deceptive representation of price; amount is after \$4,000 down payment as shown in fine print. See [Sections 11, 28](#) and [37](#).
- 3** \$4,000 down is Regulation Z trigger term-additional disclosures required. See [Section 29](#).
- 4** Deceptive statement. See [Sections 9](#) and [37](#).

2

3

*Price after \$4,000 down payment. Tax, title and license fees extra. Offer on approved credit. Offer expires 1/31/15.

EXAMPLE



Example B

All Star Dealership

1234 Main Street, Hometown

2015 Cyclone 4-door Sedan

V6 • Automatic • Air Conditioning

New Year's Sweepstakes ¹

Visit us online or in person and enter to win a trip for two to Hawaii. No purchase necessary. Must be 18 or older and enter by 1/31/15. See dealership for details and official rules.



3 to choose from ³

² \$36,000

Attractive Financing Available ⁴
(on approved credit)

³
VIN# 987654
VIN# 987653
VIN# 987652

Tax, title and license fees extra. Offer expires 1/31/15.

¹ Sweepstakes requires no purchase to enter, provides basic restrictions and indicates official rules are available for review. See [Section 34](#).

² Price is not after down payment. See [Section 28](#).

³ Good practice to disclose how many vehicles are available at advertised price (if limited number) and to identify them by last 6 of VIN number. See [Sections 28](#) and [39](#).

⁴ Statement not deceptive. See [Section 9](#).

EXAMPLE DOES NOT INCLUDE ADDITIONAL STATE OR LOCAL ADVERTISING REQUIREMENTS THAT MAY APPLY.



Example C

All Star Dealership

1234 Main Street, Hometown

2015 Ocean 4-door Sport

V6 • Automatic • Air Conditioning

5 Year / 50,000 Mile Manufacturer Warranty ¹



² Free \$50 Gas Card with purchase

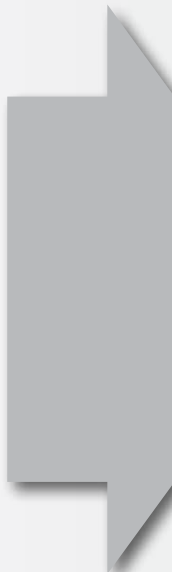
3 to choose from

Formerly ~~\$35,999~~
Now \$32,999 ³

VIN# 456123
VIN# 456124
VIN# 456125

Tax, title and license fees extra. Offer expires 1/31/15.

- ¹ Advertisement should disclose that warranty is limited and a copy is available for review. See [Section 41](#).
- ² Free gas card contingent on vehicle purchase should not be offered. See [Section 18](#).
- ³ Claim of price reduction should be made only if former price was an actual price offered to public for significant period of time. See [Section 17](#).



EXAMPLE



Example C

All Star Dealership

1234 Main Street, Hometown

2015 Ocean 4-door Sport

V6 • Automatic • Air Conditioning

5 Year / 50,000 Mile Manufacturer Warranty

See dealer for copy of limited warranty



2

Free \$10 Gas Card with any test drive

No purchase necessary. Limit one per person. Must be licensed driver, 18 years or older. Offer ends 1/31/15.

1 Advertisement discloses warranty is limited and available for inspection. See [Section 41](#).

2 Free \$10 gas card offer based on test drive, not vehicle purchase. See [Sections 18 and 20](#).

3 No claim of unsubstantiated price reduction made. See [Section 17](#).

VIN# 456123
VIN# 456124
VIN# 456125

3 to choose from

\$32,999

Tax, title and license fees extra. Offer expires 1/31/15.

EXAMPLE DOES NOT INCLUDE ADDITIONAL STATE OR LOCAL ADVERTISING REQUIREMENTS THAT MAY APPLY.



Example D

All Star Dealership

1234 Main Street, Hometown

2015 Storm 4-door Coupe

V6 • Automatic • Air Conditioning

Factory-Authorized Sale¹

² Best-in-class leg room



3 to choose from

MSRP	\$36,999
³ Dealer Discount	– \$7,000

Yours for **\$29,999**

Tax, title and license fees extra. Dealer discount includes all applicable offers. Offer expires 1/31/15.

1 Claim of “factory-authorized sale” should only be made if factory does authorize event. See [Section 31](#).

2 Claim relating to competitor vehicles should not be made without substantiation. See [Sections 8](#) and [37](#).

3 Deceptive representation if discount includes multiple manufacturer rebates (for example, college graduate, military, loyalty and conquest) that have qualifications that are unlikely to be satisfied by most buyers. See [Section 28](#).

VIN# 567890
VIN# 567891
VIN# 567892

EXAMPLE



Example D

All Star Dealership

1234 Main Street, Hometown

2015 Storm 4-door Coupe

V6 • Automatic • Air Conditioning

New Year's Sale

2 Spacious interior



1 No unsubstantiated claim of “factory-authorized sale” is made. See [Section 31](#). Note that if advertised price is not a reduction for New Year's sale, problem may exist. See [Section 17](#).

2 No unsubstantiated comparison claim. See [Sections 8](#) and [37](#).

3 Rebate is separately disclosed with any material qualifications and limitations. In this example, the \$2,000 Dealer Discount must be available to all customers. See [Section 28](#).

VIN# 567890
VIN# 567891
VIN# 567892

3 to choose from

MSRP	\$36,999
Dealer Discount	– \$2,000
Sale Price	\$34,999
3 Captive Finance Co. Rebate (requires financing through Captive Finance Co.; not all buyers will qualify)	– \$1,000

\$33,999

Tax, title and license fees extra. Offer expires 1/31/15.

EXAMPLE DOES NOT INCLUDE ADDITIONAL STATE OR LOCAL ADVERTISING REQUIREMENTS THAT MAY APPLY.



Example E

All Star Dealership

1234 Main Street, Hometown

2015 Spike 2-door Convertible

V6 • Automatic • Air Conditioning

1

Made in the USA



2
0% APR for 60 Months

1 Deceptive representation unless all or virtually all of vehicle is made in USA. See [Section 23](#).

2 Deceptive representation because fine-print disclosure limits 0% APR to up to \$11,000 financed. See [Sections 2, 7 and 37](#).

0% APR available up to \$11,000 financed on approved credit through ABC Financial Co., at \$16.67 per month per thousand financed. If more than \$11,000 financed, APR is 1.9% per month per thousand financed. Example 10% down. Offer expires 1/31/15.

EXAMPLE



Example E

All Star Dealership

1234 Main Street, Hometown

2015 Spike 2-door Convertible

V6 • Automatic • Air Conditioning

1

*Best-looking car
anywhere!*



2

0% APR for 60 Months

1 Subjective claim is “puffing.”
See [Section 37](#).

2 Advertising a “0% APR” offer
where there is a limitation on
the amount that can be financed
at 0% could be considered a
deceptive advertisement. See
[Sections 2, 7 and 37](#).

0% APR financing on approved credit through ABC Financial Co.,
at \$16.67 per month per thousand financed. Example 10% down. Offer expires 1/31/15.

EXAMPLE DOES NOT INCLUDE ADDITIONAL STATE OR LOCAL ADVERTISING REQUIREMENTS THAT MAY APPLY.



Example F

All Star Dealership

1234 Main Street, Hometown

2015 Gazelle 4-door Sedan

V6 • Automatic • Air Conditioning



VIN# 999555
VIN# 999556
VIN# 999557

3 to choose from

\$399 per month ¹

\$999 down ²

² ³

36-month lease. \$4,499 due at lease signing. Tax, title and license fees extra. Offer expires 1/31/15.

1 Monthly payment amount is Regulation M trigger term. Additional disclosures must be made in clear and conspicuous manner. See [Sections 7](#) and [22](#).

2 Down payment amount that is component of amount due at lease signing must not be advertised more prominently than \$4,499. See [Section 22](#).

3 Not disclosed that a manufacturer rebate is part of amount due at lease signing. See [Section 22](#).

EXAMPLE



Example F

All Star Dealership

1234 Main Street, Hometown

2015 Gazelle 4-door Sedan

V6 • Automatic • Air Conditioning



VIN# 999555
VIN# 999556
VIN# 999557

3 to choose from

\$399 per month

36-MONTH CLOSED-END LEASE ON APPROVED CREDIT

1 Monthly payment amount is Regulation M trigger term. Additional disclosures must be made in clear and conspicuous manner. See [Sections 7](#) and [22](#).

2 No component amount (other than monthly payment) of the total due at lease signing is shown in a more prominent manner than other components. See [Section 22](#).

3 Good practice to disclose \$1,000 manufacturer rebate is part of amount due at lease signing; See [Section 22](#).

4 Discloses lease is on approved credit, a material condition. See [Section 22](#).

2 \$5,499 due at lease signing (\$4,499 out of pocket plus \$1,000 manufacturer rebate).

1 \$0 security deposit. Tax, title and license fees extra. Offer expires 1/31/15.

EXAMPLE DOES NOT INCLUDE ADDITIONAL STATE OR LOCAL ADVERTISING REQUIREMENTS THAT MAY APPLY.



Example G

All Star Dealership

1234 Main Street, Hometown

2015 Primus 4-door Wagon

V6 • Automatic • Air Conditioning

1

Great gas mileage!



2

\$0 due at lease signing

\$0 down

\$0 security deposit

\$0 first month payment

\$425 per month

2

36-month closed-end lease on approved credit. \$2,123 due at lease signing including acquisition fee. Offer expires 1/31/15.

1 Mileage claim requires clear and conspicuous disclosure of EPA-estimated city MPG number for vehicle. See [Section 19](#).

2 Deceptive representation of \$0 due at lease signing with fine-print disclosure showing \$2,123 due at lease signing, including acquisition fee. See [Section 22](#).

EXAMPLE



Example G

All Star Dealership

1234 Main Street, Hometown

2015 Primus 4-door Wagon

V6 • Automatic • Air Conditioning



Great gas mileage!
EPA-estimated 25 MPG city ²

3 to choose from ¹

VIN# 444555 ¹
VIN# 444556
VIN# 444557

\$425 per month

³ 36-month closed-end lease on approved credit. \$2,123 due at lease signing.
\$0 security deposit. Tax, title and license fees extra. Offer expires 1/31/15.

¹ Good practice to disclose how many vehicles are available at advertised lease offer (if number is limited) and to identify them by last six of VIN number. See Sections 28 and 39.

² Mileage claim includes clear and conspicuous disclosure of EPA-estimated city MPG. See Section 19.

³ No \$0 due at lease signing representation made. See Section 22.

EXAMPLE DOES NOT INCLUDE ADDITIONAL STATE OR LOCAL ADVERTISING REQUIREMENTS THAT MAY APPLY.

SECTION 1: ADVERTISING DEFINITION**GENERAL RULE**

Under federal law, the terms “advertising” or “advertisement” basically include any message to the public, however communicated, which promotes a product or service.

**DISCUSSION**

In considering what is an “advertisement” under federal law, dealers should recognize that the term is broadly construed. The term “advertisement” is defined under Regulation Z (applicable to credit transactions) and Regulation M (applicable to lease transactions) as a “commercial message in any medium that directly or indirectly promotes” a consumer transaction.

The Federal Reserve Board Official Commentary to Regulation M interprets the term “advertisement” to include messages in visual, oral, print or electronic media that invite, offer or otherwise generally announce to customers the availability of consumer lease transactions. This definition of “advertisement” basically mirrors the official staff commentary relating to Regulation Z. Examples of advertisements include:

- ▶ “Messages in newspapers, magazines, leaflets, catalogs and fliers.
- ▶ Messages on radio, television and public address systems.
- ▶ Direct mail literature.
- ▶ Printed material on any interior or exterior sign or display, any window display, in any point-of-transaction literature or price tag that is delivered or made available to a lessee or prospective lessee in any manner whatsoever.
- ▶ Telephone solicitations.
- ▶ Online messages, such as those on the Internet.”

Examples of communications not considered advertisements include:

- ▶ “Direct personal contacts, including follow-up letters, cost estimates for individual lessees, or oral or written communication relating to the negotiation of a specific transaction.

- ▶ Informational material distributed only to businesses.
- ▶ Notices required by Federal or state law, if the law mandates the specific information be displayed and only the mandated information is included in the notice.
- ▶ News articles controlled by the news medium.
- ▶ Market research or education materials that do not solicit business.”

In the FTC’s Guides Against Bait Advertising, the term “advertising” is defined to include “any form of public notice however disseminated or utilized.” Other FTC guides refer to advertising without any limitation on the media disseminating the advertising.

It is important to note that while oral or written communications made on behalf of a dealership to an individual consumer regarding a specific credit or lease transaction may not fall within the definition of advertising under federal law, such communications may still have adverse legal consequences if they are deceptive.

State Law Comment. A number of states have laws that define terms such as “advertising” or “advertisements.”

**KEY REMINDER**

- ▶ A communication in any medium to the public offering a product or service should be considered advertising for legal compliance purposes.

**REFERENCE MATERIALS**

- ▶ Regulation Z, 12 C.F.R. § 226.2
- ▶ Regulation M, 12 C.F.R. § 213.2
- ▶ FTC Guides Against Bait Advertising, 16 C.F.R. Part 238
- ▶ Federal Reserve Board Official Commentary to § 213.2(b), Regulation M

SECTION 2: ANNUAL PERCENTAGE RATE

**GENERAL RULE**

Dealer advertising that includes a reference to a finance rate in connection with a financing offer for the purchase of a vehicle must describe the rate as an “annual percentage rate” or “APR.”

**DISCUSSION**

Dealer advertising (in any medium) that makes reference to a rate of finance charge in connection with an offer to sell a vehicle must expressly describe the rate as an “annual percentage rate.” The abbreviation “APR” may be used instead of the term “annual percentage rate.” Additionally, if the annual percentage rate may be increased after sale of the vehicle, the advertisement is required to disclose that fact clearly and conspicuously. Note that this requirement applies to the advertisement of closed-end credit, and the term “annual percentage rate” or an equivalent term should not be used in connection with the advertisement of a lease rate.

Dealers should be aware that advertising an annual percentage rate or APR alone does not trigger the disclosure of information regarding any down payment amount or the terms of the repayment as required by Regulation Z. For example, a dealer advertisement of 0% APR limited term financing on a particular vehicle does not trigger further disclosures under Regulation Z. However, Regulation Z disclosures are required if the advertisement states the 0% APR financing is for 60 months. ([See the Regulation Z Trigger Terms Section](#) for a further discussion of this topic.)

An APR should be advertised only if it is generally available to consumers. In this regard, the best practice for dealers is to avoid advertising APR offers that are too restrictive (meaning few consumers will qualify). Any material restrictions or qualifications that apply to the APR offer should be clearly and conspicuously disclosed. Examples of such disclosures include an expiration date for the offer and that it is subject

to credit approval by a specified financial institution. Disclosing that an APR offer requires a consumer to be well-qualified is a good advertising practice when a higher range of credit score or rating is required. Disclosing a particular credit score or tier-level requirement for an APR offer is another approach that may be followed, if the information is communicated in a manner meaningful to consumers. Also it is a good practice to make a disclosure to the effect that a special APR offer is made in lieu of manufacturer rebates, if that is an accurate statement. In light of the FTC enforcement action discussed below, it is critical that any limit on the amount a consumer may finance at the advertised APR be disclosed clearly and conspicuously in the advertisement.

FTC Enforcement. In January of 2014, the FTC pursued an enforcement action against a dealer in connection with a newspaper advertisement that featured 0% APR financing on certain vehicle purchases. The FTC asserted the advertisement, which prominently displayed a 0% APR at or near the top of the advertisement, was deceptive because the 0% APR was only available up to a limited amount financed (\$12,000). There are two issues with this type of offer. First, in closed-end credit, there is only one APR in a particular transaction. So, if an offer is for a 0% rate for that part of the amount financed equal to or less than \$12,000, and a higher rate applies to the part of the amount financed exceeding \$12,000, the true APR for this transaction is higher than 0% APR, and the ad is deceptive. Second, if the 0% rate only applies to transactions with amounts financed equal to or less than \$12,000, and a higher rate applies to different transactions with amounts financed that exceed \$12,000, the ad is deceptive because no new cars and very few used cars would be available for \$12,000 or less.



KEY REMINDERS

- ▶ If a finance charge rate is displayed or referred to in a dealer advertisement, it must be described as an annual percentage rate or APR.
- ▶ An annual percentage rate or APR reference in dealer advertising that does not include the specific term of financing (for example, 60 months) does not trigger the further disclosures required by Regulation Z.
- ▶ Any material restrictions or qualifications that apply to an APR offer included in dealer advertising must be clearly and conspicuously disclosed.



CROSS-REFERENCES

- ▶ [Clear and Conspicuous Disclosures Section](#)
- ▶ [Credit Advertising Section](#)



REFERENCE MATERIALS

- ▶ Truth in Lending Act, 15 U.S.C. § 1664(c)
- ▶ Regulation Z, 12 C.F.R. § 226.24(c)
- ▶ FTC Press Release dated January 9, 2014: [“FTC Announces Sweep Against 10 Auto Dealers: ‘Operation Steer Clear’ Drives Home that Auto Ads Must Be Truthful”](#)



AD EXAMPLES

- ▶ [Example A, pp. 4-5](#)
- ▶ [Example E, pp. 12-13](#)

SECTION 3: AVOIDING ADVERTISING LAW VIOLATIONS

**GENERAL RULE**

The best approach for a dealer to avoid advertising law compliance problems is to have in place an advertising review process that involves dealership upper management.

**DISCUSSION**

Because dealer advertising is an activity that is heavily regulated at the federal and state level, and potentially involves a significant number of dealership personnel, dealers should give strong consideration to developing a detailed employee policy that sets forth the advertising review process that a dealership will follow and states that certain practices, such as deceptive advertising, are not acceptable. A key component of such a policy should be that if there are questions about the content of an advertisement, upper management and legal counsel should be consulted before an advertisement is released for publication. By having employees sign this type of policy, which may be included in an employee handbook, a dealer may help deter the development and dissemination of deceptive advertising.

Other matters that dealers should consider as part of a strategy to avoid advertising law compliance problems include:

- ▶ Encouraging dealership personnel involved in advertising to pursue educational opportunities relating to advertising law compliance. Such personnel should have a familiarity with the applicable state and federal laws, including the various FTC guides that are administrative interpretations of the federal laws.
- ▶ Developing a good system for tracking information relating to manufacturer incentive programs that may be featured in dealer advertising
- ▶ Taking advantage of advertising review programs available from manufacturers
- ▶ Being prepared to quickly address any consumer dispute relating to advertising issues, including advertising mistakes

- ▶ Developing an advertising review checklist (with input from legal counsel) for use in reviewing dealer advertising in any medium. (See [Example Advertising Checklist.](#))
- ▶ Not relying on industry practices as a defense to deceptive advertising claims
- ▶ Retaining materials that support advertising claims
- ▶ Remembering that the rules apply to all advertising in whatever form or format, including digital advertising

Dealers should always be very cautious in relying on third parties, including manufacturer personnel, vendors or media representatives, for advertising law compliance purposes. The basic rule is that advertisers, including dealers, are responsible for the content of their advertising. If a dealer uses advertising (for example, mailers) created by a third-party vendor, certain protective measures should be considered. For instance, due diligence should be performed to confirm that the vendor is reputable, and the vendor may be requested to confirm in writing or provide a legal opinion that the advertising provided is in compliance with applicable state and federal laws. Additionally, a dealer may request such a vendor to agree to indemnify the dealership in writing against claims that the advertising provided is not legally compliant. Note, however, that an obligation to indemnify may have limited benefit to a dealer given the financial wherewithal of the vendor involved (consider insurance requirements for your vendors) and also because the consequence of unlawful advertising activity may include administrative sanctions (for example, a license revocation).

**KEY REMINDER**

- ▶ Consistently following a well-thought-out advertising review process involving upper management is a best practice for a dealer to prevent advertising law violations.

SECTION 4: BAIT ADVERTISING

**GENERAL RULE**

Federal law prohibits dealer advertising designed to attract a consumer to purchase a vehicle (or other product or service) that the dealer does not have, or does not really want or intend to sell (“bait” advertising). This prohibition applies to advertising where a dealer’s true intention is to switch the consumer into purchasing a different vehicle.

**DISCUSSION**

Dealer advertising that does not represent a bona fide effort to sell the advertised product is deceptive and prohibited by Section 5 of the FTC Act. Consumers therefore should not be discouraged from purchasing advertised vehicles or services, and there should be no efforts made to “unsell” a consumer who has committed to purchasing an advertised product. However, this prohibition against “unselling” should be reasonably applied. Good-faith efforts by dealership personnel to persuade a consumer to purchase a different vehicle better suited for the consumer’s stated needs after the consumer had originally decided to purchase an advertised vehicle, should not constitute unlawful “unselling” conduct.

Given the deceptive nature of “bait” advertising, the FTC has developed its “Guides Against Bait Advertising” to assist advertisers, including dealers, in avoiding unlawful advertising practices. These FTC guides define the term “advertising” to include “any form of public notice however disseminated or utilized.” The term “bait advertising” is defined to mean:

“an alluring but insincere offer to sell a product or service which the advertiser in truth does not intend or want to sell. Its purpose is to switch consumers from buying the advertised merchandise, in order to sell something else, usually at a higher price or on a basis more advantageous to the advertiser. The primary aim of a bait advertisement is to ob-

tain leads as to persons interested in buying merchandise of the type so advertised.”

The FTC Guides Against Bait Advertising direct that:

- ▶ An advertisement to sell a product should not be published unless it is a bona fide effort to sell that product.
- ▶ No statement or illustration should be used in an advertisement to create a false impression of the nature of the product, including its appearance, quality or value, in a manner that puts the purchaser in a position to be switched from the advertised product to another.

Note that it is the FTC’s position that a subsequent disclosure of the true facts regarding the product involved or the actual sale of the advertised product does not necessarily cure the unlawful conduct if the first contact from a consumer is obtained by this type of bait advertising.

The bona fide nature of an advertised offer is questioned by the FTC when an advertiser engages in the following conduct:

- ▶ A refusal to show, demonstrate or sell a product consistent with the terms of the advertised offer
- ▶ The disparagement of the advertised product by acts or words (including the disparagement of credit terms or available service, repairs or parts that relate to the product)
- ▶ The failure to provide a sufficient quantity of the advertised product to meet the reasonably expected demand, combined with a failure to disclose that the supply is limited. In this regard, the best practice for dealers is to avoid advertising one or two vehicles (so called “loss leaders”) at a low price when the supply of the featured vehicle is actually not limited.

- ▶ A refusal to take orders for the advertised product (with delivery to be within a reasonable time period)
- ▶ Showing or demonstrating that a product is defective, unusable, or impractical for the advertised purpose represented or implied
- ▶ Compensating salespersons (or otherwise penalizing them) in a manner designed to prevent or discourage the sale of the advertised product

Similarly, an advertiser should not engage in conduct after the sale that may be construed as “unselling” a product. Examples of such conduct include:

- ▶ Switching a purchaser to a product with a higher price, after receiving a deposit on an advertised product
- ▶ Failing to deliver an advertised product or to make a refund within a reasonable time period
- ▶ Disparaging an advertised product by words or acts or disparaging credit terms, availability of service or repairs pertaining to the product
- ▶ Delivering an advertised product that is defective, unusable or impractical for the advertised purpose represented or implied

State Law Comment. Note that a number of states have laws that prohibit dealers from engaging in “bait” or “bait and switch” advertising.



KEY REMINDER

- ▶ Dealers should not advertise vehicles or other products or services without a bona fide intention to sell them.



CROSS-REFERENCES

- ▶ [Truth in Advertising Section](#)
- ▶ [Price Advertising Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Guides Against Bait Advertising, 16 C.F.R. Part 238

SECTION 5: BANNERS, BILLBOARDS AND SIGNS**GENERAL RULE**

Dealer advertising communicated on banners, billboards or signs is subject to federal advertising laws, including the prohibition against deceptive advertising, and the applicable disclosure requirements of Regulation Z regarding credit offers and Regulation M regarding lease offers.

**DISCUSSION**

Information promoting products or services that is displayed by dealers on banners, billboards (even electronic reader boards) or signs (including painted messages on showroom windows) would be a communication to the public, which clearly falls under the federal legal definition of advertising and therefore must comply with the applicable advertising laws. Dealers must be aware that such banner, billboard or sign advertising is not exempt from the federal advertising laws, even though the advertising involved is typically a static display of a very simple message. As with all dealer advertising, messages displayed on banners, billboards and signs should be communicated in a manner that is truthful and not misleading. For legal compliance purposes, dealers should ensure that any banner, billboard or sign displaying advertising that includes an expired offer or is otherwise no longer accurate is changed or removed as soon as possible.

There is no exemption regarding the disclosure requirements of Regulation Z or Regulation M for advertising communicated on a banner, billboard or sign. If such advertising includes a credit term or lease payment relating to a vehicle that triggers Regulation Z or Regulation M disclosures, the required disclosures must be made clearly and conspicuously, so that the information is communicated in a manner understandable to a consumer. (See the [Regulation Z Trigger Terms Section](#), the [Leasing / Regulation M Trigger Terms Section](#) and also the [Clear and Conspicuous Disclosures Section](#) for a further discussion of these topics.)

**KEY REMINDERS**

- ▶ Dealer advertising communicated on banners, billboards or signs is subject to federal advertising laws, including the prohibition against deceptive advertising.
- ▶ Dealer advertising on banners, billboards or signs that include Regulation Z or Regulation M “trigger terms” is not exempt from the applicable disclosure requirements.

**CROSS-REFERENCES**

- ▶ [Advertising Definition Section](#)
- ▶ [Truth in Advertising Section](#)
- ▶ [Regulation Z Trigger Terms Section](#)
- ▶ [Leasing / Regulation M Trigger Terms Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ Regulation Z, 12 C.F.R. § 226. 24(b) and (d)
- ▶ Regulation M, 12 C.F.R. § 213.7(b) and (d)

SECTION 6: CERTIFIED PRE-OWNED VEHICLES

**GENERAL RULE**

Dealer advertising relating to certified pre-owned vehicles is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Dealer advertising (in any medium) that describes vehicles as “certified pre-owned,” “used certified” or words to that effect must be truthful and not misleading. Certainly, a vehicle should not be described as certified pre-owned unless the vehicle has been inspected and satisfies all of the requirements of an applicable certification program. Dealer advertising that describes vehicles as “certified” under a non-manufacturer certified used-vehicle program should be carefully scrutinized to confirm that the advertising does not somehow imply the vehicles are certified under a manufacturer’s program.

State Law Comment. Several states have laws that specifically address dealer advertising that describes vehicles as certified. One state law prohibits a vehicle from being advertised as “certified” if the vehicle has a previous history of a certain type, such as frame damage or an altered odometer.

**KEY REMINDER**

- ▶ Phrases describing vehicles as “certified pre-owned” or “certified used” should only be used in dealer advertising in a manner that is accurate and not misleading.

**CROSS-REFERENCES**

- ▶ [Vehicle History Section](#)
- ▶ [Truth in Advertising Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45

SECTION 7: CLEAR AND CONSPICUOUS DISCLOSURES

**GENERAL RULE**

Federal law requires dealer advertising to disclose important information to consumers in a clear and conspicuous manner that makes the information reasonably understandable.

**DISCUSSION**

Federal law requires that dealer advertising in any medium be truthful and accurate, and not misleading. To not be misleading, such advertising must often disclose information that is important (“material”) to a reasonable consumer’s buying or leasing decisions. When reviewing an advertisement, the FTC looks at the entire advertisement and considers the “net impression” of the advertisement, and not just portions of the advertisement standing alone. When certain “trigger terms” are used in advertisements, Regulation Z and Regulation M also require the disclosure of certain information important to consumers’ understanding and evaluation of the advertised vehicle credit sale or lease offers. (See the [Regulation Z Trigger Terms Section](#) and the [Leasing / Regulation M Trigger Terms Section](#) for a discussion of these requirements.) To make this important information reasonably understandable to a consumer, federal law requires such disclosures to be made in a “clear and conspicuous” manner. Compliance with this disclosure standard is a challenge for all advertisers, including dealers, because there are no federally prescribed requirements or guidelines that address issues such as font, type size or placement. In its publication entitled “[Advertising Consumer Leases](#),” the FTC advises advertisers that “many factors, including the size, duration, and location of the required disclosures, and the background or other information in the ad, can affect whether the information is clear and conspicuous.” Certainly important information should be communicated using understandable language and syntax. As a practical matter, the more important the information is to a consumer (for example, price information) the more the disclosure should be emphasized so as to attract the attention of a consumer. Regardless of the adver-

tising medium involved, a consumer should be able to see and read this important information or hear and understand it.

Several FTC publications, including one entitled “[.com Disclosures: How to Make Effective Disclosures in Digital Advertising](#),” provide guidance for dealers regarding how to comply with the prominence, presentation, placement and proximity requirements of the clear and conspicuous standard as it applies to different forms of advertising. Recent FTC consent orders entered into with dealers relating to deceptive advertising enforcement actions also are informative on this standard as they define the phrase “clearly and conspicuously.” The basic compliance approach provided by the FTC for each advertising medium is summarized as follows:

Print Advertising. To be clear and conspicuous, print disclosures should be in a location and in print that contrasts with the background against which they appear, and in a type size sufficient for an ordinary consumer to notice, read and comprehend. Including such disclosures in fine print at the bottom of an advertisement (a significant distance from the offers being qualified) should be avoided.

Television/Video Advertising. To be clear and conspicuous, audio disclosures should be delivered at a volume and cadence sufficient for an ordinary consumer to hear and comprehend them. Video disclosures should be of a print size and color, and appear on the screen in a position and for a duration sufficient for an ordinary consumer to read and comprehend them. Making such disclosures in fine print or on a moving background should be avoided.

Radio Advertising. To be clear and conspicuous, radio disclosures should be delivered at a volume and cadence sufficient for an ordinary consumer to hear and comprehend them. The rapid reading of information in a manner that is difficult to understand should be avoided.

Internet / Electronic Advertising. To be clear and conspicuous in the context of Internet or other electronic advertising, audio disclosures should be delivered at a volume and cadence sufficient for an ordinary consumer to hear and comprehend them. Video disclosures should be of a print size and color, and appear on the screen in a position and for a duration sufficient for an ordinary consumer to read and comprehend them. Consumer tendencies in viewing information on a monitor or other screen should be taken into account in designing this kind of advertising. In the previously mentioned “.com Disclosures” publication, the FTC provides numerous examples that illustrate *inadequate* methods of making disclosures. Initially, the FTC points out that dealers should include any material restrictions and conditions with the actual claim or offer, rather than including such information in a separate disclosure. To the extent an Internet advertiser elects to make separate disclosures, the FTC raises the following key points to be considered for compliance purposes:

- ▶ “the placement of a disclosure in the advertisement and its proximity to the claim it is qualifying;
- ▶ the prominence of the disclosure;
- ▶ whether the disclosure is unavoidable;
- ▶ the extent to which items in other parts of the advertising might distract attention from the disclosure;
- ▶ whether the disclosure needs to be repeated several times in order to be effectively communicated, or because consumers may enter the site at different locations or travel through the site on paths that cause them to miss the disclosure;
- ▶ whether the disclosures in audio messages are presented in adequate volume and cadence and visual disclosures appear for a sufficient duration; and
- ▶ whether the language of the disclosure is understandable to the intended audience.”

The FTC’s position is that disclosures such as cost information, that are “an integral part of a claim or inseparable from it should not be communicated through a hyperlink.” If a hyperlink approach is utilized to make other disclosures, the FTC gives the following direction:

- ▶ The hyperlink should be obvious.
- ▶ The hyperlink should be labeled in a manner that is appropriate to communicate the “importance, nature and relevance” of the information linked to.
- ▶ If multiple hyperlinks are used, they should be used in a consistent manner so as to not confuse a consumer.
- ▶ Any hyperlink used should be placed as near as possible to the claim or offer being qualified.
- ▶ Hyperlinks should take consumers directly to disclosure information on the click-through page.
- ▶ Click-through rates on hyperlinks should be assessed to determine their effectiveness and changes made to improve the effectiveness.

The FTC further takes the position that “scrolling” is not a preferred manner of having consumers find disclosures. In other words, the disclosures should appear on the screen at the same time as the trigger term and the customer should not have to move through the screen to see the disclosures. If a scrolling approach is utilized, the FTC directs that text or visual cues should be used to encourage consumers to locate and view the disclosures. The FTC does not deem it acceptable to place the required disclosures in a “terms of use” or other separate section of a website.

Foreign Language Advertising. The FTC guidance relating to making disclosures in foreign language advertising is that disclosures should be made in the same language as the language used to communicate any offers to the consumers being targeted by the advertisement. (See the [Foreign Language Advertising Section](#) for a further discussion of this topic.)

State Law Comment. Many states have laws that regulate how important information is disclosed in dealer advertising, including requiring such disclosures to be clear and conspicuous. In some instances, state laws have technical disclosure requirements involving specific type sizes for print advertising and even scanline sizes for television supers.

FTC Enforcement. On numerous occasions, the FTC has pursued enforcement actions against dealers based upon advertising asserted to be misleading because it failed to disclose important information in a clear and conspicuous manner. For example, in 2014, several dealers targeted by the FTC in “Operation Steer Clear” were alleged to have violated Regulation Z and Regulation M by not making the required disclosures or failing to make them clearly and conspicuously.



KEY REMINDERS

- ▶ The disclosure of important information in any advertising medium must be accomplished in a manner that attracts the attention of a consumer and reasonably allows the consumer to see and read the information or hear and understand it.
- ▶ Making disclosures clear and conspicuous is one of the keys to ensuring advertising compliance, and failure to make an advertisement clear and conspicuous is one of the primary areas of enforcement against dealers. While it can sometimes be difficult to establish with certainty that a disclosure is clear and conspicuous, dealers are encouraged to use common sense when deciding whether an advertising disclosure meets the standard and to take a conservative approach to disclosing required information in advertisements.



CROSS-REFERENCES

- ▶ [Foreign Language Advertising Section](#)
- ▶ [Internet Advertising Section](#)
- ▶ [Newspapers, Magazines, Flyers and Direct Mail Section](#)
- ▶ [Regulation Z Trigger Terms Section](#)
- ▶ [Leasing / Regulation M Trigger Terms Section](#)



REFERENCE MATERIALS

- ▶ Regulation Z, 12 C.F.R. § 226.24(b)
- ▶ Regulation M, 12 C.F.R. § 213.7(b)
- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Press Release dated January 9, 2014: [“FTC Announces Sweep Against 10 Auto Dealers: ‘Operation Steer Clear’ Drives Home that Auto Ads Must Be Truthful”](#)
- ▶ FTC Publication: [“Advertising Consumer Leases”](#)
- ▶ FTC Publication: [“.com Disclosures: How to Make Effective Disclosures in Digital Advertising”](#)



AD EXAMPLES

- ▶ [Example E, pp. 12-13](#)
- ▶ [Example F, pp. 14-15](#)
- ▶ [Example G, pp. 16-17](#)

SECTION 8: COMPARISON ADVERTISING

**GENERAL RULE**

Dealer advertising that includes claims based upon a comparison of vehicles or other products or services is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Dealer advertising that includes claims based upon a comparison of vehicles or other products or services must be truthful and not misleading. The FTC defines “comparative advertising” to mean “advertising that compares alternative brands on objectively measurable attributes or price, and identifies the alternative brand by name, illustration or other distinctive information.” Such advertising is considered by the FTC to be beneficial to consumers as it provides important information to be considered regarding purchase decisions. Examples of this type of comparison advertising include representations that a certain vehicle has “best-in-class fuel economy” or “a higher safety rating” than a competitor’s vehicle. Such advertising may also involve vehicle price comparisons (underselling claims). (See the [Former Price Comparisons / MSRP / Invoice Advertising Section](#) for a further discussion of this topic.)

For legal compliance purposes, the key concern regarding comparison advertising is that there is reasonable substantiation for any comparative claim. Dealers may advertise such claims based on information they receive from other sources, such as a vehicle manufacturer. However, before advertising such a claim, dealers should confirm there is substantiation for it, because ultimately dealers are responsible for the content of their advertising. Certainly, it is prudent for dealers to review the status of such comparison claims to make sure they continue to be accurate and to withdraw any advertising that contains such a claim as soon as the claim becomes outdated or otherwise inaccurate (for example, after a model year change).

State Law Comment. Most states have laws that generally prohibit false or misleading advertising, including such advertising that relates to product comparisons.

**KEY REMINDER**

- ▶ Dealers should have reasonable substantiation for any claims contained in their advertising based upon a comparison of vehicles or other products or services, and dealers should not rely solely on information received from third parties.

**CROSS-REFERENCES**

- ▶ [Truth in Advertising Section](#)
- ▶ [Former Price Comparisons / MSRP / Invoice Advertising Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Statement of Policy Regarding Comparative Advertising: August 13, 1979
- ▶ FTC Policy Statement Regarding Advertising Substantiation Appended to Thompson Medical Co., 104 F.T.C. 648, 839 (1984)

**AD EXAMPLES**

- ▶ [Example D, pp. 10-11](#)

SECTION 9: CREDIT ADVERTISING

**GENERAL RULE**

Dealer advertising (in any medium) that includes credit offers must comply with federal law that prohibits deceptive advertising and requires the disclosure of additional information about the credit offer under Regulation Z when any of several so-called “trigger terms” are advertised.

**DISCUSSION**

Dealer advertising that includes credit offers relating to the sale of vehicles must be true and not misleading and also must disclose additional information about the offer as required by Regulation Z. The applicable federal laws are designed to ensure consumers are provided accurate, complete and understandable information regarding an advertised credit offer. Credit offers relating to vehicle sales typically contemplate a one-time transaction described as closed-end credit (as opposed to open-end credit that typically involves a credit line that a consumer may access multiple times). Credit terms that are advertised include, for example, the finance rate (which must be stated as an annual percentage rate or APR), the down payment (percentage or dollar amount), financing term (such as 60 months or 5 years), and payment amount (including any balloon payment). Dealers should advertise credit terms only if they are actually available. Dealers should also not charge a consumer making a purchase on advertised credit terms a higher price for a vehicle than a consumer paying cash; this practice in effect results in a hidden finance charge for the consumer and is in violation of the federal Truth in Lending Act.

State Law Comment. Several states have specific laws that prohibit a dealer from requiring a consumer to pay a higher price for a vehicle in order to receive advertised credit terms than the same consumer would have to pay to purchase the same vehicle for cash.

If dealers advertise certain credit terms, the requirement to disclose additional information about the credit offer under Regulation Z is triggered. For example, advertising a monthly payment or down payment amount or even the financing term (for example, 36 months) triggers the requirement to disclose the repayment terms, the annual percentage rate and the down payment amount that applies to the offer. (See the [Regulation Z Trigger Terms Section](#) for a further discussion of this topic.)

Because of the importance of credit terms in connection with a consumer’s decision to purchase a vehicle, any material terms, limitations and conditions relating to an advertised credit offer should be disclosed in a clear and conspicuous manner that makes them reasonably understandable. The more important such a term, limitation or condition is to a consumer, the more emphasis should be given to disclosing the relevant information clearly and conspicuously in the advertisement. Examples of such terms, limitations and conditions include the expiration date of the credit offer, that it is subject to credit approval and any limit to the amount that may be financed. An adequate disclosure of any financing amount limitation is especially important, given the FTC enforcement action in this area. Certainly any disclosure of repayment terms should clearly and conspicuously disclose whether an advertised payment amount is due on a monthly, bi-monthly or weekly (or other time period) basis. Identifying a lender involved in the credit approval process and that the credit offer is available to well-qualified buyers (when that is applicable) is a good practice.

State Law Comment. Note that some states have specific laws that regulate how dealers may advertise credit terms. For example, at least one state law prohibits the phrase “on approved credit” from being abbreviated as “OAC.”

Dealer advertising that focuses on the credit status of consumers must not be deceptive. Including phrases such as “everybody financed” or “no credit rejected” in dealer advertising should be avoided. Representations in dealer advertising, either implied or expressed, that a dealership provides some sort of credit repair service to a consumer should also be avoided, unless the advertising has been approved by legal counsel taking into account the federal Credit Repair Organization Act that regulates credit repair organizations.

State Law Comment. A number of states have laws that specifically prohibit dealers from using phrases such as “everybody financed” or “no credit rejected” in their advertising.

FTC Enforcement. The FTC has pursued enforcement actions against numerous dealers relating to advertised credit terms. For example, in January of 2014, FTC enforcement actions were brought against two dealers on the basis that certain advertising that featured low monthly payments in connection with vehicle purchases was deceptive. The FTC asserted that these advertisements failed to disclose (or the disclosure was not clear and conspicuous) key information relating to the low monthly payment offers. In one instance, the low monthly payments being advertised were available only for the first few months of the financing term and in the other instance they were available because there was a balloon payment of a significant amount due later. Another FTC enforcement action focused on an advertisement that represented that consumers could drive home a vehicle for a low monthly payment, but did not clearly and conspicuously disclose that the offer was actually a lease.



KEY REMINDERS

- ▶ Credit terms must be advertised in a manner that is truthful and not misleading.
- ▶ Credit terms should be advertised only if they are actually available.
- ▶ Any material terms and conditions that apply to an advertised credit offer should be clearly and conspicuously disclosed.
- ▶ If a dealer advertisement includes a Regulation Z “trigger term,” the required disclosures of the repayment terms, APR and down payment amount that apply to the credit offer must be made in a manner that is clear and conspicuous.



CROSS-REFERENCES

- ▶ [Annual Percentage Rate Section](#)
- ▶ [Down Payments for Sales Section](#)
- ▶ [Regulation Z Trigger Terms Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ Regulation Z, 12 C.F.R. § 226.24
- ▶ Truth in Lending Act, 15 U.S.C. § 1664
- ▶ Credit Repair Organization Act, 15 U.S.C. §§ 1679-1679j



AD EXAMPLES

- ▶ [Example A, pp. 4-5](#)
- ▶ [Example B, pp. 6-7](#)

SECTION 10: DEALER ADVERTISING ASSOCIATIONS

**GENERAL RULE**

Advertising by dealer associations is subject to the same federal advertising laws that apply to individual dealer advertising, including the law prohibiting deceptive advertising.

**DISCUSSION**

Dealers often participate in advertising associations that are formed for the purpose of promoting the vehicles of the particular franchise that the dealers operate. Just as with individual dealer advertising, the content of dealer association advertising in any medium must be truthful and not misleading and comply with all other federal advertising laws, including the applicable disclosure requirements of Regulation Z regarding credit term offers and Regulation M regarding lease offers. To the extent dealer association advertising features manufacturer rebates or special APR programs, the information about those programs must be accurately disclosed. Any important qualifications and restrictions (for example, offer expiration dates or residency requirements) that apply to these programs or other offers included in the advertising should be clearly and conspicuously disclosed.

Caution Regarding Price Fixing. Because federal law prohibits competing businesses such as dealers from engaging in price fixing, dealer association advertising should avoid price offers for vehicles or other products or services. (In addition, any association agreements should not limit the ability of association members to compete against one another.) Subject to review by legal counsel, a reference to the manufacturer's suggested retail price of a vehicle for informational purposes with a disclaimer to the effect that "dealer prices vary" is a message that dealer advertising associations could advertise.

**KEY REMINDERS**

- ▶ Dealer association advertising is subject to the same federal advertising laws that apply to individual dealer advertising.
- ▶ Dealers involved in dealer association advertising should be careful to not engage in any conduct that could be construed as price fixing.

**CROSS-REFERENCES**

- ▶ [Truth in Advertising Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)
- ▶ [Regulation Z Trigger Terms Section](#)
- ▶ [Leasing / Regulation M Trigger Terms Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ Section 1 of the Sherman Anti-Trust Act, 15 U.S.C. § 1

SECTION 11: DOWN PAYMENTS FOR SALES

**GENERAL RULE**

Dealer advertising that communicates a down payment amount in connection with a proposed vehicle sale is subject to federal law prohibiting deceptive advertising and Regulation Z, which requires the disclosure of the terms of repayment and APR that apply to the transaction.

**DISCUSSION**

Federal law that applies to advertising a down payment is designed to ensure that consumers are provided full, accurate and understandable information about credit offers. Dealer advertising that includes a down payment amount in connection with a vehicle sale therefore must be truthful and not misleading. Basically, the advertised down payment amount should be the amount a qualified consumer will actually need to pay upfront to purchase the vehicle being advertised. Dealers must also recognize that advertising a down payment amount in any medium triggers the requirement under Regulation Z to disclose the terms of repayment and APR that apply to the vehicle purchase. (See the [Regulation Z Trigger Terms Section](#) for a further discussion of this topic.) Note that advertising there is no down payment does not trigger the disclosure requirements of Regulation Z, although such an offer should not be advertised if any payment or trade-in equity is actually required of a consumer at the time of purchase. The FTC has frequently acted to protect consumers against misleading representations of zero down in connection with both vehicle purchase and lease offers.

To avoid a claim of deceptive advertising, any material conditions and restrictions that apply to an advertised down payment offer, such as an expiration date or that it is subject to credit approval, should be clearly and conspicuously disclosed. (See the [Credit Advertising Section](#) for a further discussion of this topic.)

State Law Comment. A number of states have laws that specifically apply to down payment advertising by dealers. For example, at least one state law prohibits dealers from advertising \$0 down in connection with the purchase of a vehicle, unless the vehicle will be sold to a qualified buyer without a prior payment of any kind or trade-in. Another state law prohibits a dealer from advertising a down payment amount in connection with the purchase of a vehicle unless that amount is the total amount required of the buyer; tax and license may not be collected upfront in addition to the down payment amount under this law.

FTC Enforcement. The FTC has pursued a number of enforcement actions against dealers relating to advertising practices involving down payments. In December of 1999, the FTC took action against six dealers for a variety of claims based upon down payment advertising that either omitted key cost information or buried it in the fine print. In one advertisement, a lease offer was featured with \$0 down when actually additional fees of a significant nature were due at signing. Another advertisement that featured a “Double your down payment” offer was alleged to be misleading because it was not applicable to the vehicles featured in the advertisement. In January of 2014, the FTC initiated enforcement action against 10 dealers on the basis of deceptive advertising practices. One of the dealers targeted had advertised low purchase prices for vehicles, but failed to adequately disclose (the information was buried in the fine print at the bottom of the advertisement) that the purchase prices were after a \$5,000 down payment.

**KEY REMINDERS**

- ▶ Dealer advertising that features a down payment amount must be truthful and not misleading.
- ▶ Dealer advertising that features a down payment amount (other than zero) for a vehicle sale triggers the Regulation Z requirement to disclose information about the applicable repayment terms and APR.



CROSS-REFERENCES

- ▶ [Credit Advertising Section](#)
- ▶ [Regulation Z Trigger Terms Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ Regulation Z, 12 C.F.R. § 226.24(d)
- ▶ FTC Press Release dated January 9, 2014: [“FTC Announces Sweep Against 10 Auto Dealers: ‘Operation Steer Clear’ Drives Home That Auto Ads Must Be Truthful”](#)
- ▶ FTC Press Release dated December 2, 1999: [“FTC Puts Brakes on Deceptive Vehicle Lease and Credit Ads: Six Philadelphia-Area Dealers Agree to Clearly and Conspicuously Disclose Critical Financial Information”](#)



AD EXAMPLES

- ▶ [Example B, pp. 6-7](#)

SECTION 12: DRIP PRICING

**GENERAL RULE**

The federal prohibition against deceptive advertising makes it unlawful for dealer advertising to misrepresent the total price a consumer will pay for a vehicle or other product or service.

**DISCUSSION**

Dealer advertising (in any medium) that communicates price information regarding a vehicle or other service or product must be truthful and not misleading. The technique of “drip pricing,” which involves advertising only a part of a product’s price, with other charges being revealed to the consumer later in the buying process, should be avoided. The total price a consumer will be expected to pay for a product or service should be advertised. Regarding vehicles, the advertised price generally should be that amount a consumer would be expected to pay to purchase the identified vehicle as equipped, excluding government-imposed fees and taxes. Documentation fees are generally not government-imposed fees. Many states have statutory or other provisions specifically addressing the disclosure of documentation fees.

State Law Comment. A number of states have specific laws that regulate what charges may be excluded from a dealer’s advertised vehicle price and how the excluded charges must be disclosed to a consumer. For example, one state law provides that the only charges that may be excluded from a vehicle’s advertised selling price are taxes, title and license fees. Another state law requires that the advertised price of a vehicle include all charges, except government fees and taxes, any finance charges, any dealer document processing charge, any electronic filing charge and any emission testing charge. That state also requires a specific disclosure to be made in most dealer advertising that describes the excluded fees and charges and further indicates they are extra. (See the [Price Advertising Section](#) for a further discussion of this topic.)

**KEY REMINDER**

- ▶ Dealer advertising must not misrepresent the total price a consumer will pay for a vehicle or other product or service.

**CROSS-REFERENCES**

- ▶ [Price Advertising Section](#)
- ▶ [Service / Parts Department Advertising Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Press Release dated November 28, 2012: “[FTC Warns Hotel Operators That Price Quotes That Exclude ‘Resort Fees’ and Other Mandatory Surcharges May Be Deceptive](#)”

SECTION 13: EMAIL ADVERTISING

**GENERAL RULE**

Dealer advertising in the form of email communications is subject to federal law, including the prohibition against deceptive advertising and the applicable disclosure requirements of Regulation Z and Regulation M. Commercial emails sent on an unsolicited basis must also satisfy certain technical requirements under the federal CAN-SPAM Act, including having headers and subject lines that are not misleading and providing notices that the communication is an advertisement and that the recipient may “opt out” of receiving further emails. (The latter notice must include a return email address that can be used to opt out.)

**DISCUSSION**

To the extent dealer email communications fall within the definitions of “advertising” or “advertisement,” they must comply with the applicable federal advertising laws. (See the [Advertising Definition Section](#) for a discussion of this topic.) For example, an email message promoting a vehicle sale or lease offer sent to a group of consumers must be truthful and not misleading and must make any required disclosures under Regulation Z regarding credit offers and Regulation M regarding lease offers.

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (CAN-SPAM Act) is the federal law that regulates commercial emails sent by businesses, including dealers. Under this law, if an email is sent containing a message that has a “primary purpose” of promoting a commercial product or service without the “affirmative consent” of the recipient, it is considered an unsolicited commercial email that must:

- ▶ Contain accurate, non-misleading sender, header, origination and transmission information

- ▶ Do nothing to disguise the computer used to initiate the communication
- ▶ Not include subject lines that are false or misleading regarding the content of the communication
- ▶ Include the sender’s valid physical postal address (basically this means the dealership’s street address or PO box)
- ▶ Include a notice that the recipient may opt out of receiving further unsolicited commercial emails. As part of the opt-out process, the email must include a functioning return email address, which must be valid for 30 days, that can be used by the recipient to opt out. A dealership must process such requests within 10 days of receipt. While the email may include a menu of choices allowing the recipient to opt out of receiving certain types of messages, one choice on the menu must allow the recipient to opt out of receiving all commercial email communications.
- ▶ Include a clear and conspicuous notice that the communication is an advertisement. This notice may appear in the body of the message, instead of the subject line.

If a recipient gives affirmative consent to a dealership to receive commercial emails, the communication must comply with all of the requirements of the CAN-SPAM Act discussed above, except that it does not need to include a notice that the communication is an advertisement. The term “affirmative consent” means that the recipient has given express consent to the dealership to receive commercial email messages. This consent is best documented in writing and can take the form of the recipient responding to an email or making an inquiry.

Transactional / Relationship Emails. Emails sent to dealership customers that are functional in nature and do not contain a message with the primary purpose to promote a product or service do not need to comply with the opt-out requirement under the CAN-SPAM

Act. However, the header information must still be accurate and the computer involved in initiating the email must not be disguised. These types of emails to dealership customers are labeled “transactional” or “relationship” emails. They include emails that facilitate or confirm a commercial transaction that the recipient has already entered into or that provide product safety or warranty information for a product or service the recipient has used or purchased. Emails that confirm a service appointment or that a vehicle is ready for pick-up after service fall within this category. An email sent to a dealership customer regarding the need to schedule a maintenance appointment should not be considered advertising if the dealership can establish that the scheduled maintenance is designed to ensure the safe operation of the vehicle.

In those instances where an email includes both a transactional and advertising message, dealers need to either comply with all of the requirements regarding unsolicited commercial email, or make a reasonable determination that the email is a transactional or relationship email because the primary purpose of the email is not advertising. According to the FTC, this determination should be based upon the email recipient’s likely and reasonable interpretation of the subject line of the email or the body of the message considering such factors as the placement of the commercial content, the proportion of the message dedicated to commercial content, and how colors, graphics, type size and style are used to highlight the commercial content. Links to advertising websites included in transactional or relationship emails do not change the transactional or relationship status of such emails.

See the FTC publication entitled “[CAN-SPAM Act: A Compliance Guide for Business](#)” and also the NADA telemarketing guide entitled “A Dealer Guide to Federal Telemarketing Restrictions” for information on this topic.

State Law Comment. Note that state laws inconsistent with the CAN-SPAM Act are preempted, but may still be applicable if the content of the email communication is misleading.



KEY REMINDERS

- ▶ Dealer advertising in the form of email communications must be true and not misleading and comply with Regulation Z and Regulation M disclosure requirements as applicable.
- ▶ Dealer advertising in the form of unsolicited emails must:
 - Not include header and subject line information that is misleading
 - Include a clear and conspicuous notice that the email is an advertisement
 - Include a notice and return email address that allows the recipient to opt out of receiving unsolicited commercial emails from the dealership in the future



CROSS-REFERENCE

- ▶ [Advertising Definition Section](#)



REFERENCE MATERIALS

- ▶ CAN-SPAM Act, 15 U.S.C. §§ 7701-7713
- ▶ CAN-SPAM Rule, 16 C.F.R. Part 316
- ▶ FTC Publication: “[CAN-SPAM Act: A Compliance Guide for Business](#)”

SECTION 14: ENDORSEMENTS AND TESTIMONIALS

**GENERAL RULE**

Dealer advertising that includes endorsements by experts, celebrities or consumers is subject to federal law prohibiting deceptive advertising. Such endorsements must reflect the endorser's honest opinion and experience and dealers should have reasonable substantiation for any performance claims that are advertised regarding a product or service. Material connections between dealers and endorsers must be disclosed.

**DISCUSSION**

The use of endorsements is a popular advertising strategy for many advertisers, including dealers. The FTC has developed "Guides Concerning the Use of Endorsements and Testimonials in Advertising" designed to give advertisers (and also endorsers) guidance on how to include endorsement or testimonial messages in their advertising in a manner that is not deceptive.

These guides consider the terms "endorsement" and "testimonial" to have the same meaning, which is:

"any advertising message (including verbal statements, demonstrations, or depictions of the name, signature, likeness or other identifying personal characteristics of an individual or the name and seal of an organization) that consumers are likely to believe reflects the opinions, beliefs, findings or experiences of a party other than the sponsoring advertiser, even if the views expressed by that party are identical to the sponsoring advertiser. The party whose opinions, beliefs, findings or experience the message appears to reflect will be called the endorser and may be an individual, group or institution."

These guides, which provide numerous examples for illustration purposes, were recently revised and now address issues arising from social media communications, such as bloggers receiving compensation for promoting products. They provide the following general guidance to advertisers:

- ▶ Statements by or attributable to an endorser must reflect honest opinions, findings, beliefs or experiences. They cannot convey express or implied representations that would be deceptive if made by the advertiser. (Advertisers and endorsers may be liable for statements made.)
- ▶ The endorsement message does not have to use the exact words of the endorser unless the advertisement represents that is the case. The endorsement message cannot be modified in a manner that distorts the endorser's opinion or experience.
- ▶ Expert or celebrity endorsements may only be used if there is a reasonable belief that person continues to hold the views presented.
- ▶ If an endorser is represented as using a product, the endorser must be a "bona fide" user and the advertisement may continue to be used only if the advertiser has a reasonable belief that use by the endorser continues.
- ▶ Advertisers are subject to liability for not disclosing material connections between themselves and endorsers.

Regarding consumer endorsements, the guides specifically direct that:

- ▶ Advertisers that use consumer endorsements to show the performance of a product must have adequate substantiation that the product is effective for the purpose shown in the advertising.

- ▶ Endorsements that relate to a consumer's experience with a product are likely to be interpreted to represent that the experience is generally achievable by consumers and an advertiser should have adequate substantiation for this representation. If the advertiser does not have this substantiation, then the advertisement should clearly and conspicuously disclose the generally achievable experience and have reasonable substantiation for that experience. Note that the FTC's position is that a disclosure to the effect "results are not typical" is not effective in this situation.
- ▶ Advertising that expressly or by implication represents an endorsement by "actual" consumers should use actual consumers in both the audio and video portions of the advertisement or clearly and conspicuously disclose that actual consumers are not being used.

Regarding expert endorsements, the guides specifically direct that:

- ▶ If an advertisement represents either expressly or by implication that an endorsement is made by an expert, that person must have the appropriate qualifications to be an expert.
- ▶ An expert endorsing a product should take into account features or characteristics regarding which the endorser has expertise. If an expert endorsement suggests that a product is superior to a competitor's product in terms of certain features or characteristics, then the expert must have found such superiority.

Regarding endorsements by organizations, the guides specifically indicate that such endorsements are viewed as representing the judgment of the group. As a result, the group's endorsement should be based upon a process that establishes the endorsement is the collective judgment of the group.

The FTC guides emphasize that any connection between an endorser and the seller of a product must be disclosed if it might materially affect how consumers perceive the weight or credibility of the endorsement (i.e., the connection is not reasonably expected by consumers). As mentioned previously, the FTC is particularly concerned with this issue regarding endorsements communicated by social media. The main issue is that such endorsements do not disclose that some kind of compensation has been received by the endorser from the advertiser or that there is some other important relationship between the endorser and the advertiser. Dealers must be aware of this issue, especially in connection with the use of online customer reviews. If such a review involves a person who has been compensated by the dealership in some form (for example, a free oil change) or is a dealership employee or a member of an employee's family, that fact should be disclosed. For more information on these guides, see the FTC publication entitled "The FTC's Revised Endorsement Guides: What People Are Asking."

State Law Comment. Most states have laws that generally prohibit false or misleading advertising, including such advertising that relates to endorsements.

FTC Enforcement. The FTC has traditionally been very active in pursuing enforcement actions against advertisers in connection with deceptive advertising that includes endorsements. For example, in early 2014, the FTC pursued an enforcement action against a home security company based upon a misrepresentation that endorsements were independent reviews when in fact the endorsers were paid.

**KEY REMINDERS**

- ▶ Dealer advertising should not include an endorsement unless it reflects the endorser's honest opinion and experience.
- ▶ Dealers should have reasonable substantiation for any performance claims made as part of an advertised endorsement.
- ▶ Dealer advertising that features an endorsement must disclose any material relationship between the endorser and the dealership.

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Guides Concerning the Use of Endorsements and Testimonials in Advertising, 16 C.F.R. Part 255
- ▶ FTC Policy Statement Regarding Advertising Substantiation, appended to Thompson Medical Co., 104 F.T.C. 648, 839 (1984)
- ▶ FTC Press Release dated June 24, 2014: "[FTC Approves Final Consent Settling Charges That Home Security Company ADT's Endorsements Deceived Consumers](#)"
- ▶ FTC Publication: "[The FTC's Revised Endorsement Guides: What People Are Asking](#)"

SECTION 15: ENVIRONMENTAL (“GREEN”) CLAIMS

**GENERAL RULE**

Dealer advertising that includes environmental claims is subject to federal law prohibiting deceptive advertising. Dealers should have reasonable substantiation for any such claims.

**DISCUSSION**

Dealer advertising (in any medium) that includes environmental claims must be truthful and not misleading. Environmental claims can be expressly stated or implied and take many forms, including verbal or written representations, pictures or symbols. The FTC considers such claims deceptive if they include a representation or omission that is important to a consumer’s purchase decision and is likely to mislead a consumer acting reasonably under the circumstances. Dealer advertising should not include representations that a vehicle or product has a “general environmental benefit” unless such representations can be substantiated with respect to all reasonable interpretations of the claim. Any qualifying language that applies to a featured environmental benefit should be disclosed in a clear and conspicuous manner in the advertising. Even if a dealer has substantiation for an environmental benefit attributable to a vehicle or product being advertised, the FTC’s position is that such a claim (for example “eco-friendly”) may still be deceptive if it implies the vehicle or product has no negative environmental impact.

Because of the potential for deceptive advertising in this area, the FTC developed “Guides for the Use of Environmental Marketing Claims” (“Green Guides”), designed to provide assistance to advertisers, including dealers, on how to properly advertise environmental claims. The guides include numerous examples that illustrate deceptive environmental marketing claims. Key points raised in these guides that should be considered include:

- ▶ Identifying any express or implied environmental marketing claims that are made

- ▶ Confirming any identified claims are not too generic in nature (for example, apply only to a portion of the vehicle or other product) or have negligible environmental benefits
- ▶ Confirming that all reasonable interpretations of the identified claims (especially those involving comparisons with other vehicles or products) are truthful and not misleading and supported on a reasonable basis. As a practical matter, an environmental marketing claim should be supported by competent and reliable scientific evidence.
- ▶ Confirming that any qualifications and disclosures relating to such claims are displayed in close proximity to the claim in a clear and conspicuous manner and that the disclosures do not contain inconsistent statements or elements that distract from the disclosures.

The FTC guides also give assistance relating to advertising more technical claims relating to carbon offsets, certifications and seals of approval, compostable claims, degradable claims, free-of claims, non-toxic claims, ozone-safe and ozone-friendly claims and recyclable and recycled content claims, refillable claims, renewable energy claims, renewable materials claims and source reduction claims.

Dealer advertising may include environmental claims provided by a manufacturer—for example, “We manufacture the greenest vehicle.” While dealer reliance on the validity of an environmental claim provided by a manufacturer may be reasonable (and potentially provide a basis for a dealer to request indemnification if the manufacturer’s claim is alleged to be deceptive in some manner), dealers must be aware they are responsible for the content of their advertising. Certainly before advertising a manufacturer’s environmental marketing claim, a dealer should make sure the claim is current and any qualifying language applicable to the claim is clearly and conspicuously disclosed.

State Law Comment. Many states have laws that generally prohibit false or misleading advertising, including such advertising that relates to environmental marketing claims. At least one state requires that an advertiser making a claim that a product is environmentally friendly must have written substantiation for the claim.



KEY REMINDER

- ▶ An environmental marketing claim should not be included in dealer advertising unless there is reasonable substantiation for it and any information that qualifies the claim is clearly and conspicuously disclosed.



CROSS-REFERENCE

- ▶ [Clear and Conspicuous Disclosures Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Guides for the Use of Environmental Marketing Claims, 16 C.F.R. Part 260
- ▶ FTC Policy Statement on Deception, appended to *Cliffdale Associates, Inc.*, 103 FTC 174 (1983)
- ▶ FTC Policy Statement Regarding Advertising Substantiation, appended to *Thompson Medical Co.*, 104 F.T.C. 648, 839 (1984)

SECTION 16: FOREIGN LANGUAGE ADVERTISING

**GENERAL RULE**

Dealer advertising that utilizes a foreign language is subject to the same federal advertising laws that apply to advertising in English, including the prohibition against deceptive advertising.

**DISCUSSION**

Dealers advertising in any medium that uses a language other than English must be truthful and not misleading and comply with all other applicable federal advertising laws. For example, foreign language advertisements that include consumer lease or credit offers need to disclose in a clear and conspicuous manner further information regarding the offers as required by Regulation M and Regulation Z.

In an enforcement policy statement, the FTC asserts that to satisfy the “clear and conspicuous” standard for disclosures in advertisements in foreign language newspapers, magazines or other publications, they must “appear in the predominant language of the publication in which the advertisement or sales material appears.” Regarding other forms of advertising, the FTC’s position is that such disclosures should appear in the language of the target audience, which is typically the language principally used in the advertising.

**KEY REMINDERS**

- ▶ Dealer advertising in a foreign language is subject to the same federal advertising laws that apply to dealer advertising in English.
- ▶ Disclosures that are required to be made in a “clear and conspicuous” manner should be made in the predominant language used in the advertisement.

**CROSS-REFERENCES**

- ▶ [Clear and Conspicuous Disclosures Section](#)
- ▶ [Regulation Z Trigger Terms Section](#)
- ▶ [Leasing / Regulation M Trigger Terms Section](#)
- ▶ [Advertising Definition Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Requirements Concerning Clear and Conspicuous Disclosures in Foreign Language Advertising and Sales Materials, 16 C.F.R. § 14.9

SECTION 17: FORMER PRICE COMPARISONS / MSRP / INVOICE ADVERTISING**GENERAL RULE**

Dealer advertising that includes a price comparison representation (for example, a vehicle's current sale price compared to its former price) is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Dealer advertising (in any medium) that represents a price reduction for a vehicle or other product or service based upon a comparison with a former price must be truthful and not misleading. As part of its effort to protect consumers, the FTC developed "Guides Against Deceptive Pricing," which are designed to provide advertisers, including dealers, with assistance in avoiding deceptive advertising practices regarding representations of former price.

A basic principle of these guides is that if a price reduction for a product or service is advertised based upon a comparison with a former price, that former price must be a bona fide price that was "offered to the public on a regular basis for a reasonably substantial period of time." If the former price is not legitimate, then any claim of a price reduction or bargain is false. The former sale price that is mentioned must have been honestly and in good faith offered for a reasonably substantial period of time and not just for the purpose of establishing a price to be used in a comparison. The FTC does note in the guides that a former price reference in an advertisement is not automatically considered fictitious if there have been no sales of the product or service at that advertised price. The FTC guides further provide that a former price should not be described or implied to be a prior "selling price" unless substantial sales at that price have actually occurred.

State Law Comment. Several states have laws that specifically apply to advertising former price comparisons.

Additionally, the FTC guides address advertising that communicates price reductions or sale events (which imply price reductions or savings) that do not include specific former price information. The FTC's position is that sale price advertisements should not be utilized unless the price reduction amounts involved are significant. The FTC guides illustrate this point by stating it would be misleading to advertise an item as reduced to \$9.99 when the former price was \$10.

Underselling Claims. Dealers may also advertise vehicle price comparisons with other dealers—for example, "We have the lowest prices in the city." To avoid a claim of deceptive advertising, there must be a legitimate basis for a dealer to make such a claim. Certainly any price comparison advertisement relating to another dealer regarding a specific vehicle must be accurate and involve vehicles that are the same model and year and have the same equipment/trim level.

State Law Comment. A number of states have laws that specifically apply to underselling claims. For example, one state prohibits a dealer from making an underselling claim unless the dealer has conducted a recent survey that substantiates the claim.

MSRP Advertising. Dealer advertising that expressly represents or implies a price comparison with the manufacturer's suggested retail price (MSRP) for a vehicle has the potential to be deceptive. A key concern raised by the FTC is whether a consumer is being misled to believe that the MSRP is a price at which the vehicle involved is generally sold. Dealer advertising should avoid including any representation that suggests a vehicle is generally sold at MSRP unless that is the case.

State Law Comment. At least one state law requires a dealer advertisement that references a vehicle's MSRP for purposes of a price comparison to disclose in effect that the MSRP may not reflect the actual selling price for a vehicle in the dealer's trade area.

Invoice Advertising. Dealers must also be careful regarding any vehicle price advertising that includes descriptions such as “wholesale” or “invoice” pricing. Because the meaning of such terms can vary, advertising that uses them is potentially misleading.

State Law Comment. A number of states have laws that specifically prohibit or limit dealers from using terms such as “wholesale” or “invoice” in their advertising.

Service / Parts Department Specials. Dealer service and/or parts department advertising that employs a “bargain” message (for example, two-for-one sales, buy-one-get-one-free or one-cent sales) must also be based on legitimate prior prices. This means that the price of the product or service involved may not have been increased in a manner to compensate the dealer for the “bargain” being offered. Certainly all material terms and conditions relating to these kinds of bargain offers must be clearly and conspicuously disclosed in the advertisement.



KEY REMINDERS

- ▶ Dealer advertising that represents price reductions relating to vehicles or other products or services must be based upon former price information that is legitimate.
- ▶ Dealer advertising that includes references to wholesale pricing or a vehicle’s MSRP or invoice price should be carefully scrutinized to ensure misleading representations are not made.



CROSS-REFERENCES

- ▶ [Price Advertising Section](#)
- ▶ [Service / Parts Department Advertising Section](#)
- ▶ [Savings / Discount Claims Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Guides Against Deceptive Pricing, 16 C.F.R. Part 233



AD EXAMPLES

- ▶ [Example C, pp. 8-9](#)

SECTION 18: FREE GOODS AND SERVICES

**GENERAL RULE**

Dealer advertising that includes an offer of “free” goods or services based on the purchase of another product or service is subject to federal law prohibiting deceptive advertising. Because the price of a vehicle is typically negotiated, an offer of goods or services contingent on the purchase of a vehicle should not be advertised as “free.”

**DISCUSSION**

Dealer advertising that includes an offer of “free” goods or services must be truthful and not misleading under federal law. Because the agency believes this type of advertising lends itself to deceptive advertising practices, the FTC developed a “Guide Concerning Use of the Word ‘Free’ and Similar Representations.” The FTC considers terms such as “gift,” “given without charge,” or “bonus” to have the same meaning as “free.” The FTC guide cautions advertisers to use extreme care in advertising offers of free merchandise conditioned on the purchase of a product or service and other “bargain type” advertising (e.g., one-cent sales, two-for-one sales). The FTC asserts that a consumer has a right to believe that the retailer making such an offer will not recover the cost of the free goods or services in any manner, including via price markup or by substituting an inferior product or service. The FTC guide further directs advertisers to use the “regular price” for the merchandise that needs to be purchased to trigger the receipt of the free goods or services and indicates that this price should be one where there are substantial sales for a significant period. If the purchase price of an advertised product is typically negotiated, the FTC’s position is that it is improper to offer goods or services as “free” contingent on the purchase of the advertised product. Because a vehicle’s purchase price is usually negotiated, dealers should not advertise “free” goods or services contingent upon the purchase of a vehicle. Dealer advertising that features free equipment or other merchandise provided by a manufacturer or other

third party with the purchase of a vehicle may be acceptable, but should be carefully scrutinized to ensure it is not deceptive and reviewed with legal counsel as appropriate. Advertising that represents that a dealer is including a product or service (e.g., a maintenance plan) with the purchase of a vehicle should also be carefully scrutinized for legal compliance purposes.

State Law Comment. Some states have laws that specifically prohibit a dealer from advertising free merchandise, gifts or services contingent on the purchase of a vehicle. At least one state statute defines “free” to include products or services offered for a price less than the dealer’s cost.

Dealer service or parts department advertising may include offers of “free” goods or services (for example, ski lift tickets) contingent on the purchase of a product or service if the price of the product or service offered is typically not negotiated. However, it is critical that such advertising disclose, in a clear and conspicuous manner, any material restrictions and conditions that apply to the offer (for example, an offer expiration date or a limit on the number of qualifying purchases a consumer may make). It is the FTC’s position that any such conditions should be disclosed at the outset of the offer and not by using a footnote that is tied to the offer by an asterisk.

Dealer advertising may include offers of free goods or services contingent on a consumer test-driving a vehicle (with no purchase necessary) or visiting a dealership. (See the [Incentives to Visit Dealership Section](#) for a discussion of this topic.)

**KEY REMINDERS**

- ▶ Dealer advertising should not include an offer of “free” goods or services contingent on the purchase of a vehicle.
- ▶ Dealer service or parts department advertising that includes an offer of “free” goods or services contingent on the purchase of a part or service must clearly and conspicuously disclose any material restrictions and qualifications that apply to the offer.

**CROSS-REFERENCES**

- ▶ [Price Advertising Section](#)
- ▶ [Service / Parts Department Advertising Section](#)
- ▶ [Former Price Comparisons / MSRP / Invoice Advertising Section](#)
- ▶ [Incentives to Visit Dealership Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Guide Concerning Use of the Word “Free” and Similar Representations, 16 C.F.R. Part 251

**AD EXAMPLES**

- ▶ [Example C, pp. 8-9](#)

SECTION 19: FUEL ECONOMY CLAIMS

**GENERAL RULE**

Dealer advertising that includes either an express or implied fuel economy claim regarding a vehicle is subject to federal law prohibiting deceptive advertising. Such advertising should include a clear and conspicuous disclosure of the applicable U.S. Environmental Protection Agency (EPA) estimated ratings for city and/or highway miles per gallon (MPG) depending on the fuel economy claim that is advertised.

disclosure of the EPA-estimated city MPG for that vehicle.

- ▶ If only a highway MPG claim is made regarding a new vehicle, the advertisement must include a disclosure of the EPA-estimated highway MPG for that vehicle.
- ▶ If a general MPG claim is made regarding a new vehicle with no specific reference to a city or highway MPG, the advertisement must include a disclosure of the EPA-estimated city MPG for that vehicle.

**DISCUSSION**

Dealer advertising often includes a vehicle fuel economy claim either by specific reference to a vehicle's MPG number or by a general reference to a vehicle having "great fuel economy." Under federal law such claims, including fuel economy comparisons with other vehicles, must be true and not misleading. To assist dealers and manufacturers in avoiding deceptive advertising practices relating to fuel economy claims, the FTC developed a "Guide Concerning Fuel Economy Advertising for New Automobiles." As stated in the guide, the FTC considers an express or implied fuel economy representation to be one which "a reasonable consumer, upon considering the representation in the context of the entire advertisement, would understand as referring to the fuel economy performance of the vehicle or vehicles advertised."

Any required disclosure must identify the EPA as the source of the MPG rating and describe the rating as an estimate (using the phrase "EPA estimate" for this purpose is acceptable). The website www.fueleconomy.gov is an official government source for fuel economy information. A good practice for dealers relating to advertising fuel economy claims is to include a disclosure such as "actual mileage will vary." While not commonly used by dealers, advertising fuel economy estimates based on non-EPA testing is also addressed in the FTC guide, which specifies the disclosures that are required regarding such claims.

Pursuant to the guide, certain disclosures must be clearly and conspicuously made depending on the nature of the fuel economy claim advertised. Specifically, these disclosures are as follows:

Dealers should use caution in advertising fuel economy claims regarding used vehicles. A reasonable approach to advertising such claims would appear to be to disclose the applicable EPA estimate as required by the FTC guide, with a clear representation that this estimate applied to the vehicle when new and a disclosure that a consumer's actual mileage will vary.

- ▶ If both a city and highway MPG claim is made regarding a new vehicle, the advertisement must include a disclosure of both the EPA-estimated city MPG and the estimated highway MPG for that vehicle.
- ▶ If only a city MPG claim is made regarding a new vehicle, the advertisement must include a

While the FTC guide does not specifically address advertising fuel economy claims involving electric or plug-in hybrid vehicles based on an "MPGe" rating, it appears reasonable for dealer advertising to include a reference to the city, highway or combined EPA-estimated MPGe applicable to the featured vehicle, with a disclosure that basically states "MPGe is the EPA-equivalent measure of gasoline fuel efficiency for electric mode operation."

Fuel Economy Range. The FTC guide provides that if an advertisement includes an “estimated in-use fuel economy range” the advertisement must state “with equal prominence both the upper and lower number of the range and an explanation of the meaning of the numbers (i.e., city mpg range or highway mpg range or both) and that the US Environmental Protection Agency is the source of the figures.” The guide further provides that if a “range of estimated fuel economy values for the class of new automobiles” is used as a basis for comparing two or more vehicles for fuel economy purposes, the comparison must be based upon the same range criteria (city or highway).



CROSS-REFERENCES

- ▶ [Clear and Conspicuous Disclosures Section](#)
- ▶ [Truth in Advertising Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Guide Concerning Fuel Economy Advertising for New Automobiles, 16 C.F.R. Part 259



AD EXAMPLES

- ▶ [Example G, pp. 16-17](#)

SECTION 20: INCENTIVES TO VISIT DEALERSHIP

**GENERAL RULE**

Dealer advertising that includes an offer of a gift, prize or other incentive upon visiting a dealership is subject to federal law prohibiting deceptive advertising. Such advertising must clearly and conspicuously disclose the material conditions and restrictions that apply to the offer.

**DISCUSSION**

Dealer advertising (in any medium) that includes an offer of a prize, gift or other incentive to a consumer when he or she visits a dealership must be truthful and not misleading. To avoid deceptive advertising claims, it is essential that dealers clearly and conspicuously disclose the material conditions and restrictions that apply to the advertised offer in a manner that a consumer will reasonably understand prior to visiting the dealership. (See the [Clear and Conspicuous Disclosures Section](#) for a further discussion of this topic.) For example, a dealer advertisement that offers free county fair tickets to a consumer for taking a test drive should disclose any important information regarding the offer, such as no purchase is necessary, the consumer must be a licensed driver 18 years or older, there is a limit of two tickets per person, any restrictions that apply to the use of tickets, and any applicable deadline for the offer.

Sweepstakes. To the extent that a prize offer involves a sweepstakes, complete official sweepstakes rules should be developed and any advertising should clearly and conspicuously disclose the key conditions for entering and winning (for example, no purchase necessary and entrant must be present at dealership for drawing) and any important restrictions (for example, the deadline for entry and that an entrant must be a legal resident 18 years or older) that apply. If the sweepstakes is advertised by mail, the mailer must comply with the requirements of the federal Deceptive Mail Prevention and Enforcement Act. (See

the [Sweepstakes / Lotteries Section](#) for a discussion of this topic.) Note that the FTC has taken enforcement action against a dealer relating to a mail piece that represented that consumers were winners of prizes when in fact that was not accurate.

State Law Comment. Note that a number of states have laws that specifically regulate how sweepstakes are conducted and advertised.

Preapproved Credit Offers. Preapproved credit offers may be included in dealer advertising to attract consumers to visit a dealership. Such offers must be truthful and not misleading and comply with certain technical notice requirements under federal law. (See the [Preapproved Credit Offers Section](#) for a discussion of this topic.)

Coupons. Dealer advertising that includes discount coupon offers is susceptible to claims of deception if the coupons do not clearly and conspicuously disclose any material qualifications and restrictions that apply to the consumer using or redeeming the coupon. (See the [Savings / Discount Claims Section](#) for a further discussion of this topic.)

FTC Enforcement. In February of 2014, the FTC pursued an enforcement action against a dealer for deceptive advertising relating to a sweepstakes promotion. Specifically, the FTC asserted that a mailer featuring a sweepstakes was deceptive. The mailer included a set of scratcher cards and represented that a consumer could win a cash prize (\$1,000, \$5,000 or \$25,000) if the scratched-off numbers matched the winning numbers listed on the mailer. However, no consumer received any of the advertised cash prizes even though on numerous occasions scratcher cards with winning numbers were presented to the dealership.

**KEY REMINDER**

- ▶ Dealer advertising that includes a gift, prize or coupon offer must not be deceptive and therefore must clearly and conspicuously disclose any material qualifications and restrictions applicable to the offer.

**CROSS-REFERENCES**

- ▶ [Savings / Discount Claims Section](#)
- ▶ [Sweepstakes / Lotteries Section](#)
- ▶ [Preapproved Credit Offers Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)
- ▶ [Service / Parts Department Advertising Section](#)
- ▶ [Free Goods and Services Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ Deceptive Mail Prevention and Enforcement Act, 39 U.S.C. § 3001 et seq.
- ▶ FTC Press Release dated January 9, 2014: [“FTC Announces Sweep Against 10 Auto Dealers: ‘Operation Steer Clear’ Drives Home that Auto Ads Must Be Truthful”](#)

**AD EXAMPLES**

- ▶ [Example C, pp. 8-9](#)

SECTION 21: INTERNET ADVERTISING

**GENERAL RULE**

Dealer advertising communicated by means of the Internet is subject to federal advertising laws, including the prohibition against deceptive advertising and the applicable Regulation Z and Regulation M disclosure requirements.

**DISCUSSION**

Information promoting vehicles or other products or services communicated by dealers to the public on the Internet by means of a dealership or third-party website or otherwise, clearly falls within the definition of advertising under federal law. (See the [Advertising Definition Section](#) for a discussion of this topic.) Dealer advertising in this medium must therefore be truthful and not misleading and any claims made must be substantiated. Basically, a representation, omission or practice communicated on the Internet or any other advertising medium is deceptive if it is likely to mislead consumers and affect consumer behavior or decisions about the product or service being advertised. The FTC is firmly committed to protecting consumers against deceptive Internet advertising. (See the FTC publication entitled “[Advertising and Marketing on the Internet: Rules of the Road](#)” for more information on this topic, and note particularly that the FTC specifically includes an automobile lease advertisement that promotes “\$0 Down” as an example of misleading advertising if there are significant undisclosed charges due at lease signing.)

Just as in other forms of advertising, dealers must clearly and conspicuously disclose material conditions and restrictions that apply to advertised offers as well as important information that qualifies advertised claims. Disclosures required under Regulation Z relating to credit offers and Regulation M relating to lease offers must also be disclosed in a clear and conspicuous manner. Given the range of disclosure techniques (for example, hyperlinks, roll-overs and scrolling) available on the Internet, dealers must carefully consider the appropriate strategy for complying with the clear

and conspicuous disclosure standard. Such a strategy should especially take into account the varying sizes of the mobile platforms that consumers may use to access this advertising. To provide guidance to dealers and other advertisers regarding this compliance challenge, the FTC developed a staff paper entitled “[.com Disclosures: How to Make Effective Disclosures in Digital Advertising](#).” The basic approach that the FTC staff takes in the “.com Disclosures” guide is that regardless of the limitations or nature of any Internet advertising platform, it is up to the advertiser to ensure that advertisements are not misleading, and that any required disclosures are made clearly and conspicuously on any platform used to advertise—whether it is a website, app, Twitter or any other new platform.

To be clear and conspicuous in the context of Internet or other electronic advertising, audio disclosures should be delivered at a volume and cadence sufficient for an ordinary consumer to hear and comprehend them. Video disclosures should be of a print size and color, and appear on the screen in a position and for a duration sufficient for an ordinary consumer to read and comprehend them. Consumer tendencies in viewing information on a monitor or other screen should be taken into account in designing this kind of advertising. In the “.com Disclosures” guide, the FTC provides numerous examples that illustrate inadequate methods of making disclosures. Initially, the FTC points out that dealers should include any material restrictions and conditions with the actual claim or offer, rather than including such information in a separate disclosure. To the extent an Internet advertiser elects to make separate disclosures, the FTC raises the following key points to be considered for compliance purposes:

- ▶ “the placement of a disclosure in the advertisement and its proximity to the claim it is qualifying;
- ▶ the prominence of the disclosure;
- ▶ whether the disclosure is unavoidable;
- ▶ the extent to which items in other parts of the advertising might distract attention from the disclosure;

- ▶ whether the disclosure needs to be repeated several times in order to be effectively communicated, or because consumers may enter the site at different locations or travel through the site on paths that cause them to miss the disclosure;
- ▶ whether the disclosures in audio messages are presented in an adequate volume and cadence and visual disclosures appear for a sufficient duration; and
- ▶ whether the language of the disclosure is understandable to the intended audience.”

The FTC’s position is that disclosures such as cost information, that are “an integral part of a claim or inseparable from it should not be communicated through a hyperlink.” If a hyperlink approach is utilized to make other disclosures, the FTC gives the following direction:

- ▶ The hyperlink should be obvious.
- ▶ The hyperlink should be labeled in a manner that is appropriate to communicate the “importance, nature and relevance” of the information on the link.
- ▶ If multiple hyperlinks are used, they should be used in a consistent manner so as to not confuse a consumer.
- ▶ Any hyperlink used should be placed as near as possible to the claim or offer being qualified.
- ▶ Hyperlinks should take consumers directly to disclosure information on the click-through page.
- ▶ Click-through rates on hyperlinks should be assessed to determine their effectiveness and changes made to improve the effectiveness.

The FTC further takes the position that “scrolling” is not a preferred manner of having consumers find disclosures. If such an approach is utilized, the FTC directs that text or visual cues should be used to encourage consumers to locate and view the disclosures. The FTC does not find acceptable the practice of placing required disclosures in a “terms of use” section of a website. (See the [Clear and Conspicuous Disclosures Section](#) for a further discussion of this topic.)

Dealer Internet advertising that includes special online vehicle pricing should be carefully reviewed to confirm it is not deceptive. (See the [Price Advertising Section](#) for a discussion of this topic.)

State Law Comment. Note that many states have laws that regulate dealer advertising on the Internet.

FTC Enforcement. In April of 2000, the FTC pursued enforcement action against several dealers relating to Internet advertisements of vehicle lease offers. The FTC asserted these lease advertisements were deceptive because they failed to reveal the true lease costs to a consumer. Specifically, the FTC contended that the total amount due at lease signing was misrepresented because significant required costs at lease signing were either not disclosed or included in inconspicuous and unreadable fine print.



KEY REMINDER

- ▶ Dealer Internet advertising is subject to federal advertising laws, including the prohibition of deceptive advertising and the disclosure requirements of Regulation Z and Regulation M.



CROSS-REFERENCES

- ▶ [Advertising Definition Section](#)
- ▶ [Truth in Advertising Section](#)
- ▶ [Email Advertising Section](#)
- ▶ [Regulation Z Trigger Terms Section](#)
- ▶ [Leasing / Regulation M Trigger Terms Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)
- ▶ [Price Advertising Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ Regulation Z, 12 C.F.R. § 226.24
- ▶ Regulation M, 12 C.F.R. § 213.7
- ▶ FTC Publication: “[Advertising and Marketing on the Internet: Rules of the Road](#)”
- ▶ FTC Publication: “[.com Disclosures: How to Make Effective Disclosures in Digital Advertising](#)”

SECTION 22: LEASING / REGULATION M TRIGGER TERMS

**GENERAL RULE**

Dealer advertising that features vehicle lease offers is subject to federal law prohibiting deceptive advertising and to Regulation M, which typically applies and requires disclosures that the transaction is a lease, the total amount due at lease signing, whether or not a security deposit is required and the number, amount and timing of the scheduled lease payments.

**DISCUSSION**

Under federal law, dealer advertising (in any medium) that includes vehicle lease offers must be truthful and not misleading. For example, vehicle lease terms should not be advertised by a dealer unless they are actually available and a vehicle lease offer should not be advertised in a manner that leads a consumer to believe the offer is for a vehicle purchase. For more information on this topic, see the FTC publication entitled "[Advertising Consumer Leases.](#)"

As it relates to advertising, the purpose of the federal Consumer Leasing Act and its implementing Regulation M is to have lease terms disclosed to consumers in a meaningful way so that the terms can be understood and compared. Advertising for purposes of Regulation M includes any "commercial message in any medium that directly or indirectly promotes a consumer lease transaction." A "consumer lease" under this regulation basically means a lease contract "for the use of personal property by a natural person primarily for personal, family or household purposes, for a period exceeding four months and for a total contractual obligation not exceeding the applicable threshold amount." The threshold amount referred to in Regulation M (\$54,600 as of January 1, 2015) is subject to an annual CPI adjustment. Consumer leases are described as "closed-end" if they do not fit the definition of an "open-end" lease, which is a lease that provides for the lessee to be liable at the end of

the lease term for the difference between the residual value of the leased vehicle and its realized value. Given the current status of vehicle lease programs available from financial institutions, dealers typically do not advertise open-end leases.

Trigger Terms. Similar to the approach followed by Regulation Z regarding credit offers, if certain information (a "trigger term") is included in a consumer lease advertisement, then additional key information regarding the lease offer must be disclosed. Specifically, each of the following is a trigger term under Regulation M:

- ▶ The amount of any payment (for example, a \$199 monthly payment)
- ▶ A statement of any capitalized cost reduction or other payment or even that no payment is required (for example, \$0 down)

As a practical matter, dealer advertising involving consumer lease offers typically includes a Regulation M trigger term because a lease payment (usually the monthly payment) is featured. When a trigger term is advertised, the following information must be disclosed clearly and conspicuously in the advertisement:

- ▶ That the transaction advertised is a lease
- ▶ The amount due prior to or at the lease signing ("consummation") or by delivery (if delivery occurs after consummation)
- ▶ The number, amounts and due dates or periods of scheduled payments under the lease (for example, \$425 per month for 36 months)
- ▶ A statement of whether or not a security deposit is required

Note that if the lease advertised is open-end, there must also be a statement that an extra charge may be imposed on the lessee at the end of the lease term. Note also that the due dates or periods of scheduled payments disclosure requirement is typically satisfied by stating that monthly payments are involved. Sometimes a single advertisement may feature multiple vehicle lease offers with only one such offer having a total contractual obligation amount that does

not exceed the threshold amount. In this situation, the Federal Reserve Board Official Staff Commentary to Regulation M (“Regulation M Commentary”) indicates the entire advertisement must make the required disclosures under Regulation M.

Amount Due at Lease Signing. In making the required disclosure of the amount due at lease signing, Regulation M and the Regulation M Commentary provide the following direction:

- ▶ The amounts that make up the total amount due at lease signing do not need to be itemized.
- ▶ Dealers must not disclose any component part of the amount due at signing (for example, the down payment amount) in a manner that is more “prominent” than the total amount due at lease signing. Note that the monthly payment amount may be displayed more prominently than the total amount due at signing.
- ▶ Third-party fees such as taxes and license, which vary by state, may be excluded from the amount due at signing, but it must be clearly and conspicuously disclosed to a consumer that those amounts are due in addition to the amount due at signing.

Dealers should be very cautious in advertising \$0 due at lease signing offers. Such offers can easily be construed as misleading if significant fees and charges (for example, an acquisition fee) must be paid by a consumer at the beginning of a lease. As discussed below, the FTC is active in pursuing enforcement actions against dealers relating to such offers. Dealers should also be careful to avoid disclosing the amount due at lease signing in a misleading manner when manufacturer rebates are applicable. A good practice in this situation is to disclose the amount due at lease signing and then break out the manufacturer rebate amount and the amount the consumer is out of pocket. For example, an advertisement could disclose \$1,500 due at lease signing (\$1,000 out of pocket plus \$500 manufacturer rebate). Certainly any material restrictions and qualifications that apply to the rebate (for example, that a consumer must currently be leasing a competitive-make vehicle) should be clearly and conspicuously disclosed.

Lease Rates. Regulation M requires dealer advertising that includes a lease rate reference to be accompanied by a disclosure that reads, “This percentage may not measure the overall cost of financing this lease.” This disclosure must be displayed in the advertisement at least as prominently as the lease rate. A dealer should not use the term “annual percentage rate” or “annual lease rate” or similar terms in connection with lease advertising.

Television/Radio Disclosure Alternative. Regulation M recognizes an alternative approach for making the required disclosures in television or radio closed-end lease advertisements that include a trigger term. Specifically, if the advertisement references a toll-free telephone number that a consumer can use to obtain all of the lease offer information, it does not need to disclose whether a security deposit is required, but still must disclose the information that the transaction is a lease, the total amount due at lease signing, and the number, amounts and due dates or periods of scheduled payments under the lease. The toll-free telephone number must be available for at least 10 days (beginning with the date of the broadcast) and a consumer must be able to request and receive in writing the lease offer information. As an alternative to the toll-free telephone number, the advertisement may direct a consumer to a written advertisement in a publication of general circulation in the community served by the media station, by including the name and date of the publication and stating that the required lease information is disclosed in that advertisement. The written advertisement must be published at least three days before and end at least 10 days after the broadcast. This alternative method of making Regulation M disclosures is of limited practical value to dealers because the only required disclosure that can be left out is whether a security deposit is required and the telephone or print methods of making the disclosures are burdensome. There is no exception recognized under federal law that permits a dealer radio or television advertisement with a Regulation M trigger term to refer to a website for the additional lease information as an alternative to disclosing that information in the actual advertisement.

Merchandise Tag. Another alternative disclosure approach recognized under Regulation M relates to the use of merchandise tags. Under this approach, if a merchandise tag placed on a vehicle includes a Regulation M trigger term, the tag would not be required to include all of the lease information if it references a sign or display at the dealership that is prominently posted and includes a table or schedule of the required Regulation M disclosures.

Internet Advertisement. Under Regulation M, a catalog or multiple-page advertisement, or an advertisement on an Internet website, is considered a “single advertisement,” which allows the advertisement to use a table, chart or schedule to make the required disclosure of lease information. However, in this situation there must be a communication that clearly directs or links a consumer to the table, chart or schedule.

Clear and Conspicuous. All disclosures required under Regulation M must be made in a manner that is clear and conspicuous, which basically means they are reasonably understandable to a consumer. The Regulation M Commentary acknowledges that this manner of disclosure does not have specific technical requirements, but does indicate that making such disclosures by means of fine print in a television advertisement or rapidly stated information in a radio advertisement is not satisfactory if the required information cannot be comprehended by consumers. Dealer advertising that includes lease offers should also disclose in a clear and conspicuous manner any material restrictions and conditions that may apply (for example, the expiration date of the lease offer, and that it is subject to credit approval or insurability requirements). (See the [Clear and Conspicuous Disclosures Section](#) for a further discussion of this topic.)

State Law Comment. Some states have laws that specifically apply to dealer lease advertising. One state law requires such advertising to disclose any mileage limit and any excess mileage charge that applies to the lease offer.

FTC Enforcement. The FTC has over the years initiated numerous enforcement actions against dealers based

upon deceptive lease advertising that fails to comply with the disclosure requirements of Regulation M. In April of 2000, the FTC pursued enforcement actions against two dealers relating to Internet lease ads. The FTC asserted that the required Regulation M disclosures were either not made or were buried in inconspicuous and unreadable fine print. Additionally, with respect to one of the dealers, the FTC asserted that an advertisement included a representation of a lease rate but failed to make the disclosure that the rate may not reflect the overall cost of financing the lease. In January of 2014, the FTC pursued several dealers for deceptive lease advertising that featured \$0 due at lease signing, when in fact there were several thousand dollars in fees and other amounts due at lease signing.



CROSS-REFERENCES

- ▶ [Clear and Conspicuous Disclosures Section](#)
- ▶ [Advertising Definition Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ Consumer Leasing Act (Chapter 5 of the Truth in Lending Act), 15 U.S.C. § 1601 et seq.
- ▶ Regulation M, 12 C.F.R. § 213.7
- ▶ FTC Press Release dated April 27, 2000: [“Auto Dealers Settle FTC Charges that Internet Ads Hid True Costs of Leasing”](#)
- ▶ FTC Press Release dated January 9, 2014: [“FTC Announces Sweep Against 10 Auto Dealers: ‘Operation Steer Clear’ Drives Home that Auto Ads Must Be Truthful”](#)
- ▶ FTC Publication: [“Advertising Consumer Leases”](#)
- ▶ Federal Reserve Board Official Staff Commentary to § 213.7, Regulation M



AD EXAMPLES

- ▶ [Example F, pp. 14-15](#)
- ▶ [Example G, pp. 16-17](#)

CLOSED-END LEASE ADVERTISING	
Regulation M Trigger Terms	Required Follow-On Disclosures If Any Trigger Term Is Used
<p>Amount of any payment</p> <p>Statement of any capitalized cost reduction or other payment (or that no payment is required) prior to or at consummation or by delivery, if delivery occurs after consummation</p>	<p>Transaction advertised is a lease</p> <p>Total amount due prior to or at consummation or by delivery, if delivery occurs after consummation</p> <p>Number, amounts, and due dates or periods of scheduled payments under the lease</p> <p>Statement of whether or not a security deposit is required</p>

SECTION 23: MADE IN USA CLAIMS**GENERAL RULE**

Dealer advertising that includes claims that a product is “made in USA” is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Under federal law, dealer advertising that represents a product is “made in USA” must be truthful and not misleading. The FTC’s position is that such a claim is deceptive unless “all or virtually all” of the product has been made in America, which means all significant parts, processing and labor that make up a product must have a U.S. origin. See the FTC publication entitled “Complying with the Made in USA Standard” for more information on this topic.

The American Automobile Labeling Act (AALA) is the federal law that requires prominent placement on each passenger automobile manufactured for sale in the U.S. of a label that discloses where the vehicle was assembled, the percentage of equipment that originated in Canada and the U.S., and the country of origin of the transmission and engine. The FTC acknowledges that its policy regarding made in USA claims does not apply to the disclosure of information relating to passenger vehicles required by the AALA and its implementing regulation from the National Highway Traffic Safety Administration, but asserts that its policy would apply to any advertising claims that “go beyond the AALA requirements.”

**KEY REMINDER**

- ▶ Made in USA claims should not be advertised unless all or virtually all of the product involved has been made in the U.S.

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Communication Dated October 2001: [“Selling American-Made Products? What Businesses Need to Know About Making Made in USA Claims”](#)
- ▶ American Automobile Labeling Act, 49 U.S.C. § 32304
- ▶ FTC Publication: [“Complying with the Made in USA Standard”](#)
- ▶ 49 C.F.R. 583

**AD EXAMPLES**

- ▶ [Example E, pp. 12-13](#)

SECTION 24: NEW / USED / DEMONSTRATOR DESCRIPTIONS

**GENERAL RULE**

Dealer advertising that includes vehicle descriptions such as “new,” “used” or “demonstrator” is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Vehicle descriptions included in dealer advertising in any medium must be truthful and not misleading. Under no circumstances should a used vehicle be represented as “new” either expressly or by implication (e.g., including a vehicle that is not specifically described as used in a section of an advertisement that features only new vehicles). Other terms used to describe vehicles in dealer advertising such as “demonstrator” or “factory executive vehicle” should only be used in a manner that is not deceptive.

State Law Comment. A number of states have laws that specifically define “new” and “used” vehicles. Some states also have laws that specifically address the use of terms such as “demonstrator” in dealer advertising. For example, one state law requires that a vehicle advertised as a “demonstrator” must also be expressly described by a term such as “used” or “pre-owned.”

**KEY REMINDER**

- ▶ Vehicle descriptions such as “new,” “used” or “demonstrator” included in dealer advertising must be truthful and not misleading.

**CROSS-REFERENCES**

- ▶ [Vehicle History Section](#)
- ▶ [Vehicle Description / Identification Section](#)
- ▶ [Truth in Advertising Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45

SECTION 25: NEWSPAPERS, MAGAZINES, FLYERS AND DIRECT MAIL**GENERAL RULE**

Dealer advertising in print form, including newspapers, magazines, flyers and direct mail, is subject to federal advertising law, including the prohibition against deceptive advertising and the applicable disclosure requirements of Regulation Z and Regulation M.

**DISCUSSION**

Dealer advertising in the form of printed material available to the public as part of a newspaper, magazine, flyer or direct mail piece clearly falls within the definition of advertising under federal law. (See the [Advertising Definition Section](#) for a discussion of this topic.) As a result, this type of dealer advertising must be truthful and not misleading and also comply with other applicable federal advertising laws, including the disclosure requirements of Regulation Z relating to credit offers and Regulation M relating to lease offers. (See the discussion of these disclosure requirements in the [Regulation Z Trigger Terms Section](#) and the [Leasing / Regulation M Trigger Terms Section](#).)

Because of its static form and easy access, dealer print advertising is often the focus of enforcement actions by government agencies. Dealers should take appropriate steps to make sure that such advertising is not deceptive and that important (“material”) information is disclosed in a clear and conspicuous manner. As discussed below, the FTC has filed enforcement actions against dealers where key disclosures were included in the fine print displayed at the bottom of a newspaper ad. (See the [Clear and Conspicuous Disclosures Section](#) for a discussion of this topic.)

State Law Comment. Some states have laws that require that certain disclosures in dealer print advertisements be made in a specified type size.

Direct Mail. Dealer advertising in the form of direct mail is subject to the Deceptive Mail Prevention and Enforcement Act, which regulates the content of such advertising that includes sweepstakes offers, facsimile checks, or implied representations of federal government approval or endorsement. (See the [Sweepstakes / Lotteries Section](#) for a discussion of legal compliance issues relating to advertising sweepstakes.) Under this federal law, a facsimile check is defined as “any matter that (i) is designed to resemble a check or other negotiable instrument; but (ii) is not negotiable.” If a facsimile check is included in a direct mail piece, the check must contain a clear and conspicuous (meaning noticeable, readable and understandable) statement that it “is not a negotiable instrument and has no cash value.”

Dealer direct mail advertising should avoid including agency names, addresses, seals, insignia or other messages that imply some connection to the federal government, unless the appropriate governmental consent has been obtained. To the extent certain items of this type (also references to the Postmaster General, a federal statute, or the word “census”) are part of a direct mail piece, and the appropriate governmental consent has not been obtained, the Deceptive Mail Prevention and Enforcement Act requires the clear and conspicuous display of the following two notices:

“THIS PRODUCT OR SERVICE HAS NOT BEEN APPROVED OR ENDORSED BY THE FEDERAL GOVERNMENT, AND THIS OFFER IS NOT BEING MADE BY AN AGENCY OF THE FEDERAL GOVERNMENT.” (This notice must be on the face of the mail piece and be in contrast to other print in terms of format or color.)

“THIS IS NOT A GOVERNMENT DOCUMENT.” (This notice must be on the envelope or outside cover.)

State Law Comment. A number of states have laws that regulate sweepstakes contests and the use of facsimile or simulated checks.

FTC Enforcement. On numerous occasions, the FTC has pursued enforcement actions against dealers based upon advertising asserted to be misleading because it failed to disclose important information in a clear and conspicuous manner. For example, in 2014, several dealers targeted by the FTC in “Operation Steer Clear” were alleged to have violated Regulation Z and Regulation M by not making the required disclosures or failing to make them clearly and conspicuously in their newspaper advertisements.



KEY REMINDERS

- ▶ Newspaper, magazine, flyer and direct mail advertising must not be deceptive and must comply with applicable Regulation Z and Regulation M disclosure requirements.
- ▶ Important disclosures in print advertising should not be made in fine print that is difficult to read.
- ▶ Direct mail advertising is subject to the requirements of the Deceptive Mail Prevention and Enforcement Act.



CROSS-REFERENCES

- ▶ [Advertising Definition Section](#)
- ▶ [Truth in Advertising Section](#)
- ▶ [Regulation Z Trigger Terms Section](#)
- ▶ [Leasing / Regulation M Trigger Terms Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)
- ▶ [Sweepstakes / Lotteries Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ Regulation Z, 12 C.F.R. § 226.24
- ▶ Regulation M, 12 C.F.R. § 213.7
- ▶ The Deceptive Mail Prevention and Enforcement Act, 35 U.S.C. § 3001 et seq.



AD EXAMPLES

- ▶ [Example A, pp. 4-5](#)
- ▶ [Example B, pp. 6-7](#)
- ▶ [Example C, pp. 8-9](#)
- ▶ [Example D, pp. 10-11](#)
- ▶ [Example E, pp. 12-13](#)
- ▶ [Example F, pp. 14-15](#)
- ▶ [Example G, pp. 16-17](#)

SECTION 26: PENALTIES / ENFORCEMENT FOR UNLAWFUL ADVERTISING

**GENERAL RULE**

Dealer advertising that is false or misleading can have a wide variety of legal consequences depending on the nature of the violation and the law enforcement agency or other party involved in pursuing legal action.

- ▶ Require the dealer to notify dealership personnel involved in advertising of the terms of the consent order and to notify the FTC if there is a change in the dealership's ownership structure
- ▶ Require the dealer to file compliance reports regarding the consent order with the FTC when requested

**DISCUSSION**

Because of the wide range of federal and state laws and regulations that apply, the legal consequences that can result from unlawful dealer advertising are also wide-ranging. Under federal law, the FTC is authorized by the Federal Trade Commission Act to act to protect consumers from deceptive and unfair acts or practices. The FTC may bring actions administratively or in federal court against various persons, including dealers, advertisers, marketers and other nonbank entities. In these actions, the FTC may seek cease and desist orders or injunctions; equitable relief such as customer refunds; civil penalties in some instances; and other monetary and equitable remedies. Advertisers may also be required to publish new advertising to correct misinformation previously advertised.

As a practical matter, most FTC complaints are settled pursuant to a consent order whereby the advertiser does not admit or deny any of the alleged unlawful practices, but agrees to certain terms designed to prevent future deceptive advertising practices. Recent FTC consent orders involving dealers are in effect for 20 years and include terms that:

- ▶ Prohibit a dealer from advertising in the manner that was challenged by the FTC complaint
- ▶ Require the dealer to comply with applicable federal law (for example, making Regulation M disclosures clearly and conspicuously)
- ▶ Require the dealer to retain copies of all future advertising of the type challenged by the FTC for at least five years from the date of publication

A violation of the terms of such an FTC consent order can result in civil penalties against a dealer for up to \$16,000 per violation. For more information on FTC enforcement policies regarding deceptive advertising and the applicable penalties, see the FTC publication entitled "[Advertising FAQ's: A Guide for Small Business.](#)"

Dealers should also be aware that individuals, not just the dealership entity, may be held accountable for deceptive advertising practices. The FTC evaluates an individual's accountability based upon the person's direct knowledge of the deceptive advertising practices involved. Advertising agencies or third-party vendors may also be held legally responsible for deceptive advertising depending on the extent of their participation in preparing the materials involved and their level of knowledge regarding false or deceptive claims. Note that dealers are liable for advertising law violations, even if they outsource advertising functions to ad agencies or other third parties. In light of the legal consequences, dealers should take appropriate steps to avoid advertising law violations, including having a process to review advertising for mistakes; confirm the details of manufacturer incentive programs that are advertised; and prevent the publication of unauthorized advertisements. (See the [Avoiding Advertising Law Violations Section](#) for a discussion of this topic.)

State Law Comment. In addition to FTC enforcement actions, legal actions may be initiated by state law enforcement personnel and even private attorneys representing consumers regarding deceptive dealer advertising. Many states have statutes that generally prohibit unfair and deceptive acts and practices. Some

states have statutes that specifically prohibit deceptive dealer advertising. These statutes provide for a wide range of legal remedies, including injunctive relief, civil damages, statutory penalties, license revocations and even punitive damages.

FTC Enforcement. Dealers should be aware that the FTC has taken and continues to take an active role in protecting consumers from deceptive dealer advertising. At the beginning of 2014, the FTC initiated enforcement actions against 10 dealers in a nationwide sweep focusing on advertising relating to the sale, financing and leasing of vehicles. This was the third FTC advertising sweep involving auto dealers in two years. The FTC has indicated that further enforcement actions may be forthcoming.



KEY REMINDERS

- ▶ There are significant and wide-ranging legal consequences that can result from dealer advertising that is deceptive.
- ▶ The FTC is active in pursuing enforcement actions against dealers regarding deceptive advertising relating to the sale, financing and leasing of vehicles.



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ 15 U.S.C. § 1665
- ▶ FTC Press Release dated January 9, 2014: [“FTC Announces Sweep Against 10 Auto Dealers: ‘Operation Steer Clear’ Drives Home that Auto Ads Must be Truthful”](#)
- ▶ FTC Press Release dated September 3, 2013: [“FTC Halts Two Automobile Dealers’ Deceptive Ads”](#)
- ▶ FTC Press Release dated March 14, 2012: [“FTC Takes Action to Stop Deceptive Car Dealership Ads”](#)
- ▶ FTC Publication: [“Advertising FAQ’s: A Guide for Small Business”](#)

SECTION 27: PREAPPROVED CREDIT OFFERS**GENERAL RULE**

Dealer advertising that includes a pre-screened (preapproved) credit offer is subject to federal law prohibiting deceptive advertising and requiring that certain opt-out disclosures be made.

**DISCUSSION**

Under federal law, dealers and other businesses must have a “permissible purpose” to access a consumer’s credit information. One form of permissible purpose is when a dealer makes a “firm offer of credit” to a consumer as part of a prescreened credit offer. Typically such prescreened credit offers, which are often included in mailers promoted by third-party vendors, involve a list of consumers provided by a consumer reporting agency or confirmed by that agency as meeting a selected credit score or other criteria. Before the credit offer is made, users of a prescreened list of individuals are required to establish the criteria that will be relied upon to make the credit offer and maintain such criteria on file for a three-year period beginning on the date on which the offer is made to each consumer. See the FTC publication entitled “[Prescreened Credit and Insurance Offers](#)” for more information on this topic.

Dealer advertising that includes prescreened credit offers must be truthful and cannot be misleading. A key concern in this regard is that the credit terms offered represent a legitimate credit opportunity. Additionally, any written solicitation of a prescreened credit offer must clearly and conspicuously disclose to consumers that:

- ▶ Information contained in a consumer’s credit report was used.
- ▶ The consumer was selected because certain criteria were satisfied.
- ▶ The offer may not be extended if the consumer does not continue to meet the criteria. The consumer has the right to prohibit use of credit information and may exercise this right concerning future offers by contacting credit

reporting agencies at the specified toll-free numbers or addresses.

The FTC Rule that addresses how these disclosures should be made requires two different notices (one short notice and one long notice) to the consumer. Each notice must meet certain technical requirements.

The FTC short notice example reads as follows:

“You can choose to stop receiving ‘pre-screened’ offers of credit from this and other companies by calling toll free [toll-free number]. See [PRESCREEN & OPT-OUT NOTICE](#) on other side [or other location] for more information about prescreened offers.”

This short notice must be located on the front side of the first page of the principal promotional document in the solicitation (typically the advertising mailer) and in a format that is distinct from other text, such as inside a border. The type size for the short notice must be larger than the type size of the principal text on the same page, but may in no event be smaller than 12-point type, and the type style must be distinct from the principal type style used on the same page (for example, bolded, italicized, underlined or a different color).

The FTC long notice example reads as follows:

“[PRESCREEN & OPT-OUT NOTICE](#): This ‘prescreened’ offer of credit is based on information in your credit report indicating that you meet certain criteria. This offer is not guaranteed if you do not meet our criteria [including providing acceptable property as collateral]. If you do not want to receive prescreened offers of credit from this and other companies, call the consumer reporting agencies [or name of consumer reporting agency] toll free at [toll-free number]; or write: [consumer reporting agency name and mailing address].”

The long notice must appear in the solicitation and begin with the heading (in capital letters and underlined) “PRESCREEN & OPT-OUT NOTICE” and be set apart from other text on the page (for example, by including a blank line above and below the statement heading, and by indenting both the left and right margins from other text on the page). The type size of the long notice must be no smaller than the type size of the principal text on the same page, and may in no event be smaller than 8-point type. The type style must also be distinct from the principal type style used on the same page (for example, bolded, italicized, underlined or in a contrasting color). The long notice must not include any other information that interferes with, detracts from, contradicts or otherwise undermines the purpose of the notice.

To the extent third-party vendors are the source of the mailers that advertise prescreened credit offers, dealers should take appropriate steps to confirm, including review by legal counsel, that the content of any mailer to be used by a dealer is not deceptive and is otherwise legally compliant in all respects, including the “permissible purpose” requirement.



KEY REMINDER

- ▶ Dealer advertising that includes prescreened credit offers must not be deceptive and must comply with technical opt-out notice disclosure requirements under federal law.



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ The Fair Credit Reporting Act, 15 U.S.C. § 1681
- ▶ 16 C.F.R. § 642.3
- ▶ FTC Publication: “[Prescreened Credit and Insurance Offers](#)”

SECTION 28: PRICE ADVERTISING

**GENERAL RULE**

Dealer advertising that features pricing information on vehicles or other products or services is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Dealer advertising (in any medium) that communicates pricing information on vehicles or other products or services must not misrepresent the total price consumers are to pay. (See the [Drip Pricing Section](#) for a further discussion of this topic.) For legal compliance purposes, the best practice for a dealer in advertising the price of a vehicle is to advertise the amount a consumer would need to pay to purchase the identified vehicle, as equipped. It is reasonable to conclude that certain government-imposed fees (for example, taxes and license fees) may be excluded from this amount as long as it is clearly and conspicuously disclosed in the advertisement that a consumer will need to pay such items in addition to the advertised price. Any material restrictions and conditions that apply to an advertised price (for example, an expiration date) should also be clearly and conspicuously disclosed in the advertisement.

State Law Comment. Note that some states have laws that specifically address what amounts must be included in the advertised price of a vehicle and how any excluded fees or costs that a consumer will be obligated to pay as part of the vehicle purchase must be disclosed in such advertising. For example, several states allow vehicle freight or destination charges or dealer processing charges to be excluded from a vehicle's advertised price, if this exclusion is properly disclosed in the advertising.

Regarding advertising that involves former price comparisons or references to MSRP, wholesale or invoice pricing, dealers should be aware of the applicable FTC guides. (See the [Former Price Comparisons / MSRP /](#)

[Invoice Advertising Section](#) for a discussion of these FTC guides.)

Rebate Advertising. Regarding price advertising that involves manufacturer rebates (including those from distributors and financial institutions affiliated with a manufacturer or distributor), the key issue under federal law is that the advertising should disclose important information regarding the featured rebates in a manner that is reasonably understandable to a consumer. Any manufacturer rebates that are advertised should be generally available to consumers. Any material qualifications (for example, financing or trade-in requirements) that a consumer must satisfy to receive a rebate, or limitations that apply, should be clearly and conspicuously disclosed. Price advertising that includes multiple manufacturer rebates (i.e. rebate stacking) that have qualifications that are inconsistent or unlikely to be satisfied by a consumer should be avoided.

State Law Comment. Some states have laws that specifically address how a dealer must advertise manufacturer rebates. For example, one state law requires dealer advertising that specifies an after-rebate purchase price to clearly and conspicuously disclose the sale price of a vehicle before any rebate as well as the rebate dollar amount.

“As Low As” Advertising. Dealer advertising that utilizes phrases such as “starting at” or “as low as” in connection with vehicle prices is susceptible to deceptive advertising claims and should be carefully reviewed for legal compliance purposes.

State Law Comment. A number of states have laws that require specific disclosure of the number of vehicles available at the advertised price when such phrases are used.

Vehicle Identification. To avoid claims of deceptive advertising, dealers should clearly identify by year, make, and model, as well as by VIN number, stock number, or

license number as appropriate, the vehicle or vehicles to which an advertised price (or lease offer) applies. (See the [Vehicle Description / Identification Section](#) for a discussion of this topic.)

State Law Comment. Some states have laws that require that vehicles advertised at a specific price be identified in a certain manner (usually by a VIN number or license number, although some states allow stock numbers to be used). Additionally, a number of states have laws that apply to vehicle price advertising in other ways, including requiring the disclosure of the number of vehicles available at the advertised price; requiring that the advertised price (which could be a special Internet price) be posted on a vehicle; and requiring a dealer to sell a vehicle at the advertised price (again this could be a special Internet price) to a buyer even if the buyer is not aware of the advertised price.

FTC Enforcement. The FTC has historically brought enforcement actions against dealers based on deceptive vehicle price advertising. In January of 2014, the FTC initiated an enforcement action against a dealer regarding an advertisement that included low vehicle purchase prices, but failed to clearly and conspicuously disclose that the prices were after a \$5,000 down payment (which was disclosed only in fine print). In 2013, the FTC also pursued enforcement actions against two dealers regarding deceptive price advertising. In one action, the FTC asserted that the dealer failed to adequately disclose that consumers would need to qualify for a number of small rebates that were not generally available to them to receive the advertised price of 25% off MSRP. In the other action, the FTC asserted the dealer advertising was deceptive because price discounts that were advertised applied only to more expensive versions of the vehicles that were featured in the advertisement.



CROSS-REFERENCES

- ▶ [Drip Pricing Section](#)
- ▶ [Former Price Comparisons / MSRP / Invoice Advertising Section](#)
- ▶ [Internet Advertising Section](#)
- ▶ [Service / Parts Department Advertising Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Blog dated September 3, 2013: [“Buying a New Car: But the ad from the dealer said...”](#)
- ▶ FTC Press Release dated September 3, 2013: [“FTC Halts Two Automobile Dealers’ Deceptive Ads”](#)
- ▶ FTC Press Release dated January 9, 2014: [“FTC Announces Sweep Against 10 Auto Dealers: ‘Operation Steer Clear’ Drives Home That Auto Ads Must Be Truthful”](#)



AD EXAMPLES

- ▶ [Example B, pp. 6-7](#)
- ▶ [Example D, pp. 10-11](#)

SECTION 29: REGULATION Z TRIGGER TERMS

**GENERAL RULE**

Pursuant to Regulation Z, dealer advertising that includes the amount or percentage of any down payment, the number of payments, the amount of any payment, or the amount of any finance charge relating to an offer to sell a vehicle, must disclose additional information that gives a consumer a complete understanding of the terms and costs of the purchase.

**DISCUSSION**

The primary purpose of the federal Truth in Lending Act (TILA) and Regulation Z, which implements TILA, is to “ensure that credit terms are disclosed in a meaningful way so that consumers can compare credit terms more readily and more knowledgeably.”

Trigger Terms. Dealer advertising (in any medium) that includes an offer to sell a vehicle on a one-time credit transaction basis (defined as “closed-end credit” as opposed to open-end credit, which typically involves a credit line that a consumer may access multiple times) must disclose clearly and conspicuously additional information regarding the offer, if any one of the following terms (“trigger terms”) is displayed or mentioned:

- ▶ The amount or percentage of any down payment
- ▶ The number of payments or period of repayment
- ▶ The amount of any payment
- ▶ The amount of any finance charge

The additional information that must be disclosed when a trigger term is advertised includes all of the following:

- ▶ The down payment (amount or percentage), if any
- ▶ The terms of repayment
- ▶ The annual percentage rate using that term or the abbreviation “APR.” (Note that if the APR is to be increased after the vehicle purchase, that fact must also be disclosed.)

Dealers should be aware that the following items are not trigger terms under Regulation Z and therefore do not require the disclosure of additional information as discussed previously:

- ▶ Advertising that there is no down payment
- ▶ Advertising an annual percentage rate (or APR) by itself (for example, 0% APR limited term financing). Note that the disclosures required by Regulation Z must be made if the term (for example, 0% APR financing for 60 months) of the APR is included in the advertisement.

The Federal Reserve Board Staff Commentary to Regulation Z (“Regulation Z Commentary”) recognizes that certain flexibility exists in the manner in which the required disclosures are made. First of all, using a typical example transaction (when there is a range of possible combinations of credit terms) is acceptable if all of the required disclosures are made and the terms disclosed are available. The typical transaction should be labeled as an example in the advertising. Additionally, a down payment disclosure may state a dollar amount or a percentage. Examples of down payment disclosures that should be acceptable include: “\$2,000 cash or trade-in required from buyer,” or “10% down,” or “down payment ranges from 10 to 20% depending on credit” (if such a range is typical).

Dealers should understand that the “terms of repayment” include the amount of the payments, including any balloon payment, the number of payments, and also the period of the payments (monthly, bi-monthly, weekly, or otherwise). The Regulation Z Commentary further recognizes that terms of repayment may be disclosed as a “unit cost.” An example of this approach is “0% APR financing for 60 months at \$16.67 per month per \$1,000 financed with 10% down.”

Internet Advertisement. Under Regulation Z, a catalog or multiple-page advertisement, or an advertisement on an Internet website, is considered a “single advertisement,” which allows the advertisement to use a table or schedule to make the required disclosure

of cost information. However, in this situation, there must be a communication that clearly directs or links a consumer to the table or schedule.

Clear and Conspicuous. The Regulation Z Commentary also acknowledges that there are no specific rules in terms of type size or display format under the clear and conspicuous standard that applies to making the disclosures required by Regulation Z. Under this standard, the basic principal is that the disclosures must be made in a manner that is reasonably understandable to a consumer. (See the [Clear and Conspicuous Disclosures Section](#) for a further discussion of this topic.)

State Law Comment. Note that a number of states have laws that also require dealer advertising to comply with the disclosure requirements of Regulation Z.

FTC Enforcement. The FTC has brought numerous enforcement actions over the years against dealers regarding deceptive advertising that fails to comply with the disclosure requirements of Regulation Z. In January of 2014, the FTC filed complaints against several dealers on this basis. In these actions, the FTC focused on advertisements that featured an offer of low monthly payments to purchase a vehicle, but failed to clearly and conspicuously disclose material information regarding the offer (any disclosures relating to terms of repayment were made in fine print that was not easily readable). In one advertisement, the low monthly payments were based upon an APR available only for the first few months of the financing term. In another advertisement, there was a balloon payment exceeding \$10,000 due at the end of the financing term.



KEY REMINDERS

- ▶ Pursuant to Regulation Z, dealer advertising that references an amount or percentage of down payment, the number of payments, the amount of any payment, or the amount of any financing charge regarding the sale of a vehicle, must disclose additional information regarding the terms and costs of the transaction.
- ▶ Disclosures required by Regulation Z must be made clearly and conspicuously, so that they are reasonably understandable to a consumer.



CROSS-REFERENCES

- ▶ [Credit Advertising Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)



REFERENCE MATERIALS

- ▶ Regulation Z, 12 C.F.R. § 226.24
- ▶ Truth in Lending Act, 15 U.S.C. § 1601 et seq.
- ▶ FTC Press Release dated January 9, 2014: [“FTC Announces Sweep Against 10 Auto Dealers: ‘Operation Steer Clear’ Drives Home That Auto Ads Must Be Truthful”](#)
- ▶ Federal Reserve Board Staff Commentary to § 226.24(b) and (d), Regulation Z



AD EXAMPLES

- ▶ [Example A, pp. 4-5](#)
- ▶ [Example B, pp. 6-7](#)

CLOSED-END CREDIT ADVERTISING	
Regulation Z Trigger Terms	Required Follow-On Disclosures If Any Trigger Term Is Used
Amount or percentage of down payment	Amount or percentage of down payment
Number of payments or period of repayment	Terms of repayment (which reflect repayment obligations over full term of contract, including any balloon payment)
Amount of any payment	Annual percentage rate (must use that term or “APR” and, if applicable, must state that rate may be increased after consummation)
Amount of any finance charge	

SECTION 30: SATISFACTION GUARANTEES

**GENERAL RULE**

Dealer advertising that includes a satisfaction guarantee message is subject to federal law prohibiting deceptive advertising and should only be advertised if the full purchase price of the vehicle (or other product sold) will be refunded at the purchaser's request.

**DISCUSSION**

Dealer advertising (in any medium) that includes a satisfaction guarantee or free trial offer or words to that effect regarding a vehicle or other product must be truthful and not misleading. The FTC developed "Guides for the Advertising of Warranties and Guarantees" to give advertisers guidance for legal compliance purposes. These guides provide that satisfaction guarantees should only be advertised if the advertiser is prepared to refund the full purchase price of the advertised product at the purchaser's request. The guides further provide that any such advertisement of a satisfaction guarantee should disclose clearly and conspicuously (in a manner designed to be noticed and understood) any material condition or limitation that applies to the guarantee. (See the [Warranty Advertising Section](#) for information related to this topic.)

State Law Comment. Some states have laws that specifically regulate satisfaction guarantee offers. At least one state law requires such advertising to clearly and conspicuously disclose the terms and conditions of the offer.

**KEY REMINDER**

- ▶ Dealers should not advertise a satisfaction guarantee regarding a vehicle or other product unless the full purchase price of the advertised product will be refunded at the purchaser's request and there is a clear and conspicuous disclosure in the advertisement of any material limitations or conditions that apply to the guarantee.

**CROSS-REFERENCES**

- ▶ [Warranty Advertising Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Guides for the Advertising of Warranties and Guarantees, 16 C.F.R. Part 239

SECTION 31: SAVINGS / DISCOUNT CLAIMS

**GENERAL RULE**

Dealer advertising that includes savings or discount claims is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Under federal law, dealer advertising (in any medium) that includes savings or discount claims must be truthful and not misleading. Dealer advertising relating to vehicles should only refer to discounts and savings that are available to typical consumers and apply to the vehicles actually identified in the advertisement. (See the [Vehicle Description / Identification Section](#) for a discussion of this topic.) Any such advertisement should also clearly and conspicuously disclose any material conditions and restrictions that apply to the claims. (See the [Clear and Conspicuous Disclosures Section](#) for a discussion of this topic.)

Rebates. Advertised savings or discount claims relating to vehicles often include references to manufacturer rebates. Such dealer advertising should include a clear and conspicuous disclosure of the terms and conditions for a consumer to receive any rebate that relates to the savings claim. The advertising should not include multiple rebates that have qualifications that are inconsistent or unlikely to be satisfied by a consumer. (See the [Price Advertising Section](#) for a further discussion of rebate advertising.)

State Law Comment. A number of states have specific laws addressing rebate advertising by dealers. For example, one state prohibits a rebate from being advertised unless the rebate is expressed in a specific dollar amount and the rebate is offered directly to the consumer by the vehicle manufacturer or distributor.

Coupons. Dealer advertising that includes discount coupons applicable to vehicles (or other products or services) must not be deceptive. Such coupon offers (for example, 10% off a vehicle's MSRP) should actu-

ally represent a significant savings from the vehicle's typical selling price. Note that if a coupon must be presented at the beginning of the negotiations relating to a vehicle's purchase, the issue exists as to whether an actual discount is being realized by a consumer. Certainly any material restrictions and qualifications that are applicable to a discount coupon should be clearly and conspicuously disclosed.

Factory-Authorized Sales. Dealer advertising that references a factory-authorized sale must also be truthful and not misleading. Factory-authorized sales should be advertised only if the sale is actually authorized by the applicable vehicle manufacturer and should not include any inaccurate representations, either express or implied, that such a sale is exclusive to the advertising dealer.

State Law Comment. A number of states have laws that specifically apply to dealer advertising that references a "factory-authorized sale."

Private Sales/Liquidation Sales. Dealer advertising that promotes a "private sale" or "liquidation sale" should be carefully scrutinized to confirm it is not deceptive.

"Up To" Claims. Dealer advertising that includes "up to" savings claims (for example, "Save up to \$5,000 this weekend") should be carefully reviewed to confirm they are not deceptive. The FTC takes the position that advertisers making such claims "should be able to substantiate that consumers are likely to achieve the maximum results promised under normal circumstances."

Former Price / MSRP Savings. Savings claims based on a vehicle's former price or MSRP should be legitimate. (See the [Former Price Comparisons / MSRP / Invoice Advertising Section](#) for a discussion of this topic.) A savings claim (for example, save \$4,000) that is based on a comparison of a vehicle's MSRP with the advertised price is misleading if a significant number of sales have not been made at the MSRP.

However, stating that the advertised price represents a “savings of \$4,000 from MSRP” should be a legitimate claim even if the vehicle has not been sold at MSRP previously.

FTC Enforcement. In September of 2013, the FTC initiated enforcement actions against two dealers based upon advertisements that were asserted to be false and misleading regarding vehicle discounts and prices. Specifically, the FTC targeted a “25% off MSRP” Internet vehicle price advertisement that did not contain an adequate disclosure of the fact that a buyer would not receive the discount unless the buyer qualified for a series of small manufacturer rebates. The FTC also targeted an advertisement that represented price discounts that did not apply to the vehicle models featured in the advertisement, but instead were available only with the purchase of more expensive models.



KEY REMINDERS

- ▶ Savings or discount claims included in dealer advertising should be available to typical customers and apply to the vehicles identified in the advertising.
- ▶ Dealer advertising should clearly and conspicuously disclose any material qualifications and restrictions that apply to savings or discount claims.



CROSS-REFERENCES

- ▶ [Service / Parts Department Advertising Section](#)
- ▶ [Truth in Advertising Section](#)
- ▶ [Price Advertising Section](#)
- ▶ [Former Price Comparisons / MSRP / Invoice Advertising Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)
- ▶ [Vehicle Description / Identification Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC ACT, 15 U.S.C. § 45
- ▶ FTC Report dated June 29, 2012: “[Many Consumers Believe ‘Up To’ Claims Promise Maximum Results](#)”



AD EXAMPLES

- ▶ [Example D, pp. 10-11](#)

SECTION 32: SERVICE / PARTS DEPARTMENT ADVERTISING

**GENERAL RULE**

Dealer service and parts department advertising is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Dealer service and parts department advertising (in any medium) must be truthful and not misleading. The advertising must accurately disclose what service or part is provided at the advertised price. There should also be a clear and conspicuous disclosure of any material conditions and restrictions that apply to an advertised offer (for example, offer end date). (See the [Clear and Conspicuous Disclosures Section](#) for a discussion of this topic.) If the advertised price for a service is not inclusive of all charges (such as taxes or a hazardous waste disposal fee), there should be a clear and conspicuous disclosure of the additional charges that a consumer is obligated to pay when the service is performed. If the offer of service is only valid for a specific make of vehicle, that restriction should be disclosed. If extra work (for example, resurfacing rotors in connection with a brake job) relating to a service offer will be performed at an additional cost to a consumer, that should be disclosed. Disclosing that installation is not included with a parts offer is also a good advertising practice.

Free Offers. Because the price of vehicle service, repairs and parts is typically not negotiated, dealers may advertise offers of “free” goods or services contingent upon the purchase of an advertised service, repair or part. However, such offers should clearly and conspicuously disclose any material conditions and restrictions that apply. (See the [Free Goods and Services Section](#) for a further discussion of this topic.)

Coupons. Dealer advertising that includes discount coupon offers is susceptible to claims of deception if the coupons do not clearly and conspicuously disclose any material qualifications and restrictions that apply

to the consumer receiving the benefit of the coupon (for example, the expiration date and that the coupon cannot be combined with any other special offer).

Used Auto Parts. Dealer marketing of “parts that are not new and assemblies containing such parts” is the subject of the FTC’s “Guides for the Rebuilt, Reconditioned and Other Used Automobile Parts Industry.” These guides apply to parts, including tires, collectively described as “industry products,” which are “designed for use in automobiles, trucks, motorcycles, tractors, or similar self-propelled vehicles.” They identify the following practices as unfair or deceptive:

- ▶ Misrepresenting industry products as new or misrepresenting the amount of use of an industry product
- ▶ Misrepresenting the identity of anyone who worked on an industry product after it was removed from the original vehicle
- ▶ Misrepresenting the condition of an industry product or the amount of work done to it after its removal from the original vehicle

When a used part or assembly that includes used parts is advertised or sold (including on the Internet), the FTC guides require that it be clearly and conspicuously disclosed in the advertising and on the invoice, packaging, and product itself, that the product is used or contains used parts. Dealers have some flexibility in how these disclosures are made, although the FTC guides do provide specific direction as to how disclosures should be made on the industry product itself. Specifically, the guides provide that an appropriate descriptive term such as “used, secondhand, repaired, remanufactured, reconditioned, rebuilt or redlined” be placed on the industry product in a manner that remains visible for a reasonable period of time after its installation. Note also that the guides provide that if the identity of the original manufacturer of an industry product or the identity of the manufacturer for which an industry product was manufactured is revealed in connection with its sale

(or its offer for sale) and the industry product was rebuilt, remanufactured, or reconditioned by someone else, that fact must be conspicuously disclosed in the specified manner.

The FTC guides further consider it deceptive to describe an industry product using a term such as “re-built” unless the part has been:

“dismantled and reconstructed as necessary, all of its internal and external parts cleaned and made rust and corrosion free, all impaired, defective or substantially worn parts restored to a sound condition or replaced with new, rebuilt (in accord with the provisions of this paragraph) or unimpaired used parts, all missing parts replaced with new, rebuilt or unimpaired used parts, and such rewinding or machining and other operations performed as are necessary to put the industry product in sound working condition.”

Additionally, it is deceptive to describe an industry product using terms such as “factory-rebuilt” or “re-manufactured” unless the industry product was rebuilt in the manner described previously at a “factory generally engaged in rebuilding such products.”

State Law Comment. Note that many states have laws that generally prohibit deceptive advertising, and these laws apply to dealer service and parts department advertising.



KEY REMINDERS

- ▶ Dealer service and parts department advertising must be truthful and not misleading and should clearly and conspicuously disclose any material conditions and restrictions that apply to any advertised offers.
- ▶ FTC guides apply to the advertising and sale of used auto parts and direct that certain technical disclosures be made by advertisers to avoid unfair or deceptive practices.



CROSS-REFERENCES

- ▶ [Truth in Advertising Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Guides For the Rebuilt, Reconditioned and Other Used Automobile Parts Industry, 16 C.F.R. Part 20

SECTION 33: SIGNS/STICKERS ON VEHICLES

**GENERAL RULE**

Dealer advertising in the form of signs or stickers placed on vehicles is subject to federal advertising laws, including the prohibition against deceptive advertising and the applicable disclosure requirements of Regulation Z and Regulation M.

**DISCUSSION**

Signs or stickers placed on vehicles by dealers to display price or other information promoting the sale of a vehicle fall within the general definition of advertising under federal law and therefore must comply with the applicable advertising laws. (See the [Advertising Definition Section](#) for a discussion of this topic.) As with any dealer advertising, this form of advertising must be truthful and not misleading and also must make the required disclosures under Regulation Z if a credit offer is being advertised and under Regulation M if a lease offer is being advertised. (See the [Regulation Z Trigger Terms](#) and [Leasing / Regulation M Trigger Terms](#) Sections for a discussion of this topic.)

Monroney Stickers. The federal Automobile Information Disclosure Act requires a sticker (“Monroney sticker”) to be placed on a vehicle by the manufacturer. This sticker discloses the vehicle’s MSRP as well as other information about the vehicle. This sticker and the information contained on it, including the MSRP, should not be considered dealer advertising. However, if any dealer advertising includes information found on a Monroney sticker such as a vehicle’s MSRP, that information must be accurate and not misleading. (See the [Former Price Comparisons / MSRP / Invoice Advertising Section](#), [Price Advertising Section](#), and [Fuel Economy Claims Section](#) for a discussion of related topics.)

Supplemental Stickers. Dealers sometime use supplemental stickers that are attached to a vehicle to provide additional price information. Typically such stickers show a markup of a vehicle over the MSRP or that a vehicle has dealer-added equipment that increases a vehicle’s price. Any information displayed on such a sticker must be truthful and not misleading. Dealers should avoid displaying supplemental stickers on vehicles in a manner that suggests to a reasonable consumer that these stickers have the official status of a Monroney sticker.

State Law Comment. Some states have laws that regulate dealer use of supplemental stickers. At least one state law requires a supplemental sticker to include a disclosure to the effect that the price displayed on the sticker is the dealer’s asking price and not the manufacturer’s suggested retail price.

Buyers Guide. Dealers are required by federal law to post on used cars, prior to their sale, a buyers guide form that discloses important purchasing and warranty information. To be legally compliant, the content of this form must conform with specific requirements set forth in the FTC’s Used Car Rule. (See the [Used Car Buyers Guide Section](#) for a discussion of this topic.)

**KEY REMINDER**

- ▶ Dealer advertising in the form of signs or stickers attached to vehicles is subject to federal advertising laws, including the prohibition against deceptive advertising and the applicable disclosure requirements of Regulation Z and Regulation M.

**CROSS-REFERENCES**

- ▶ [Used Car Buyers Guide Section](#)
- ▶ [Price Advertising Section](#)
- ▶ [Fuel Economy Claims Section](#)
- ▶ [Former Price Comparisons /MSRP / Invoice Advertising Section](#)
- ▶ [Advertising Definition Section](#)
- ▶ [Regulation Z Trigger Terms Section](#)
- ▶ [Leasing / Regulation M Trigger Terms Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ Regulation Z, 12 C.F.R. § 226.24(b) and (d)
- ▶ Regulation M, 12 C.F.R. § 213.7
- ▶ Automobile Information Disclosure Act, 15 U.S.C. §§ 1231-1233

SECTION 34: SWEEPSTAKES / LOTTERIES

**GENERAL RULE**

Under federal law, dealers are prohibited from advertising a scheme known as a “lottery” that provides for a consumer to pay money or provide other consideration for the opportunity to win by chance something of value. Dealer advertising that references a sweepstakes is subject to federal law prohibiting deceptive advertising and requiring that certain disclosures be made if the advertising is by mail.

**DISCUSSION**

Dealer advertising should not include prize giveaways that could be construed under federal law to be a prohibited “lottery.” Basically, a lottery is a scheme to distribute prizes according to chance with a consumer required to pay money or provide other consideration for the right to participate in the scheme. Many states have laws that prohibit lotteries. Because of varying legal interpretations as to what constitutes “consideration,” dealers should check with legal counsel before advertising any promotion that requires a consumer to engage in conduct such as taking a test drive for a chance to win a prize. This issue may be avoided by allowing consumers to enter the sweepstakes contest without taking a test drive.

Sweepstakes. Dealer advertising that features a sweepstakes (meaning a “game of chance for which no consideration is required to enter”) must be truthful and not misleading. Materials (including a complete set of official rules) relating to a sweepstakes should be reviewed to confirm that they are not deceptive and any material qualifications and restrictions applicable to a consumer participating in the promotion are clearly and conspicuously disclosed. Dealers should be cautious in relying upon a third-party vendor to provide legally compliant sweepstakes advertising and take appropriate steps, including review by legal counsel, to ensure such advertising is compliant. Sweepstakes that involve telephone solicitations are subject to

significant legal restrictions and requirements under federal law. See the NADA telemarketing guide entitled “A Dealer Guide to Federal Telemarketing Restrictions” for information on this topic.

If a sweepstakes is advertised by mail and the advertising provides entry materials, certain technical disclosure requirements of the federal Deceptive Mail Prevention and Enforcement Act must be followed. This Act requires certain information to be disclosed in a specific manner in the mailer, in the official rules, and on the order or entry form, including a statement that no purchase is necessary to enter the sweepstakes, and that a purchase will not improve an individual’s chances of winning with such entry. The mailer must also disclose the terms and conditions of the sweepstakes, the sweepstakes rules, and the name and address of the sponsor (or mailer of the advertisement). The sweepstakes rules must include the estimated odds of winning each prize; the quantity, estimated retail value and nature of each prize; and a schedule of any payments relating to a prize to be paid over time. The mailer should not include representations that are inconsistent with the required disclosures or the sweepstakes rules. The mailer should also not include any representation to the effect that:

- ▶ A person not purchasing products or services is disqualified from future sweepstakes mailings
- ▶ A sweepstakes entry must be accompanied by an order or payment for a product or service previously ordered
- ▶ A person has won a prize unless that is true

Regardless of whether entry materials are included, a mailer that advertises a sweepstakes must clearly and conspicuously display a statement that informs an individual receiving the mailer of a notification system that allows the individual to have his or her name removed from the mailing list used by the promoter (defined as the person or entity that originates and mails the sweepstakes mailer). The statement must include an address or toll-free telephone number that the individual can use to communicate a name removal request. The

promoter has 60 days after receiving such a request to remove the name from all lists used for sweepstakes.

Failure to comply with the disclosure requirements of the Deceptive Mail Prevention and Enforcement Act allows the U.S. Postal Service to not deliver the mailer and dispose of it. Significant civil monetary penalties and also injunctive relief are other possible legal consequences of a failure to comply with this federal law.

State Law Comment. Note that a number of states have laws that specifically regulate sweepstakes.



KEY REMINDERS

- ▶ Federal law prohibits schemes (lotteries) that require consumers to pay or provide other consideration to participate in a distribution of prizes to be won by chance.
- ▶ Dealer advertising that includes a sweepstakes must not be deceptive and if the advertising is by mail, it must comply with the technical disclosure requirements of the federal Deceptive Mail Prevention and Enforcement Act.



CROSS-REFERENCE

- ▶ [Incentives to Visit Dealership Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ 18 U.S.C. §§ 1302-1304
- ▶ The Deceptive Mail Prevention and Enforcement Act, 39 U.S.C. § 3001 et seq.



AD EXAMPLES

- ▶ [Example B, pp. 6-7](#)

SECTION 35: TELEPHONE / FAX ADVERTISING

**GENERAL RULE**

Dealer advertising in the form of telephone solicitations is significantly restricted by federal law and such advertising should be carefully reviewed for legal compliance purposes. Dealer advertising in the form of an unsolicited fax is generally prohibited under federal law.

**DISCUSSION**

Dealer advertising in the form of telephone solicitations must comply with significant legal restrictions and requirements under federal law. This form of advertising is outside the scope of this management guide and dealers are directed to the NADA telemarketing guide entitled “A Dealer Guide to Federal Telemarketing Restrictions” for information on this topic.

Fax Advertising. Federal law generally prohibits dealers from faxing unsolicited advertisements. This prohibition applies to advertising to be sent to both residential and business fax machines. The term “unsolicited advertisement” is defined by the Federal Communications Commission (FCC) for purposes of the federal Telephone Consumer Protection Act to mean:

“any material advertising the commercial availability or quality of any property, goods or services which is transmitted to any person without that person’s prior express invitation or permission, in writing or otherwise.”

To the extent that a dealer intends to engage in fax advertising to individuals whose permission they have obtained, the best practice is for the dealer to obtain that permission from each individual in written form with the fax number to be used identified. The content of any such advertising is subject to federal advertising laws, including the prohibition against deceptive advertising.

Under the FCC rules, there is a recognized exception to the prohibition of faxing unsolicited advertisements

that applies when a business, such as a dealership, has an “established business relationship” with the recipient of the fax. As defined by the FCC rules, an established business relationship means:

“a prior or existing relationship formed by a voluntary two-way communication between a person or entity and a business or residential subscriber with or without an exchange of consideration [payment] on the basis of an inquiry, application, purchase, or transaction by the business or residential subscriber regarding products or services offered by such person or entity, which relationship has not been previously terminated by either party.”

If a dealer has an established business relationship with a person, a fax advertisement may be sent if the fax number utilized is obtained in a manner consistent with one of the following approaches:

- ▶ Directly from the recipient (for example, from a credit application)
- ▶ From the recipient’s own directory, advertisement or site on the Internet, unless such materials indicate that the recipient does not accept unsolicited advertisements at the fax number listed
- ▶ From a third-party source or directory if reasonable steps are taken to verify that the recipient consented to have the fax number listed

State Law Comment. Note that a number of states have laws regulating unsolicited fax advertisements.

Opt-out/Notice Requirements. If a fax advertisement is sent to a recipient with that person’s prior express permission or based upon the established business relationship exception, the fax must include notice information that allows the recipient to opt out of receiving future faxes. As stated in the FCC fax advertising guide, the opt-out notice contained in fax ads must:

- ▶ “be clear and conspicuous and on the first page of the advertisement

- ▶ state that the recipient may make a request to the sender not to send any future faxes and that failure to comply with the request within 30 days is unlawful
- ▶ include a telephone number, fax number, and cost-free mechanism (including a toll-free telephone number, local number for local recipients, toll-free fax number, website address or email address) to opt-out of faxes, which must be available 24 hours a day, seven days a week.

Senders must honor requests not to send further faxes within 30 days. They are also prohibited from sending future fax advertisements unless the recipient subsequently provides prior express permission.”

See the FCC guide entitled “[Fax Advertising: What You Need to Know](#)” for more information.



KEY REMINDERS

- ▶ Dealer advertising generally should not be sent by fax unless the prior express written consent of the recipient has been obtained.
- ▶ Dealer advertising sent by fax must include information on how the recipient can opt out of receiving further faxes.



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ 47 C.F.R. § 64.1200
- ▶ FCC Guide “[Fax Advertising: What You Need to Know](#)”

SECTION 36: TRADE-IN / PAYOFF ADVERTISING

**GENERAL RULE**

Dealer advertising that includes representations relating to trade-in vehicles is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Dealer advertising (in any medium) that makes representations relating to trade-in vehicles must be truthful and not misleading. Dealer advertising that includes specific trade-in offers (for example, “We will give you \$1,000 for any trade-in, push, pull, or tow it in” or “We will give you \$1,000 over wholesale book”) that involve potential over-allowance situations are susceptible to claims of deceptive practices. Certainly, any material conditions and restrictions that apply to such offers must be clearly and conspicuously disclosed (for example, the vehicle mileage and condition criteria that must be met and that a vehicle inspection is required). A representation that a dealer will pay “top dollar” for trade-in vehicles or other general statements of that nature should not pose advertising law compliance problems, but consult with your legal counsel concerning the legality of the actual statements that you intend to make.

State Law Comment. Some states have laws that specifically regulate dealer advertising relating to trade-in vehicle offers. At least one state law prohibits a dealer from advertising a guaranteed trade-in allowance.

Representations included in dealer advertising relating to the handling of trade-in or lease payoffs should be carefully reviewed to confirm they are not misleading. Based on the FTC enforcement action discussed below, a representation to the effect that a dealer will pay off a consumer’s trade-in vehicle no matter how much is owed should not be made in dealer advertising. See the FTC publication entitled “[Auto Trade-ins and Negative Equity](#)” for more information on this topic. Dealers should also not include representations regarding lease terminations (for example, “We handle early lease terminations without fees or penalties”) unless they are true and not misleading.

FTC Enforcement. In March of 2012, the FTC announced enforcement actions against five dealers on the basis of advertising that basically represented, “We will pay off your trade no matter how much you owe.” The advertisements involved were featured on YouTube.com and dealer websites. The FTC asserted that this representation was false and misleading because it implied that a consumer would no longer be responsible for the credit balance due on a trade-in vehicle, when in fact any negative equity associated with the trade-in was added by the dealers to the credit balance owed by the consumer for the new vehicle being purchased or, in one instance, was required to be paid by the consumer out-of-pocket.

**KEY REMINDERS**

- ▶ Dealer advertising that includes vehicle trade-in offers should be carefully reviewed to confirm that any representations made are truthful and not misleading.
- ▶ Dealer advertising should not include a representation to the effect that the dealer will pay off a consumer’s trade-in vehicle no matter what the consumer owes.

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ March 14, 2012 FTC News Release: “[FTC Takes Action to Stop Deceptive Car Dealership Ads](#)”
- ▶ FTC Publication: “[Auto Trade-ins and Negative Equity](#)”

**AD EXAMPLES**

- ▶ [Example A](#), pp. 4-5

SECTION 37: TRUTH IN ADVERTISING

**GENERAL RULE**

Federal law requires dealer advertising to be truthful and not misleading. Such advertising must also not be unfair and dealers must have reasonable substantiation for any claims made.

**DISCUSSION**

Under Section 5 of the FTC Act, unfair or deceptive acts or practices that affect commerce are prohibited. This federal statute therefore prohibits deceptive advertising communicated by television, radio, newspaper, magazine, Internet, direct mail, billboards, banners, flyers, telephone, or any other advertising medium. This statute further prohibits advertising that is unfair. This basically means that the advertising is likely to cause consumers substantial injury that they cannot reasonably avoid and the injury is not outweighed by other benefits. Dealers must be aware that the definition of “advertising” under federal law is quite broad and should be considered to include any message to the public to promote a product or service. (See the [Advertising Definition Section](#) for a discussion of this topic.)

Deceptive Advertising. To avoid being misleading, dealer advertising must not imply something that is untrue or leave out important (“material”) information regarding a claim or offer. A separate disclosure of information cannot cure a false representation in an advertisement, and such information should also not contradict a material representation included in the advertisement. To determine whether an advertisement is deceptive, dealers should consider the following questions:

- ▶ What is the net impression of the advertisement? Does it pass the “smell test”?
- ▶ Is a consumer acting reasonably likely to be misled by the advertisement?

- ▶ Is there an omission of information or a failure to disclose clearly and conspicuously information that is likely to affect a consumer’s decision (for example, information relating to credit, lease or price offers)?
- ▶ Is there reasonable substantiation for any claims that are made in the advertisement?

One example of misleading dealer advertising is a vehicle lease offer that promotes “\$0 Down,” but requires a consumer to pay significant undisclosed charges at lease signing. Another example is an offer of a low monthly payment that does not disclose that the transaction is a lease. See the FTC publications entitled “[Advertising and Marketing on the Internet: Rules of the Road](#),” “[Advertising FAQs: A Guide for Small Business](#),” and “[Are Car Ads Taking You for a Ride?](#)” for more information on deceptive advertising. Dealers should be aware that an advertisement may be considered deceptive even if there is no deceptive intent on the part of the dealer and even if no consumer has relied upon the advertisement to his or her injury. Note also that the fact that other dealers engage in similar advertising practices does not insulate a dealer from claims that an advertisement is deceptive.

Puffing. Certain types of advertising claims that are either vague or highly subjective (for example, “the best-looking vehicle on the market”) have been considered “puffing” by numerous federal courts and found not to violate applicable advertising laws. In coming to this conclusion, the courts have determined that consumers do not rely upon and are not induced to act (i.e., make a purchase) on the basis of such general claims.

State Law Comment. Most states have laws that either specifically or generally (for example, statutes that prohibit unfair and deceptive acts and practices) require dealer advertising to be truthful and not misleading. Consistent with this principle, a number of states have laws that require that a dealership be identified in its advertising.

FTC Enforcement. On numerous occasions, the FTC has pursued enforcement actions against dealers based upon advertising asserted to be not truthful or misleading. For example, in January of 2014, the FTC initiated enforcement action against several dealers on this basis. In one instance, the FTC claimed that a mailer sent out by a dealership involving a sweepstakes promotion was not truthful because it represented that every recipient had won a prize when in fact that was not the case. Another dealer's advertising was challenged for being deceptive because it promoted 0% APR financing on a vehicle purchase, but did not clearly and conspicuously disclose that the financing rate was subject to a \$12,000 limit. (See the discussion of FTC enforcement in the [Annual Percentage Rate Section](#).) Another dealer's advertising that featured a \$0 amount due at lease signing offer was challenged as being deceptive because significant fees and charges, including an acquisition fee, were due at lease signing.



KEY REMINDERS

- ▶ Dealer advertising must be truthful and not misleading or unfair.
- ▶ Dealers must have reasonable substantiation for claims included in their advertising.



CROSS-REFERENCES

- ▶ [Advertising Definition Section](#)
- ▶ [Clear and Conspicuous Disclosures Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Blog dated January 9, 2014: "[Deceptive Car Ads Can Spin Your Wheels](#)"
- ▶ FTC Policy Statement on Deception, appended to *Cliffdale Associates, Inc.*, 103 F.T.C. 110, 174 (1984)
- ▶ FTC Policy Statement on Unfairness, appended to *International Harvester Co.*, 104 F.T.C. 949, 1070 (1984)
- ▶ *Cook, Perkiss and Liehe, Inc. v. Northern California Collection Service*, 911F.2d 242 (9th Cir. 1990)
- ▶ FTC Publication: "[Are Car Ads Taking You For A Ride?](#)"
- ▶ FTC Publication: "[Advertising and Marketing on the Internet: Rules of the Road](#)"
- ▶ FTC Publication: "[Advertising FAQ's: A Guide for Small Business](#)"



AD EXAMPLES

- ▶ [Example A, pp. 4-5](#)
- ▶ [Example B, pp. 6-7](#)
- ▶ [Example D, pp. 10-11](#)
- ▶ [Example E, pp. 12-13](#)
- ▶ [Example G, pp. 16-17](#)

SECTION 38: USED CAR BUYERS GUIDE

**GENERAL RULE**

Federal law requires that before a dealer offers a used vehicle for sale to a consumer, a form known as a “buyers guide” must be displayed prominently and conspicuously on the vehicle.

**DISCUSSION**

Dealers are required by the FTC’s Used Car Rule to prominently display a Buyers Guide form on a used vehicle before it is offered for sale to a consumer. This form is designed to provide important information to a consumer regarding the purchase of the vehicle, including any warranties that may apply. If a dealer conducts used-car sales transactions in Spanish, a Spanish-language translation of the Buyers Guide must be posted on a vehicle before any sale efforts begin and, if a sale occurs, the sales contract must contain a conspicuous cross-reference to the Buyers Guide and that cross-reference must appear in Spanish. (The FTC Used Car Rule specifies the Spanish language that must be used for this purpose.) The specific requirements set forth in the FTC’s Used Car Rule regarding the content of the Buyers Guide form are technical in nature. The FTC’s publication entitled “[Dealer’s Guide to the Used Car Rule](#)” and the NADA guide entitled “*A Dealer Guide to the FTC Used Car Rule*” are valuable sources of information for dealers on properly completing and displaying the Buyers Guide form.

**KEY REMINDER**

- ▶ A dealer must prominently and conspicuously display a Buyers Guide form on a used vehicle prior to offering it for sale to a consumer.

**REFERENCE MATERIALS**

- ▶ FTC Used Motor Vehicle Trade Regulation Rule, 16 C.F.R. Part 455
- ▶ FTC Blog dated March 14, 2014: “[FTC to Used Car Dealers: Play by the Rules or Pay the Price](#)”
- ▶ FTC Publication entitled: “[Dealer’s Guide to the Used Car Rule](#)”

SECTION 39: VEHICLE DESCRIPTION / IDENTIFICATION**GENERAL RULE**

Dealer advertising that includes vehicle descriptions or other identifying information is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Under federal law, dealer advertising (in any medium) that describes a vehicle in terms of make, model, model year, vehicle identification number (VIN), license number, equipment, and trim level, must be truthful and not misleading. This information must be accurately communicated in the advertising to identify what vehicles are actually available at the advertised sale or lease terms. This allows consumers to effectively comparison shop and make informed buying or leasing decisions.

State Law Comment. A number of states have laws that require dealers to identify vehicles advertised for sale in a specific manner (for example, by VIN or license number; some states allow stock numbers to be used). Pursuant to federal law, the last characters (typically the last six) of a VIN number that is assigned to a vehicle by a manufacturer are enough to identify a specific vehicle. Several states have laws that require that the model year of a vehicle be included in a vehicle's description if the vehicle's price is advertised.

Vehicle Pictures. Dealers should use pictures or other illustrations in their advertising that are accurate depictions of the featured vehicles, especially when a sale price or lease offer is included in the advertising. Pictures showing additional equipment or upgraded wheels not on a vehicle being advertised at a specific sale or lease offer should be avoided.

State Law Comment. Several states have laws that specifically prohibit dealers from using vehicle pictures that show equipment that is not offered at the advertised price.

**KEY REMINDER**

- ▶ For dealer advertising purposes, vehicle pictures and other descriptive information—including make, model, year, VIN number, license number, equipment, and trim level—must be accurate.

**CROSS-REFERENCES**

- ▶ [Truth in Advertising Section](#)
- ▶ [Vehicle History Section](#)
- ▶ [New / Used / Demonstrator Descriptions Section](#)

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ National Highway Traffic Safety Administration Vehicle Identification Number (VIN) Requirements, 49 C.F.R. Part 565

**AD EXAMPLES**

- ▶ [Example B, pp. 6-7](#)

SECTION 40: VEHICLE HISTORY**GENERAL RULE**

Dealer advertising that includes representations as to a vehicle's history is subject to federal law prohibiting deceptive advertising.

**DISCUSSION**

Dealer advertising (in any medium) that includes representations about a vehicle's prior history must be truthful and not misleading. Representations made regarding a used vehicle relating to such matters as ownership (for example, one prior owner), condition of the vehicle (for example, the odometer reading and that a vehicle is accident-free), and prior use (for example, a demonstrator) must be accurate. If a third-party report is provided by a dealership to consumers relating to a vehicle's history, it is a good practice to clearly disclose in writing that such a report is provided for information purposes only, without any representation by the dealership as to the accuracy of the report.

State Law Comment. A number of states have laws that regulate dealer advertising that includes representations as to a vehicle's history. Some state laws specifically require that dealers clearly and conspicuously disclose that an advertised vehicle has a prior use or status (for example, prior use as a taxicab, prior rental vehicle, publicly owned, or salvage vehicle).

**KEY REMINDER**

- ▶ Representations made in dealer advertising regarding a vehicle's prior history must be accurate.

**REFERENCE MATERIALS**

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45

SECTION 41: WARRANTY ADVERTISING

**GENERAL RULE**

Dealer advertising that represents that a vehicle or other consumer product has a warranty is subject to federal law prohibiting misleading advertising. Federal law also requires the disclosure that prior to sale, the prospective purchaser can see the written warranty for complete coverage details.

**DISCUSSION**

Dealer advertising (in any medium) that includes representations that expressly state or imply that vehicles or other consumer products have a warranty must be truthful and not misleading. To provide guidance to advertisers, including dealers, regarding this type of advertising, the FTC developed “Guides for the Advertising of Warranties and Guarantees.” These guides provide that a warranty should be advertised only if the seller or manufacturer, as applicable, “promptly and fully performs its obligations under the warranty or guarantee.” The FTC guides also cover satisfaction guarantees. (See the [Satisfaction Guarantees Section](#) for a discussion of this topic.)

The FTC guides provide that any advertisement of a written warranty on a consumer product should disclose that the prospective purchaser can see the warranty at the seller’s place of business for complete warranty details prior to any sale. This disclosure should be made in a manner that will be noticed and understood. For purposes of television advertising, such a disclosure is acceptable to the FTC if it is made “simultaneously with or immediately following the warranty claim and the disclosure is made in the audio portion or, if in the video portion, it remains on the screen for at least five seconds.” Examples of how this disclosure may be made in both print and broadcast advertising are included in the guides. For purposes of dealer advertising, the wording, “See dealer for copy of limited warranty” should be an acceptable disclosure. Note that the federal law (the Magnuson-Moss Act

and the FTC Rules that implement that Act) that regulates warranties on consumer products requires that a written warranty be designated as either “full” or “limited.” Typically new-vehicle warranties from a manufacturer or used-vehicle warranties from a dealer are designated as “limited” because they are not comprehensive enough to be a “full” warranty under federal law. It should be further noted that under federal law, a dealership must prominently post signs to advise prospective buyers of vehicles and other products of the availability of warranties on request. See the FTC publication entitled “[Businessperson’s Guide to Federal Warranty Law](#)” for information on federal warranty law.

To the extent that a dealer advertisement represents the duration of a warranty to be for a “lifetime” or words to that effect, the FTC guides provide that the advertisement should clearly disclose the applicable lifetime. An example in the FTC guides regarding an automobile muffler advertised with a lifetime guarantee that is measured by the life of the vehicle in which it is installed, indicates the following disclosure would be acceptable: “Our lifetime guarantee on the Whisper Muffler protects you for as long as your car runs—even if you sell it, trade it, or give it away!” Another FTC example relating to a battery advertised with a lifetime warranty that lasts for as long as the original purchaser owns a vehicle, indicates an acceptable disclosure would be, “Our battery is backed by our lifetime guarantee. Good for as long as you own the car!”

**KEY REMINDER**

- ▶ Dealer advertising that includes a representation that a vehicle or other consumer product has a warranty must be truthful and not misleading and should include a disclosure basically stating, “See dealer for copy of limited warranty.”



CROSS-REFERENCE

- ▶ [Satisfaction Guarantees Section](#)



REFERENCE MATERIALS

- ▶ Section 5 of the FTC Act, 15 U.S.C. § 45
- ▶ FTC Guides For the Advertising of Warranties and Guarantees, 16 C.F.R. Part 239
- ▶ Magnuson-Moss Warranty Act, 15 U.S.C. § 2301 et seq.
- ▶ FTC Rule on Pre-Sale Availability of Written Warranty Terms, 16 C.F.R. Part 702
- ▶ FTC Publication: “[Businessperson’s Guide to Federal Warranty Law](#)”



AD EXAMPLES

- ▶ [Example C, pp. 8-9](#)

EXAMPLE ADVERTISING CHECKLIST

Consult with legal counsel to ensure the checklist you adopt lists all relevant federal, state and local advertising considerations.

EXAMPLE ADVERTISING CHECKLIST	
√ Check each box when task is completed or note N/A if not applicable.	
CLAIMS / REPRESENTATIONS	
	Confirm any claim or representation is accurate, current, and not misleading.
	Confirm there is reasonable substantiation for any claims made (for example, vehicle comparison or environmental claims).
	Confirm that any required disclosures or other important qualifying statements are made in a reasonably understandable manner (the clear and conspicuous standard).
	If a vehicle former price comparison is made, confirm it is based upon a legitimate price previously offered to the public for a reasonably substantial period of time.
	If an endorsement is included, confirm any material connection with dealership (for example, that consideration was paid to the endorser), is disclosed.
	If a fuel economy claim is included, confirm the appropriate EPA-estimated MPG disclosure is made.
	If a reference to a warranty is included, confirm that it is properly described as “full” or “limited” and that the required disclaimer giving notice that the warranty is available for inspection is made (for example, “See dealer for copy of limited warranty”).
	If a savings or discount claim is made, confirm any material conditions and restrictions are disclosed.
	If a satisfaction guarantee is included, confirm the applicable material conditions and limitations are disclosed.
	Confirm that no representation is made to the effect, “We will pay off your trade no matter what you owe.”
PURCHASE / LEASE OFFERS	
	Regarding an advertised price, confirm the amount advertised is the total amount a buyer will need to pay for a vehicle, excluding government-imposed fees. (Check state law regarding other charges that may be excluded).
	Regarding any purchase or lease offers relating to a specific vehicle, confirm the following:
	<ul style="list-style-type: none"> • That the vehicle is accurately described in terms of model and model year
	<ul style="list-style-type: none"> • That any vehicle images or pictures used accurately depict the vehicle that is the subject of the offer
	<ul style="list-style-type: none"> • That if the vehicle is not new, it is described as used or pre-owned
	<ul style="list-style-type: none"> • That the vehicle is identified by the last six numbers of the VIN
	<ul style="list-style-type: none"> • That an expiration date for the offer is disclosed
	<ul style="list-style-type: none"> • That any material historical information pertaining to the vehicle (for example, taxicab, prior rental or demonstrator status) is disclosed
	<ul style="list-style-type: none"> • That if the supply of advertised vehicles does not meet the reasonably expected demand, the number of available vehicles is disclosed

PURCHASE / LEASE OFFERS <i>continued</i>	
Regarding credit offers for vehicle purchases:	
	Confirm Reg. Z compliance when a trigger term (the amount or percentage of down payment; the number of payments or period of repayment; the amount of any payment or the amount of any finance charge) is present. Ensure the following are clearly and conspicuously disclosed:
	<ul style="list-style-type: none"> • The down payment amount or percentage
	<ul style="list-style-type: none"> • The terms of repayment (including any balloon payment)
	<ul style="list-style-type: none"> • The annual percentage rate (described as an “annual percentage rate” or “APR”)
	Confirm the disclosure of any material conditions and restrictions (for example, an “on approved credit” requirement and applicable expiration date).
	If a “preapproved” credit offer is made, confirm all requirements are met, including the required opt-out notices.
Regarding vehicle lease offers:	
	Confirm Reg. M compliance when a trigger term (the amount of any payment or statement of any capitalized cost reduction or other payment or that no payment is required prior to or at lease signing) is present. Ensure the following are clearly and conspicuously disclosed:
	<ul style="list-style-type: none"> • That the transaction is a lease
	<ul style="list-style-type: none"> • The total amount due at lease signing
	<ul style="list-style-type: none"> • The number, amounts and due dates or periods of scheduled payments
	<ul style="list-style-type: none"> • Whether a security deposit is required
	Confirm the disclosure of any material conditions and restrictions (for example, an “on approved credit” requirement, an applicable expiration date, and mileage limits and the excess mileage penalty), and the amounts of any third-party fees (for example tax, title and license fees) not included in the amount due at lease signing.
	Confirm that any specific reference to a portion of the amount due (or not due—for example, “Zero Security Deposit”) at lease inception (except for a periodic payment) is not more prominent than the disclosure of the total amount due at lease inception.
	Regarding manufacturer rebates, confirm that any material conditions and restrictions are disclosed, including any qualifications that a consumer must meet to receive the rebate and any expiration date.
PROMOTIONAL OFFERS	
	If any test drive, gift giveaway, coupon, sweepstakes or other offer of this type is included, confirm that the important terms and conditions that apply are disclosed.
	Confirm that none of the following offers are included:
	<ul style="list-style-type: none"> • Free goods or services that are contingent on the purchase of a vehicle
	<ul style="list-style-type: none"> • A sweepstakes contest that requires a vehicle purchase as a condition to enter and win
STATE AND LOCAL ADVERTISING REQUIREMENTS	
	(List additional state and local requirements.)

This guide was prepared for NADA by

Brent W. Smith, Esq.
Manning Leaver Bruder & Berberich
5750 Wilshire Boulevard, Suite 655
Los Angeles, CA 90036-3637
D (323) 937-4730
F (323) 937-6727
<http://manningleaver.com/>



National Automobile Dealers Association
8400 Westpark Drive
Tysons, VA 22102-3522

www.nada.org
www.nadauniversity.com

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