



The Federal Reserve Board and the Federal Trade Commission have published final rules on the risk-based pricing disclosures that are required by section 311 of the FACT Act. That section required a disclosure if any person uses a consumer report in connection with an application for, or an extension of, credit on material terms that are materially less favorable than the most favorable terms available to a substantial proportion of customers.

Effective January 1, 2011, the rules require a creditor to provide a consumer with a notice when, based on the consumer’s credit report, the creditor provides credit to the consumer on less favorable terms than it provides to other consumers. Consumers who receive this risk-based pricing notice will be able to obtain a free credit report to check the accuracy of the report. Automobile dealers are the original creditor in a three-party financing transaction and control the interest rate and placement of the contract to a financial institution.

For indirect auto finance, the dealer is responsible for giving a clear and separate notice to the credit applicant as soon as possible after pulling the credit score but not later than the consummation of the deal. There is a model form published by the FTC that will be available via Dealer Track and Route One. Either of the following two methods may be employed to determine when applicants receive a notice:

Credit-score proxy notice given to customers whose scores are below the cut-off scores the dealer establishes. There must be separate cut-off scores for new and used vehicle customers and dealerships must revise the cut-off scores at least every 2 years.

Credit score disclosure notice is a consistent form of credit score disclosure given to every applicant for credit, financed or not. The FTC expects dealers to use this method based on it being simpler to implement.

Keystone Lending Alliance, LLC requires compliance with the FACT Act regulation to insure the borrower(s) on loans placed with our partner credit unions have received a risk-based pricing disclosure form. To continue our lending relationship with you and your customers, we are requesting your certification of compliance with the regulation and notice of which form of disclosure will be utilized. *Please state your dealership name and sign the certification below stating that you have a risk-based pricing program in place.*

_____ (Dealer Name) certifies that our FACT Act Risk-Based Pricing program is operational and we are utilizing the _____ notice.

Signature

Date

Printed Name

Please complete immediately and return to KLA @ 724-934-3389