

DEALER PAPER

OVERVIEW

Indirect paper, purchased from a dealer by a financial institution, should be reviewed to ensure compliance with the applicable laws and regulations. The loans should be \$25,000 or less and primarily for personal, family, or household purposes.

Examination Objective(s)

The examination objective is to determine:

- Whether purchased dealer paper is in compliance with applicable laws and regulations

In This Section

TOPIC	SEE PAGE:
DEFINITION(S)	B4-1
TRUTH IN LENDING (TIL)	B4-2
HOME MORTGAGE DISCLOSURE ACT (HMDA)	B4-2
EQUAL CREDIT OPPORTUNITY ACT (ECOA)	B4-3
CREDIT PRACTICES RULE	B4-3
FAIR CREDIT REPORTING ACT (FCRA)	B4-3
PRESERVATION OF CONSUMERS' CLAIMS AND DEFENSES (PCCD)	B4-4
WORKPAPER STANDARDS	B4-4
REFERENCES	B4-5

DEFINITION(S)

Assignee

A person or entity to whom a right or property is legally transferred.

Dealer An entity in the business of selling goods or property and financing the purchase of those goods or property.

TRUTH IN LENDING (TIL)

A financial institution is not the creditor when purchasing dealer paper, but is the assignee, and therefore is liable for ensuring disclosures are correct apparent from information on the face of the disclosure.

(Section 131 of the TILA)

Truth In Lending (TIL)
Perform TIL “Within 3 Business Days of Receipt of a Written Application” procedures for Primary Residence Loans with the exception of 226.18(q), which does not apply.
<i>NOTE: Section 226.18(j) is applicable to all dealer paper purchases, as the transaction between the dealer, seller, and the buyer is a credit sale.</i>
<i>NOTE: The total sale price is the sum of the cash price, the finance charge and charges that are financed and not part of the finance charge. This disclosure is intended to allow a consumer to compare meaningfully the cost of buying on credit with a cash purchase price and must be made in addition to the disclosures required for direct loans. In a multiple creditor situation, if one of the creditors is the seller, the total sale price disclosure must be made even though the creditor providing the disclosures is not the seller.</i>
<i>NOTE: If the financial institution’s name is on the credit sale contract, but the obligation is initially payable to a dealership and not to the financial institution, then the dealership is the creditor, not the financial institution.</i>

**HOME
MORTGAGE
DISCLOSURE
ACT (HMDA)**

The following procedures should be performed when a financial institution purchases dealer paper for one-to-four family mobile home purchases.

HMDA (cont'd)

Home Mortgage Disclosure (HMDA)	
	1. Determining whether purchased dealer paper of mobile homes which are primary residences have been accurately recorded on the HMDA LAR within 30 days after the end of the calendar quarter in which the paper was purchased.
	2. Determine whether a financial institution participates in the credit decision involving the purchase of indirect paper from a dealer and that when the credit is denied, those transactions are recorded on the HMDA LAR within 30 days after the end of the calendar quarter in which the credit was denied.

**EQUAL CREDIT
OPPORTUNITY
ACT (ECOA)**

When a financial institution purchases indirect paper from a dealer in the regular course of business, and participates in the decision to extend credit, the financial institution must maintain procedures to determine whether the dealer is complying with the ECOA in all aspects of the credit transaction. (202.2(1))

Equal Credit Opportunity
If within 30 days the applicant accepts a credit offer from the financial institution, no further notification is required from either the financial institution or the dealer. If credit is not extended by the financial institution or the applicant does not accept the financial institution's offer of alternate terms, each creditor taking adverse action must notify the applicant. (202.9)
<i>Refer to Dealer Paper Applications Not Originated procedures for denied applications.</i>

**CREDIT
PRACTICES
RULE**

Credit Practices Rule
Perform Credit Practices Rule “At or Before Closing” procedures for Primary Residence Loans.

**FAIR CREDIT
REPORTING
ACT (FCRA)**

Fair Credit Reporting Act
Perform FCRA “At or Before Closing” procedures for Primary Residence Loans.

**PRESERVA-
TION OF
CONSUMERS’
CLAIMS AND
DEFENSES
(PCCD)**

Preservation of Consumers’ Claims and Defenses
Perform PCCD “At or Before Closing” procedures for Primary Residence Loans.

**WORKPAPER
STANDARDS**

Appropriate Workpapers must be completed when reviewing compliance with loan regulations. Refer to Standardized Workpapers, Appendix K, in this manual.



**FDIC LAW,
REGULATIONS,
& RELATED
ACTS**

Applicable Rules

See the Reference area for Examination Procedures, Approved Loans, Closed-End Credit elsewhere in Part III.

**Advisory
Opinions**

See the Reference area for Examination Procedures, Approved Loans, Closed-End Credit elsewhere in Part III.

**Statements of
Policy**

See the Reference area for Examination Procedures, Approved Loans, Closed-End Credit elsewhere in Part III.

**DCA
MEMORANDA**

See the Reference area for Examination Procedures, Approved Loans, Closed-End Credit elsewhere in Part III.

**FINANCIAL
INSTITUTION
LETTERS (FIL)**

See the Reference area for Examination Procedures, Approved Loans, Closed-End Credit elsewhere in Part III.
