F&IQ
TRAINING & DEVELOPMENT

TRAINING & DEVELOPMENT · FEDERAL COMPLIANCE SERIES

2026 Compliance Student Guide

Your F&I Department's Roadmap to Federal & State Deal Compliance

13 topics · the 16 core rules · penalties & glossary — *in plain language.*

SELF-STUDY · 13 TOPICS · 16 RULES

COMPANION TO THE F&I MANAGER WORKBOOK

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Table of Contents

This guide is built the way regulators think about the finance office — by topic. Work through the 13 topics in order, then use the study cards, flashcards, quiz, penalties table, and glossary at the back to lock it in.

START HERE

How to Use This Guide

This is a comprehensive, plain-language reference for federal and state F&I compliance in 2026. It is organized into 13 topics — each opens with the big picture and the year's watch list, then goes deep. Study the topics first, then drill the 16 core rules with the cards, flashcards, and quiz.

HOW TO WORK THROUGH IT

- **Read the topic opener** — the intro, "What's New," and "Watch List" set the stakes.
- **Go deep** — the topic pages explain the law and what it means on the deal.
- **Drill the 16 rules** — the study cards distill each law into what you must do.
- **Test yourself** — flashcards and the self-quiz, then check the answer key.

WHAT EACH TOPIC OPENER CONTAINS

WHAT'S NEW	The 2026 change you can't miss.
DID YOU KNOW	A key fact that reframes the rule.
RECOMMENDED	The practice that keeps you safe.
WATCH LIST	Where enforcement is heading this year.
COMPLIANCE TIP	A field-tested habit that sticks.
BREAKOUTS	The sub-topics covered in depth.

The mindset that passes — and protects the store

You are not memorizing trivia. You're learning what you are personally on the hook for on every deal. When a rule feels abstract, picture the customer in front of you and ask: "what does this rule make me do right now?" That is the answer that sticks — and the one that keeps the store out of trouble.

The 13 topics, at a glance

1. Automotive Compliance in 2026
2. Building Your Compliance & Fraud-Risk Action Plan
3. Identity Theft
4. Data Safeguards
5. Marketing, Advertising
6. Online Car Sales & Website Compliance
7. Credit Applications & Contracts
8. Aftermarket / F&I Product Sales
9. Unfair, Deceptive & Abusive Practices (UDAP)
10. Arbitration & Servicemembers
11. Telemarketing & Customer Contact
12. Cash Reporting
13. Sanctions Screening (OFAC)

Automotive Compliance in 2026

Federal and state regulators continue to sharpen their focus on the finance office. The FTC's dealer-specific CARS Rule was vacated in January 2025, but the underlying scrutiny of pricing transparency, add-on sales, and data security has only intensified — and states are filling the gap with their own rules.

What's New for 2026

The FTC's CARS Rule was struck down by the Fifth Circuit on January 27, 2025, before it took effect. Enforcement has shifted to existing authority (FTC Act §5, ECOA, TILA) and to state law — California's own CARS Act takes effect October 1, 2026.

Did You Know?

A dealership becomes a 'financial institution' under the Gramm-Leach-Bliley Act the moment it arranges financing — triggering the full Safeguards Rule and privacy obligations, even if the store never lends its own money.

Recommended Practice

Assign one person accountable for the store's compliance calendar — Safeguards reporting, OFAC screening logs, Form 8300 filings, and adverse-action tracking all have deadlines.

Watch List

Watch List for 2026: (1) state-level 'total price' advertising laws, (2) heightened FTC add-on and 'junk fee' scrutiny, (3) data-breach notification enforcement under the amended Safeguards Rule, (4) fair-lending exams focused on dealer markup.

Compliance Tip

Build compliance into the deal process, not around it. The stores that struggle are the ones treating each rule as a separate hoop. Treat disclosure and documentation as one connected habit.

BREAKOUT SECTIONS

1.1 The regulators who reach the F&I office

- FTC — advertising, add-ons, data security, Red Flags
- CFPB — fair lending and credit practices
- IRS / FinCEN — cash reporting (Form 8300)
- OFAC — sanctions screening
- DOJ / DoD — servicemember protections (SCRA, MLA)

1.2 Why the CARS Rule still matters

- Vacated, but its 16 target practices preview enforcement priorities
- States are enacting look-alike rules
- FTC Act §5 still reaches the same conduct

1.3 Federal vs. state overlap

- Federal floor, state ceilings
- Total-price advertising is now a state battleground
- Know your state's cooling-off and add-on rules

TOPIC 1 · AUTOMOTIVE COMPLIANCE IN 2026

The compliance landscape after the CARS Rule

The single biggest regulatory event for dealers in this cycle was a rule that never took effect.

The FTC finalized the Combating Auto Retail Scams (CARS) Rule in January 2024 to target bait-and-switch advertising, hidden add-on charges, and unclear financing disclosures across 16 categories of conduct. On January 27, 2025, the U.S. Court of Appeals for the Fifth Circuit vacated the rule in its entirety, finding the FTC failed to follow its own required procedures in issuing it.[6]

The vacatur removed a new federal compliance burden — but it did not remove the conduct the rule described. Every practice the CARS Rule targeted is still reachable under the FTC Act's prohibition on unfair or deceptive acts, and states have moved quickly to enact their own versions.[6]

Did You Know?

California's Combating Auto Retail Scams (CARS) Act takes effect October 1, 2026, imposing 'total price' advertising, mandatory add-on disclosures, and a used-vehicle cooling-off right — many of the same protections the federal rule would have created.[7]

What this means for the finance office

Treat the vacated federal rule as a preview, not a reprieve. The safest posture is to advertise honest total prices, present every add-on as genuinely optional and in writing, and document that the customer's choices were their own. That posture satisfies existing federal law and positions the store ahead of the state rules now arriving.

Building Your Compliance & Fraud-Risk Action Plan

Compliance is not a binder on a shelf — it is a set of repeatable habits with an owner, a schedule, and evidence. This topic frames the operating system that ties the individual rules together into a defensible program.

What's New for 2026

The Safeguards Rule's breach-notification requirement (effective May 2024) means a written incident-response plan and a named 'Qualified Individual' are no longer optional — they are the backbone of the store's action plan.

Did You Know?

Regulators consistently reward stores that can show a documented, followed program over stores that simply claim good intentions. The paper trail is the defense.

Recommended Practice

Run a quarterly self-audit against the checklist at the back of this guide. Fix gaps before an examiner or plaintiff's attorney finds them.

Watch List

Watch List for 2026: examiners increasingly ask to see the Qualified Individual's written risk assessment and the most recent report to leadership.

Compliance Tip

If it isn't written down and dated, it didn't happen. Keep logs for OFAC screening, credit-pull authorizations, adverse-action notices, and Form 8300 filings.

BREAKOUT SECTIONS

2.1 The five pillars of a program

- A named owner (Qualified Individual)
- A written risk assessment
- Documented controls and safeguards
- Training with sign-off
- Monitoring, logging, and reporting

2.2 Evidence to keep on file

- OFAC screening logs with dates
- Signed credit-pull authorizations
- Adverse-action notice copies
- Form 8300 filings + customer statements
- Privacy notices given

2.3 Who does what

- Qualified Individual — owns the security program
- F&I manager — owns per-deal disclosures
- GM / dealer principal — owns oversight

TOPIC 2 · BUILDING YOUR COMPLIANCE & FRAUD-RISK ACTION PLAN

Turning rules into a defensible program

A compliance program earns its keep only when it can be proven — after the fact, to someone skeptical.

The Safeguards Rule requires covered dealers to designate a 'Qualified Individual' to run a written information-security program, to base that program on a documented risk assessment, and to report on it to a board or senior leadership.[2]

1. Name the owner. One accountable Qualified Individual, in writing.
2. Assess the risk. Document where customer information lives and how it could be exposed.
3. Build the controls. Access limits, encryption, MFA, vendor oversight, disposal.
4. Train and record it. Every person who touches customer data, with sign-off.
5. Monitor and report. Logs, periodic testing, and a written report to leadership.

Compliance Tip

Your action plan is only as good as your worst-documented deal. Standardize the deal jacket so the same evidence is captured every single time — no exceptions for the 'quick' deals.

TOPIC 3 OF 13

Identity Theft & Fraud Protection

TOPIC 3

Synthetic and stolen-identity fraud remains the fastest-moving threat in the finance office. The Red Flags Rule requires a written program to detect and respond to the warning signs, and the FCRA governs how you pull and use credit.

What's New for 2026

Fraud rings increasingly combine real and fabricated data (synthetic identities) that pass casual review. Detection now depends on your documented red-flag procedures, not gut feel.

Did You Know?

The Red Flags Rule appears in the Code of Federal Regulations as 'Detection, Prevention, and Mitigation of Identity Theft' — one of the FCRA's Identity Theft Rules — and requires a written Identity Theft Prevention Program.

Recommended Practice

Keep your Identity Theft Prevention Program (ITPP) current: review it at least annually, train new hires on it, and log every red flag you catch and how you resolved it.

Watch List

Watch List for 2026: rising synthetic-identity fraud, out-of-state 'straw buyer' schemes, and altered pay stubs / bank statements in the income-verification stage.

Compliance Tip

Match the face to the photo, the address to the application, and the story to the credit file. When two of three disagree, slow down and verify — that friction is the point.

BREAKOUT SECTIONS

3.1 The four elements of an ITPP

- Identify relevant red flags
- Detect the red flags in daily operations
- Respond appropriately to prevent/mitigate theft
- Update the program periodically

3.2 Red-flag categories to watch

- Alerts / notices from credit bureaus
- Suspicious documents (altered IDs, pay stubs)
- Suspicious personal identifying information
- Unusual account activity
- Notices from customers or law enforcement

3.3 When a red flag fires

- Verify before proceeding — don't wave it through
- Document what you saw and did
- Escalate confirmed fraud; don't tip off the suspect

TOPIC 3 · IDENTITY THEFT & FRAUD PROTECTION

The Red Flags Rule in the finance office

The Red Flags Rule turns fraud detection from instinct into a written, repeatable procedure.

The rule requires many businesses — including dealers who arrange financing — to implement a written Identity Theft Prevention Program designed to detect the warning signs, or 'red flags,' of identity theft in day-to-day operations.[4]

The four required elements

A compliant program must (1) identify the red flags relevant to your business, (2) build procedures to detect them in daily operations, (3) respond appropriately when one appears, and (4) keep the program current as new threats emerge.[4]

> **Did You Know?**
> A red flag is not proof of fraud — it is a signal to verify. The compliance failure is not catching a flag; it is ignoring one you saw.

> **Compliance Tip**
> Never resolve a red flag verbally and move on. If you verified an ID, called the employer, or confirmed an address, write down what you did and date it. That note is your defense.

Data Safeguards & Customer Privacy

The Gramm-Leach-Bliley Act and its Safeguards Rule govern how the store protects the nonpublic personal information it collects to arrange financing. The 2021 amendments added concrete technical requirements; the 2023 amendments added breach notification.

What's New for 2026

Breach-notification obligations took effect in May 2024: covered entities must report certain security events. A missing or stale information-security program is now a reportable-incident risk, not just a paperwork gap.

Did You Know?

The Safeguards Rule defines 'financial institution' far more broadly than everyday usage — the FTC lists 13 example categories, and any dealer that arranges credit is covered.

Recommended Practice

Maintain a written program with the required elements below, review it periodically, and keep proof that safeguards are actually running — not just described on paper.

Watch List

Watch List for 2026: vendor oversight (your DMS, credit-app portals, and marketing vendors all touch customer data) and disposal of paper and electronic records.

Compliance Tip

Encrypt customer data at rest and in transit, require multi-factor authentication for anyone accessing it, and lock down paper deal jackets as tightly as the DMS.

BREAKOUT SECTIONS

4.1 Required elements of the program

- Designate a Qualified Individual
- Written risk assessment
- Access controls + encryption
- Multi-factor authentication
- Secure disposal + change management
- Monitoring / logging + testing
- Staff training
- Service-provider oversight
- Written incident-response plan
- Periodic report to leadership

4.2 Where NPI lives in the store

- Credit applications and deal jackets
- DMS and menu / e-contracting systems
- Email inboxes and shared drives
- Marketing and CRM databases
- Recycling bins and unlocked drawers

4.3 Privacy notice basics (GLBA)

- Clear notice of what NPI you collect and share
- Opt-out rights for certain sharing
- Notice given at the right time

TOPIC 4 · DATA SAFEGUARDS & CUSTOMER PRIVACY

What a reasonable information-security program requires

The Safeguards Rule replaced vague 'reasonable steps' with a concrete checklist every covered dealer must implement.

Covered financial institutions must develop, implement, and maintain an information-security program with administrative, technical, and physical safeguards to protect customer information. The Rule names the specific elements that program must contain.[2]

- A designated Qualified Individual to run the program
- A written risk assessment identifying foreseeable risks
- Access controls and encryption of customer information at rest and in transit
- Multi-factor authentication for anyone accessing customer information
- Secure disposal and change-management procedures
- Monitoring and logging of authorized user activity
- Regular testing or continuous monitoring of safeguards
- Security-awareness training for staff
- Oversight of service providers by contract
- A written incident-response plan and periodic report to leadership

Did You Know?

The FTC exempts financial institutions that maintain customer information on fewer than 5,000 consumers from a few provisions — but the core duty to safeguard data still applies to virtually every dealership.[2]

TOPIC 5 OF 13

Marketing, Advertising & Total-Price Disclosure

TOPIC 5

Truth-in-advertising law reaches every ad the store runs — print, digital, and social. Claims must be truthful, substantiated, and not misleading, and financing terms trigger specific disclosure rules under Regulation Z and Regulation M.

What's New for 2026

With the federal CARS Rule vacated, 'total price' advertising has become a state-by-state issue. California's CARS Act (eff. Oct. 1, 2026) requires the total price in any ad that references a specific vehicle or financing terms.

Did You Know?

Under Reg Z, advertising one credit term (like a monthly payment or APR) can 'trigger' a requirement to disclose the full set of terms — the classic advertising trap for dealers.

Recommended Practice

Keep substantiation on file for every objective claim ('lowest price,' 'certified,' fuel-economy numbers) before the ad runs, not after a complaint arrives.

Watch List

Watch List for 2026: state 'total price' laws, 'junk fee' scrutiny of add-on and doc fees, and social-media influencer / endorsement disclosure.

Compliance Tip

If an ad states a payment, a down payment, or a finance term, make sure every required companion disclosure is present, clear, and conspicuous — not buried in fine print.

BREAKOUT SECTIONS

5.1 The three advertising duties

- Truthful and non-misleading
- Substantiated before it runs
- Required disclosures clear and conspicuous

5.2 Reg Z / Reg M triggering terms

- Amount or percentage of down payment
- Number of payments or period of repayment
- Amount of any payment
- Amount of any finance charge

5.3 Fuel-economy & 'certified' claims

- Use official EPA figures correctly
- Don't overstate CPO inspection scope
- Keep proof for objective claims

TOPIC 5 · MARKETING, ADVERTISING & TOTAL-PRICE DISCLOSURE

Advertising that survives scrutiny

An ad is a promise. Regulators — and plaintiffs — hold the store to it.

With the FTC's dealer-specific CARS Rule vacated, advertising enforcement runs through the FTC Act's prohibition on deceptive acts and through state law. California's CARS Act, effective October 1, 2026, requires that the 'total price' appear in any advertisement or first written communication that references a specific vehicle or financing terms.[7]

The triggering-terms trap

Regulation Z (credit) and Regulation M (leases) provide that stating certain terms in an ad triggers a duty to disclose the full set of terms. Advertising a monthly payment without the companion disclosures is one of the most common — and most citable — dealer advertising errors.

Compliance Tip

Screenshot and archive every digital ad, landing page, and social post with its run dates. If a claim is challenged months later, you'll need to prove exactly what the customer saw.

TOPIC 6 OF 13

Online Car Sales & Website Compliance

TOPIC 6

The store's website and digital retailing tools are now part of the deal — and part of the compliance surface. Pricing shown online, add-ons offered in a digital menu, and data collected through web forms all carry the same obligations as the showroom.

What's New for 2026

State 'first communication' rules increasingly require the total price to appear in the first email, text, or online form that references a specific vehicle — not just at the store.

Did You Know?

Every web form that collects a Social Security number, income, or bank details is collecting NPI — putting your website squarely inside the Safeguards Rule.

Recommended Practice

Audit your website quarterly for accurate pricing, working add-on disclosures, secure (encrypted) forms, and a current privacy policy.

Watch List

Watch List for 2026: accessibility (ADA) claims on dealer sites, cookie/tracking-pixel privacy exposure, and mismatches between advertised online price and final numbers.

Compliance Tip

Make online pricing match in-store pricing. Discrepancies between the website 'e-price' and the desk are a top source of deception complaints.

BREAKOUT SECTIONS

6.1 Digital retailing compliance

- Total price in first communication
- Add-ons presented as optional online
- Accurate online-to-desk pricing
- Secure, encrypted web forms

6.2 Data collected online = NPI

- Credit apps and pre-quals
- Income and employment fields
- Trade-in payoff / bank details
- Safeguards Rule applies

6.3 Other web exposures

- Website accessibility (ADA) claims
- Tracking pixels and cookie consent
- Third-party chat / vendor data access

TOPIC 6 · ONLINE CAR SALES & WEBSITE COMPLIANCE

The showroom rules follow the customer online

There is no lighter set of rules for the digital deal — only more places to slip.

Anything the store advertises or discloses in person must be equally truthful and clear online. State 'first communication' rules, such as California's CARS Act, require the total price to appear in the first written communication that references a specific vehicle or financing terms — which usually means an email, text, or web form.[7]

Did You Know?

When a customer enters income and Social Security data into an online credit application, your website becomes a collection point for nonpublic personal information — and the Safeguards Rule's encryption and access-control duties apply to it.[2]

Compliance Tip

Keep a dated archive of your website's pricing pages and add-on menus. If an online price is challenged, you must be able to show what was published and when.

Credit Applications, Reports & Contracts

This is the heart of the finance office: pulling credit lawfully, disclosing the cost of credit accurately, lending without discrimination, and giving proper notice when credit is denied or offered on different terms.

What's New for 2026

Fair-lending exams continue to focus on dealer rate markup and disparate outcomes. Consistent, documented credit policies are the best protection against a disparate-impact claim.

Did You Know?

Under the FCRA you may only pull a consumer's credit for a 'permissible purpose' — a genuine credit transaction the consumer initiated. Pulling for curiosity or to 'see what they qualify for' without authorization is a violation.

Recommended Practice

Standardize the credit process so every deal follows the same steps: authorization, permissible-purpose pull, accurate disclosure, and adverse-action tracking.

Watch List

Watch List for 2026: rate-markup fair-lending scrutiny (ECOA), spot-delivery / 'yo-yo' financing complaints, and accuracy of TILA disclosures on the RISC.

Compliance Tip

Get written authorization before you pull credit, disclose the four cost-of-credit terms accurately under Reg Z, and send an adverse-action notice whenever credit is denied — including on 'different terms.'

BREAKOUT SECTIONS

7.1 The four Reg Z disclosures

- Amount financed
- Finance charge
- Annual percentage rate (APR)
- Total of payments

7.2 ECOA prohibited bases

- Race, color, religion, national origin
- Sex, marital status, age
- Receipt of public assistance
- Good-faith exercise of consumer-credit rights

7.3 Adverse action — when required

- Credit denied outright
- Credit offered on different (worse) terms the customer doesn't accept
- Counteroffer not accepted
- Timing and content requirements apply

TOPIC 7 · CREDIT APPLICATIONS, REPORTS & CONTRACTS

Pulling credit and disclosing cost the right way

Three federal laws converge on the credit application: the FCRA, Regulation Z, and ECOA.

The Fair Credit Reporting Act lets you obtain a consumer report only for a permissible purpose — here, a credit transaction the consumer initiated. Regulation Z (the Truth in Lending Act) requires accurate disclosure of the amount financed, the finance charge, the APR, and the total of payments. The Equal Credit Opportunity Act prohibits discrimination on protected bases and requires notice when you take adverse action.

Adverse action is broader than 'denied'

An adverse-action notice is required not only when credit is flatly denied, but also when the customer is offered credit on different, less favorable terms than they applied for and does not accept them. Missing these 'different terms' notices is a frequent and avoidable violation.

> **Did You Know?**
> A knowing FCRA violation can carry an FTC civil penalty of up to $4,983 per violation under the current inflation-adjusted schedule.[1]

> **Compliance Tip**
> Log every credit pull with the signed authorization and the permissible purpose. 'The customer was standing right there' is not a record — the signature is.

Aftermarket / F&I Product Sales

Menu products — service contracts, GAP, prepaid maintenance, appearance protection — are the profit center and the compliance minefield. Every product must be genuinely optional, clearly priced, and never a hidden condition of financing.

What's New for 2026

'Junk fee' and add-on scrutiny is a stated federal and state priority. Products with little or no value for a given customer (e.g., a maintenance plan an EV can't use) are a specific enforcement target.

Did You Know?

Tying a required purchase of an aftermarket product to the extension of credit can violate multiple laws at once — and is exactly the conduct the vacated CARS Rule, and California's new CARS Act, single out.

Recommended Practice

Use a compliant menu that presents accept/decline for every product, states each price, and captures the customer's genuine election.

Watch List

Watch List for 2026: 'worthless' add-ons, undisclosed markup on products, and payment-packing complaints where products are folded into a payment without a clear choice.

Compliance Tip

Present every product as optional, disclose its price in writing before signing, and confirm the customer actually chose it. A signed menu that shows real choices is your best evidence.

BREAKOUT SECTIONS

8.1 The three add-on rules

- Genuinely optional — never required for credit
- Clearly disclosed and priced in writing
- Customer's election documented before signing

8.2 California CARS Act add-on rules

- Optional products must be stated as optional in writing
- No charging for 'worthless' add-ons
- Disclosure before the customer signs

8.3 Payment-packing red flags

- Products folded into a payment without a stated price
- 'Everyone gets this' presentations
- Declined products reappearing on the contract

TOPIC 8 · AFTERMARKET / F&I PRODUCT SALES

Selling products the compliant way

A well-sold product solves a real problem for the customer. A compliance problem is a product they didn't knowingly choose.

California's CARS Act, effective October 1, 2026, requires that optional products such as service contracts, GAP, and theft protection be clearly disclosed and explicitly stated as optional, in writing, before the customer signs — and bars charging for add-ons that provide no meaningful benefit.[7]

Did You Know?

An add-on that cannot benefit a particular customer — like a fuel-system or oil-change plan sold on an electric vehicle — is a textbook 'worthless' product under the new state rules.[7]

Compliance Tip

Menu every deal the same way. When the accept/decline choices are visible and signed, a later 'I never agreed to that' claim collapses against your own paperwork.

Unfair, Deceptive & Abusive Practices (UDAP)

Section 5 of the FTC Act — and its state 'little FTC Act' counterparts — prohibits unfair or deceptive acts or practices. This is the catch-all authority regulators now use most, especially after the CARS Rule was vacated.

What's New for 2026

With no dealer-specific federal rule in force, the FTC and state AGs are leaning on UDAP authority to reach exactly the pricing, add-on, and disclosure conduct the CARS Rule targeted.

Did You Know?

A practice can be 'unfair' even if it isn't a lie — if it causes substantial consumer injury the consumer can't reasonably avoid and that isn't outweighed by benefits.

Recommended Practice

Train the whole desk that 'technically true' is not the standard — the standard is whether the net impression is honest.

Watch List

Watch List for 2026: bait-and-switch pricing, hidden or 'surprise' fees, high-pressure add-on sales, and misrepresenting the terms or benefits of F&I products.

Compliance Tip

Ask of any tactic: would this embarrass the store if a regulator read the transcript? If yes, it's a UDAP risk — regardless of whether a specific rule names it.

BREAKOUT SECTIONS

9.1 Deceptive vs. unfair

- Deceptive — misleading net impression, material
- Unfair — substantial, unavoidable injury not outweighed by benefits
- Both reachable under FTC Act §5

9.2 Common dealer UDAP claims

- Bait-and-switch advertised price
- Undisclosed / surprise fees
- Misrepresenting product terms
- Payment packing

9.3 State 'little FTC Acts'

- Often allow private lawsuits
- Frequently include attorney-fee shifting
- May allow multiplied / statutory damages

The catch-all that reaches everything

When no specific rule applies, UDAP still does — which is why it is the enforcer's favorite tool.

Section 5 of the FTC Act prohibits unfair or deceptive acts or practices, and its maximum civil penalty for knowing violations is $53,088 per violation under the current inflation-adjusted schedule. State counterparts often add private rights of action and fee-shifting.[1]

Did You Know?

Because the CARS Rule was vacated on procedural grounds, the conduct it described did not become legal — it simply falls back to UDAP and state enforcement. The exposure did not disappear.[6]

Compliance Tip

The 'net impression' standard means you can be liable even when every individual statement is literally true. Judge the whole presentation the way the customer experiences it.

Arbitration, Mediation & Servicemember Protections

How disputes are resolved — and who gets special protection — carries its own compliance rules. Arbitration clauses must be handled correctly, and federal law gives active-duty servicemembers powerful, non-waivable protections.

What's New for 2026

The Military Lending Act bars mandatory arbitration in most credit extended to covered borrowers — an arbitration clause that's fine for a civilian can be unlawful for a servicemember.

Did You Know?

The MLA caps the Military Annual Percentage Rate (MAPR) — which includes many fees and ancillary-product charges the ordinary APR leaves out — at 36% for covered borrowers.

Recommended Practice

Build a servicemember checkpoint into the deal: MLA covered-borrower check, MAPR calculation including all charges, and SCRA rate-cap awareness for pre-service debts.

Watch List

Watch List for 2026: MAPR miscalculations (forgetting to include credit-insurance and add-on charges) and improper arbitration or waiver clauses in servicemember contracts.

Compliance Tip

Screen for covered-borrower status using the DoD's MLA database before finalizing terms, and never bury a mandatory-arbitration clause in a servicemember's contract.

BREAKOUT SECTIONS

10.1 Military Lending Act (MLA)

- 36% MAPR cap for covered borrowers
- MAPR includes fees + ancillary-product charges
- No mandatory arbitration on covered credit
- Certain other terms prohibited

10.2 Servicemembers Civil Relief Act (SCRA)

- 6% interest-rate cap on pre-service debts
- Applies to vehicle loans, cards, mortgages
- Protections against default judgments
- Written notice + orders within 180 days of service end

10.3 Arbitration basics

- Clauses must be clearly disclosed
- Cannot be mandatory for MLA-covered credit
- State law may add requirements

Getting servicemember deals right

Servicemember protections are non-waivable — a signature does not cure a violation.

The Military Lending Act limits the total cost of covered credit, expressed as the Military Annual Percentage Rate, to 36% for covered borrowers. Crucially, the MAPR includes charges — credit insurance, debt cancellation, and other credit-related ancillary products — that the TILA-disclosed APR leaves out.[8]

Separately, the Servicemembers Civil Relief Act caps interest at 6% per year on most debts incurred before the customer entered active service, once the servicemember gives written notice and a copy of orders within 180 days of leaving service.[9]

Did You Know?

Because add-on product charges count toward the MAPR, a service-contract or GAP sale that's routine for a civilian can push a servicemember's deal over the 36% cap and into a violation.[8]

Compliance Tip

Run the DoD MLA covered-borrower check and document the result. If the customer is covered, recompute the MAPR with every fee and product included before you present terms.[11]

Telemarketing & Customer Contact

How the store reaches out to customers and prospects is regulated by the Telemarketing Sales Rule, the Do-Not-Call registry, and related texting and consent rules. Marketing outreach is a compliance activity, not just a sales one.

What's New for 2026

Text-message and automated-call consent enforcement continues to grow. A customer's phone number on a credit app is not blanket consent to market to them by text or robocall.

Did You Know?

The Telemarketing Sales Rule restricts calling times, requires honoring do-not-call requests, and prohibits misrepresentations in the call — the same honesty standard as your ads.

Recommended Practice

Maintain a written contact policy: consent capture, do-not-call scrubbing, calling-time limits, and a fast, logged opt-out process.

Watch List

Watch List for 2026: texting-consent (TCPA-style) claims, revoked-consent handling, and prerecorded / autodialed call complaints.

Compliance Tip

Scrub against the Do-Not-Call registry, honor opt-outs immediately, and get proper consent before texting or auto-dialing a customer.

BREAKOUT SECTIONS

11.1 Telemarketing Sales Rule basics

- Honor do-not-call requests
- Observe permitted calling hours
- No misrepresentations on the call
- Disclose identity and purpose

11.2 Consent to text / auto-dial

- Phone on a credit app ≠ marketing consent
- Get and log express consent
- Honor revocation immediately

11.3 Recordkeeping

- Consent records with dates
- Opt-out / do-not-call log
- Scripts and disclosures used

TOPIC 11 · TELEMARKETING & CUSTOMER CONTACT

Reaching customers without crossing the line

The rules that govern your ads also govern your phone and your text messages.

The Telemarketing Sales Rule requires honoring do-not-call requests, restricts calling times, and bars misrepresentations during the call. Related consent rules govern automated calls and marketing texts — and a phone number provided to complete a credit application is not, by itself, consent to be marketed to.

Compliance Tip

Capture marketing consent separately and explicitly, and log every opt-out the moment it arrives. A single continued text after a 'STOP' can become a per-message claim.

TOPIC 12 OF 13

Cash Reporting & Recordkeeping

TOPIC 12

Large cash transactions must be reported to the government, and nearly every compliance duty in this guide depends on keeping — and being able to produce — the right records.

What's New for 2026

Electronic filing of Form 8300 became mandatory for many filers starting January 1, 2024. Paper-only cash-reporting habits are now a compliance gap.

Did You Know?

You must file Form 8300 within 15 days of receiving more than $10,000 in cash in one transaction or in related transactions — and provide a written statement to each person named on the form.

Recommended Practice

Keep a cash-reporting log and retain deal records long enough to satisfy every applicable rule — Safeguards, ECOA/adverse action, advertising substantiation, and state cooling-off documentation.

Watch List

Watch List for 2026: structured payments designed to dodge the $10,000 threshold, missed 15-day deadlines, and failure to send the required customer statements.

Compliance Tip

Train the whole store on what counts as 'cash' (including certain cashier's checks and money orders) and on the 15-day clock. The threshold can be reached through related transactions, not just one payment.

BREAKOUT SECTIONS

12.1 Form 8300 essentials

- More than $10,000 in cash
- One or related transactions
- File within 15 days
- Written statement to each named person
- E-file mandate since Jan 1, 2024

12.2 What counts as 'cash'

- Currency (U.S. and foreign)
- Certain cashier's checks, money orders, bank/traveler's checks
- Watch for structuring to avoid reporting

12.3 Records to retain

- Deal jackets and disclosures
- OFAC + credit-pull logs
- Adverse-action copies
- Advertising substantiation
- State cooling-off / add-on records

TOPIC 12 · CASH REPORTING & RECORDKEEPING

Reporting cash and keeping the file

The government treats large cash deals as a money-laundering risk — and the store as the reporter.

If the store receives more than $10,000 in cash in a single transaction or in related transactions, it must file Form 8300 with FinCEN (electronically) or the IRS within 15 days, and provide a written statement to each person named on the form. Electronic filing became mandatory for many filers starting January 1, 2024.[5]

Did You Know?

'Cash' for Form 8300 includes certain cashier's checks, money orders, and bank and traveler's checks — not just currency. Splitting a payment to stay under $10,000 is illegal structuring.[5]

Compliance Tip

Start the 15-day clock the day the cash is received, not the day the deal is 'done.' Keep the filing and the customer statement in the deal jacket as proof.

Sanctions Screening (OFAC) & Compliance Management

Every customer must be screened against the OFAC Specially Designated Nationals (SDN) list, and the store needs a compliance-management system that ties all of the preceding topics into one accountable program.

What's New for 2026

Sanctions enforcement remains aggressive and strict-liability in nature: a violation can occur even without intent, which makes documented screening non-negotiable.

Did You Know?

OFAC screening is not optional or occasional — it applies to every deal, and 'I didn't know they were on the list' is not a defense.

Recommended Practice

Fold OFAC screening, Safeguards, Red Flags, cash reporting, and fair-lending controls into one compliance-management system with a single owner and a review calendar.

Watch List

Watch List for 2026: stale screening tools, skipped co-buyer checks, and missing screening logs that can't prove the check was actually run.

Compliance Tip

Screen every buyer and co-buyer against the current SDN list, keep a dated log of the result, and stop the deal and escalate on any potential match.

BREAKOUT SECTIONS

13.1 OFAC screening duties

- Screen every buyer and co-buyer
- Use the current SDN list
- Log the result with a date
- Stop + escalate on a potential match

13.2 Why it's strict

- Violations can occur without intent
- Substantial civil penalties per violation
- Willful violations carry criminal exposure

13.3 Compliance-management system

- One owner and a written program
- A review / audit calendar
- Training with sign-off
- Board / leadership reporting

TOPIC 13 · SANCTIONS SCREENING (OFAC) & COMPLIANCE MANAGEMENT

Screening every deal and tying it all together

Sanctions compliance is the rule with the least tolerance for 'we forgot.'

Federal law prohibits doing business with parties on OFAC's Specially Designated Nationals list. Enforcement is essentially strict-liability — penalties can apply even without intent — and willful violations carry criminal exposure in addition to substantial civil penalties.[10]

> **Did You Know?**
> OFAC screening applies to every customer and co-buyer on every deal. A single skipped screen on a matched party can create liability no sales explanation will cure.

Bringing the program together

A compliance-management system connects OFAC screening, the Safeguards program, the Red Flags ITPP, cash reporting, and fair-lending controls under one accountable owner, one review calendar, and documented training — the operating system this guide has built topic by topic.

> **Compliance Tip**
> Keep the screening log even when there's no match. The record that you checked — and found nothing — is exactly what an examiner will ask to see.

REFERENCE

Guide to Penalties

A quick-reference to the cost of getting it wrong. Amounts reflect current federal inflation-adjusted figures where published; several rules also carry damages, injunctive relief, and criminal exposure. This is a summary, not legal advice — verify current figures against the primary sources cited at the back.

TASK / RULE	AUTHORITY	EXPOSURE
FTC Act §5 — Unfair or deceptive acts/practices[1]	15 U.S.C. §45(m)(1)(A); 16 CFR §1.98(d)	Up to $53,088 per violation (knowing)
Fair Credit Reporting Act — knowing violations[1]	15 U.S.C. §1681s(a)(2); 16 CFR §1.98(m)	Up to $4,983 per violation
Safeguards Rule / GLBA data security[2]	16 CFR Part 314 (FTC Act enforcement)	FTC Act civil penalties + injunctive relief; breach-notice duties since May 2024
Red Flags Rule — no / deficient ITPP[4]	16 CFR Part 681 (FTC Act enforcement)	FTC Act civil penalties + enforcement action
ECOA / Regulation B — credit discrimination[1]	15 U.S.C. §1691 et seq.	Actual + punitive damages; regulatory penalties; fair-lending referral
Truth in Lending Act / Regulation Z — disclosures[1]	15 U.S.C. §1601 et seq.	Statutory + actual damages; class exposure; attorney fees
Form 8300 — cash-transaction reporting[5]	26 U.S.C. §6050I; IRS/FinCEN	Civil penalties for late/incomplete filing; criminal exposure for willful failure or structuring
OFAC sanctions — SDN screening[10]	IEEPA / TWEA; 31 CFR	Substantial civil penalties per violation; criminal exposure for willful violations
Military Lending Act — 36% MAPR / prohibited terms[8]	10 U.S.C. §987; 32 CFR Part 232	Contract void; actual + statutory damages; costs and fees
SCRA — 6% cap / servicemember protections[9]	50 U.S.C. §3901 et seq.	DOJ enforcement; civil penalties; actual damages; fees
Telemarketing Sales Rule / consent violations[1]	16 CFR Part 310 (FTC Act enforcement)	FTC Act civil penalties up to $53,088 per violation
California CARS Act — pricing / add-on / cooling-off[7]	Cal. Civ. Code (SB 766), eff. Oct. 1, 2026	State enforcement + consumer remedies

Note: Federal civil penalty maximums are adjusted annually for inflation (16 CFR §1.98). Figures shown apply to penalties assessed under the current schedule and may change. State remedies (e.g., California's CARS Act) are in addition to federal exposure.

QUICK REFERENCE

The 16 Core Rules — Study Cards

The topics gave you the landscape. These cards distill the 16 federal rules the finance office lives inside into a single, drill-ready format — what the rule requires, why it matters, the common mistake, a memory hook, and the key term. Study one card at a time.

The 16 rules, in order

1. GLBA
2. Disposal Rule
3. Magnuson-Moss
4. Used-Car Rule
5. Reg M
6. Reg Z
7. ECOA
8. FCRA
9. Adverse Action
10. Credit Practices
11. Advertising
12. Red Flags
13. TSR
14. Fuel Economy Ads
15. Form 8300
16. OFAC

How to drill a card

Read THE RULE and ON THE DEAL, cover the rest, and say the COMMON MISTAKE and KEY TERM from memory. If you can teach the card to someone else, you own it.

Rule 1 of 16

1 Gramm-Leach-Bliley Act

GLBA

Up to $10,000/violation for individuals; up to $100,000 for the institution; criminal penalties up to 5 years.

THE RULE

Protects the privacy of a customer's nonpublic personal information (NPI) — the financial details you collect to arrange financing. It sets rules for privacy notices, opt-out rights, and safeguarding that data.

THE BIGGER PICTURE

Passed in 1999 and enforced by the FTC and CFPB, GLBA treats a dealership as a ‘financial institution’ the moment it arranges credit. Its Safeguards Rule requires a written information-security program with a qualified person in charge, access controls, encryption of customer data, and vendor oversight. The store must give a clear privacy notice explaining what NPI it collects and shares, and let customers opt out of certain sharing.

ON THE DEAL

Every credit app you handle is covered. A Social left on your desk, a deal jacket in an unlocked drawer, or an unencrypted email is your exposure — and officers and directors can be held personally liable.

COMMON MISTAKE

Emailing a customer's full application or SSN in plain text, or leaving credit docs where other customers or unauthorized staff can see them.

REMEMBER

“GLBA = Guard Loan-Buyer Assets.” It kicks in the moment you start arranging financing.

KEY TERM — Nonpublic Personal Information (NPI)

Financial information a customer gives you that isn't publicly available — SSN, income, account numbers.

Rule 2 of 16

2 The Disposal Rule

DISPOSAL RULE

FTC enforcement, state action, and civil liability from any resulting data breach.

THE RULE

Consumer-report information must be destroyed so it can't be read or reconstructed — shred, burn, or pulverize paper, and wipe or physically destroy electronic media.

THE BIGGER PICTURE

An FTC rule under FACTA, the Disposal Rule applies to anyone who uses consumer reports — so it covers old credit apps, printed credit reports, and hard drives from retired computers or copiers. 'Reasonable measures' is the standard: if you hire a shredding or IT-disposal vendor, you're expected to have done due diligence on how they actually handle and destroy the data.

ON THE DEAL

The recycling bin and the regular trash are NOT compliant. If you use a shredding vendor, the store must vet them — and remember that copier and printer hard drives store images of everything scanned.

COMMON MISTAKE

Tossing expired deal jackets or printed credit reports in the regular trash, or trading in an office computer or copier without wiping its drive.

REMEMBER

"Burn, pulverize, or shred" — the government's own words. If you can still read it, you didn't dispose of it.

KEY TERM — Secure Destruction

Rendering consumer-report data permanently unreadable — not just tossing or deleting it.

3 Magnuson-Moss Warranty Act

MAGNUSON-MOSS

FTC enforcement and private lawsuits, including the customer's attorneys' fees.

THE RULE

Requires clear written-warranty instructions and honesty about vehicle condition and your commitment to fix problems. Any written warranty must be conspicuously labeled ‘Full’ or ‘Limited.’

THE BIGGER PICTURE

This 1975 federal law governs written warranties on consumer products, including vehicles. It requires that warranty terms be available to the customer before the sale, bans deceptive warranty practices, and preserves implied warranties unless a valid ‘as-is’ disclosure is made where state law allows. It also generally bars ‘tie-in’ clauses that void a warranty just because the customer used a competitor's parts or service.

ON THE DEAL

Anything you promise verbally that contradicts the written warranty creates liability — what's in writing governs. Never tell a customer a repair ‘should be covered’ unless the written warranty actually says so.

COMMON MISTAKE

Making a verbal ‘don't worry, we'll take care of it’ promise that the written warranty doesn't back up.

REMEMBER

“M-M = Make it clear, Make it available.” Full vs. Limited must be labeled; ‘as-is’ must be disclosed.

KEY TERM — Implied Warranty

An unwritten, automatic guarantee that a vehicle is fit for ordinary use — waived only by a clear ‘as-is’ disclosure.

Rule 4 of 16

4 Used-Car Rule

USED-CAR RULE

Civil penalties per violation plus possible state enforcement.

THE RULE

Every used vehicle offered for sale must display a completed Buyers Guide in the window with correct disclosures and accurate warranty status; the buyer receives a copy reflecting the final terms.

THE BIGGER PICTURE

An FTC rule that applies to dealers who sell more than a handful of used vehicles a year. The Buyers Guide must state whether the vehicle is sold 'As-Is — No Dealer Warranty' or with a warranty (and the percentage of parts/labor covered), list major mechanical/electrical systems, and — since a 2017 update — point buyers to check for open safety recalls. If the sale is conducted in Spanish, a Spanish-language Buyers Guide is required.

ON THE DEAL

The Buyers Guide in the window must match the deal you actually wrote. If it says 'as-is' but you sold a warranty, the written warranty controls and you've created a compliance gap.

COMMON MISTAKE

Leaving a generic or blank Buyers Guide in the window, or one whose warranty box doesn't match the signed deal.

REMEMBER

"No Guide, no sale." Window sticker first, negotiation second.

KEY TERM — Buyers Guide

The FTC-required window form disclosing whether a used vehicle is sold with a warranty or 'as-is.'

STUDY CARD · CREDIT & LENDING

Rule 5 of 16

5 Regulation M

REG M

Willful violation: up to $5,000 fine and/or 1 year imprisonment, plus civil liability.

THE RULE

Implements the Consumer Leasing Act. It dictates how lease terms are disclosed — amount due at signing, the number, amount, and timing of payments, and the customer's end-of-lease obligations.

THE BIGGER PICTURE

Reg M applies to consumer leases longer than four months. It requires a standardized set of disclosures so a lease can be understood and compared, and it extends to advertising: if a lease ad states one triggering term (like a monthly payment), it must also disclose the other key terms so the offer isn't misleading. It parallels Reg Z, but for leasing instead of financing.

ON THE DEAL

The monthly payment alone is never a compliant disclosure. Show the full standardized set before signing, and make sure any lease ad you run carries the required extra terms.

COMMON MISTAKE

Quoting a lease as just ‘$X a month’ without disclosing due-at-signing, term length, mileage limits, and end-of-lease costs.

REMEMBER

“M = Leasing (think autoMobile lease).” Full lease disclosures, and ads that state a payment trigger more.

KEY TERM — Capitalized Cost

The agreed value of the leased vehicle — the lease equivalent of a purchase price.

Rule 6 of 16

6 Regulation Z

REG Z

Statutory and actual damages to consumers, attorneys' fees, and CFPB/FTC enforcement.

THE RULE

Implements the Truth in Lending Act. Four cost-of-credit disclosures must be clear and conspicuous: the APR, the finance charge, the amount financed, and the total of payments.

THE BIGGER PICTURE

Reg Z is the backbone of consumer-credit disclosure and is enforced by the CFPB and FTC. It standardizes how the cost of credit is presented so customers can compare offers, and it governs ‘trigger terms’ in advertising — mention a rate, a payment amount, or a down payment, and the ad must disclose the full financing terms. The APR captures certain fees, which is why it can differ from the plain interest (‘note’) rate.

ON THE DEAL

Interest rate and APR are NOT the same thing, and customers will ask. Advertising a rate or payment forces the full disclosure set — you can't cherry-pick the attractive number.

COMMON MISTAKE

Treating the note rate and the APR as interchangeable, or running a ‘$199/month!’ ad without the required financing disclosures.

REMEMBER

“Z = the last word on cost.” Memorize the four: APR, Finance Charge, Amount Financed, Total of Payments.

KEY TERM — APR (Annual Percentage Rate)

The yearly cost of credit as a percentage, including certain fees — broader than the plain interest rate.

Rule 7 of 16

7 Equal Credit Opportunity Act

ECOA

Actual and punitive damages (up to $10,000 individual) plus federal enforcement.

THE RULE

Prohibits credit discrimination and promotes access to credit for all credit-worthy applicants. You may not discriminate on any prohibited basis.

THE BIGGER PICTURE

Enforced by the CFPB and DOJ, ECOA (via Regulation B) bars discrimination on race, color, religion, national origin, sex, marital status, age, and because income comes from public assistance. It reaches how you treat applicants, how discretionary markup is applied, and even discouraging someone from applying. Liability can arise from 'disparate impact' — a neutral practice that lands harder on a protected group — not just intentional bias.

ON THE DEAL

Evaluate every applicant on creditworthiness only. Consistency — same courtesies, same rate-markup approach, same product menu for everyone — is your single best legal defense.

COMMON MISTAKE

Varying discretionary rate markup or which products you pitch based on a customer's protected characteristics rather than the deal.

REMEMBER

Prohibited bases: Race, Color, Religion, National origin, Sex, Marital status, Age, and public-assistance income.

KEY TERM — Disparate Impact

A neutral policy that unintentionally harms a protected group — e.g., uneven discretionary markup.

Rule 8 of 16

8 Fair Credit Reporting Act

FCRA

Statutory, actual, and (for willful violations) punitive damages, plus attorneys' fees.

THE RULE

Governs how you pull, use, protect, and report consumer credit information — and how you run employee background checks. The central idea is 'permissible purpose.'

THE BIGGER PICTURE

The FCRA regulates consumer reporting nationwide. For a dealership, that means pulling credit only with a permissible purpose, safeguarding what you obtain, following accuracy and dispute rules for anything you report, and giving risk-based-pricing or adverse-action notices when required. For hiring, it adds separate steps: standalone disclosure, written authorization, and a pre-adverse-action process before you reject an applicant based on a report.

ON THE DEAL

No favor pulls, no curiosity pulls, no 'let me just see what they'd qualify for' without a real deal. You may only pull a report for a genuine, consumer-initiated credit transaction.

COMMON MISTAKE

Running a customer's credit to 'pre-qualify' them before there's an actual deal, or without their clear authorization.

REMEMBER

"Permissible Purpose" = a real deal on the table. No deal, no pull.

KEY TERM — Permissible Purpose

A lawful reason to access a consumer report — most often a credit transaction the consumer started.

Rule 9 of 16

9 Adverse Action Notices

ADVERSE ACTION

Civil liability under ECOA and FCRA, including statutory and punitive damages.

THE RULE

When credit is denied — or granted on different or less favorable terms than the customer requested — you must provide a written notice with specific reasons, generally within 30 days.

THE BIGGER PICTURE

Adverse-action duties come from both ECOA and the FCRA. The notice must give specific principal reasons for the decision (not vague boilerplate), and when a credit score drove the decision, disclose the score and key factors. 'Adverse action' is broader than a flat decline — it includes counteroffers on worse terms and, in many cases, a required notice when no lender approves the deal as submitted.

ON THE DEAL

Approved at a higher rate or shorter term than requested? That can trigger a notice too. Don't let a customer walk after a decline without the required paperwork.

COMMON MISTAKE

Assuming only outright denials require a notice, or issuing a notice with a vague reason like 'credit' instead of specific factors.

REMEMBER

"30 days, specific reasons, in writing." Different terms = adverse action.

KEY TERM — Adverse Action

A denial of credit, or an approval on terms less favorable than the customer requested.

STUDY CARD · CREDIT & LENDING

Rule 10 of 16

10 Credit Practices Rule

CREDIT PRACTICES

FTC enforcement and civil penalties for prohibited practices.

THE RULE

Bans certain unfair contract provisions, requires co-signers to receive a clear notice of their liability, and prohibits 'pyramiding' of late charges.

THE BIGGER PICTURE

This FTC rule targets unfair terms in consumer-credit contracts — for example, certain wage-assignment and security-interest provisions in household goods. Its most deal-relevant pieces are the required Co-Signer Notice, which spells out that the co-signer is fully responsible if the borrower doesn't pay, and the ban on late-charge pyramiding.

ON THE DEAL

Make sure a co-signer truly understands they're on the hook for the whole debt — give the notice and let them read it. Never stack a new late fee on top of an unpaid earlier one.

COMMON MISTAKE

Rushing a co-signer through signing without the required notice, or charging late fees on late fees.

REMEMBER

"No pyramids, clear co-signers, fair terms."

KEY TERM — Pyramiding of Late Charges

Charging a new late fee because a prior late fee (not the payment) went unpaid — prohibited.

Rule 11 of 16

11 Truth-in-Advertising

ADVERTISING

FTC enforcement, civil penalties, corrective-advertising orders, and state AG action.

THE RULE

Advertising must be truthful, non-deceptive, and substantiated — the burden of proof is on the dealer. Mentioning financing or a payment can trigger additional required disclosures.

THE BIGGER PICTURE

The FTC Act bars ‘unfair or deceptive acts or practices,’ and the FTC expects advertisers to have a reasonable basis for claims before they run. In auto retail this reaches bait-and-switch pricing, hidden fees, fake ‘sale’ urgency, and payment or rate claims that omit Reg Z/Reg M terms. State ‘little FTC Acts’ and attorneys general enforce the same principles, often aggressively.

ON THE DEAL

‘Everybody qualifies’ and ‘guaranteed approval’ are red-alert deceptive claims. If you can't prove it before you say it, don't advertise it — and disclosed fees can't be buried in fine print.

COMMON MISTAKE

Advertising a price or payment that most customers can't actually get, or omitting required financing terms from a payment ad.

REMEMBER

“Truthful, backed up, and fair.” The store must prove every claim.

KEY TERM — Substantiation

Having evidence to back up an advertising claim before you make it.

STUDY CARD · PRIVACY & DATA

Rule 12 of 16

12 Red Flags Rule

RED FLAGS

FTC enforcement and civil penalties for lacking a compliant program.

THE RULE

As a creditor, the store must maintain a written Identity Theft Prevention Program that detects the ‘red flags’ of identity theft, prevents it, and mitigates the damage when it occurs.

THE BIGGER PICTURE

An FTC rule under FACTA, the Red Flags Rule requires a board- or senior-management-approved written program that is periodically updated and that trains staff. The program must identify relevant red flags (suspicious documents, suspicious personal information, unusual account activity, and alerts from consumer reports), spell out how staff respond, and be administered on an ongoing basis — it's not a one-time form.

ON THE DEAL

Learn to spot the flags in real time: mismatched or altered IDs, an address that doesn't match the credit application, a Social that comes back to a different name, or a fraud alert on the report. When one appears, follow the store's program — don't just push the deal through.

COMMON MISTAKE

Ignoring a fraud alert or an obvious ID/application mismatch because the deal is otherwise clean and you want to close.

REMEMBER

“Spot it, stop it, fix it.” Detect the red flag, prevent the theft, mitigate the harm.

KEY TERM — Red Flag

A pattern, practice, or specific activity that signals possible identity theft.

Rule 13 of 16

13 Telemarketing Sales Rule

TSR

Civil penalties up to about $16,000 per violation (inflation-adjusted).

THE RULE

If the store telemarkets, you must make required disclosures, honor Do-Not-Call rules, avoid misrepresentations, and call only during permitted hours.

THE BIGGER PICTURE

The FTC's TSR governs calls that solicit a purchase. It requires prompt identification of who's calling and why, bans misrepresentations about the offer, restricts calling hours (generally 8 a.m. to 9 p.m. local time), and requires honoring both the National Do-Not-Call Registry and the store's internal do-not-call list. 'Established business relationship' exemptions are narrow and time-limited — don't assume a past customer is fair game forever.

ON THE DEAL

'Just following up' with a lead still counts as telemarketing. Check Do-Not-Call status and make your disclosures before you dial, and log any customer who asks not to be called.

COMMON MISTAKE

Cold-calling numbers without checking DNC status, or continuing to call a customer who already asked to be left alone.

REMEMBER

"Know before you dial." DNC + disclosures + honesty + right hours.

KEY TERM — Do-Not-Call (DNC) Registry

The national list of numbers that may not be called for telemarketing purposes.

14 Fuel Economy Advertising

FUEL ECONOMY ADS

FTC enforcement and civil penalties for deceptive fuel-economy claims.

THE RULE

You may only advertise the EPA fuel-economy figures that match the exact vehicle being sold, and you can't present highway MPG as if it were city MPG.

THE BIGGER PICTURE

FTC guidance requires that any fuel-economy claim use the official EPA estimate for the specific model, trim, and drivetrain being advertised, and that city and highway figures not be swapped or blended in a misleading way. Because MPG is a major purchase driver — and easy to overstate — it's a recurring enforcement target, and estimates should be presented the way the EPA publishes them.

ON THE DEAL

Don't borrow the top trim's or a hybrid's MPG for a base-model ad, and never slot the highway number into the city slot. Match the exact vehicle being advertised.

COMMON MISTAKE

Using one trim's higher EPA number on a lower-trim listing, or advertising the highway figure as the everyday number.

REMEMBER

“Right car, right number.” City is city; highway is highway.

KEY TERM — EPA Fuel Economy Estimate

The official government mileage rating for a specific vehicle configuration.

Rule 15 of 16

15 Form 8300 — Cash Over $10,000

FORM 8300

IRS civil penalties for late/non-filing; criminal penalties for willful failure or false filing.

THE RULE

Any cash payment over $10,000 — including certain related transactions — requires filing IRS Form 8300, every time, by the 15th day after the payment is received.

THE BIGGER PICTURE

Form 8300 is an anti-money-laundering report filed with the IRS (and FinCEN). 'Cash' includes currency and certain cashier's checks, money orders, and traveler's checks; it can also aggregate related payments that together cross $10,000 within a 12-month period. Beyond filing on time, the business must send the customer a written statement by January 31 of the following year, and keep copies for five years. Deliberately splitting payments to stay under the threshold — 'structuring' — is itself a federal crime.

ON THE DEAL

Also give the customer the required written statement and keep your copies. If a buyer offers two payments of $6,000 to dodge the report, that's a structuring red flag — don't help them do it.

COMMON MISTAKE

Missing the 15-day deadline, forgetting the customer statement, or looking the other way when a buyer splits a large cash payment.

REMEMBER

"Over 10K in cash? File 8300 within 15." Every time.

KEY TERM — Structuring

Breaking a large cash payment into smaller ones to avoid the reporting threshold — illegal.

Rule 16 of 16

16 Office of Foreign Assets Control

OFAC

Harshest in the book: up to 30 years, fines up to $10M (corporations)/$5M (individuals), civil up to $1M/incident.

THE RULE

You must screen every customer against the Specially Designated Nationals (SDN) List before completing a transaction, document that you did, and block or report any confirmed match.

THE BIGGER PICTURE

OFAC administers U.S. economic sanctions, and its rules apply to all U.S. persons — including dealerships — with essentially strict liability. That means a violation can occur even without intent. The SDN List is updated frequently, so screening must use a current list, potential 'hits' must be investigated (not ignored or waved through), and a confirmed match must be blocked and reported. Keeping evidence that you screened is part of doing it right.

ON THE DEAL

No exceptions — even an 'obvious' long-time local customer gets screened, because liability doesn't require intent. A potential match must be resolved before you proceed, not after delivery.

COMMON MISTAKE

Skipping screening for repeat or 'trusted' customers, or delivering the vehicle while a potential SDN match is still unresolved.

REMEMBER

"Last check before you finish: is this name on the SDN List?"

KEY TERM — SDN List

The Specially Designated Nationals list of sanctioned individuals and entities you must screen against.

RAPID REVIEW

Flashcards — 16 Terms to Know Cold

Cover the right column. For each term, say the definition out loud before you check. If you miss one, go back to that rule's card.

#	KEY TERM	DEFINITION
1	**Nonpublic Personal Information (NPI)**	Financial information a customer gives you that isn't publicly available — SSN, income, account numbers.
2	**Secure Destruction**	Rendering consumer-report data permanently unreadable — not just tossing or deleting it.
3	**Implied Warranty**	An unwritten, automatic guarantee that a vehicle is fit for ordinary use — waived only by a clear 'as-is' disclosure.
4	**Buyers Guide**	The FTC-required window form disclosing whether a used vehicle is sold with a warranty or 'as-is.'
5	**Capitalized Cost**	The agreed value of the leased vehicle — the lease equivalent of a purchase price.
6	**APR (Annual Percentage Rate)**	The yearly cost of credit as a percentage, including certain fees — broader than the plain interest rate.
7	**Disparate Impact**	A neutral policy that unintentionally harms a protected group — e.g., uneven discretionary markup.
8	**Permissible Purpose**	A lawful reason to access a consumer report — most often a credit transaction the consumer started.
9	**Adverse Action**	A denial of credit, or an approval on terms less favorable than the customer requested.
10	**Pyramiding of Late Charges**	Charging a new late fee because a prior late fee (not the payment) went unpaid — prohibited.
11	**Substantiation**	Having evidence to back up an advertising claim before you make it.
12	**Red Flag**	A pattern, practice, or specific activity that signals possible identity theft.
13	**Do-Not-Call (DNC) Registry**	The national list of numbers that may not be called for telemarketing purposes.
14	**EPA Fuel Economy Estimate**	The official government mileage rating for a specific vehicle configuration.
15	**Structuring**	Breaking a large cash payment into smaller ones to avoid the reporting threshold — illegal.
16	**SDN List**	The Specially Designated Nationals list of sanctioned individuals and entities you must screen against.

SELF-QUIZ

Test Yourself

26 questions covering all 16 core rules. Answer each from memory before checking the key. Passing the real assessment is 7 of 8 — hold yourself to a higher bar here.

Q1

Which law protects a customer's nonpublic personal financial information and requires a privacy notice?

Q2

Under GLBA's Safeguards Rule, name two things the store's written security program must include.

Q3

Name the four cost-of-credit disclosures required by Regulation Z.

Q4

What is the difference between the note (interest) rate and the APR?

Q5

A deal is approved, but two points higher than the customer requested. Is an adverse action notice required?

Q6

A customer pays $11,500 in cash for a down payment. What must you file, and by when?

SELF-QUIZ

Test Yourself (cont.)

Q7

A buyer offers to pay $6,000 in cash today and $6,000 next week to avoid a report. What is this, and is it legal?

Q8

What must you check every customer against before completing a deal, and why is intent irrelevant?

Q9

What is a ‘permissible purpose’ under the FCRA?

Q10

Besides pulling customer credit, what else does the FCRA govern for a dealership?

Q11

List three ‘red flags’ of identity theft you might spot during a deal.

Q12

Is the Red Flags Rule satisfied by a single form in the deal jacket? Explain.

SELF-QUIZ

Test Yourself (cont.)

Q13

What does the Disposal Rule require you to do with consumer-report paperwork?

Q14

Why can a retired office copier be a Disposal Rule risk?

Q15

Under ECOA, name four prohibited bases for credit discrimination.

Q16

What is ‘disparate impact,’ and why does it matter for rate markup?

Q17

What must be displayed in the window of every used vehicle for sale?

Q18

A sale is conducted entirely in Spanish. What does the Used-Car Rule require?

SELF-QUIZ

Test Yourself (cont.)

Q19

Under Magnuson-Moss, what must every written warranty be labeled?

Q20

A customer asks if a future repair is covered. What's the safe way to answer?

Q21

Why can't you advertise a vehicle's highway MPG figure as its city MPG figure?

Q22

Why are ‘guaranteed approval’ or ‘everybody qualifies’ ads dangerous?

Q23

What extra disclosures can a lease advertisement trigger under Regulation M?

Q24

What is ‘pyramiding’ of late charges, and is it allowed?

SELF-QUIZ

Test Yourself (cont.)

Q25

What does the Credit Practices Rule require you to give a co-signer?

Q26

Under the TSR, can you keep calling a past customer who asked not to be contacted?

ANSWER KEY

Self-Quiz Answers

Check your work. For anything you missed, return to that rule's study card before moving on — a gap left open is a real deal at risk.

Q	ANSWER
1	GLBA (Gramm-Leach-Bliley Act).
2	Any two of: a qualified person in charge, access controls, encryption of customer data, or vendor oversight.
3	APR, finance charge, amount financed, and total of payments.
4	The APR includes certain fees and finance charges, so it reflects the true yearly cost of credit and is usually higher than the plain interest rate.
5	Yes — less favorable terms than requested trigger a notice (generally within 30 days), with specific reasons.
6	IRS Form 8300, by the 15th day after the payment is received.
7	That's ‘structuring’ — splitting payments to dodge the $10,000 threshold. It is a federal crime; you must not help with it.
8	The OFAC SDN List — OFAC applies strict liability, so a violation can occur even without intent.
9	A lawful reason to pull a report — usually a genuine, consumer-initiated credit transaction. No deal, no pull.
10	Employee background checks — requiring standalone disclosure, written authorization, and a pre-adverse-action process before rejecting an applicant.
11	Any three of: mismatched or altered IDs, suspicious documents, an address discrepancy, an SSN that returns a different name, or a fraud alert on the credit report.
12	No — it requires an ongoing, written, senior-management-approved Identity Theft Prevention Program that trains staff and is updated over time.
13	Securely destroy it — shred, burn, or pulverize — so it can't be read or reconstructed. The recycling bin is not compliant.

ANSWER KEY

Self-Quiz Answers (cont.)

Q	ANSWER
14	Copiers and printers store images of scanned documents on internal drives, so the drive must be wiped or destroyed before disposal.
15	Any four of: race, color, religion, national origin, sex, marital status, age, or public-assistance income.
16	A neutral policy that unintentionally harms a protected group. Inconsistent discretionary markup can create disparate impact even without intent to discriminate.
17	A completed Buyers Guide with accurate warranty disclosures.
18	A Spanish-language Buyers Guide must be provided.
19	‘Full’ or ‘Limited.’
20	Only promise what the written warranty actually states — a verbal promise that contradicts the written warranty creates liability.
21	It's a deceptive fuel-economy claim — you must use the correct EPA figure for the exact vehicle, and not swap highway for city.
22	They are deceptive unless you can substantiate them — the burden of proof is on the dealer, and they invite FTC and state AG action.
23	Stating one triggering term (like a monthly payment) requires disclosing the other key lease terms — due at signing, number/amount/timing of payments, and end-of-lease obligations.
24	Charging a new late fee because a prior late fee (not the payment) went unpaid. It is prohibited under the Credit Practices Rule.
25	A clear Co-Signer Notice explaining that the co-signer is fully responsible for the debt if the borrower doesn't pay.
26	No — you must honor Do-Not-Call requests, including the store's internal list; ‘established business relationship’ exemptions are narrow and time-limited.

ENFORCEMENT

What Happens When You Get It Wrong

These rules have teeth. Violations are not paperwork problems — they carry real fines, civil damages, and in several cases criminal exposure that can reach you personally, not just the dealership. Know the cost before you cut a corner.

$53K
Per-violation FTC Act civil penalty (knowing) under the current schedule

Strict
OFAC sanctions liability — a violation can occur without intent

4
of 16 rules carry criminal, not just civil, penalties

#	RULE	PENALTY FOR VIOLATION
1	**GLBA**	Up to $10,000/violation for individuals; up to $100,000 for the institution; criminal penalties up to 5 years.
2	**Disposal Rule**	FTC enforcement, state action, and civil liability from any resulting data breach.
3	**Magnuson-Moss**	FTC enforcement and private lawsuits, including the customer's attorneys' fees.
4	**Used-Car Rule**	Civil penalties per violation plus possible state enforcement.
5	**Reg M**	Willful violation: up to $5,000 fine and/or 1 year imprisonment, plus civil liability.
6	**Reg Z**	Statutory and actual damages to consumers, attorneys' fees, and CFPB/FTC enforcement.
7	**ECOA**	Actual and punitive damages (up to $10,000 individual) plus federal enforcement.
8	**FCRA**	Statutory, actual, and (for willful violations) punitive damages, plus attorneys' fees.
9	**Adverse Action**	Civil liability under ECOA and FCRA, including statutory and punitive damages.
10	**Credit Practices**	FTC enforcement and civil penalties for prohibited practices.
11	**Advertising**	FTC enforcement, civil penalties, corrective-advertising orders, and state AG action.
12	**Red Flags**	FTC enforcement and civil penalties for lacking a compliant program.
13	**TSR**	Civil penalties up to about $16,000 per violation (inflation-adjusted).
14	**Fuel Economy Ads**	FTC enforcement and civil penalties for deceptive fuel-economy claims.
15	**Form 8300**	IRS civil penalties for late/non-filing; criminal penalties for willful failure or false filing.
16	**OFAC**	Harshest in the book: up to 30 years, fines up to $10M (corporations)/$5M (individuals), civil up to $1M/incident.

REFERENCE

Glossary of Key Terms

The vocabulary of F&I compliance, defined in plain language. If a term in this guide is unfamiliar, find it here first.

Adverse Action	A denial of credit, or an offer of credit on terms less favorable than requested and not accepted — triggering a notice requirement under ECOA and the FCRA.
APR (Annual Percentage Rate)	The cost of credit expressed as a yearly rate; one of the four Regulation Z cost-of-credit disclosures.
CARS Act (California)	California's Combating Auto Retail Scams Act (SB 766), effective October 1, 2026, requiring total-price advertising, optional-add-on disclosure, and a used-vehicle cooling-off right.
CARS Rule (FTC)	The FTC's federal auto-sales rule, vacated by the Fifth Circuit on January 27, 2025, before it took effect.
Covered Borrower	An active-duty servicemember, spouse, or certain dependent protected by the Military Lending Act.
ECOA	Equal Credit Opportunity Act — prohibits credit discrimination on protected bases and requires adverse-action notices.
FCRA	Fair Credit Reporting Act — governs permissible purpose for credit pulls and the accuracy and use of consumer reports.
Form 8300	IRS/FinCEN report required within 15 days when a business receives more than $10,000 in cash in one or related transactions.
GLBA	Gramm-Leach-Bliley Act — the privacy and data-security law that makes a financing dealer a 'financial institution.'
ITPP	Identity Theft Prevention Program — the written program the Red Flags Rule requires.
MAPR	Military Annual Percentage Rate — the all-in cost measure (including many fees and add-on charges) capped at 36% under the MLA.
NPI	Nonpublic Personal Information — the customer financial data GLBA and the Safeguards Rule protect.

REFERENCE

Glossary of Key Terms (cont.)

OFAC / SDN List	Office of Foreign Assets Control and its Specially Designated Nationals list, against which every customer must be screened.
Permissible Purpose	The lawful reason — a consumer-initiated credit transaction — required under the FCRA before pulling a credit report.
Qualified Individual	The person designated under the Safeguards Rule to run the store's written information-security program.
Red Flags Rule	The FCRA identity-theft rule requiring a written program to detect, prevent, and mitigate identity theft.
Regulation M	Truth-in-leasing rule governing consumer lease disclosures and lease advertising triggering terms.
Regulation Z	The Truth in Lending Act's implementing rule; requires the four cost-of-credit disclosures and governs credit ad triggering terms.
Safeguards Rule	The GLBA rule (16 CFR Part 314) requiring a written information-security program with specified technical and administrative controls.
SCRA	Servicemembers Civil Relief Act — caps pre-service debt interest at 6% and provides other active-duty protections.
Structuring	Illegally splitting cash payments to stay under the $10,000 Form 8300 reporting threshold.
Triggering Terms	Specific credit or lease terms that, once stated in an ad, require the full set of Reg Z / Reg M disclosures.
UDAP	Unfair or Deceptive Acts or Practices — the catch-all prohibition under FTC Act §5 and state 'little FTC Acts.'

BEFORE THE ASSESSMENT

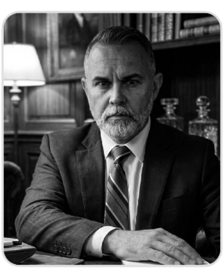
Study Checklist & Next Steps

Use this final self-check. If you can honestly tick every box, you're ready.

- ☐ I can summarize what each of the 13 topics covers and why it matters.
- ☐ I know the four Reg Z cost-of-credit disclosures by heart.
- ☐ I can list at least four prohibited bases under ECOA.
- ☐ I know when an adverse action notice is required — including ‘different terms.’
- ☐ I know the Form 8300 threshold and the 15-day filing deadline.
- ☐ I can name the four required elements of a Red Flags ITPP.
- ☐ I can list the core elements of a Safeguards Rule security program.
- ☐ I know the MLA 36% MAPR cap and the SCRA 6% pre-service cap.
- ☐ I know I must screen every buyer and co-buyer against the OFAC SDN list.
- ☐ I scored 7 of 8 or better on the self-quiz.

You know the rules — now own them

Compliance isn't the thing that slows the deal down — it's what lets you keep doing deals. You now know the topics and the rules you're on the hook for. Make them the standard on every deal, starting today.



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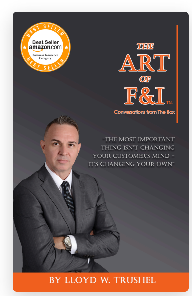

The Art of F&I
Amazon Best Seller

SOURCES

Primary Sources & Citations

Every regulatory fact and penalty figure in this guide is drawn from primary sources — the agencies and courts that make and enforce the rules. Superscript numbers in the text refer to the entries below. Verify current figures before relying on them in a live deal.

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