



### Best Practices

**CSAT Members follow these best practices for all Credit Service Organization ("CSO") transactions:**

**Full disclosure.** A contract between a member and the customer must fully outline the terms of the credit services provided by the Member including the cost of the service. To the extent required by the Federal Truth in Lending Act, Members agree to ensure that the cost of the service is disclosed both as a dollar amount in the finance charge and as a component of the annual percentage rate ("APR") for any loan that a customer obtains through the Member's credit services.

**Compliance.** Members will comply with all applicable laws and regulations including registration with the Texas Secretary of State

**Truthful advertising.** Members will not advertise credit services in any false, misleading, or deceptive manner, and will promote only the responsible use of financial products and services.

**Encourage consumer responsibility.** Members will implement procedures to inform consumers of the intended use of their credit service.

**Right to rescind.** Members will give customers the right to rescind, at no cost, credit service transactions on or before three calendar days after the date of the credit service transaction.

**Appropriate collection practices.** Members must collect past due accounts in a professional, fair and lawful manner. Members will not use unlawful threats or intimidation to collect accounts. CSAT believes that the collection limitations contained in the Texas and federal Fair Debt Collection Practices Acts (FDCPA) should guide a member's practice in this area.

**No criminal action.** Members will not threaten or pursue criminal action against a customer as a result of the customer's default on a credit service agreement.

**Enforcement.** Members will participate in self-policing the industry. A member will be expected to report violations of these Best Practices to CSAT, which will investigate the matter and take appropriate action.

**Military.** To the extent that any Member does business with a Military "Covered Person" as defined by federal law, Members will comply with any federal and Texas laws on doing business with the military and related "Covered Persons."

**Internet lending.** Members that offer credit services to Texas consumers through the Internet must comply with the Texas Credit Services Organization statute and any other applicable laws and regulations applicable to the Member's business.

**Display of the CSAT Membership Seal.** Members shall prominently display the CSAT Membership Seal in all business locations to alert customers to the store's affiliation with the association and adherence to the association's Best Practices.

**Notice Requirements.** Members shall post a copy of CSAT's Best Practices in all business locations in a visible and conspicuous location.

**Complaint Handling.** Members will implement and maintain complaint handling procedures that include a timely review and response to customer complaints and concerns. Each member company agrees to maintain and post its own toll-free consumer hotline number in each of its business locations.

**Consumer Financial Literacy.** Members will make consumer financial literacy materials available to consumers in all business locations in any form prescribed by CSAT.

**Addendum.** There is an addendum of additional best practices for any CSAT Member who takes an auto title as security for a CSO transaction.

### **Auto Equity Best Practices**

**Any CSAT Member who takes an auto title as security for a CSO transaction also follows these additional best practices:**

**Collateral.** Members will specifically inform the consumer that if the consumer pledges a vehicle as collateral, the consumer could lose the vehicle if the transaction is not fully repaid. This notice language will be presented in bold, conspicuous type in the loan documents. Alternatively, consumers will be required to initial this provision in the loan documents or on a separate notice.

**Appraisal standards.** Members will utilize nationally and or regionally recognized auto appraisal standards in valuing a vehicle.

**Proper filing of liens.** When perfecting a security interest in any auto title collateral, members will comply with all laws and regulations regarding the pledge of a vehicle as collateral, including:

- The proper filing of liens with the Texas Department of Transportation through the appropriate county assessor-collector's office; and
- The statutory duties in Chapter 9 of the Texas Business and Commerce Code regarding the disposition of collateral.

**Notice about return of vehicle.** Members will inform consumers in writing they can get their vehicle back at any time after default/repossession and before a sale by paying the amount owed.

**Compliance.** Members will comply with the Texas Business and Commerce Code and other applicable law when collecting vehicle-secured accounts, including:

- **Commercially reasonable manner.** Members will act in a commercially reasonable manner, without breaching the peace, in all aspects of the repossession and sale of the vehicle.
- **Written notice of opportunity to redeem vehicle.** Members will give consumers at least 15 days after repossession to redeem their vehicle prior to it being sold. Members will send a written notice to consumers informing them how and when their vehicle will be sold and what consumers need to pay to redeem their vehicle.
- **Reasonable expenses actually incurred.** With respect to expenses related to collection, repossession, and sale of the vehicle, Members will only charge reasonable expenses actually incurred.
- **Timely release of title.** Members will release the vehicle title to the consumer in a timely manner when the transaction is paid.
- **No personal liability.** Borrowers have no personal liability for auto equity loans, other than in instances of borrower fraud. Members shall not pursue legal action against borrowers if the amount owed exceeds the value of the collateral.
- **Refund of surplus sales amount.** Members will account for the proceeds of sale in a timely fashion, including refunding any surplus sales amount to the consumer.
- **Telephone number for more information.** Members shall provide a telephone number and address for consumers to call, or write, to get more information about the sale of their vehicle.