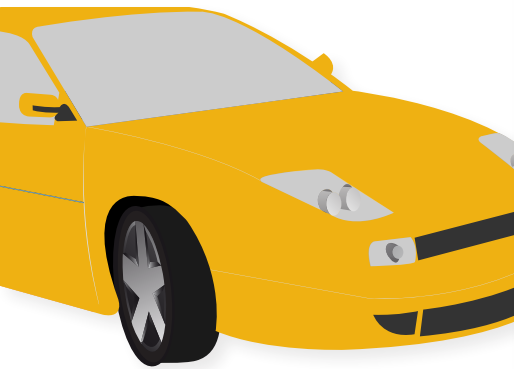


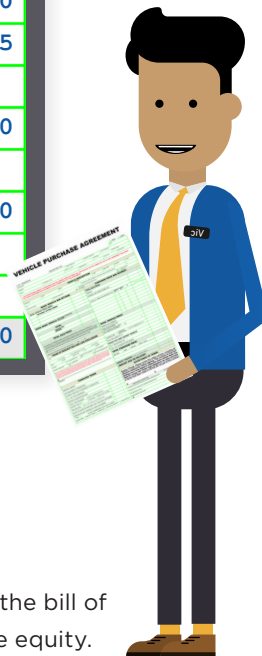
NEGATIVE EQUITY

It's common practice for lenders to finance vehicle purchases that may include negative equity. It occurs when a customer's trade-in is worth less than the outstanding loan.

Here's an example:



TOTAL VEHICLE PRICE	43,367	30
TRADE-IN ALLOWANCE	13,000	00
TOTAL VEHICLE PRICE LESS TRADE-IN ALLOWANCE	30,367	30
H.S.T. ON TOTAL VEHICLE PRICE LESS TRADE-IN ALLOWANCE (\$ 30,367.30)	3,947	75
LICENCE FEE <input checked="" type="checkbox"/> TRANSFER <input type="checkbox"/> NEW PLATES <input type="checkbox"/> CITY OF TORONTO PVT ???	32	00
FUEL (INCLUDED H.S.T.)		
PAYOUT ON LIENS AGAINST TRADE-IN	20,000	00
H.S.T. REGISTRANT NO. ()		
FUEL TAX CONSERVATION REBATE		
TOTAL PURCHASE PRICE	50,399	30



In order to buy the new car and cover the negative equity, the customer will have to borrow \$50,399.30.

WHAT DOES THE LAW SAY ABOUT NEGATIVE EQUITY?

Rolling negative equity into the purchase of a new vehicle is perfectly legal. But the **MVDA** requires that the bill of sale depict the true nature of the transaction. That includes ensuring that it accurately identifies negative equity.

Hiding negative equity on a sales contract by inflating the cost of the vehicle or options is a violation of the **MVDA** and the Code of Ethics even if the customer is aware of it.

WHAT ABOUT LEASING CONTRACTS?

The same principles of clarity and transparency apply to the early returns of leased vehicles.

A contract must accurately reflect the true nature of the transaction

Remember OMVIC is here to help.

Dealers who may have questions about how to reflect negative equity on contracts should contact their local inspector or call OMVIC's Complaints and Inquiries Department at **1-800-943-6002 X 3942**.

"Fairness and professionalism are good for the consumer, the industry and your business"