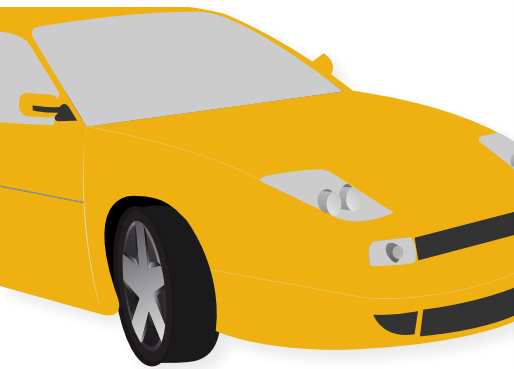


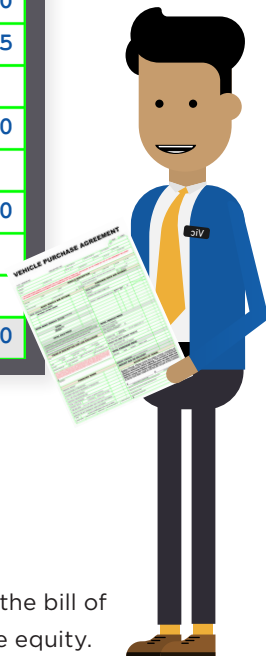
# NEGATIVE EQUITY

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

Here's an example:



<b>TOTAL VEHICLE PRICE</b>	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.)		
<b>PAYOUT ON LIENS AGAINST TRADE-IN</b>	20,000	00
H.S.T. REGISTRANT NO. ( )		
FUEL TAX CONSERVATION REBATE		
<b>TOTAL PURCHASE PRICE</b>	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.

**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"*