
Chapter 5

Part 3

Conditional Sales Contract



Conditional Sales Contract

A conditional sales contract, in reference to used car sales at a dealership is a legal agreement between a buyer and a dealership, where the buyer agrees to purchase a vehicle on credit and makes payments over a period of time. This type of contract is commonly used in car financing, where the buyer does not pay the full purchase price upfront but rather makes payments over time.

The contract typically includes the terms of the sale, the vehicle information, the purchase price, the down payment amount, the interest rate, and the payment schedule. It may also include information about any warranties or service plans, as well as details about the buyer's credit history and financing options.

A conditional sales contract is required to protect both the buyer and the dealership. The contract ensures that the buyer understands the terms of the sale and the financial obligations associated with purchasing the vehicle. It also protects the dealership by ensuring that the buyer is committed to making payments on time and that the dealership has legal recourse if the buyer defaults on the loan.

The detailed list of information on a conditional sales contract typically includes:

- Buyer and dealership information: Names, addresses, and contact information for both parties.
- Vehicle information: Make, model, year, mileage, VIN number, and any relevant features or options.
- Purchase price: The agreed-upon price for the vehicle.
- Down payment: The amount of money the buyer will pay upfront.
- Interest rate: The rate at which the loan will accrue interest.
- Payment schedule: The amount and frequency of payments.
- Total cost of credit: The total amount of interest and fees the buyer will pay over the life of the loan.
- Warranties and service plans: Details about any warranties or service plans that come with the vehicle.
- Credit information: Information about the buyer's credit history and financing options.
- Default and repossession: Information about what happens if the buyer defaults on the loan or fails to make payments on time.

Page 1 of the Conditional Sales Contract

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RETAIL INSTALLMENT SALE CONTRACT – SIMPLE FINANCE CHARGE (WITH ARBITRATION PROVISION)

Dealer Number 95904 Contract Number N/A R.O.S. Number N/A Stock Number 108015

Buyer Name and Address (Including County and Zip Code) Garrett Thomas Eddings (760) 681-1757 44547 La Paz Rd Temecula, CA 92592	Co-Buyer Name and Address (Including County and Zip Code)	Seller-Creditor (Name and Address) French Connection Auto Sales (951) 297-7477 28971 Old Town Front St Ste B Temecula, CA 92590
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You, the Buyer (and Co-Buyer, if any), may buy the vehicle below for cash or on credit. By signing this contract, you choose to buy the vehicle on credit under the agreements on all pages of this contract. You agree to pay the Seller - Creditor (sometimes "we" or "us" in this contract) the Amount Financed and Finance Charge in U.S. funds according to the payment schedule below. We will figure your finance charge on a daily basis. The Truth-In-Lending Disclosures below are part of this contract.

New Used	Year	Make and Model	Odometer	Vehicle Identification Number	Primary Use For Which Purchased
USED	2019	Toyota Prius Prime	14,191	JTDKARFP3K3108015	<input checked="" type="checkbox"/> Personal, family or household unless otherwise indicated below. <input type="checkbox"/> business or commercial

FEDERAL TRUTH-IN-LENDING DISCLOSURES				
ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	Amount Financed The amount of credit provided to you or on your behalf.	Total of Payments The amount you will have paid after you have made all payments as scheduled.	Total Sale Price The total cost of your purchase on credit, including your down payment of

STATEMENT OF INSURANCE
NOTICE. No person is required as a condition of financing the purchase of a motor vehicle to purchase or negotiate any insurance through a particular insurance company, agent or broker. You are not required to buy any other insurance to obtain credit. Your decision to buy or not buy other insurance will not be a factor in the credit approval process.
Vehicle Insurance

Disclosed on the front portion of the title, the contract needs to have a box outlined in red at least 1 inch squared. Here is the determining factor for a new or used vehicle:

A used vehicle, by definition, is any vehicle that has already been operated and titled.

According to the California Vehicle Code,

“A ‘used vehicle’ is a vehicle that has been sold, or has been registered with the department, or has been sold and operated upon the highways, or has been registered with the appropriate agency of authority, of any other state, District of Columbia, territory or possession of the United States or foreign state, province or country, or unregistered vehicles regularly used or operated as demonstrators in the sales work of a dealer or unregistered vehicles regularly used or operated by a manufacturer in the sales or distribution work of such manufacturer.” (Find Law Staff, 2019)

A new motor vehicle is a vehicle that is sold with a MSO (Manufacturer’s Statement of Origin) or MCO (Manufacturer’s Certificate of Origin)

According to the California Vehicle Code,

“A ‘new vehicle’ is a vehicle constructed entirely from new parts that has never been the subject of a retail sale, or registered with the department, or registered with the appropriate agency or authority of any other state, District of Columbia, territory or possession of the United States, or foreign state, province, or country.” (Find Law Staff, 2019)

FEDERAL TRUTH-IN-LENDING DISCLOSURES				
ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate.	FINANCE CHARGE The dollar amount the credit will cost you.	Amount Financed The amount of credit provided to you or on your behalf.	Total of Payments The amount you will have paid after you have made all payments as scheduled.	Total Sale Price The total cost of your purchase on credit, including your down payment of
3.65% %	\$ 2,107.36 (e)	\$ 20,000.00 (e)	\$ 22,107.36 (e)	\$ 3,795.38 is \$ 25,902.74 (e)
(e) means an estimate				
YOUR PAYMENT SCHEDULE WILL BE:				
Number of Payments:		Amount of Payments:		When Payments Are Due:
One Payment of	N/A	N/A		N/A
One Payment of	N/A	N/A		N/A
One Payment of	N/A	N/A		N/A
65		334.96		Monthly beginning Jun 1, 2020
N/A		N/A		N/A N/A
One final payment		334.96		Nov 1, 2025
<p>Late Charge. If payment is not received in full within 10 days after it is due, you will pay a late charge of 5% of the part of the payment that is late.</p> <p>Prepayment. If you pay early, you may be charged a minimum finance charge.</p> <p>Security Interest. You are giving a security interest in the vehicle being purchased.</p> <p>Additional Information: See this contract for more information including information about nonpayment, default, any required repayment in full before the scheduled date, minimum finance charges, and security interest.</p>				

Federal Truth-In-Lending Disclosures

Important elements of the truth in lending disclosures are:

- Annual Percentage Rate
 - The cost of the customer's interest on an annual basis.
- Finance Charge
 - The total cost of the credit arrangement.
- Amount Financed
 - The amount of money that the creditor will provide to the customer by the financial institution.
- Total Payments
 - The combined amount of money a customer will have to pay when all the payments have been satisfied.
- Total Sale Price
 - The total cost of the transaction including the customer's down payment and what the total cost of credit will be.

(e) means an estimate

YOUR PAYMENT SCHEDULE WILL BE:		
Number of Payments:	Amount of Payments:	When Payments Are Due:
One Payment of N/A	N/A	N/A
One Payment of N/A	N/A	N/A
One Payment of N/A	N/A	N/A
65	334.96	Monthly beginning Jun 1, 2020
N/A	N/A	N/A
One final payment	334.96	Nov 1, 2025
<p>Late Charge. If payment is not received in full within 10 days after it is due, you will pay a late charge of 5% of the part of the payment that is late. Prepayment. If you pay early, you may be charged a minimum finance charge. Security Interest. You are giving a security interest in the vehicle being purchased. Additional Information: See this contract for more information including information about nonpayment, default, any required repayment in full before the scheduled date, minimum finance charges, and security interest.</p>		

Breaking out the payment schedule

It is important to list out the number of payments, what that total amount of the payment will be and when those payments will be due. It also needs to outline any kind of:

- Late charges – Late charges occur if the monthly payment isn't paid on time or within the designated grace period, a percentage of the payment will be due to make up for it.
- Pre-payment penalty – It is important to indicate on the contract if there will be any payment for paying the vehicle off early.
- Security Interest and defaults on contract– Customer needs to understand that a lien holder will be added to the title and registration to protect the bank or institution loaning the money. If the consumer defaults on the loan, the vehicle is then leveraged and sold off to go towards satisfying the lien. If the sale doesn't cover the total due on the loan, the registered owner is still responsible to pay the difference to lien holder.

Dealer Carrying Contract

Beyond the traditional lending practices, dealers can also carry the contract as well. The same disclosures are required, and the dealer must set the same standards, payment schedule and APR as well.

Repossession

Repossession occurs when the customer defaults on a contract and the lender goes through the process of repossession. It is important to note that if a dealer regularly collects debts, or repossesses on a regular basis, the Debt Collectors Licensing Act comes into play for Buy Here Pay Here dealers and finance companies that offer financing to automotive dealers.

Statement of Insurance

A statement of insurance on a conditional sales contract is a document that outlines the insurance requirements for a vehicle that is being sold on credit. This statement of insurance typically includes information such as the type of insurance required, the amount of coverage needed, and the name of the insurance company.

It is important to include a statement of insurance on a conditional sales contract because it helps protect both the buyer and the dealership in the event of an accident or other incident involving the vehicle. Specifically, it helps ensure that the vehicle is adequately insured so that any damages or losses can be covered by the insurance company, rather than being the responsibility of the buyer or the dealership.

In many cases, the dealership will require the buyer to provide proof of insurance before they can take possession of the vehicle. This helps ensure that the buyer is complying with the insurance requirements outlined in the contract and that the vehicle is adequately protected.

Ultimately, a statement of insurance on a conditional sales contract is an important part of the overall agreement between the buyer and the dealership. By clearly outlining the insurance requirements for the vehicle, it helps ensure that both parties are protected and that there are no misunderstandings or disputes down the line.

STATEMENT OF INSURANCE			
<small>NOTICE: No person is required as a condition of financing the purchase of a motor vehicle to purchase or negotiate any insurance through a particular insurance company, agent or broker. You are not required to buy any other insurance to obtain credit. Your decision to buy or not buy other insurance will not be a factor in the credit approval process.</small>			
Vehicle Insurance			
		Term	Premium
\$ <u> N/A </u>	Ded. Comp., Fire & Theft	<u> N/A </u> Mos.	\$ <u> N/A </u>
\$ <u> N/A </u>	Ded. Collision	<u> N/A </u> Mos.	\$ <u> N/A </u>
Bodily Injury	\$ <u> N/A </u> Limits	<u> N/A </u> Mos.	\$ <u> N/A </u>
Property Damage	\$ <u> N/A </u> Limits	<u> N/A </u> Mos.	\$ <u> N/A </u>
Medical		<u> N/A </u> Mos.	\$ <u> N/A </u>
Other		<u> N/A </u> Mos.	\$ <u> N/A </u>
Total Vehicle Insurance Premiums			\$ <u> N/A </u>
<small>UNLESS A CHARGE IS INCLUDED IN THIS AGREEMENT FOR PUBLIC LIABILITY OR PROPERTY DAMAGE INSURANCE, PAYMENT FOR SUCH COVERAGE IS NOT PROVIDED BY THIS AGREEMENT.</small>			
<small>You may buy the physical damage insurance this contract requires from anyone you choose who is acceptable to us. You are not required to buy any other insurance to obtain credit.</small>			
Buyer <u> X </u>			
Co-Buyer <u> X </u>			
Seller <u> X </u>			

Agreement to Arbitrate

An agreement to arbitrate on a conditional sales contract is a clause that stipulates that any disputes arising from the contract will be resolved through arbitration rather than through the court system. Arbitration is a form of dispute resolution that involves a neutral third party, known as an arbitrator, who listens to both sides of the dispute and makes a final, binding decision.

Agreement to Arbitrate: By signing below, you agree that, pursuant to the Arbitration Provision on page 7 of this contract, you or we may elect to resolve any dispute by neutral, binding arbitration and not by a court action. See the Arbitration Provision for additional information concerning the agreement to arbitrate.
Buyer Signs X _____
Co-Buyer Signs X _____

The agreement to arbitrate is important because it helps provide a faster, more efficient, and less expensive way to resolve disputes between the buyer and the dealership. Rather than going through the court system, which can be time-consuming and costly, arbitration allows both parties to resolve their differences in a more streamlined and informal process.

Another important benefit of an agreement to arbitrate is that it provides more privacy and confidentiality than a court proceeding. Arbitration hearings are typically held in private, and the arbitrator's decision is not a matter of public record, which can be beneficial for both the buyer and the dealership.

It's worth noting that while an agreement to arbitrate can be beneficial in many ways, it also has some potential drawbacks. For example, the arbitrator's decision is final and binding, which means that there is no option to appeal the decision, even if one of the parties feels that the decision was unfair or unreasonable. Additionally, arbitration clauses may limit the buyer's ability to participate in class action lawsuits, which can be an important tool for consumers in some cases.

Overall, an agreement to arbitrate on a conditional sales contract is an important legal provision that helps provide a more efficient and streamlined way to resolve disputes between the buyer and the dealership. However, it's important for both parties to carefully consider the potential benefits and drawbacks of this approach before signing the contract.

AUTO BROKER FEE DISCLOSURE

If this contract reflects the retail sale of a new motor vehicle, the sale is not subject to a fee received by an autobroker from us unless the following box is checked:

Name of autobroker receiving fee, if applicable: _____

Buyer Signs X _____ Co-Buyer Signs X _____

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In this example, the conditional sales contract is broken out over 7 pages, so the page number needs to be indicated in the lower right-hand corner. The customer will also be required to sign and date each page of the conditional sales contract as well.

If an Auto Broker is used in the transaction, as we talked about earlier in class, it needs to be disclosed on the face of the contract.

Example of the 1st page

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RETAIL INSTALLMENT SALE CONTRACT – SIMPLE FINANCE CHARGE (WITH ARBITRATION PROVISION)

Dealer Number 95904 Contract Number N/A R.O.S. Number N/A Stock Number 108015

Buyer Name and Address (Including County and Zip Code) Garrett Thomas Eddings (760) 881-1757 44547 La Paz Rd Temecula, CA 92592	Co-Buyer Name and Address (Including County and Zip Code)	Seller-Creditor (Name and Address) French Connection Auto Sales (951) 297-7477 28971 Old Town Front St Ste B Temecula, CA 92590
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You, the Buyer (and Co-Buyer, if any), may buy the vehicle below for cash or on credit. By signing this contract, you choose to buy the vehicle on credit under the agreements on all pages of this contract. You agree to pay the Seller - Creditor (sometimes "we" or "us" in this contract) the Amount Financed and Finance Charge in U.S. funds according to the payment schedule below. We will figure your finance charge on a daily basis. The Truth-in-Lending Disclosures below are part of this contract.

New Used	Year	Make and Model	Odometer	Vehicle Identification Number	Primary Use For Which Purchased
USED	2019	Toyota Prius Prime	14,191	JTDKARFP3K3108015	Personal, family or household unless otherwise indicated below. <input type="checkbox"/> business or commercial

FEDERAL TRUTH-IN-LENDING DISCLOSURES				
ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments	Total Sale Price
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.	The total cost of your purchase on credit, including your down payment of
3.65%	\$ 2,107.36 (e)	\$ 20,000.00 (e)	\$ 22,107.36 (e)	\$ 3,795.38 is \$ 25,902.74 (e)
(e) means an estimate				

YOUR PAYMENT SCHEDULE WILL BE:		
Number of Payments:	Amount of Payments:	When Payments Are Due:
One Payment of	N/A	N/A
One Payment of	N/A	N/A
One Payment of	N/A	N/A
65	334.96	Monthly beginning Jun 1, 2020
N/A	N/A	N/A
One final payment	334.96	Nov 1, 2025

Late Charge. If payment is not received in full within 10 days after it is due, you will pay a late charge of 5% of the part of the payment that is late.
Prepayment. If you pay early, you may be charged a minimum finance charge.
Security Interest. You are giving a security interest in the vehicle being purchased.
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STATEMENT OF INSURANCE		
NOTICE: No person is required as a condition of financing the purchase of a motor vehicle to purchase or negotiate any insurance through a particular insurance company, agent or broker. You are not required to buy any other insurance to obtain credit. Your decision to buy or not buy other insurance will not be a factor in the credit approval process.		
Vehicle Insurance		
	Term	Premium
\$ N/A, Ded. Comp., Fire & Theft	N/A Mos.	\$ N/A
\$ N/A, Ded. Collision	N/A Mos.	\$ N/A
Bodily Injury \$ N/A Limits	N/A Mos.	\$ N/A
Property Damage \$ N/A Limits	N/A Mos.	\$ N/A
Medical	N/A Mos.	\$ N/A
Other	N/A Mos.	\$ N/A
Total Vehicle Insurance Premiums		\$ N/A
UNLESS A CHARGE IS INCLUDED IN THIS AGREEMENT FOR PUBLIC LIABILITY OR PROPERTY DAMAGE INSURANCE, PAYMENT FOR SUCH COVERAGE IS NOT PROVIDED BY THIS AGREEMENT.		
You may buy the physical damage insurance this contract requires from anyone you choose who is acceptable to us. You are not required to buy any other insurance to obtain credit.		
Buyer	X	
Co-Buyer	X	
Seller	X	

Agreement to Arbitrate: By signing below, you agree that, pursuant to the Arbitration Provision on page 7 of this contract, you or we may elect to resolve any dispute by neutral, binding arbitration and not by a court action. See the Arbitration Provision for additional information concerning the agreement to arbitrate.
 Buyer Signs X
 Co-Buyer Signs X

AUTO BROKER FEE DISCLOSURE
 If this contract reflects the retail sale of a new motor vehicle, the sale is not subject to a fee received by an autobroker from us unless the following box is checked:
 Name of autobroker receiving fee, if applicable: _____

Buyer Signs X _____ Co-Buyer Signs X _____

Page 2 of the Conditional Sales Contract

Itemized breakdown of Cost

On the conditional sales contract, every cost needs to be broken down, so it is easy to understand for the customer. Starting with the cash price for the vehicle and accessories without any addons.

Documentation Fee {Doc Fee}

Doc fees vary across the United States, however in California it is capped at the following breakdown:

- \$70 if you are a standard dealership
- \$85 if you are a BPA provider (Process registrations at your dealership)

Important to note that a doc fee is optional, but if you charge one customer with a doc fee, you must charge all your customers.

A doc fee is important because it can offset some of the ancillary fees that dealers face with each deal. Some examples of these costs are things like registration services and vehicle history reports etc.

The DMV has not modified their test to correct the true amount so on the DMV test, the correct answer is \$50 to pass the test. The doc fees listed above are the correct charges for practical use at your dealership.

Sales tax is broken down as well, we will review later in class how sales tax is calculated.

Then comes the optional products and services for the vehicle are broken out and finalized as a sub total.

Next are the registration fees. Keep in mind that the basic transfer fee for any vehicle is always \$15. This will be the minimum amount due. A KSR will be needed to get the exact amount needed for the registration total for the vehicle.

Pro Tip: It is always better to overcharge the registration and cut the customer back a check for the difference after the fact. If you don't charge enough for the registration fees, you still have to process the title and registration and the dealer is required to pay all fees and seek restitution.

Then the totals are brought down below. Important to remember how much is paid as a down payment and how much is financed. Most DMS programs will break this down for you but in the event the dealer isn't using a computer, the dealer will have to do the breakdown by hand.

ITEMIZATION OF THE AMOUNT FINANCED (Seller may keep part of the amounts paid to others.)	
1. Total Cash Price	
A. Cash Price of Motor Vehicle and Accessories	\$ 21,500.00 (A)
1. Cash Price Vehicle	\$ 21,500.00
2. Cash Price Accessories	\$ N/A
3. Other (Nontaxable)	\$ N/A
Describe _____	\$ N/A
Describe _____	\$ N/A
B. Document Processing Charge (not a governmental fee)	\$ 70.00 (B)
C. Emissions Testing Charge (not a governmental fee)	\$ N/A (C)
D. (Optional) Theft Deterrent Device(s)	
1. (paid to) _____	\$ N/A (D1)
2. (paid to) _____	\$ N/A (D2)
3. (paid to) _____	\$ N/A (D3)
E. (Optional) Surface Protection Product(s)	
1. (paid to) _____	\$ N/A (E1)
2. (paid to) _____	\$ N/A (E2)
F. EV Charging Station (paid to) _____	\$ N/A (F)
G. Sales Tax (on taxable items in A through F)	\$ 1,887.38 (G)
H. Electronic Vehicle Registration or Transfer Charge (not a governmental fee) (paid to) _____	\$ N/A (H)
I. (Optional) Service Contract(s)	
1. (paid to) _____	\$ N/A (I1)
2. (paid to) _____	\$ N/A (I2)
3. (paid to) _____	\$ N/A (I3)
4. (paid to) _____	\$ N/A (I4)
5. (paid to) _____	\$ N/A (I5)
J. Prior Credit or Lease Balance (e) paid by Seller to Vehicle 1 _____ Vehicle 2 _____	\$ N/A (J)
(see downpayment and trade-in calculation)	
K. (Optional) Debt Cancellation Agreement	\$ N/A (K)
L. (Optional) Used Vehicle Contract Cancellation Option Agreement	\$ N/A (L)
M. Other (paid to) _____	\$ N/A (M)
For _____	
N. Other (paid to) _____	\$ N/A (N)
For _____	
Total Cash Price (A through N)	\$ 23,457.38 (1)
2. Amounts Paid to Public Officials	
A. Vehicle License Fees	\$ 15.00 (A)
B. Registration/Transfer/Titling Fees	\$ 323.00 (B)
C. California Tire Fees	\$ N/A (C)
D. Other _____	\$ N/A (D)
Total Official Fees (A through D)	\$ 338.00 (2)
3. Amount Paid to Insurance Companies (Total premiums from Statement of Insurance)	
	\$ N/A (3)
4. <input type="checkbox"/> State Emissions Certification Fee or <input type="checkbox"/> State Emissions Exemption Fee	
	\$ N/A (4)
5. Subtotal (1 through 4)	\$ 23,795.38 (5)
6. Total Downpayment	
A. Total Agreed Value of Property Being Traded-In (see Trade-In Vehicle(s)):	\$ N/A (A)
Vehicle 1 \$ _____ N/A Vehicle 2 \$ _____ N/A	
B. Total Less Prior Credit or Lease Balance (e)	\$ N/A (B)
Vehicle 1 \$ _____ N/A Vehicle 2 \$ _____ N/A	
C. Total Net Trade-In (A-B) (Indicate if negative number)	\$ N/A (C)
Vehicle 1 \$ _____ N/A Vehicle 2 \$ _____ N/A	
D. Deferred Downpayment Payable to Seller	\$ N/A (D)
E. Manufacturer's Rebate	\$ N/A (E)
F. Other _____	\$ N/A (F)
G. Cash, Cash Equivalent, Check, Credit Card, or Debit Card	\$ 3,795.38 (G)
Total Downpayment (C through G)	\$ 3,795.38 (6)
(If negative, enter zero on line 6 and enter the amount less than zero as a positive number on line 1J above)	
7. Amount Financed (5 less 6)	\$ 20,000.00 (7)

Service Contracts and Debt Cancellation Agreement

OPTIONAL SERVICE CONTRACT(S) You want to purchase the service contract(s) written with the following company(ies) for the term(s) shown below for the charge(s) shown in item 11.			
I1 Company	N/A		
Term	N/A	Mos. or	Miles
I2 Company	N/A		
Term	N/A	Mos. or N/A	Miles
I3 Company	N/A		

An optional service contract and debt cancellation agreement are often listed out on a conditional sales contract for a used vehicle purchase from a car dealer to provide the buyer with additional options for protecting their investment and mitigating risk.

An optional service contract is a type of agreement that can be purchased in addition to the vehicle itself, which provides coverage for certain repairs and maintenance services over a specified period of time. These contracts are often referred to as extended warranties, and they can help provide buyers with peace of mind knowing that certain repairs or maintenance services will be covered if they arise.

A debt cancellation agreement, on the other hand, is an agreement that can be purchased to cancel or forgive the remaining balance on a loan if certain unforeseen events occur, such as the buyer's death, disability, or involuntary unemployment. This type of agreement can help protect the buyer from the financial burden of repaying a loan in the event of an unexpected hardship.

Including these optional service contract and debt cancellation agreement options on a conditional sales contract for a used vehicle purchase from a car dealer provides buyers with the opportunity to consider additional protection options that may be valuable to them. By including these options in the contract, the dealership can make buyers aware of these options and provide them with the opportunity to purchase them if desired.

Ultimately, these types of optional agreements can help provide buyers with greater peace of mind and protection, and including them on a conditional sales contract is a way to make them more accessible and transparent to buyers.

Trade In Vehicles

Trade-in vehicles are typically listed on a conditional sales contract when buying a used vehicle from a dealer, in order to document the value of the trade-in and how it impacts the overall transaction. This information is important because it affects the final price that the buyer will pay for the vehicle.

Trade-In Vehicle(s)	
1. Vehicle 1	
Year	N/A
Make	N/A
Model	N/A
Odometer	N/A
VIN	N/A
a. Agreed Value of Property	\$ _____
b. Buyer/Co-Buyer Retained Trade Equity	\$ _____
c. Agreed Value of Property Being Traded-In (a-b)	\$ _____ N/A
d. Prior Credit or Lease Balance	\$ _____ N/A
e. Net Trade-In (c-d) (must be ≥ 0 for buyer/co-buyer to retain equity)	\$ _____ N/A
2. Vehicle 2	
Year	N/A
Make	N/A
Model	N/A
Odometer	N/A
VIN	N/A
a. Agreed Value of Property	\$ _____
b. Buyer/Co-Buyer Retained Trade Equity	\$ _____
c. Agreed Value of Property	_____

When a buyer trades in a vehicle, the value of the trade-in is typically credited toward the purchase price of the new vehicle. The amount of the credit is determined by the value of the trade-in, which is typically assessed by the dealership using industry-standard appraisal methods.

Listing the trade-in vehicle on the conditional sales contract helps ensure that both the buyer and the dealership are in agreement about the value of the trade-in and how it is being credited toward the purchase price of the new vehicle. This information is also important for tax and regulatory purposes, as it helps document the overall value of the transaction.

Additionally, listing the trade-in vehicle on the conditional sales contract can be helpful for the buyer when it comes to financing the purchase. Including the trade-in value as part of the transaction can reduce the amount that the buyer needs to finance, which can help lower the overall cost of the transaction and potentially make it easier to obtain financing.

Example of Page 2:

ITEMIZATION OF THE AMOUNT FINANCED (Seller may keep part of the amounts paid to others)	
1. Total Cash Price	
A. Cash Price of Motor Vehicle and Accessories	\$ 21,500.00 (A)
1. Cash Price Vehicle	\$ 21,500.00
2. Cash Price Accessories	\$ N/A
3. Other (Nontaxable)	\$ N/A
Describe	\$ N/A
Describe	\$ N/A
B. Document Processing Charge (not a governmental fee)	\$ 70.00 (B)
C. Emissions Testing Charge (not a governmental fee)	\$ N/A (C)
D. (Optional) Theft Deterrent Devices	
1. (paid to)	\$ N/A (D1)
2. (paid to)	\$ N/A (D2)
3. (paid to)	\$ N/A (D3)
E. (Optional) Surface Protection Products	
1. (paid to)	\$ N/A (E1)
2. (paid to)	\$ N/A (E2)
F. EV Charging Station (paid to)	\$ N/A (F)
G. Sales Tax (on taxable items in A through F)	\$ 1,887.38 (G)
H. Electronic Vehicle Registration or Transfer Charge (not a governmental fee) (paid to)	\$ N/A (H)
I. (Optional) Service Contracts	
1. (paid to)	\$ N/A (I1)
2. (paid to)	\$ N/A (I2)
3. (paid to)	\$ N/A (I3)
4. (paid to)	\$ N/A (I4)
5. (paid to)	\$ N/A (I5)
J. Prior Credit or Lease Balance (if paid by Seller to Vehicle 1 _____ Vehicle 2 _____ (see downpayment and trade-in calculation)	\$ N/A (J)
K. (Optional) Debt Cancellation Agreement	\$ N/A (K)
L. (Optional) Used Vehicle Contract Cancellation Option Agreement	\$ N/A (L)
M. Other (paid to) _____ For _____	\$ N/A (M)
N. Other (paid to) _____ For _____	\$ N/A (N)
Total Cash Price (A through N)	\$ 23,457.38 (1)
2. Amounts Paid to Public Officials	
A. Vehicle License Fees	\$ 15.00 (A)
B. Registration/Transfer/Titling Fees	\$ 323.00 (B)
C. Customs/Tax Fees	\$ N/A (C)
D. Other	\$ N/A (D)
Total Official Fees (A through D)	\$ 338.00 (2)
3. Amount Paid to Insurance Companies	
(Total premiums from Statement of Insurance)	\$ N/A (3)
4. <input type="checkbox"/> State Emissions Certification Fee or <input type="checkbox"/> State Emissions Exemption Fee	\$ N/A (4)
5. Subtotal (1 through 4)	\$ 23,795.38 (5)
6. Total Downpayment	
A. Total Agreed Value of Property Being Traded-In (see Trade-In Vehicle(s)):	\$ N/A (A)
Vehicle 1 \$ _____ Vehicle 2 \$ _____	\$ N/A
B. Total Less Prior Credit or Lease Balance (if Vehicle 1 \$ _____ Vehicle 2 \$ _____	\$ N/A (B)
C. Total Net Trade-In (A-B) (Indicate if negative number)	\$ N/A (C)
Vehicle 1 \$ _____ Vehicle 2 \$ _____	\$ N/A
D. Deferred Downpayment Payable to Seller	\$ N/A (D)
E. Manufacturer's Rebate	\$ N/A (E)
F. Other	\$ N/A (F)
G. Cash, Cash Equivalent, Check, Credit Card, or Debit Card	\$ 3,795.38 (G)
Total Downpayment (C through G)	\$ 3,795.38 (6)
7. Amount Financed (5 less 6)	\$ 20,000.00 (7)

Buyer Signs X _____ Co-Buyer Signs X _____

OPTIONAL SERVICE CONTRACT(S) You want to purchase the service contract(s) with the following company(ies) for the term(s) shown below for the charge(s) shown in item 11.

11 Company N/A
Term N/A Mos. or N/A Miles

12 Company N/A Mos. or N/A Miles
Term N/A Mos. or N/A Miles

13 Company N/A Mos. or N/A Miles
Term N/A Mos. or N/A Miles

14 Company N/A Mos. or N/A Miles
Term N/A Mos. or N/A Miles

15 Company N/A Mos. or N/A Miles
Term N/A Mos. or N/A Miles

Buyer X N/A

OPTIONAL DEBT CANCELLATION AGREEMENT A debt cancellation agreement is not required to obtain credit and will not be provided unless you sign below and agree to pay the extra charge if you choose to buy and cancellation, the charge is shown in item 1K of the Itemization of Amount Financed. See your debt cancellation agreement for details on the terms and conditions it provides. It is a part of this contract.

Term _____ Mos. _____
Debt Cancellation Agreement

I want to buy a debt cancellation agreement.

Buyer Signs X _____

TRADE-IN VEHICLE(S)

1. Vehicle 1
Year N/A Make N/A
Model N/A Odometer N/A
VIN N/A

a. Agreed Value of Property \$ _____
b. Buyer/Co-Buyer Retained Trade Equity \$ _____
c. Agreed Value of Property Being Traded-In (a-b) \$ N/A
d. Prior Credit or Lease Balance \$ N/A
e. Net Trade-In (c-d) (must be ≥ 0 for buy-to-buyer to retain equity) \$ N/A

2. Vehicle 2
Year N/A Make N/A
Model N/A Odometer N/A
VIN N/A

a. Agreed Value of Property \$ _____
b. Buyer/Co-Buyer Retained Trade Equity \$ _____
c. Agreed Value of Property Being Traded-In (a-b) \$ N/A
d. Prior Credit or Lease Balance \$ N/A
e. Net Trade-In (c-d) (must be ≥ 0 for buy-to-buyer to retain equity) \$ N/A

Total Agreed Value of Property Being Traded-In (1c+2c) \$ N/A
Total Prior Credit or Lease Balance (1d+2d) \$ N/A
Total Net Trade-In (1e+2e) \$ N/A
(*See item 6A-C in the Itemization of Amount Financed)

OPTION: You pay no finance charge if the Amount Financed, item 7, is paid in full on or before _____, Year _____.

SELLER'S INITIALS _____

Page 3 of the Conditional Sale Contract

The customer will then read and sign a series of paragraphs which include:

- A trade payoff agreement is a provision that may be included in a conditional sales contract when a buyer is trading in a vehicle that still has an outstanding loan or balance. In this case, the trade payoff agreement specifies that the dealership will pay off the remaining balance on the trade-in vehicle's loan, up to a certain amount, as part of the overall transaction.
 - The trade payoff agreement is important because it helps ensure that the buyer is not held responsible for paying off the remaining balance on the trade-in vehicle's loan. Instead, the dealership takes on this responsibility, up to the amount specified in the agreement.
- Contract modifications - It's important to note that any modifications or changes to a conditional sales contract should be made in writing and should be signed by both parties. This helps ensure that both parties are in agreement about the changes and helps protect both parties in the event of a dispute or disagreement. Additionally, any changes to the contract should be made in accordance with any applicable laws and regulations to ensure that they are legally valid.

- Sellers right to cancel- the seller has the right to cancel if financing cannot be obtained. This is a 10-day letter that needs to be sent out and is indicated as a breach of the conditional sales contract.
 - All forms of down payment must be returned to the customer in the event the customer cannot get financed.
- Minimum Insurance Requirements- The customer must maintain minimum liability insurance on the vehicle at all times.

Trade-In Payoff Agreement: Seller relied on information from you and/or the lienholder or lessor of your trade-in vehicle(s) to arrive at the payoff amount shown as the Prior Credit or Lease Balance in Trade-In Vehicle(s). You understand that the amount quoted is an estimate.

Seller agrees to pay the payoff amount shown as the Prior Credit or Lease Balance in Trade-In Vehicle(s) to the lienholder or lessor of the trade-in vehicle(s), or its designee. If the actual payoff amount is more than the amount shown as the Prior Credit or Lease Balance in Trade-In Vehicle(s), you must pay the Seller the excess on demand. If the actual payoff amount is less than the amount shown as the Prior Credit or Lease Balance in Trade-In Vehicle(s), Seller will refund to you any coverage Seller receives from your prior lienholder or lessor. Except as stated in the "NOTICE" on page 5 of this contract, any assignee of this contract will not be obligated to pay the Prior Credit or Lease Balance shown in Trade-In Vehicle(s) or any refund.

Buyer Signature X _____ Co-Buyer Signature X _____

HOW THIS CONTRACT CAN BE CHANGED. This contract contains the entire agreement between you and us relating to this contract. Any change to the contract must be in writing and both you and we must sign it. No oral changes are binding.

Buyer Signs X _____ Co-Buyer Signs X _____

SELLER'S RIGHT TO CANCEL If Buyer and Co-Buyer sign here, the provisions of the Seller's Right to Cancel section on page 5 of this contract giving the Seller the right to cancel if Seller is unable to assign this contract to a financial institution will apply.

Buyer X _____ Co-Buyer X _____

THE MINIMUM PUBLIC LIABILITY INSURANCE LIMITS PROVIDED IN LAW MUST BE MET BY EVERY PERSON WHO PURCHASES A VEHICLE. IF YOU ARE UNSURE WHETHER OR NOT YOUR CURRENT INSURANCE POLICY WILL COVER YOUR NEWLY ACQUIRED VEHICLE IN THE EVENT OF AN ACCIDENT, YOU SHOULD CONTACT YOUR INSURANCE AGENT.

WARNING:
YOUR PRESENT POLICY MAY NOT COVER COLLISION DAMAGE OR MAY NOT PROVIDE FOR FULL REPLACEMENT COSTS FOR THE VEHICLE BEING PURCHASED. IF YOU DO NOT HAVE FULL COVERAGE, SUPPLEMENTAL COVERAGE FOR COLLISION DAMAGE MAY BE AVAILABLE TO YOU THROUGH YOUR INSURANCE AGENT OR THROUGH THE SELLING DEALER, HOWEVER, UNLESS OTHERWISE SPECIFIED, THE COVERAGE YOU OBTAIN THROUGH THE DEALER PROTECTS ONLY THE DEALER, USUALLY UP TO THE AMOUNT OF THE UNPAID BALANCE REMAINING AFTER THE VEHICLE HAS BEEN REPOSSESSED AND SOLD.
FOR ADVICE ON FULL COVERAGE THAT WILL PROTECT YOU IN THE EVENT OF LOSS OR DAMAGE TO YOUR VEHICLE, YOU SHOULD CONTACT YOUR INSURANCE AGENT.
THE BUYER SHALL SIGN TO ACKNOWLEDGE THAT HE/SHE UNDERSTANDS THESE PUBLIC LIABILITY TERMS AND CONDITIONS.

S/S X _____ X _____

**CREDIT DISABILITY INSURANCE NOTICE
CLAIM PROCEDURE**

If you become disabled, you must tell us right away. (You are advised to send this information to the same address to which you are normally required to send your payments, unless a different address or telephone number is given to you in writing by us as the location where we would like to be notified.) We will tell you where to get claim forms. You must send in the completed form to the insurance company as soon as possible and tell us as soon as you do.

If your disability insurance covers all of your missed payment(s), WE CANNOT TRY TO COLLECT WHAT YOU OWE OR FORECLOSE UPON OR REPOSSESS ANY COLLATERAL UNTIL THREE CALENDAR MONTHS AFTER your first missed payment is due or until the insurance company pays or rejects your claim, whichever comes first. We can, however, try to collect, foreclose, or repossess if you have any money due and owing us or are otherwise in default when your disability claim is made or if a senior mortgage or lien holder is foreclosing.

If the insurance company pays the claim within the three calendar months, we must accept the money as though you paid on time. If the insurance company rejects the claim within the three calendar months or accepts the claim within the three calendar months on a partial disability and pays less than for a total disability, you will have 35 days from the date that the rejection or the acceptance of the partial disability claim is sent to pay past due payments, or the difference between the past due payments and what the insurance company pays for the partial disability, plus late charges. You can contact us, and we will tell you how much you owe. After that time, we can take action to collect or foreclose or repossess any collateral you may have given.

If the insurance company accepts your claim but requires that you send in additional forms to remain eligible for continued payments, you should send in these completed additional forms no later than required. If you do not send in these forms on time, the insurance company may stop paying, and we will then be able to take action to collect or foreclose or repossess any collateral you may have given.

Pages 4 through 7 of the Conditional Sales Contract

OTHER IMPORTANT AGREEMENTS

1. FINANCE CHARGE AND PAYMENTS

- How we will figure Finance Charge.** We will figure the Finance Charge on a daily basis at the Annual Percentage Rate on the unpaid part of the Amount Financed. Seller-Creditor may receive part of the Finance Charge.
- How we will apply payments.** We may apply each payment to the earned and unpaid part of the Finance Charge, to the unpaid part of the Amount Financed and to other amounts you owe under this contract in any order we choose.
- How late payments or early payments change what you must pay.** We based the Finance Charge, Total of Payments, and Total Sale Price shown on page 1 of this contract on the assumption that you will make every payment on the day it is due. Your Finance Charge, Total of Payments, and Total Sale Price will be more if you pay late and less if you pay early. Changes may take the form of a larger or smaller final payment or, at our option, more or fewer payments of the same amount as your scheduled payment with a smaller final payment. We will send you a notice telling you about these changes before the final scheduled payment is due.
- You may prepay.** You may prepay all or part of the unpaid part of the Amount Financed at any time. If you do so, you must pay the earned and unpaid part of the Finance Charge and all other amounts due up to the date of your payment. As of the date of your payment, if the minimum finance charge is greater than the earned Finance Charge, you may be charged the difference; the minimum finance charge is as follows: (1) \$25 if the original Amount Financed does not exceed \$1,000, (2) \$50 if the original Amount Financed is more than \$1,000 but not more than \$2,000, or (3) \$75 if the original Amount Financed is more than \$2,000.

2. YOUR OTHER PROMISES TO US

- If the vehicle is damaged, destroyed, or missing, you agree to pay us all you owe under this contract even if the vehicle is damaged, destroyed, or missing.

GAP LIABILITY NOTICE
In the event of theft or damage to your vehicle that results in a total loss, there may be a gap between the amount you owe under this contract and the proceeds of your insurance settlement and deductible. THIS CONTRACT PROVIDES THAT YOU ARE LIABLE FOR THE GAP AMOUNT. An optional debt cancellation agreement for coverage of the gap amount may be

d. Insurance you must have on the vehicle.

You agree to have physical damage insurance covering loss of or damage to the vehicle for the term of this contract. The insurance must cover our interest in the vehicle. If you do not have this insurance, we may, if we choose, buy physical damage insurance. If we decide to buy physical damage insurance, we may either buy insurance that covers your interest and our interest in the vehicle, or buy insurance that covers only our interest. If we buy either type of insurance, we will tell you which type and the charge you must pay. The charge will be the premium for the insurance and a finance charge computed at the Annual Percentage Rate shown on page 1 of this contract or, at our option, the highest rate the law permits. If the vehicle is lost or damaged, you agree that we may use any insurance settlement to reduce what you owe or repair the vehicle.

e. What happens to returned insurance, maintenance, service, or other contract charges. If we get a refund of insurance, maintenance, service, or other contract charges, you agree that we may subtract the refund from what you owe.

3. IF YOU PAY LATE OR BREAK YOUR OTHER PROMISES

- You may owe late charges.** You will pay a late charge on each late payment as shown on page 1 of this contract. Acceptance of a late payment or late charge does not excuse your late payment or mean that you may keep making late payments. If you pay late, we may also take the steps described below.
- You may have to pay all you owe at once.** If you break your promises (default), we may demand that you pay all you owe on this contract at once, subject to any right the law gives you to reinstate this contract.
Default means:
 - You do not pay any payment on time;
 - You give false, incomplete, or misleading information on a credit application;
 - You start a proceeding in bankruptcy or one is started against you or your property;
 - The vehicle is lost, damaged or destroyed; or
 - You break any agreements in this contract.
 The amount you will owe will be the unpaid part of the Amount Financed plus the earned and unpaid part of the Finance Charge, any late charges, and any amounts due because you defaulted.
- You may have to pay collection costs.** You will pay

f. We will sell the vehicle if you do not get it back. If you do not redeem, we will sell the vehicle. We will send you a written notice of sale before selling the vehicle.

We will apply the money from the sale, less allowed expenses, to the amount you owe. Allowed expenses are expenses we pay as a direct result of taking the vehicle, holding it, preparing it for sale, and selling it. Attorney fees and court costs the law permits are also allowed expenses. If any money is left (surplus), we will pay it to you unless the law requires us to pay it to someone else. If money from the sale is not enough to pay the amount you owe, you must pay the rest to us. If you do not pay this amount when we ask, we may charge you interest at the Annual Percentage Rate shown on page 1 of this contract, not to exceed the highest rate permitted by law, until you pay.

9. What we may do about optional insurance, maintenance, service, or other contracts. This contract may contain charges for optional insurance, maintenance, service, or other contracts. If we demand that you pay all you owe at once or we repossess the vehicle, you agree that we may claim benefits under these contracts and cancel them to obtain refunds of unearned charges to reduce what you owe or repair the vehicle. If the vehicle is a total loss because it is confiscated, damaged, or stolen, we may claim benefits under these contracts and cancel them to obtain refunds of unearned charges to reduce what you owe.

4. WARRANTIES SELLER DISCLAIMS

If you do not get a written warranty, and the Seller does not enter into a service contract within 90 days from the date of this contract, the Seller makes no warranties, express or implied, on the vehicle, and there will be no implied warranties of merchantability or of fitness for a particular purpose. This provision does not affect any warranties covering the vehicle that the vehicle manufacturer may provide. If the Seller has sold you a certified used vehicle, the warranty of merchantability is not disclaimed.

5. Used Car Buyers Guide. The information you see on the window form for this vehicle is part of this contract. Information on the window form overrides any contrary provisions in the contract of sale.

Spanish Translation: Guía para compradores de vehículos usados. La información que ve en el formulario de la ventanilla para este vehículo forma parte del presente contrato. La información del formulario de la ventanilla de

6. SERVICING AND COLLECTION CONTACTS

You agree that we may try to contact you in writing, by e-mail, or using pre-recorded/recorded voice messages, text messages, and automatic telephone dialing systems, as the law allows. You also agree that we may try to contact you in these and other ways at any address or telephone number you provide us, even if the telephone number is a cell phone number or the contact results in a charge to you. You agree that you will within a reasonable time notify us of any change in your name, address, or employment.

7. APPLICABLE LAW

Federal law and California law apply to this contract. If any part of this contract is not valid, all other parts stay valid. We may delay or refrain from enforcing any of our rights under this contract without losing them. For example, we may extend the time for making some payments without extending the time for making others.

8. WARRANTIES OF BUYER

You promise you have given true and correct information in your application for credit, and you have no knowledge that will make that information untrue in the future. We have relied on the truth and accuracy of that information in entering into this contract. Upon request, you will provide us with documents and other information necessary to verify any item contained in your credit application.

You waive the provisions of Calif. Vehicle Code Section 1808.21 and authorize the California Department of Motor Vehicles to furnish your residence address to us.

Seller's Right to Cancel

- Seller agrees to deliver the vehicle to you on the date this contract is signed by Seller and you. You understand that it may take some time for Seller to verify your credit and assign the contract. You agree that if Seller is unable to assign the contract to any one of the financial institutions with whom Seller regularly does business under an assignment acceptable to Seller, Seller may cancel the contract.
- Seller shall give you written notice (or in any other manner in which actual notice is given to you) within 10 days of the date this contract is signed if Seller elects to cancel. Upon receipt of such notice, you must immediately return the vehicle to Seller in the same condition as when sold, reasonable wear and tear excepted. Seller must give back to you all consideration received by Seller, including any trade-in vehicle.