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Multistate Manual

Simple Interest Goods and Services and Goods and Services Balloon Retail Installment Contracts

INTRODUCTION

FORMS AND PURPOSE: This manual is intended to assist lenders and dealers who have purchased the following copyrighted Bankers Systems, Inc. simple interest retail installment contract:

* * *

RS-SI-GS-[state abbreviation]
and
RS-SI-GSB-[state abbreviation]

* * *

USAGE: The forms listed above should only be used for the purpose for which they were intended.

Please note that these forms have been designed for use in closed-end indirect transactions by sellers of retail goods and services to consumers that are subject to federal Truth in Lending (Regulation Z) and state enacted consumer laws and regulations.

The forms listed above are intended for transactions which are secured by most forms of goods and services as defined by state law.

CAUTION: THESE FORMS ARE NOT DESIGNED FOR AND SHOULD NOT BE USED IN THE FOLLOWING WAYS:

- variable interest rate transactions, including transactions with either discounted or premium initial interest rates
- open-end credit
- multiple advance transactions
- commercial or agricultural transactions (i.e., non-consumer)
- transactions which *require* credit insurance (i.e., life, accident)
- transactions where mortgage insurance (PMI) is charged, collected, etc.
- transactions secured by a motor vehicle, such as a manufactured home or recreational vehicle, which will be the buyer's principal dwelling.
- transactions secured by non-purchase money security interests
- transactions in which the interest rate is raised when payments are in default

NEGATIVE EQUITY FINANCING: Some dealers will accept a trade-in which has greater debt owed on it than the trade-in allowance. If the cash down payment or rebate is not large enough to off-set the negative value of the trade-in, the dealer is financing that negative value and the amount financed must be increased accordingly. For example, assume a good being traded-in has a lien against it for \$10,000 and is only worth \$8,000. The vehicle has a trade-in value of negative \$2,000. If the buyer is paying in cash only \$1,000 down, then the dealer is financing the remaining \$1,000 still owed on the trade-in. The dealer is making a loan for \$1,000 in addition to financing the sale of the goods purchased. This is negative equity financing.

The Federal Reserve has determined that the down payment should never be disclosed as a negative number, but rather as zero since the down payment is a number that *reduces* the cash price. The amount financed must be increased by the amount of any negative net trade-in. We have revised the Itemization of Amount Financed to aid in the proper disclosure of the down payment and to add the financed negative equity in the calculation of the amount financed.

The state laws on whether or not dealers can finance negative equity tend to be vague. Unless specifically prohibited by state law, we have revised our state versions of this contract to allow you to disclose the financing of negative equity. **HOWEVER**, it is up to you to determine whether you need to be licensed under state law to do this type of financing. Although we have not fully researched which states require a special license to do this type of financing, we know that a number of states require a separate license. The penalties for financing negative equity without the proper license are severe in some states. As a result, before doing any financing of negative equity, we strongly encourage you to consult with your own legal counsel.

FORMAT: In this manual, we attempt to answer the most common questions and problems you might confront in completing the forms, with special emphasis on the disclosures required by the Truth-in-Lending regulations. **THIS MANUAL IS NOT INTENDED TO ADDRESS STATE SPECIFIC LAWS.**

Pages one and two of a sample RS-SI-GS contract are reduced and copied at the beginning of this manual. This form is used only for illustrative purposes - the simple interest forms for your state may have a slightly different format (for example, the types of charges provided for in the contract may vary from state to state).

The form shown is numbered to correspond with the text of this manual. Feel free to photocopy the numbered sample so you have a loose sample to follow along with. The explanatory text begins with the simple statement of what would commonly be filled in on the line being discussed. In many cases, this simple explanation is followed by a more detailed explanation, with citations to the Truth in Lending regulation and cross-references to other portions of the form which need to be considered with the item under discussion. You may also want to refer to the Glossary for definitions and explanations of key terms.

The RS-SI-GSB-[state abbreviation] is based upon the RS-SI-GS-[state abbreviation]. As a result, the explanations for the RS-SI-GS also apply to the RS-SI-GSB version of the contract. Please see the last section of this manual which addresses the unique features of the RS-SI-GSB.

GLOSSARY: Throughout the text of this Introduction, the Disclaimer of Warranties, the Limitation of Liability, and the Manual itself, we use certain abbreviations and terms:

The Term:

Means:

We

Bankers Systems, Inc.

You

The Creditor.

Reg. 226.18(a)

Section 18(a) of the Federal Reserve Board's Regulation Z (Truth in Lending) which may be found at 12 Code of Federal Regulations 226.18(a).

Commentary

The Official Staff Commentary on Regulation Z (Truth in Lending). The Commentary is arranged and numbered in sequence to the Regulation sections to which the comment relates. In this manual, we normally use the Regulation number preceded or followed by the word "Commentary." This means you should read the Commentary to the Regulatory section cited. We do not use the numbering sequence found in the Commentary, which occasionally varies (by the addition of more numbers) from the citations to the Regulation.

U.C.C. § 9-204

The Uniform Commercial Code Article 9, Section 204.

C.F.R.

Code of Federal Regulations.

12 U.S.C. § 901

Title 12 United States Code Section 901.

FTC

Federal Trade Commission.

(A-1)

The line on our form which is labeled (for purposes of this manual) Number (A-1).

Annual Percentage Rate (APR)

The cost of credit as an annual rate. It must be computed according to Reg. 226.22 and Appendix J and disclosed as a part of the Regulation Z disclosures required by Reg. 226.18. The APR may differ from the interest rate charged on a transaction because it factors in the cost of certain other charges (finance charges). The APR may also vary from the interest rate depending on the method of computation used and the treatment of odd days interest (see Commentary § 17(c)(3) and (4)).

Finance Charge	Any charge which is a cost of credit that is not otherwise excluded by Regulation Z. It does not include any charge that would be payable in a comparable cash transaction. See Reg. 226.4 and Commentary for a discussion of examples of finance charges and charges that are not finance charges.
Additional Finance Charge	Any charge that is a finance charge other than simple interest applied to declining balance. Examples include origination fees, documentation fees, loan fees, and the like.
Prepaid Finance Charge	Any finance charge paid separately in cash or by check before or at the consummation of a transaction, or withheld from the proceeds of the credit at any time. Reg. 226.2(a)(23). Prepaid finance charges must be treated as a part of the finance charge. As a result, if there are prepaid finance charges, the total finance charge will be higher than the total interest charged and the APR will be higher than the interest rate. Prepaid finance charges will also make the amount financed lower than the cash price (because prepaid finance charges are subtracted from the cash price).
Amount Financed	The amount of credit provided. In a retail installment sale it is calculated by determining the cash price (subtracting any down payment); adding any other amounts that are not part of the finance charge and are financed; and subtracting any prepaid finance charges. Reg. 226.18(b).
Cash Price	The price at which a creditor offers to sell for cash the goods or services. At the creditor's option, the term may include the price of accessories, services related to the sale, service contracts (even if the service contract is characterized as insurance under state law) and taxes and fees for license, title, and registration. The term does not include any finance charges. See Reg 226.2(a)(9) and Commentary.
Down Payment	The amount paid to the seller to reduce the cash price of goods or services purchased in a credit sale transaction. It includes cash and the value of any property used as a trade-in. If a consumer makes a lump sum payment intended to partially reduce the cash price and to pay prepaid finance charges, only the portion attributable to

reducing the cash price is part of the down payment. Reg. 226.2(a)(18) and Commentary.

Itemization of Amount Financed

A disclosure of the items listed in Reg. 226.18(c) and Commentary. Regulation Z requires that the creditor either inform the consumer that a written itemization will be provided on request or the creditor can provide the itemization disclosure as a matter of course. Our retail installment contracts provide that the itemization is to be given automatically.

FORM SPECIFIC: This manual is written solely for use with our simple interest retail installment contracts for goods and services and for use with our simple interest retail installment contracts for goods and services with the balloon feature. The existence of varying state laws means that some of the terms discussed may not be applicable in your state. The explanatory text will usually point this out where it applies. Additionally, there may be provisions in the contract developed for your state which are not discussed in this manual. Feel free to call us at our toll-free number (1-800-397-2341 ext. 5474) if you need information about specific sections. This manual is not intended to be used with any form other than a simple interest contract.

PRIVATE ATTORNEYS: We interpreted many statutes, cases and regulations when developing this manual, the form to which it pertains, and all of our other technical forms.

We strongly encourage you to seek the advice of your own attorney concerning the use and legality of this manual, the form to which it pertains, and all of our other technical forms. To assist you and your counsel in your review of our form and this manual, we have included legal citations in this manual. If you or your counsel's interpretations are contrary to ours, you should follow your own interpretations in using and completing the form.

COMMENTS: We encourage you to comment on and criticize this manual, the form to which it pertains, and all of our other forms. We make every effort to keep up with statutes, case law and lending practices, but the lending industry is constantly evolving and our effort is often assisted by our customers. We especially appreciate copies of any statutes or cases which you might feel are pertinent. Please submit your comments in writing either to your Sales Representative or to:

Legal Compliance and Services Department
Bankers Systems, Inc.
P.O. Box 1457
6815 Saukview Drive
St. Cloud, MN 56302-1457

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WARRANTIES AND LIMITATIONS

Warranties and Limitations for this Manual

WARRANTY DISCLAIMER.

THIS MANUAL (INCLUDING ANY UPDATES TO IT), IS PROVIDED TO YOU AS IS AND WITH ALL FAULTS. BANKERS SYSTEMS, INC. (BSI) DOES NOT EXPRESSLY OR IMPLIEDLY WARRANT THE LEGALITY OR UTILITY OF THIS MANUAL OR THE INFORMATION THAT IT CONTAINS. THE USER OF THIS MANUAL MUST MAKE HIS/HER OWN INDEPENDENT JUDGMENT ON THESE ITEMS. BSI MAKES NO WARRANTY, EXPRESS, IMPLIED, BY DESCRIPTION, BY SAMPLE OR OTHERWISE, AND IN PARTICULAR WITHOUT LIMITATION, MAKES NO IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS OF PURPOSE REGARDING THIS MANUAL.

BSI employees, sales representatives, and other BSI agents and representatives do not have authority to create any warranty obligations regarding this manual or to modify the above Warranty Disclaimer. Any such created warranty obligations or modifications will not be effective unless they are in writing and signed by the President or any Vice President of BSI.

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No action, regardless of form, arising out of the providing, using, selling or licensing of this manual, may be brought by either party more than one (1) year after the cause of action has occurred, except that this limitation will not apply to an action for non-payment or intellectual property infringement brought by BSI.

NO SUBSTITUTE FOR LEGAL COUNSEL.

Before using this manual, you are advised to have your attorney review it to determine its legal sufficiency for your purposes. You acknowledge that BSI is not authorized to practice law, nor may any of BSI's officers, employees or agents provide legal counsel or accounting advice to you or your institution. Thus, any questions requiring legal or accounting advice must be directed to your institution's attorney or accounting professional for whom BSI has no obligation or liability. The following notice is required by law:

**BANKERS SYSTEMS PRODUCTS AND SERVICES ARE NOT
A SUBSTITUTE FOR THE ADVICE OF AN ATTORNEY**

Warranties and Limitations for the Form that is the Subject of this Manual

The Form that is the subject of this manual is covered by an express warranty as follows:

- **Preprinted Form.** If you received the Form in preprinted format, it is covered by the 2005 Compliance Warranty for Lending, Deposit, and Retirement Plan Documents, as it may be updated or amended from time to time. The current Compliance Warranty is located on BSI's internet website: www.bankerssystems.com. Refer to the website for terms of the warranty.
- **BSI Software.** If you produce the Form using BSI document-generating software, it is covered by the express warranty contained in your BSI software license agreement. Refer to your license agreement for terms of the warranty.
- **Electronic Format.** If you received the Form in an electronic format ("EForms" or other electronic images) through a license with BSI or with a third party provider, it is covered by the express warranty contained in your license agreement with BSI or the third party provider. Refer to your license agreement for terms of the warranty.

OTHER IMPORTANT TERMS FOR THE USE OF THIS MANUAL

APPLICABLE LAW.

The terms under which this manual is provided, used, sold or licensed to you and your institution will be governed by the laws of the State of Minnesota without regard to its conflict of laws provisions or those of any other state. Any action relating in any way to this manual will be exclusively venued in a court of competent jurisdiction in the State of Minnesota.

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BANKERS SYSTEMS, INC.
6815 Saukview Drive
P.O. Box 1457
St. Cloud, MN 56302-1457

Telephone: 1-800-397-2341

RETAIL INSTALLMENT CONTRACT AND SECURITY AGREEMENT No. A-1 Date A-2	Seller A-3 "We" and "us" mean the Seller above, its successors and assigns.	Buyer A-4 "You" and "your" mean each Buyer above, and guarantor, jointly and individually.
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SALE: You agree to purchase from us, on a time basis, subject to the terms and conditions of this contract and security agreement (Contract), the goods (Goods) and services described below. The Goods are sold in their present condition, together with the usual accessories and attachments.

Description of Goods or Services Purchased A-5	Serial or Unit No.	Motor or Cabinet No.	Price of Each Unit
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Description of Other Collateral (Not household goods) **A-6**

SECURITY: To secure your payment and performance under the terms of this Contract, you give us a security interest in the Goods purchased and any other collateral described above, and all accessions, attachments, accessories, and equipment placed in or on the Goods or other collateral, together called Property, and proceeds of the Property. You also assign to us and give us a security interest in proceeds and premium refunds of any insurance and service contracts purchased with this Contract.

PROMISE TO PAY AND PAYMENT TERMS: You promise to pay us the principal amount of \$ **A-7**, plus finance charges accruing on the unpaid balance at the rate of **A-8** % per year from today's date until maturity. Finance charges accrue on a **A-9** day basis. After maturity, or after you default and we demand payment, we will earn finance charges on the unpaid balance at **A-10** % per year. You agree to pay this Contract according to the payment schedule and late charge provisions shown in the TRUTH IN LENDING DISCLOSURES. You also agree to pay any additional amounts according to the terms and conditions of this Contract.

A-11 **ADDITIONAL FINANCE CHARGE:** You agree to pay an additional, nonrefundable finance charge of \$ _____ that will be paid in cash. added to the Cash Price. paid proportionally with each payment.

A-12 **MINIMUM FINANCE CHARGE:** You agree to pay a minimum finance charge of \$ _____ if you pay this Contract in full before we have earned that much in finance charges.

A-13 **DOWN PAYMENT:** You also agree to pay, or apply to the Cash Price, on or before today's date, any cash, rebate and net trade-in value described in the ITEMIZATION OF AMOUNT FINANCED. You agree to make deferred payments as part of the cash down payment as reflected in your Payment Schedule.

TRUTH IN LENDING DISCLOSURES

ANNUAL PERCENTAGE RATE The cost of your credit as a yearly rate. B-1 %	FINANCE CHARGE The dollar amount the credit will cost you. \$ B-2	AMOUNT FINANCED The amount of credit provided to you or on your behalf. \$ B-3	TOTAL OF PAYMENTS The amount you will have paid when you have made all scheduled payments. \$ B-4	TOTAL SALE PRICE The total cost of your purchase on credit, including your down payment of \$ B-5 \$ B-6
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Payment Schedule: Your payment schedule will be

Number of Payments	Amount of Payments	When Payments Are Due
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		B-7
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B-8 **Security:** You are giving a security interest in (description of other property) **B-9**
 the Goods purchased.

B-10 **Late Charge:** If a payment is more than _____ days late, you will be charged _____.

B-11 **Prepayment:** If you pay off this Contract early, you may will not have to pay a Minimum Finance Charge.
B-12 If you pay off this Contract early, you will not be entitled to a refund of part of the Additional Finance Charge.

Contract Provisions: You can see the terms of this Contract for any additional information about nonpayment, default, any required repayment before the scheduled date, and prepayment refunds and penalties.

C-1 CREDIT INSURANCE: Credit life, credit disability (accident and health), and any other insurance coverage quoted below, are not required to obtain credit and we will not provide them unless you sign and agree to pay the additional premium. If you want such insurance, we will obtain it for you (if you qualify for coverage). We are quoting below ONLY the coverages you have chosen to purchase.

Credit Life: Insured **C-2**
 Single Joint Prem. \$ **C-3** Term **C-4**

Credit Disability: Insured _____
 Single Joint Prem. \$ _____ Term _____
C-5

Your signature below means you want (only) the insurance coverage(s) quoted above. If none are quoted, you have declined any coverages we offered.

C-6 _____
 Buyer d/o/b Buyer d/o/b

PROPERTY INSURANCE: You must insure the Property securing this Contract. You may purchase or provide the insurance through any insurance company reasonably acceptable to us. The deductible amount of this insurance may not exceed \$ **C-7**.
 If you get insurance from or through us you will pay \$ **C-8** for **C-9** of coverage.

This premium is calculated as follows:
 Fire-Theft and Combined Additional Coverage \$ **C-10**
 _____ \$ **C-11**
 _____ \$ _____

SERVICE CONTRACT: With your purchase of the Goods, you agree to purchase a Service Contract to cover **E-1**.
 _____ This Service Contract will be in effect for **E-2**.

ASSIGNMENT: This Contract and Security Agreement is assigned to CUSTOMER NAME, ADDRESS **F-1**, the Assignee, phone _____ PHONE _____. This assignment is made **F-2** under the terms of a separate agreement. under the terms of the ASSIGNMENT BY SELLER on page 2. This assignment is made with recourse.
 Seller: By **F-3** Date **F-4**

ITEMIZATION OF AMOUNT FINANCED

Goods and/or Services Price	\$	D-1
(including sales tax of \$ D-2)		
Service Contract, Paid to: D-3	* \$	D-4
Cash Price		\$ D-5
Manufacturer's Rebate	\$	D-6
Cash Down Payment	\$	D-7
Deferred Down Payment	\$	D-8
a. Total Cash/Rebate Down	\$	D-9
b. Trade-In Allowance	\$	D-10
c. Less: Amount owing	\$	D-11
Paid to (includes f.): D-12		
d. Net Trade-In (b. minus c.)	\$	D-13
e. Net Cash/Trade-In (a. plus d.)	\$	D-14
f. Amount to Finance line e. (if e. is negative)	\$	D-15
Down Payment (e.; disclose as \$0 if negative)	\$	D-16
Unpaid Balance of Cash Price	\$	D-17
Paid to Public Officials - Filing Fees	\$	D-18
Insurance Premiums*	\$	D-19
Additional Finance Charge(s), Paid to Seller	\$	D-20
To: D-21	\$	D-22
To: _____	\$	
To: _____	\$	
To: _____	\$	
Total Other Charges/Amounts Pd. to Others	\$	D-23
Less: Prepaid Finance Charges	\$	D-24
Amount Financed	\$	D-25
*We may retain or receive a portion of this amount.		D-26

NOTICE TO BUYER

(1) Do not sign this agreement before you read it or if it contains any blank spaces. (2) You are entitled to a completely filled-in copy of this agreement. (3) Under the law, you have the right to pay off in advance the full amount due and under certain conditions to obtain a partial refund of the finance charge.

BY SIGNING BELOW BUYER AGREES TO THE TERMS ON PAGES 1 AND 2 OF THIS CONTRACT AND ACKNOWLEDGES RECEIPT OF A COPY OF THIS CONTRACT.

Buyer: **G-1** _____
 Signature _____ Date _____

 Signature _____ Date _____
 Seller: By **G-2** _____



ADDITIONAL TERMS OF THIS CONTRACT AND SECURITY AGREEMENT

GENERAL TERMS: You have been given the opportunity to purchase the Goods and described services for the Cash Price or the Total Sale Price. The Total Sale Price is the total price of the Goods and any services if you buy them over time. You agreed to purchase the items over time. The Total Sale Price shown in the TRUTH IN LENDING DISCLOSURES assumes that all payments will be made as scheduled. The actual amount you will pay may be more or less depending on your payment record.

We do not intend to charge or collect, and you do not agree to pay, any finance charge or fee, that is more than the maximum amount permitted for this sale by state or federal law. If you pay a finance charge or fee that is contrary to this provision, we will, instead, apply it first to reduce the principal balance, and when the principal has been paid in full, refund it to you.

You understand and agree that some payments to third parties as a part of this Contract may involve money retained by us or paid back to us as commissions or other remuneration.

If any section or provision of this Contract is not enforceable, the other terms will remain part of this Contract.

BALLOON PAYMENT: If any payment is more than twice as large as the average of all other regularly scheduled payments, you may refinance that payment when due. You may do so on terms as favorable as the terms originally agreed to in this Contract, if you meet our normal credit standards. This right does not apply if your payment schedule is adjusted for seasonal or irregular income, or we do not offer similar credit at that time.

PREPAYMENT: You may prepay this Contract in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until you pay in full. You agree to pay a \$15.00 processing fee if you prepay in full.

A refund of any prepaid, unearned insurance premiums may be obtained from us or from the insurance company named in your policy or certificate of insurance.

OWNERSHIP AND DUTIES TOWARD PROPERTY: By giving us a security interest in the Property, you represent and agree to the following:

- A. Our security interest will not extend to consumer goods unless you acquire rights to them within 10 days after we enter into this Contract, or they are installed in or affixed to the Goods.
- B. You will defend our interests in the Property against claims made by anyone else. You will do whatever is necessary to keep our claim to the Property ahead of the claim of anyone else.
- C. The security interest you are giving us in the Property comes ahead of the claim of any other of your general or secured creditors. You agree to sign any additional documents or provide us with any additional information we may require to keep our claim to the Property ahead of the claim of anyone else. You will not do anything to change our interest in the Property.
- D. You will keep the Property in your possession in good condition and repair. You will use the Property for its intended and lawful purposes. Unless otherwise agreed in writing, the Property will be located at your address listed on page 1 of this Contract.
- E. You will not attempt to sell the Property (unless it is properly identified inventory) or otherwise transfer any rights in the Property to anyone else, without our prior written consent. You will not permit the Property to become attached to any real estate without first providing us an opportunity to preserve our first priority status.
- F. You will pay all taxes and assessments on the Property as they become due.
- G. You will notify us of any loss or damage to the Property. You will provide us reasonable access to the Property for the purpose of inspection. Our entry and inspection must be accomplished lawfully, and without breaching the peace.

D. We may immediately take possession of the Property by legal process or self-help, but in doing so we may not breach the peace or unlawfully enter onto your premises. We may then sell the Property and apply what we receive as provided by law to our reasonable expenses and then toward your obligations.

E. Except when prohibited by law, we may sue you for additional amounts if the proceeds of a sale do not pay all of the amounts you owe us.

By choosing any one or more of these remedies, we do not waive our right to later use another remedy. By deciding not to use any remedy, we do not give up our right to consider the event a default if it happens again.

You agree that if any notice is required to be given to you of an intended sale or transfer of the Property, notice is reasonable if mailed to your last known address, as reflected in our records, at least 10 days before the date of the intended sale or transfer (or such other period of time as is required by law).

You agree that, subject to your right to recover such property, we may take possession of personal property left in or on the Property securing this Contract and taken into possession as provided above.

INSURANCE: You agree to buy property insurance on the Property protecting against loss and physical damage and subject to a maximum deductible amount indicated in the PROPERTY INSURANCE section, or as we will otherwise require. You will name us as loss payee on any such policy. In the event of loss or damage to the Property, we may require additional security or assurances of payment before we allow insurance proceeds to be used to repair or replace the Property. You agree that if the insurance proceeds do not cover the amounts you still owe us, you will pay the difference. You may purchase or provide the insurance through any insurance company reasonably acceptable to us. You will keep the insurance in full force and effect until this Contract is paid in full.

If you fail to obtain or maintain this insurance, or name us as a loss payee, we may obtain insurance to protect our interest in the Property. This insurance may include coverages not required of you. This insurance may be written by a company other than one you would choose. It may be written at a rate higher than a rate you could obtain if you purchased the property insurance required by this Contract. We will add the premium for this insurance to the amount you owe us. Any amount we pay will be due immediately. This amount will earn finance charges from the date paid at the post-maturity rate described in the PROMISE TO PAY AND PAYMENT TERMS section until paid in full.

OBLIGATIONS INDEPENDENT: Each person who signs this Contract agrees to pay this Contract according to its terms. This means the following:

- A. You must pay this Contract even if someone else has also signed it.
- B. We may release any co-buyer or guarantor and you will still be obligated to pay this Contract.
- C. We may release any security and you will still be obligated to pay this Contract.
- D. If we give up any of our rights, it will not affect your duty to pay this Contract.
- E. If we extend new credit or renew this Contract, it will not affect your duty to pay this Contract.

WARRANTY: Warranty information is provided to you separately.

WAIVER: To the extent permitted by law, you agree to give up your rights to require us to do certain things. We are not required to: (1) demand payment of amounts due; (2) give notice that amounts due have not been paid, or have not been paid in the appropriate amount, time or manner; or, (3) give notice that we intend to make, or are making, this Contract immediately due.

DEFAULT: You will be in default on this Contract if any one of the following occurs (except as prohibited by law):

- A. You fail to perform any obligation that you have undertaken in this Contract.
- B. We, in good faith, believe that you cannot, or will not, pay or perform the obligations you have agreed to in this Contract.

If you default, you agree to pay our costs for collecting amounts owing, including, without limitation, court costs, attorneys' fees, and fees for repossession, repair, storage and sale of the Property securing this Contract.

If an event of default occurs as to any one of you, we may exercise our remedies against any or all of you.

REMEDIES: If you are in default on this Contract, we have all of the remedies provided by law and this Contract:

- A. We may require you to immediately pay us, subject to any refund required by law, the remaining unpaid balance of the amount financed, finance charges and all other agreed charges.
- B. We may pay taxes, assessments, or other liens or make repairs to the Property if you have not done so. We are not required to do so. Any amount we pay will be added to the amount you owe us and will be due immediately. This amount will earn finance charges from the date paid at the post-maturity rate described in the PROMISE TO PAY AND PAYMENT TERMS section until paid in full.
- C. We may require you to make the Property available to us at a place we designate that is reasonably convenient to you and us.

H-1

THIRD PARTY AGREEMENT

By signing below you agree to give us a security interest in the Property described in the SALE section. You also agree to the terms of this Contract, including the WAIVER section above, except that you will not be liable for the payments it requires. Your interest in the Property may be used to satisfy the Buyer's obligation. You agree that we may renew, extend, change this Contract, or release any party or property without releasing you from this Contract. We may take these steps without notice or demand upon you.

You acknowledge receipt of a completed copy of this Contract.

H-2

Signature

H-3

Date

NOTICE: ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.

ASSIGNMENT BY SELLER

Seller sells and assigns this Retail Installment Contract and Security Agreement, (Contract), to the Assignee, its successors and assigns, including all its rights, title and interest in this Contract, and any guarantee executed in connection with this Contract. Seller gives Assignee full power, either in its own name or in Seller's name, to take all legal or other actions which Seller could have taken under this Contract. (SEPARATE AGREEMENT: If this Assignment is made "under the terms of a separate agreement" as indicated on page 1, the terms of this assignment are described in a separate writing(s) and not as provided below.)

Seller warrants:

- A. This Contract represents a sale by Seller to Buyer on a time price basis and not on a cash basis.
- B. The statements contained in this Contract are true and correct.
- C. The down payment was made by the Buyer in the manner stated on page 1 of this Contract and, except for the application of any manufacturer's rebate, no part of the down payment was loaned or paid to the Buyer by Seller or Seller's representatives.
- D. This sale was completed in accordance with all applicable federal and state laws and regulations.
- E. This Contract is valid and enforceable in accordance with its terms.
- F. The names and signatures on this Contract are not forged, fictitious or assumed, and are true and correct.
- G. This Contract is vested in the Seller free of all liens, is not subject to any claims or defenses of the Buyer, and may be sold or assigned by the Seller.
- H. A completely filled-in copy of this Contract was delivered to the Buyer at the time of execution.
- I. The Goods have been delivered to the Buyer in good condition and have been accepted by Buyer.
- J. Seller has or will perfect a security interest in the Property in favor of the Assignee.

If any of these warranties is breached or untrue, Seller will, upon Assignee's demand, purchase this Contract from Assignee. The purchase shall be in cash in the amount of the unpaid balance (including finance charges) plus the costs and expenses of Assignee, including attorneys' fees.

Seller will indemnify Assignee for any loss sustained by it because of judicial set-off or as the result of a recovery made against Assignee as a result of a claim or defense Buyer has against Seller.

Seller waives notice of the acceptance of this Assignment, notice of non-payment or non-performance and notice of any other remedies available to Assignee.

Assignee may, without notice to Seller, and without affecting the liability of Seller under this Assignment, compound or release any rights against, and grant extensions of time for payment to be made, to Buyer and any other person obligated under this Contract.

UNLESS OTHERWISE INDICATED ON PAGE 1, THIS ASSIGNMENT IS WITHOUT RECOURSE.

WITH RECOURSE: If this Assignment is made "with recourse" as indicated on page 1, Assignee takes this Assignment with certain rights of recourse against Seller. Seller agrees that if the Buyer defaults on any obligation of payment or performance under this Contract, Seller will, upon demand, repurchase this Contract for the amount of the unpaid balance, including finance charges, due at that time.

PART A- SALE AND SECURITY AGREEMENT

- (A-1) Fill in your contract number.
- (A-2) Fill in the date that you are making the disclosures. In almost all cases, the date you make the disclosures will be the same as the date your customer signs the contract and the date the contract proceeds are disbursed.
- (A-3) Fill in the name and address of the seller who is making the disclosures. The identity of the creditor making the disclosures must be disclosed. Reg. 226.18(a). The identity of the creditor may be made separately from other required Truth-in-Lending disclosures. Reg. 226.17(a)(1) (footnote 38). The creditor's identity is the only required Truth-in-Lending disclosure that may be more conspicuous than the words *ANNUAL PERCENTAGE RATE* and *FINANCE CHARGE*. Reg. 26.17(a)(2).
- (A-4) Fill in the name and address of the buyer. This should be the same address you intend to use for any notice of default or notice of sale of the collateral.
- (A-5) Enter the description of the goods and/or services here. If applicable, enter the unit number or serial number, the cabinet or motor number under the corresponding heading. In the last column, enter the sale price of the goods and/or service purchased.

In the "SECURITY" paragraph of the contract, the buyer is giving you a security interest in the goods purchased, all accessions, attachments, accessories, and equipment placed in or on the goods. Although U.C.C. § 9-314 defines "accession" as goods that are installed in or affixed to other goods, the common law in some states may not follow this approach or be very clear. As a result, if you are adding expensive items to the goods and want to make sure you have a valid security interest in the additional items, you should check with your private attorney as to whether you need to specifically describe the additional item and/or take a separate security interest at the time of the addition.

The "SECURITY" paragraph also includes a provision in which the buyer is giving you a security interest in proceeds and premium refunds of any insurance and service contracts purchased with this Contract. State laws are not always clear nor consistent in how to protect your security interest in the insurance and service contract premium refunds and proceeds purchased with the contract. As a result, you should check with your own private attorney on (1) whether you need to include a brief description of the insurance and service contract in the description of the goods and services purchased and (2) whether you need to take any additional steps to perfect the security interest (such as filing a UCC financing statement).

- (A-6) Use this space to describe any other collateral being used to secure the debt.

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- (A-7) Fill in the principal amount against which interest will accrue. If an additional finance charge is financed, the principal amount of the loan will include the additional finance charge.

PRINCIPAL VS. AMOUNT FINANCED - It is possible for the principal amount of the contract that you would fill in on line (A-7) to be different from the Amount Financed that you will fill in on lines (B-3) and (D-25). This would be true, for example, if the borrower pays a prepaid finance charge.

- (A-8) Fill in the rate of interest here. This is the simple interest rate applied to the declining balance of the principal.

INTEREST VS. ANNUAL PERCENTAGE RATE - Many times the rate of interest will be different from the Annual Percentage Rate disclosed at (B-1). The Annual Percentage Rate is the cost of credit as an annual rate and includes interest and additional finance charges.

OTHER CHARGES - The Annual Percentage Rate disclosed on line (B-1) will be larger than the interest rate if you charge prepaid finance charges or additional finance charges.

COMPUTATION - The Annual Percentage Rate may also vary from the simple interest rate depending on the method of computation you use and the treatment of odd days interest. See Commentary § 17(c)(3) and (4).

- (A-9) Fill in the method or basis you are using to accrue interest on this note. NOTE: Some states restrict the accrual methods allowed.

EXAMPLE - If you assume that each month has 30 days and that a year has 360 days, line (A-9) would state that "Interest accrues on a 30/360 basis."

EXAMPLE - If you assume that a year has 365 days and you calculate interest according to the actual number of days a principal balance is outstanding, line (A-9) would state that "Interest accrues on an actual/365 basis."

- (A-10) If a balance remains outstanding after final maturity, and you decide to fix a rate of interest to be earned on that amount, type in the rate that will apply. This rate may be the same as the contract rate that applies before maturity. NOTE: Some states do not allow the post-maturity interest rate to be higher than the contract rate.

- (A-11) Complete this section if you are charging an additional finance charge. Where permitted by law, we have provided that this fee is nonrefundable. Some states do not permit additional finance charges and in that case we have left this section off the form. Some states that do allow additional finance charges may not permit them on all types of loans. If allowed, state law typically limits the amount of such fees. The amount of the charge must be included in the amount shown in the finance charge disclosed See (B-2). This will have the effect of increasing the Annual Percentage Rate (B-1).

If contracting for an additional finance charge, check the appropriate box to indicate how the charge will be paid.

Check “paid in cash” if the fee is paid in cash or by check before or at the closing. A charge collected in this manner is a prepaid finance charge for purposes of the Itemization of Amount Financed (D-24).

Check “added to the Cash Price” if the charge will be financed and collected out of the proceeds of the transaction. If an additional finance charge is collected in this manner, interest will be charged on the additional fee and the principal amount of the loan is increased to include this fee (A-7). The fee is a prepaid finance charge included on line (D-24) of the Itemization of Amount Financed.

NOTE: Additional finance charges that are “paid in cash” or “added to the Cash Price” are prepaid finance charges as defined in Reg. 226.2(a)(23) and Commentary. An additional finance charge which is also a prepaid finance charge will make the APR even greater.

“Paid proportionally with each payment” should be checked if the fee is to be collected pro rata over the term of the loan. For example, in a 24 installment loan transaction with a \$24.00 loan fee, \$1.00 will be collected with each installment. If a loan is prepaid, you may find that you have collected only part of this fee and the balance would have to be collected in the payoff amount. See (B-12) for additional prepayment disclosure requirements if the fee is collected proportionally with each payment. A fee paid proportionally with each payment is not a prepaid finance charge.

(A-12) If you wish to contract for a minimum interest charge (some state laws label this a “minimum finance charge”), check the box and fill in the amount of the charge. In a simple interest transaction, a minimum interest charge is considered a prepayment penalty and must be disclosed as such at line (B-11). NOTE: Some states do not allow minimum interest or minimum finance charges.

(A-13) Some creditors provide buyers with the option of deferring the payment of a part of the down payment. If you do not offer this option, leave this box blank and disregard this section. If you do offer this option, check this box to contract for a deferred down payment and include the deferred payment terms in the payment schedule at (B-7).

Under Reg. 226.2(a)(18) and Commentary, a deferred down payment will be treated as a part of the down payment and not included in the amount financed only if the deferred amounts are payable by the second regularly scheduled payment and do not accrue finance charges. If this is the case, the deferred down payment is filled in on line (D-8) of the Itemization of Amount Financed.

If any deferred portion does not qualify to be included as a part of the down payment (for example, it is payable after the second regularly scheduled payment) or if you choose not to treat it as a part of the down payment, *do not* include the deferred portion on line (D-8). In this situation, the deferred portion must be included in the amount financed and must be shown in the payment schedule. See Reg. 226.2(a)(18) and Commentary.

Please note that some states restrict when deferred down payments may be paid. As a result, you should review state law if you allow deferred down payments.

PART B - FEDERAL BOX DISCLOSURE (Reg. 226.18)

- (B-1) Fill in the ANNUAL PERCENTAGE RATE you calculate for this contract. See Reg. 226.18(e) and Reg. 226.22 and Commentary.

ESTIMATE - This form is not designed for any disclosed item to be labeled as an "estimate" as allowed in Reg. 226.17(c). See Reg. 226.17(c) and Commentary.

TOLERANCE - The tolerance for regular transactions is .125% (1/8%) either way. For example, if the disclosed APR is 15.20% and the actual APR is 15.324%, the disclosure is within acceptable limits. Reg. 226.22(a)(2). The tolerance for "irregular" transactions is .25% (1/4%) either way. An irregular transaction is defined in Reg. 226.22(a)(3)(footnote 46).

CONSPICUOUS - See Reg. 226.17(a)(2) for the requirement that words *ANNUAL PERCENTAGE RATE* and *FINANCE CHARGE* be more conspicuous than other disclosures. See the Commentary to Reg. 226.17(a)(2) for guidelines on compliance with this rule.

See Reg. 226.22(c) for the optional rule on one APR calculation when all transactions within a class can be disclosed with the same APR.

See Appendix J to Reg. 226 for actuarial or U.S. Rule methods of calculation. Actuarial method and U.S. Rule methods of calculation are defined in Appendix J(a)(2) and (3).

See Reg. 226.22(b) for the exemption allowed for appropriate use of Federal Reserve's APR tables.

See 15 U.S.C. 130 for liability exposure for inaccurate or unmade APR disclosures.

- (B-2) Fill in the total Finance Charge. See Reg. 226.18(d) and Commentary.

OTHER CHARGES - Remember to include prepaid finance charges and additional finance charges, if any.

TOLERANCE - The tolerance is \$5.00 on transactions with an Amount Financed of \$1,000.00 or less, and \$10.00 on transactions with an Amount Financed of more than \$1,000.00. Reg. 226.18(d)(footnote 41).

CAUTION: THIS FORM IS NOT DESIGNED FOR CONTRACTS IN WHICH THE FILING FEES ARE PAID IN CASH. Because most sellers finance the filing

fees, this contract assumes that filing fees are financed. To exclude filing fees from the finance charge, the fees must be “itemized and disclosed.” Reg. 226.4(e). Since the fees are itemized and disclosed in the Itemization of Amount Financed if the fees are financed, this requirement is met. If the fees are paid in cash, consult your attorney to determine whether you may manually add “Filing Fees” and the amount of the fees within the Fed Box to exclude them from the finance charge.

CAUTION: THIS FORM IS NOT DESIGNED FOR, AND SHOULD NOT BE USED ON, CONTRACTS THAT REQUIRE CREDIT INSURANCE. PREMIUMS FOR REQUIRED CREDIT INSURANCE ARE A FINANCE CHARGE.

See PART C below, and Reg. 226.4(d) for conditions which must be met to exclude credit insurance costs from the finance charge.

(B-3) Fill in the Amount Financed. See Reg. 226.18(b) and Commentary.

There is no tolerance permitted for this disclosure.

See (D-1) through (D-26) below concerning the Itemization of Amount Financed, especially (D-24) for treatment of prepaid finance charges.

See the discussion under line (A-7) above regarding the potential for the Amount Financed to be different from the principal amount of the contract.

(B-4) Fill in the Total of Payments. The “Total of Payments” is defined as the sum of the payment amounts disclosed pursuant to Reg. 226.18(g) in the spaces labeled (B-7) on this form.

See lines (B-1) and (B-2) for the basis of this disclosure, as well as the use of estimates and descriptive phrases.

TOLERANCE - There is no mention of a tolerance for this disclosure.

(B-5) Fill in the amount of any down payment. See Reg. 226.18(j) and Reg. 226.2(a)(18). This amount will be the same as the Down Payment on line (D-16) and will include the sum of any cash paid to reduce the cash price, any trade-in, and any manufacturer’s rebate. If a consumer makes a lump sum payment, partially to reduce the cash price and partially to reduce prepaid finance charges, only the portion attributable to reducing the cash price is part of the down payment.

Do not disclose the down payment as a negative value. If a trade-in has a lien against it which exceeds the value of the trade-in and any cash down payment or rebate does not offset this amount, then disclose the down payment as zero (0). See Commentary to Reg. 226.2(a)(18). See also line (D-16).

(B-6) Fill in the Total Sale Price. The total sale price is the sum of the cash price, including the amount of any down payment, the finance charge and any amounts that are financed and are not part of the finance charge. See Reg. 226.18(j). Do not include, on line (B-6), the sales tax amount unless you are financing the tax.

SALES TAX - Include the sales tax in the Total Sale Price only if you are financing the tax. If you are not financing the sales tax, do NOT include the sales tax on line (B-6). If you elect to include the sales tax as a part of the Cash Price on line (D-5), then the sales tax should be included in the Total Sale Price. See Reg. 226.2(a)(9) and Commentary and Reg. 226.18(j) and Commentary. Remember, sales tax is not a finance charge because it is a charge imposed whether or not the sale is financed.

NEGATIVE EQUITY FINANCING - If the down payment is disclosed as zero rather than a negative number because of a negative trade-in (the lien against the property traded in exceeds the allowance for the trade-in and any cash or rebate paid down), then include the amount to finance the negative equity (line (D-15)) as a part of the Total Sale Price. It is included in the Total Sale Price as part of the amounts that are financed and are not part of the finance charge. If the amount to finance the negative equity (line (D-27) below) is included in the Cash Price (line (D-28)), it is already included in the calculation of the Total Sale Price and, therefore, should not be added twice.

(B-7) These columns and spaces are to be used for disclosing the number, amounts, and due dates of payments. Reg. 226.18(g) and commentary.

EXAMPLE -

Number of Payments	Amount of Payments	When Payments Are Due
36	\$247.50	monthly beginning 7/15/96

The "Amount of Payments" you disclose on line (B-7) will include the Finance Charge attributable to the payment as well as the portion attributable to the repayment of the Amount Financed.

IN ADDITION, the amount of each payment that you disclose on line (B-7) **may** (but need not) also include any additional amount due with the payment which is neither part of the Amount Financed nor the Finance Charge.

If any portion of the down payment is deferred, the repayment terms for the deferral must be included in the payment schedule at line (B-7). See (A-13) above.

(B-8) Reg. 226.18(m) requires the disclosure of a security interest that is being acquired in the property or goods being purchased or in any other property.

PURCHASE MONEY COLLATERAL - Because this contract is written so that the seller acquires a security interest in the goods being purchased with the proceeds of the loan, check the box by "the Goods purchased" whenever "goods" are purchased as a part of the transaction. This indicates that you are taking a security interest in purchase money collateral. If the contract involves "services" and you are not taking a security interest in any "goods" being purchased, do not check this box.

FURTHER DESCRIPTION - You are not required to further describe purchase money collateral if you do not want to. However, you may do so if you choose in the space provided. Reg. 226.18(m) and Commentary. See discussion at line (B-9).

- (B-9) Check this box and describe in the space that follows any “non-purchase money” collateral securing this loan by “item or type.”

See Reg. 226.2(a)(25) and Commentary for the definition of a security interest. Generally, a security interest is any interest in property that secures performance of a loan. It does not include incidental interests such as interests in proceeds, accessions, additions, fixtures, insurance proceeds, premium rebates, or interests in after-acquired property.

See Reg. 226.18(m) for the requirement of disclosure of the security.

When you check box (B-8) (purchase money collateral), you may also want to describe the collateral. If so, we suggest you do so in the area immediately following lines (B-8) and (B-9), without checking the box at (B-9).

MIXED SECURITY - If you take a security interest in non-purchase money collateral along with the purchase money collateral, the non-purchase money collateral must be described in the space provided at (B-9).

- (B-10) If you contract for a late fee, check the box at the beginning of line (B-10) if one is provided and complete as applicable. NOTE: Not all states allow for a late fee. Reg. 226.18(l).
- (B-11) For Regulation Z purposes, in a simple interest contract a minimum finance charge is a penalty, and must be disclosed as such, by checking the first box at (B-11). If you do not charge a minimum finance charge or other “penalty” on prepayment, check the second box at (B-11). See Reg. 226.18(k)(l) and Commentary for further explanation. Some states do not allow for minimum charges and in those states this language will be preprinted as “will not pay a penalty.”
- (B-10) If you have contracted for an additional finance charge at (A-11) and provided for collection of the fee proportionately with each payment (“pro rata”), then you must disclose at (B-12) what will happen to that fee if the loan is paid off early. You **are permitted** (but not required) to also make the disclosure if you collect the additional finance charge in cash. Reg. 226.18(k) and Commentary.

Our forms vary somewhat in how this disclosure is handled.

If state law requires that part of the additional finance charge be refunded upon prepayment of the loan, then both the provision at (A-11) and the disclosure at (B-12) have been preprinted to indicate that part of the charge may be refunded.

If state law permits the additional finance charge to be nonrefundable, then we have either preprinted that it will not be refunded on prepayment or provided a checkbox

choice. If the form has a checkbox choice and additional finance charge is nonrefundable then the disclosure should be completed as follows:

- If you pay off this Contract early, you may will not be entitled to a refund of part of the Additional Finance Charge.

CAUTION: If the finance charge that you disclosed at (B-2) above is composed entirely of a simple interest rate applied to the unpaid principal balance from time to time, the disclosure at (B-12) should *not* be given.

PART C - INSURANCE DISCLOSURE

NOTE: This contract does NOT cover debt cancellation agreements. A debt cancellation agreement is a contract between a creditor and a borrower in which all or a portion of the debt will be satisfied when specified events occur. Fees for debt cancellation are finance charges under Regulation Z unless certain disclosures and requirements are met. See Reg. 226.4(d) and BSI form DEBTCANCDISC to exclude voluntary debt cancellation fees from the finance charge. Note: A few states do include the federal disclosure on the contract. Also, some states have state-specific disclosures that are required in addition to the federal disclosures.

CREDIT INSURANCE - Reg. 226.4(d)(1)

- (C-1) This disclosure must be made, and must in fact be true, if you wish to sell credit life or disability insurance **and** you want to exclude such insurance premiums from the finance charge. You must complete lines (C-2) through (C-4) only if the customer has agreed to purchase the insurance coverages through you, and have your customer sign on line (C-6) to keep the premiums for such insurance out of the finance charge. See Reg. 226.4(d)(1) and Commentary for clarification.
- (C-2) Fill in the name of the insured.
- (C-3) Fill in the premium for the credit life, disability or joint credit life policy which your buyer may purchase from or through you.

UNIT COST METHOD - See Commentary - Reg. 226.4(d)(4) for the limited circumstances when a unit cost disclosure is permissible.

- (C-4) Fill in the term of the insurance for which you have disclosed the premium. If the term of the insurance is less than the term of the loan, the term must be disclosed. Reg. 226.4(d)(1)(ii). If the term of the insurance is the same as the term of the contract, fill in "of contract," or the actual term of the contract.

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- (C-5) This space can be used to disclose credit insurance other than credit life or disability, or for information regarding the insurance company and address, phone number, etc.
 - (C-6) Have the buyer sign on the line to indicate whether or not he/she wants credit insurance. The signature or initials of the buyer is necessary to exclude the credit insurance premiums from the finance charge. One buyer may sign the request for insurance for a co-buyer. Reg. 226.4(d)(1)(iii). A spot has been provided for the date of birth of buyers requesting credit insurance. There may be some cases where it is permissible for different premium rates to be charged for credit life insurance depending upon the age of the insured.

PROPERTY INSURANCE - Reg. 226.4(d)(2)

- (C-7) Fill in the maximum deductible amount you require for property coverage. This should be filled in whether the buyer purchases the coverage through you or through someone else.
- (C-8) To exclude the cost of any required property insurance, fill in the premium for any required property insurance which the buyer may purchase from or through you.

REQUIRED PROPERTY INSURANCE - Unlike credit life insurance, you may require the buyer to purchase property insurance and still exclude the cost of such property insurance from the finance charge. Excludable property insurance is insurance against loss of or damage to the property, or against liability arising out of the ownership or use of the property. Reg. 226.4(d)(2).

Of course, you must give the buyer the option to purchase the insurance from anyone else who offers equivalent coverages; however, the option to purchase the insurance from or through someone other than you does not mean that the insurance has to be readily available elsewhere. See the Commentary to Reg. 226.4(d).

SINGLE INTEREST INSURANCE - In some states where allowed, the contract also includes an area below the property insurance section to disclose single interest insurance. Because this type of insurance is treated as a form of property insurance, you should treat it similarly to property insurance. If included as a part of the transaction, disclose in the blanks provided (1) the amount of the premium and (2) the term of the insurance for the premium disclosed.

- (C-9) Fill in the term of the property insurance for the premium disclosed on line (C-8). The term must be disclosed if the term of the insurance is less than the term of the contract. Reg. 226.4(d)(2)(ii).
- (C-10) Fill in the portion of the premium which is allocable to the different types of coverage.
- (C-11) Fill in any type of property insurance not itemized on the form and the premium for that type of insurance in the spaces provided.

PART D - ITEMIZATION OF AMOUNT FINANCED

Reg. 226.18(c)

(D-1) Fill in the price of the goods and services sold on line (D-1). This amount is a starting point in computing the cash price, the amount financed and the total sale price under Reg. 226.18 for credit sales. See the Glossary for an explanation of the term “cash price.” Any charges imposed equally in cash and credit transactions may either be included in the cash price, or they may be treated as other amounts financed under Reg. 226.18(b)(2).

SALES TAX - If the sales tax is not financed, you must exclude the sales tax from this amount on line (D-1) because the “Itemization of Amount Financed” should include only those items that are financed by you.

DOCUMENTATION FEES - If a fee for the preparation of documents is allowed by state law and is charged in *both* cash transactions and credit transactions, the documentation fee may be included as a part of the Cash Price. If a documentation fee is charged only in credit transactions, the fee is a finance charge and must be disclosed on either line (D-20) or line (D-21).

(D-2) If sales tax is financed and included on line (D-1), fill in the amount of the sales tax on line (D-2). See (D-1) above.

(D-3) If a service contract was purchased, indicate the name of the contract holder.

NOTE - An asterisk has been placed by this line to indicate that you may be retaining a portion of the premium. See line (D-26) below.

(D-4) Fill in the amount of the premium for the service contract at line (D-4).

(D-5) Add line (D-1) and line (D-4) and fill in here. This is the Cash Price.

(D-6) Fill in any manufacturer’s rebate on line (D-6).

(D-7) Fill in the amount of any cash down payment on line (D-7).

(D-8) Fill in the amount of a deferred cash down payment only if the deferred amounts are payable by the second regularly scheduled payment and do not accrue finance charges. See discussion at line (A-13).

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- (D-9) Add together (D-6), (D-7) and (D-8) and fill in the result on line (D-9). This is the Total Cash/Rebate Down.
- (D-10) Fill in the value of the property traded in on line (D-10).
- (D-11) Fill in on line (D-11) the amount paid to a third party to pay off any debt obligation owed on the property traded in.
- (D-12) Identify by name the third party that is being paid off on line (D-12). See (D-11).
- (D-13) Subtract line (D-11) from line (D-10) and fill in here. This is the Net Trade-In. If the debt owing on the property is less than the value of the trade-in, this number will be a positive number. For example, if the trade-in has a value of \$5,000 and the debt still owing on it is \$2,000, then the "Net Trade-In" on line (D-13) is \$3,000. However, if the debt owing on the trade-in is greater than the value of the trade-in, then the net Trade-In will be a negative number. So, if the trade-in has a value of \$5,000 and the debt owing is \$7,000, then the Net Trade-In will be -\$2,000.
- (D-14) Add lines (D-9) and (D-13) and fill in the sum on line (D-14). This is the Net Cash/Trade-In. If line (D-13) is a negative number, line (D-14) will be a negative number unless the Total Cash/Rebate Down from line (D-9) is larger than the Net Trade-In from line (D-13). For example, if the Total Cash/Rebate Down is \$1,000 and the Net Trade-In is -\$2,000, then line (D-14) is -\$1,000.
- (D-15) If line (D-14) is a negative number, then take that number as a *positive* value and put it on line (D-15). This line means that the cash/rebate paid down (line (D-9)) was not larger than the negative equity owing on the trade-in (line (D-13)) and therefore the seller is financing this additional amount. For example, continuing the example used in line (D-14), +\$1,000 should be filled in on line (D-15) if line (D-14) is -\$1,000. This addition is necessary to increase the amount financed by the amount of the negative equity that is being financed as a part of the transaction. You should verify with your own legal counsel whether or not you are required by state law to be licensed in order to finance this additional amount which may be considered a loan.

If the Net Trade-In on line (D-13) is a positive number, there is equity in the trade-in and line (D-15) will be blank.

- (D-16) Fill the Down Payment. This amount should be the same as line (B-5). The Down Payment (filled in on line (D-16) and line (B-5)) cannot be a negative number. As a result, line (D-16) must be disclosed as \$0 if line (D-14) is a negative number. However, in most situations, line (D-14) will be a positive number and that number will then be copied onto line (D-16).
- (D-17) The Unpaid Balance of Cash Price filled in on line (D-17) is the Cash Price from line (D-5) **plus** the Amount to Finance line e. (line (D-15)) **minus** the Down Payment from line

(D16). Although this may sound confusing, remember that if the Net Cash/Trade-In on line (D-14) is a negative value, then the buyer is really asking to finance that negative amount (on line (D-15)) and therefore the Unpaid Balance of Cash Price will be larger than the Cash Price (you, as the seller, are financing an amount larger than the selling price of the goods/services). If the Net Cash/Trade-In on line (D-14) is a positive number, line (D-15) will be blank and then the Unpaid Balance of Cash Price on line (D-17) will be the Cash Price (line (D-5)) less the Down Payment (line (D-16)). There should never be a situation in which there is a value (other than zero) on both line (D-15) and on line (D-16).

(D-18) Fill in on line (D-18) the total of title, license, and other fees paid to public officials as part of this transaction to the extent the fees are financed. Do not include on this line any fees retained by you such as documentation fees. This line is designed only for taxes and fees that are actually paid to public officials for determining the existence of or for perfecting, releasing, or satisfying a security interest.

NOTE: Reg. 226.4(e) requires that certain fees, such as the title and license fees, be "itemized and disclosed." To comply with this requirement the title and license fees need to be shown in the Itemization of Amount Financed at either (D-18) as an aggregate amount or listed separately in the blank lines at (D-21). ***This contract assumes that all title and license fees are financed.*** See also line (B-2).

(D-19) Fill in the aggregate amount of all insurance premiums which you have financed on line (D-19). This would include property, credit life, joint credit life, disability insurance or loss-of-income premiums.

CAUTION - Fill in line (D-19) only if (a) you have financed the insurance premiums; *and* (b) you are entitled to exclude the insurance premiums from the finance charge. See the section of this manual on Insurance.

NOTE - An asterisk has been placed by this line to indicate that you may be retaining a portion of the premium. See line (D-26) below.

(D-20) Enter the amount of charges paid to you, the seller, to the extent that they are financed. Not all states allow additional finance charges. See line (A-11). Documentation fees charged only in credit transactions, if allowed by state law, should be disclosed on this line.

(D-21) Fill in the identity of third parties by name to whom additional charges are being paid.

(D-22) Enter the amounts paid to other third parties as part of this transaction to the extent such amounts are financed. Reg. 226.18(c)(iii).

(D-23) Add the amounts on lines (D-18) through (D-22) and fill in here as the Total Other Charges/Amounts Pd. to Others.

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- (D-24) Fill in the amount of any Prepaid Finance Charges (cash and financed).
- (D-25) Add the amount of the Unpaid Balance of Cash Price from line (D-17) to the Total Other Charges from line (D-23) and then subtract the Prepaid Finance Charges from line (D-24). Fill in the result as the Amount Financed on line (D-25). This amount should be the same as (B-3) above.
- (D-26) Recently there has been increasing litigation nationwide on the manner in which dealers disclose the cost of shared fees, such as service contracts and property insurance, particularly in regard to the portion that may be kept by or returned to the dealer. This litigation has involved interpretations of both federal and state law. At the bottom of the Itemization of Amount Financed we have included a disclosure which indicates that an asterisk has been placed by the items in which you may be retaining a portion of the fee. This is a disclosure for shared fees. If a fee charged is the same amount in comparable cash and credit transactions and you are retaining a portion of the fee in a credit transaction, we encourage you to mark that fee with an asterisk in the Itemization of Amount Financed. An asterisk has been preprinted for the service contract and for the insurance premiums since these are the most common items that are "shared."

VARIATION OF ITEMIZATION OF AMOUNT FINANCED - Based upon our interpretation of state law, we have varied the Itemization of Amount Financed in some states to add the "Amount to Finance line e." (the negative equity amount) as a part of the Cash Price. In states with this version, the Itemization of Amount Financed will generally look like the following version. (State specific versions will vary this version just as with the previous version.) Rather than repeating all of the instructions which are the same as with the above version, we are identifying only those areas that differ. Please refer to the instructions above for areas that are the same.

ITEMIZATION OF AMOUNT FINANCED

Goods and/or Services Price	\$ _____
(including sales tax of \$ _____)	
Service Contract, Paid to: _____ *	\$ _____
Amount to Finance line e. (if e. is negative)	\$ _____ D-27
Cash Price	\$ _____ D-28
Manufacturer's Rebate	\$ _____
Cash Down Payment	\$ _____
Deferred Down Payment	\$ _____
a. Total Cash/Rebate Down	\$ _____
b. Trade-In Allowance	\$ _____
c. Less: Amount owing	\$ _____
Paid to: _____	
d. Net Trade-In (b. minus c.)	\$ _____
e. Net Cash/Trade-In (a. plus d.)	\$ _____
Down Payment (e.; disclose as \$0 if negative)	\$ _____ D-29
Unpaid Balance of Cash Price	\$ _____ D-30
Paid to Public Officials - Filing Fees	\$ _____
Insurance Premiums*	\$ _____
Additional Finance Charge(s), Paid to Seller	\$ _____
To: _____	\$ _____
To: _____	\$ _____
To: _____	\$ _____
To: _____	\$ _____
Total Other Charges/Amounts Pd. to Others	\$ _____
Less: Prepaid Finance Charges	\$ _____
Amount Financed	\$ _____

*We may retain or receive a portion of this amount.

(D-27) On this line, fill in the amount of negative equity that is being financed by the seller. It is calculated the same way as line (D-15)--the only difference is the placement of the line within the Itemization. Here the "Amount to Finance line e." is added into the total of the Cash Price. Because it calculated the same as line (D-15), it will be necessary to do the math for line (D-14) before completing line (D-27).

(D-28) On this line fill in the Cash Price. This is the sum of lines (D-1), (D-4) and (D-27).

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- (D-29) The Down Payment is calculated and disclosed the same as line (D-16) above.
- (D-30) The Unpaid Balance of Cash Price on line (D-30) is the Cash Price minus the Down Payment. As a result, subtract line (D-29) from line (D-28). The adjustment for the financing of negative equity has already been factored into the Cash Price on line (D-28).

PART E - SERVICE CONTRACT

- (E-1) Describe the items covered under the service contract.
- (E-2) Fill in the length of time the service contract is in effect.

PART F - ASSIGNMENT

- (F-1) Fill in the name and telephone number of the assignee. NOTE: This area may be imprinted.
- (F-2) Check the appropriate boxes:
- under the terms of a separate agreement. Check this box if the assignment is subject to a separate agreement between you and the assignee.
 - under the terms of the ASSIGNMENT BY SELLER on page 2. Check this box if the assignment is subject to the terms of the assignment on page 2.
 - This assignment is made with recourse. Check this box if you, the seller, agree to repurchase the contract from the assignee in the event buyer defaults on the contract.
- (F-3) You, the Seller, sign here. Also, fill in the date you assign the contract to the assignee.

PART G - SIGNATURES

(G-1) The buyer should sign and date here.

(G-2) You, the seller, should sign here.

CAUTION: Be sure that any requirement on your part for more than one signature is in compliance with Federal Regulation B (12 C.F.R. § 202) and state law. (This is true in any transaction whether it is a consumer or nonconsumer loan.)

PART H - THIRD PARTY AGREEMENT

(H-1) This section should be completed if a third party (person or entity) has an interest in the collateral securing this contract, but does not promise to pay the contract.

(H-2) Have the third party sign the contract here. NOTE: If this contract is printed on “no carbon required” paper, this information will not transfer to all copies.

(H-3) Fill in the date the third party signs the contract.

PART I - FTC NOTICES

(I-1) The regulation governing this FTC notice is found at 16 C.F.R. § 433. The notice is required because this is a “purchase money transaction.”

PART J - RS-SI-GSB

Use of this form: This form is intended to be used for transactions in which the buyer is required to pay a balloon payment as the final payment and the buyer has the right to exercise one of the options specified in the paragraph "Options When Final Payment is Due." Generally, these options include the right to (1) pay the final payment and keep the goods - this may require the buyer to get financing through another lender; (2) refinance the final balloon payment with the holder of the contract - generally at similar terms to the original sales transaction; or (3) sell the goods back to the holder of the contract for the amount of the balloon payment with adjustments for excess wear and mileage/hours. From a practical perspective, this type of financing is similar to a lease, except that title transfers to the buyer at the time of signing the contract, and therefore these transactions are subject to retail installment sales acts rather than lease laws.

Disclaimer: Because most states do not have specific statutes that address this type of financing, it is necessary for you to determine whether or not you can assess any additional fees or charges if the buyer elects to refinance the transaction and whether or not you can assess a "disposition fee" if the buyer elects to sell the goods to you. Arguably, the disposition fee is not part of the installment sale but rather a part of the subsequent sale of the goods back to you. In states where it is unclear as to whether these types of fees may be charged, we have given you the option of charging these fees, but it is your responsibility to determine whether you are authorized to charge the fees. We do not warrant the legality of refinance charges or disposition fees. In states where these fees or charges clearly are not allowed, we have not included them on the contract.

It is your responsibility to determine whether or not you are required to hold any special license from your state before doing the refinancing of the balloon payment. It is possible that some states treat the subsequent refinance as a regulated loan under state law rather than as an extension of the retail sales transaction.

Design of the RS-SI-GSB: The RS-SI-GSB-[state abbreviation] is a variation of the RS-SI-GS-[state abbreviation]. It includes an additional paragraph titled "Final Payment" above the Truth-in-Lending Disclosures. It also includes "Options When Final Payment is Due" on the backside of the contract. These paragraphs are included below. Instructions for completing the "Final Payment" paragraph are included below the paragraphs.

J1 FINAL PAYMENT: This Contract requires a final payment larger than the other scheduled payments. You must make the final payment as scheduled or elect one of the options described in OPTIONS WHEN FINAL PAYMENT IS DUE. If you elect to refinance (OPTION 1), you agree to pay a Refinance Charge of \$ _____^{J2}. If you elect to sell the Goods to us (OPTION 2), you agree to the following:

J3 to pay an Excess Mileage Charge of \$ _____^{J4} for each mile the Goods were driven in excess of _____^{J5} miles. The current odometer mileage is _____^{J6} miles.

J7 to pay an Excess Hours Charge of \$ _____^{J8} for each hour the Goods were operated in excess of _____^{J9} miles. The current hourometer reading is _____^{J10} hours.

J11 to pay an Excess Wear Charge that will be determined as described in OPTIONS WHEN FINAL PAYMENT IS DUE.

J12 to pay a Disposition Fee of \$ _____^{J13} due upon your sale of the Goods to us.

J14 (other)

J15 A separate Statement of Condition describes the current condition of the Goods and will be used in determining any charge of excess wear.

OPTIONS WHEN FINAL PAYMENT IS DUE: If FINAL PAYMENT on page 1 is checked, this Contract requires a final payment greater than the other schedule payments. In lieu of paying the final payment when it is due, you may elect one of the following options provided you meet the conditions stated below.

OPTION 1: You may refinance with us the final payment due under this Contract. If you elect this option, you must give us written notice of your intent to refinance at least 30 days before the final payment is due. We may require you to complete a new credit application. You may refinance the balance due on terms as permitted by law if you meet our normal credit standards. To refinance the final payment, you must sign a written credit agreement containing the agreed upon terms. You may be required to pay a Refinance Charge. We will retain the security interest granted to us in the Goods during the term of the refinancing.

OPTION 2: You may sell and transfer title (if applicable) of the Goods to us. If you elect this option, you must give us written notice of your intent to sell the Goods to us at least 30 days before the final payment is due. We agree to buy the Goods from you on the date of the final payment is due for the following amount: the final scheduled payment less any of the following amounts agreed to in FINAL PAYMENT for (a) Excess Mileage Charge, (b) Excess Hours Charge, (c) Excess Wear Charge, (d) the Disposition Fee, and (e) any other charge agreed to in FINAL PAYMENT. At your expense you agree to deliver the Goods to our address or to another reasonable location that we may request. Upon your delivery of the Goods clear of all liens other than ours with the Certificate of Title or other documents proving ownership (if applicable), we will inspect the Goods to determine the appropriate fees and charges for any excess wear, mileage, hours, or other charges. You agree that any charge for excess wear will be the actual or estimated costs of repair, or the estimated loss in its value, because of any excessive wear (even if we do not repair the Goods). If you do not agree with the amount of the Excess Wear charge, we will select an independent appraiser to establish the Excess Wear Charge and you will pay the cost of such appraisal. You and we agree to be bound by the appraiser conclusions.

Excess wear is that wear which exceeds normal wear based upon the condition of the Goods as of the date of this Contract. Excess wear includes to the extent applicable: (a) mechanical or electrical damage, failure or defect, (b) exterior parts that are dented, scratched, chipped, discolored, or otherwise damaged, missing or worn beyond ordinary use, (c) interior parts that are stained, torn, scratched, burned or otherwise damaged, missing or worn beyond ordinary use, (d) accessories, tools and equipment included with the Goods when delivered that are missing, damaged or not in proper working order, (e) tires or track that are unsafe, excessively worn, or tires that are not a part of a matching set, (f) any other part or condition that causes the Goods to be unsafe or unlawful to use, (g) any other damage or worn item(s) that together cost more than \$50 to repair or replace.

The amount we pay for the Goods will be credited to this Contract and any remaining balance due must be paid by you immediately. Upon payment of any sum remaining due under this Contract, delivery of the Goods, and execution of all documents necessary to transfer title and possession of the Goods to us, you will be released from liability for the final scheduled payment under this Contract. Upon your sale of the Goods to us, we will bear the entire risk of loss or gain on it.

(J-1) Check this box if you are giving the buyer the options specified in the paragraph "Options When Final Payment is Due." With this checkbox feature this contract may be used for transactions without the balloon options if the checkbox is left blank.

(J-2) Fill in the amount of any refinance charge you will be charging at the time of the refinance if the buyer exercises the option to refinance the balloon payment. See Disclaimer above. NOTE: Many states do not include the option of a refinance charge.

(J-3) Check this box if you are contracting for an Excess Mileage Charge.

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- (J-4) Fill in the amount the buyer will be required to pay if the buyer exceeds the authorized number of miles specified on line (J-5). This amount is a per mile charge for each excess mile.
 - (J-5) Complete this line with the number of miles the buyer is allowed to put on the goods before the Excess Mileage Charge is imposed.
 - (J-6) Document the odometer mileage on this line. This amount will be used to determine whether the buyer has exceeded the allowed mileage if the buyer sells the goods back to you.
 - (J-7) Check this box if you are contracting for an Excess Hours Charge.
 - (J-8) Fill in the amount the buyer will be required to pay if the buyer exceeds the authorized number of hours specified on line (J-9). This amount is a per-hour charge for each excess hour.
 - (J-9) Complete this line with the number of hours the buyer is allowed to put on the goods before the Excess Hours Charge is imposed.
 - (J-10) Document the hourometer reading on this line. This amount will be used to determine whether the buyer has exceeded the allowed hours if the buyer sells the goods back to you.
 - (J-11) Check this box if you will be charging the buyer for excess wear as described in OPTIONS WHEN FINAL PAYMENT IS DUE.
 - (J-12) Check this box if you are contracting for a Disposition Fee to be charged at the time the buyer elects to sell the goods back to you. See Disclaimer above.
 - (J-13) Fill in the amount of the Disposition Fee if you are contracting for this fee. See (J-12).
 - (J-14) Check this box if you are charging some other type of fee or imposing some other type of condition on the transaction. Describe the additional terms on the blank lines or reference the document that contains the additional terms. Be aware that some states require all of the terms of the sale to be included on a single document, so referencing an additional document may not be allowed.
 - (J-15) Check this box if you are using a separate document to describe the current condition of the goods being sold. This may be particularly useful to document existing scratches or other defects at the time of purchase.