

**Department of Banking and Consumer Finance
Consumer Finance Division**

Regulations for the Sale and Financing of Auto Club Memberships

I. Requirements for the Sale and Financing of Auto Club Memberships

1. The sale and financing of an auto club membership is strictly voluntary and shall never be made as a condition for the extension of credit or the granting of a loan.
2. Licensee may offer the borrower the opportunity to purchase an auto club membership only after the Licensee has fully approved a loan to the borrower.
3. Borrower must have a valid driver's license.
4. Borrower must certify that they own or lease at least one automobile.
5. Auto club membership applications must be signed by the borrower and a copy of the application must be maintained in the borrower's file.
6. A copy of the auto club service contract must be given to the borrower and such agreement must contain the name and address of the auto club company, the various services to be provided to the customer by the auto club company and any fees to be charged to the borrower.
7. Borrower shall have the option of paying the auto club membership dues by using funds other than loan proceeds.
8. Auto club companies must be licensed with the Mississippi Department of Insurance.
9. Auto club agents must be licensed with the Mississippi Department of Insurance and proof of such licensing must be maintained at the Licensee's office.

II. Disclosure Statement

A disclosure statement must be given to the borrower at the time of purchase and the statement must be initialed or signed by the borrower. The disclosure statement must include the following information:

“You are entitled to pay the cost of the auto club membership by using funds other than loan proceeds.

“If you finance the auto club membership fee with your loan, please be advised that you will pay additional interest charges as a result.”

“Do you already have an active auto club membership with this same auto club company? If so, do you understand that you are purchasing another auto club membership and, therefore, extending the term of your existing membership?”

“You may cancel your auto club membership within thirty (30) days after the date of purchase and receive a full refund if you have not used any of the services provided through the auto club membership.”

The following statement must be in bold type immediately above the borrower’s signature: **“NOTICE TO BORROWER: Purchase of this auto club membership is optional and is not required as a condition of this loan. Failure to purchase this auto club membership will not affect the lender’s approval of the loan or the receipt of the loan by the borrower.”**

III. Cancellations

Members may cancel their auto club membership within thirty (30) days after the date of purchase and receive a full refund of the membership fee if the member has not used any of the services provided through the auto club membership. If canceled after thirty (30) days from the date of purchase, refunds will be pro-rated for the unused months on the membership.

IV. Records

Licensee must maintain information on all auto club memberships sold and financed that contains the borrowers name, date, number of months purchased and cumulative number of months paid as of that date.

V. Prohibited Acts

A licensee shall not sell and finance an auto club membership in conjunction with a loan which has an initial term longer than the term of the loan.

Licensee shall not sell and finance additional auto club memberships to the same borrower unless the term on their current policy is extended. Membership terms shall not exceed thirty-six (36) months from the date of the most recent loan. In no event shall auto club memberships sold by the Licensee run concurrently.

VI. Reporting Requirements

Licensee shall report to the Department of Banking and Consumer Finance (DBCF) the total number of loans made and the total number of those loans made which the borrower chose to purchase an auto club membership. The request for this information will begin on September 30, 2006, and subsequent requests upon notification by the Commissioner. This information must be submitted to DBCF within fifteen (15) days of the request. Failure to report this information will subject the Licensee to civil money penalties.