



DELIVERED BY E-MAIL

May 19, 2020

TO: Karen Phillips, General Counsel & Executive Vice President
Texas Automobile Dealers Association
1108 Lavaca, Suite 800
Austin, TX 78701

FROM: Huffman Lewis, Director of Consumer Protection
Office of Consumer Credit Commissioner
State of Texas
2601 N. Lamar
Austin, TX 78705

RE: Resuming Compliance Examinations of Franchise Automobile Dealerships

Karen:

Thank you for taking time to speak with me Friday. I appreciate the Texas Automobile Dealers Association's (TADA) willingness to assist the Office of Consumer Credit Commissioner (OCCC) in fostering an open line of communication with the Franchise Automobile Dealers regarding the OCCC's return to conducting field-based examinations. As the state begins to reopen, it is time for us to begin making plans for a phase 1 "soft" reopening. Of course, the health and safety of your constituents, their customers, and our staff remains a paramount concern. We want to proceed thoughtfully and carefully while taking the appropriate precautions as recommended by health care experts. The remainder of this e-mail will summarize the approach the OCCC will take to resume field-based examinations.

Additional Notification Prior to Examination - In addition to the written notification prior to the examination as required by Texas Finance Code, §348.514, the examiner will make telephone contact with the compliance officer of the franchised automobile dealer as indicated in the licensee's ALECS account.

The purpose of the telephone contact is:

1. Confirm an examination of the location is due.
2. Request copies of the policies, procedures, or other process documentation regarding deal reconciliations, refunding of bona-fide error overcharges, and titling procedures.
3. Request that the dealer to print and provide by email the retail installment sales transaction report as required under 7 Texas Administrative Code, §84.707(d) (1).

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4. Confirm that the examiner will identify 30 transactions to test for compliance with Texas and federal law.
5. Set a date for the on-site portion of the examination.

Remote/Offsite Pre-Exam Work: The examiner will select a sample of 30 transaction files for the exam. The examiner is to return the retail installment sales transaction report highlighted with the transactions to be examined and tested.

The compliance officer will be asked to assemble the Retail Installment Sales Transaction File (Deal File) for each sampled transaction (electronically if possible) for the examiner to review. We ask that the sampled files be located and assembled prior to the scheduled examination date. {See 7 Texas Administrative Code, §84.707 (d) (2)}

On-Site Exam Work: The automobile dealer will provide a dedicated workspace for examiners to review the files. For the safety of the personnel and customers of the automobile dealership, examiners will be wearing Personal Protective Equipment and using antiseptic wipes at the dedicated workstation prior to setting up their equipment. The OCCC's goal, at this point, is to minimize examiner time on site at the licensee's location. The examiners will maintain proper social distancing and will limit interviews with dealership personnel.

The request for the policies and procedures of the automobile dealership relating to deal reconciliations, refunding of error overcharges, and titling procedures is necessary to reduce the interviews and interactions with the franchised dealership personnel. During the examination, the examiners will periodically clean their equipment and sanitize the work area with disinfecting wipes. Upon completion of the onsite review of the records, the examiner will clean, disinfect, and store their equipment and clean and sanitize the work area. At the end of the workday, the examiner will notify the dealership's designated contact person that the onsite portion of the exam has been completed and that the written portion of the exam will be completed offsite.

The written report of examination is delivered by email through the ALECS system. If an exit interview is required or requested, the examiner will coordinate with the compliance officer prior to delivery of the report through the ALECS System.

Respectfully,

Huffman Lewis

Huffman Lewis
Director of Consumer Protection
Office of Consumer Credit Commissioner