

Thrift Investment Corporation

720 King Georges Post Road, Fords, NJ 08863-0538
P.O. Box 538 Fords, NJ 08863
732-738-9100 Fax 732-738-1905

Thrift UCC Article 9 and Risk Based Pricing Rule

Amendments to Article 9 of the Uniform Commercial Code (UCC) were proposed in 2010 and various revisions have been adopted throughout the country. UCC Article 9 is important to our industry because it is the law that governs secured transactions in automobile financings. The amendments to Article 9 clarified, amongst other things, the proper naming of the debtor on a financing statement.

The new amendments require that if the borrower is an individual, that has been issued a driver's license by the State and it has not expired, the financing statement must provide the name of the individual as indicated on the driver's license. Further, if the State has issued multiple drivers' licenses to an individual, the name on the most recent license is to be used. If the borrower or co-signor does not have a driver's license, then the borrower's actual name or the borrower's surname and first personal name may be used on the financing statement.

Accordingly, all contracts transmitted to Thrift Investment Corp. for consideration must include copies of the most recently issued driver's license/identification card for the borrower and co-signors. The borrowers listed on all contracts must match the names indicated on the driver's licenses/IDs. The failure to meet such requirement will result in the loan being rejected or returned for correction.

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REMINDER

As per our January 2015 Memorandum on Risk Based Pricing Rule, the Federal Reserve Board and the Federal Trade Commission requires compliance with the Risk-Based Pricing Rule. The Risk-Based Pricing Rule requires that any company, that uses a credit report or score about a credit decision, to send notice to a consumer when, based on a credit report or score, the company grants credit on “material terms that are materially less favorable than the most favorable terms available to a substantial portion of consumers”

The Risk-Based Pricing Rule provides that the party to whom the loan is initially payable must deliver the Risk-Based Pricing Notice. Such notice is required to be given to the consumer *before* consummation of the transaction. Guidance provided by the Federal Reserve Board makes it clear that in an auto lending transaction, the obligation to provide such notice is on the party to whom the credit obligation is initially payable -- *the dealer under the retail installment contract*. The obligation to deliver the notice remains with the auto dealer even when the loan is subsequently assigned to Thrift Investment Corporation.

Accordingly, you must comply with the Risk-Based Pricing Rule for all loans being assigned to Thrift Investment Corporation. The failure to comply with the Risk-Based Pricing Rule will result in Thrift rejecting a loan assignment. If you have any questions, please give me a call.

Thank you,

Bruce P. Kerzic
President