
PRESERVATION OF CONSUMER CLAIMS AND DEFENSES

(HOLDER IN DUE COURSE)

REVIEW CONSIDERATIONS

Review Considerations

Review Area	Requirements / Recommendations
Policy/Procedures	Adopt policy and comprehensive procedures for implementing the Preservation of Consumers' Claims and Defenses rule.
Coverage	This rule applies to entities that sell and finance consumer goods.
Exemptions	Any seller who has taken or received an open end consumer credit contract before November 1, 1977, is exempt from the requirements of 16 CFR part 433 with respect to that contract, provided the contract does not cut off consumers' claims and defenses.
Disclosures	<ul style="list-style-type: none">• The consumer credit contract must contain the following provision in at least ten point, bold face, type:<p style="text-align: center;">NOTICE</p><p style="text-align: center;">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.</p><p>• The creditor must not accept, as full or partial payment for such sale or lease, the proceeds of any purchase money loan (as purchase money loan is defined herein), unless any consumer credit contract made in connection with such</p>

	<p>purchase money loan contains the following provision in at least ten point, bold face, type:</p> <p style="text-align: center;">NOTICE</p> <p style="text-align: center;">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 WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.</p>
Training	Ensure that the lending department is aware of all aspects of the rule.
Updating	Update policies and procedures to reflect changes in the rule.
Internal Review	Conduct an internal review at least annually to assess compliance with the rule and conformity of the credit union's practices with its policies and procedures.