



## Partner Eric Johnson comments for Automotive News article on remote car sales

April 22nd, 2020

On April 22, *Automotive News* published an article addressing the issues that can arise from dealers wanting to increase remote car sales during the COVID-19 pandemic and beyond. According to the article, the practice could expose dealerships to a 45-year-old federal regulation – the Federal Trade Commission’s Cooling-Off Rule – that allows consumers to cancel sales that take place in driveways or third-party locations other than a dealership. If the auto transaction is finalized at a dealership’s temporary location, or if negotiation for the car took place at the dealership or if the car was purchased entirely online, by mail or telephone, it isn’t subject to the rule. To comply, sellers also must verbally inform customers of their right to cancel the sale within three days at the time of purchase.

Hudson Cook partner [Eric Johnson](#) notes that the rule prohibits sellers from negotiating, transferring, selling or sending documents to an auto lender before midnight of the fifth business day after a vehicle sales contract was signed. According to Eric, under the FTC Act, the FTC can seek civil penalties of up to \$43,280 per violation. The FTC also may seek a cease-and-desist order in response to an alleged violation. States also may have their own regulations for sales conducted in remote locations.

Eric assists national and state banks, savings associations, credit unions, mortgage bankers, other licensed lenders, motor vehicles dealers and automotive finance companies in the development and maintenance of nationwide consumer mortgage and automobile finance programs; online motor vehicle sales programs; litigation funding programs; and electronic payment programs.

[Click here](#) to read the *Automotive News* article.

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