



The FTC's CARS Rule and How to Navigate the Future of Auto Finance Regulation

Published May 2025

The Federal Trade Commission's (FTC) years-long effort to impose a set of rules has endured a roller-coaster ride over the past few years. The Combating Auto Retail Scams Rule (CARS Rule) aims to change how dealers sell cars and affects lenders who finance car loans. While the rule was vacated in January by the Fifth Circuit, a review of its history provides insights into what to expect going forward.

Let's first take a quick look back at the CARS Rule and then its current status. Back in 2022, the FTC announced an effort to put a stop to "bait-and-switch" tactics used by some disreputable car dealers, as well as eliminating hidden or "junk" fees.

In 2023, the FTC finalized the CARS Rule, introducing new requirements that affect dealership sales practices and have implications for finance companies that acquire retail installment contracts from those dealers. This rule builds on a series of FTC enforcement actions targeting auto dealers and was originally scheduled to take effect on July 30, 2024.

Some of what the rule would prohibit includes:

- Auto dealers from providing false or misleading statements about "material" facts.
- Dealers from failing to disclose the full cash price anyone can pay for the vehicle.
- Dealers from charging for add-on products that provide no benefit to the customer.
- Dealers from failing to get consumers' express, informed consent before charging them for anything.
- Dealers from misrepresenting that they are affiliated with any military or government organization.

The rule also imposed new recordkeeping requirements on dealers, and included provisions aimed at assisting veterans.

Many of the specific rules were welcomed by reputable car dealerships, as unscrupulous dealers unfairly competed by offering lower prices online, only to hike the price or include pricey add-ons in-person. The FTC estimated that “the CARS Rule would save consumers more than \$3.4 billion and an estimated 72 million hours each year shopping for vehicles by targeting persistent and illegal bait-and-switch scams and junk fees in the car buying process.” ([Federal Trade Commission, 2024](#))

However, in 2024, the FTC delayed the rule’s effective date to allow for judicial review, following a legal challenge from a pair of industry groups.

On January 27, 2025, just days into the new administration, the Fifth Circuit Court of Appeals vacated the Rule holding that the FTC was in violation of its own rule-making procedure, sending the rule back to the proverbial drawing board. But restarting the process won’t be as easy as flicking a switch.

Although the court’s ruling effectively nullified the proposed CARS Rule, and the FTC may pursue a different rulemaking agenda, auto dealers are still subject to existing FTC rules. Several of these already prohibit conduct that the CARS Rule was designed to eliminate.

Regardless of what happens in Washington, DC, many state legislatures, regulatory agencies, and attorneys general could seek to fill the void by aggressively pursuing their own state law version of the CARS Act.

In fact, just prior to the Trump administration taking office, the Consumer Financial Protection Bureau (CFPB) issued a last-minute report that urged states to take action. States and AGs in Illinois, Arizona, New York and Pennsylvania were active in 2024 with aggressive enforcement campaigns targeting deceptive advertising and financing practices at dealerships.

In February, California legislators introduced [SB 766](#), the California Combating Auto Retail Scams (CARS) Act, which would accomplish many of the same goals as the FTC’s version. If it becomes law, the bill would also impose additional consumer-friendly provisions, including, a mandated 10-day right to cancel, and a ban on waivers. Any waiver of any provisions of the Act would be deemed contrary to public policy and unenforceable. Additionally other states are leveraging their unfair practices laws to target auto dealerships and auto lenders where they find problematic consumer financial products and services.

The uncertain nature of the regulatory environment—at the state and federal level—demands that auto dealers and lenders take action to remain in compliance with existing laws and stay ahead of the curve with any new rules on the horizon.

That’s where CrossCheck’s experienced team can partner with your compliance team. An outsourced, independent review of auto finance programs, covering the various operational and regulatory compliance elements applicable to the auto loan life cycle, including origination and servicing processes, policies, procedures and performance is essential to healthy and compliant operations.

That's the difference – instead of worrying about the increasingly complex web of regulation and compliance requirements, your team can lean on a partner with their finger on the pulse and the experience to help you stay in compliance with the regulatory requirements and navigate the ever changing regulatory landscape to reduce risk.