

Holder in Due Course Rule (HIDC)

Description:

Formally titled “Preservation of Consumers’ Claims and Defenses”, the Rule was developed under the FTC’s authority to regulate Unfair and Deceptive Acts or Practices (UDAP) and was designed to protect consumers involved in certain third-party finance situations. The Rule ensures that any holder of a loan contract or consumer credit contract is subject to all claims and defenses the debtor could assert against the seller.

Dealer Relevancy:

- The Rule requires sellers to include specific “Holder” language in the text of any consumer credit contract which they execute with a buyer. The language must be in at least ten point, bold-faced type.
- The Rule applies to any transaction that is subject to the Truth In Lending Act.

HIDC



Covered entities:

BHPH

3rd Party Finance

Rulemaking Authority:

FTC