



NEGATIVE TRADE EQUITY POLICY

CREDIT APPLICATIONS

Credit applications for retail transactions which include a Trade-in must have the Net Trade field reflect the appropriate positive or negative value.

NEGATIVE EQUITY

The financing of negative trade equity is permitted in all states. To comply with Regulation Z, all negative trade equity amounts must be properly disclosed in the Itemization of Amount Financed section of the retail installment sale contracts. The cash selling price must never be inflated to include the amount of negative trade equity.

Ally may purchase retail installment contracts that include negative equity, subject to proper contract disclosures, in all states. Contracts may use either the Netting or Non-Netting method of disclosing negative equity, provided that the disclosures are made appropriately and consistent with the intended approach of the contract form being used.

PRIOR LEASE BALANCES

There are retail restrictions on the financing of prior balances due from a returned lease. A prior lease balance is not negative equity as consumers do not have equity in a lease. A prior balance is defined as any charge the lessee incurs for returning their lease vehicle early, or because the vehicle has excess miles or excess depreciation.

Ally may purchase retail installment contracts that include unpaid lease charges, subject to proper contract disclosures, in all states except the following states where it is not permitted:

**Alabama
Indiana
Virginia
Wyoming**

**Arizona
New York*
West Virginia**

**Colorado
Vermont**
Wisconsin**

* New York permits financing of the unpaid portion of early termination obligations, but not excess miles or depreciation charges due at scheduled termination.

** Financing of Negative equity and Prior Lease Balanced is restricted in VT restrictions to transactions for personal use (or commercial use with Cash Selling Price \leq \$20,000).

Updated March 21, 2024

Questions? Contact your Ally Account Executive or Underwriter