



Installment Payment Program (IPP)

The Installment Payment Program (IPP) gives customers the option to purchase Extended Service Plan coverage in 5, 11 and 17 monthly installments using their MasterCard, Visa, Discover charge cards, monthly direct debit from their checking/savings account or monthly invoicing.



Note: It is imperative that all **bolded** items are followed in accordance with the program rules.

IPP Guidelines

Eligibility

All Ford ESP New and Used Plans for 12 or more months of coverage may be purchased using IPP. The IPP payment term cannot exceed the expiration date of the ESP contract.



You may now utilize 5- and 11-month payment terms with 2-year/24,000-mile contracts.

ESP Coverage Term	Eligible IPP Financing Term
12 months	5 months (only)
24 months	5 or 11 months (only)
Greater than 24 months	5, 11 or 17 months

Application/Registration

The Budco Financial Services Retail Installment Contract can now be completed online by going to ippforesp.budco.com. Follow these easy steps:

1. Click on the Online Forms icon at the top of the home page.
2. From the dropdown window at the bottom of the forms page, choose the state where your dealership is located.
3. Click on the View button.
4. Complete the form. Print three copies: one for the dealer, one for the customer and one for Budco Financial Services.

IPP Contracts are registered using the Extended Service Plan System (ESPS). Complete the forms listed below:

- Application for Service Contract form (FCS-8240)
- The Budco Financial Services (BFS) Retail Installment Agreement form (IPP-RIC-01 through 09). After completing the Budco Financial Services (BFS) Retail Installment Contract, mail the white copy to BFS. Retain the canary copy in the customer's file at the dealership, and present the pink copy to purchaser:

1. Complete the "Purchaser" section.
2. Complete the "Selling Dealer" section.
3. Complete the "Truth-in-Lending Disclosure" section.
4. Complete the "Itemization of Amount Financed" section. **Notice the requirement for at least a 10% down payment.**
5. Select Purchaser Payment Program Options – select either Credit/Debit Card, Direct Debit to customer's checking/savings account, or Monthly Invoice.

Note: For contracts processed using a Retail Installment Contract that does not have the Direct Debit to a customer's checking/savings account section, simply choose the monthly invoice payment option and print on the top of the Retail Installment Contract, "Direct Payment."

6. Signatures required – both Purchaser and Dealer.
7. Assignment – Dealership authorized signature required.

- After completing the form, register via ESPS

In addition to the procedures on the previous page, if the customer has selected the Installment Payment Program (IPP) and chose the credit card or direct debit to customer's checking/savings account payment method, the completed and signed BFS Retail Installment Agreement form **must be faxed to IPP Program Headquarters within 24 hours.**

- For customers choosing the Direct Debit to checking/savings account payment method, complete the Supplemental Authorization Agreement for direct payments form (IPP-ACH), and fax to BFS with the Retail Installment Contract
- The fax number is (888) 846-9136 and is operational 24 hours per day
- Original Retail Installment Contract must be mailed to:

**Budco Financial Services
P.O. Box 3178
Highland Park, MI 48203-9901**

Telephone: (888) 368-8462
Website: ippforesp.budco.com

Note: The Ford ESPS registration system will not accept personal credit card information.

Note: It is imperative that this process is conducted at the same time the ESP/IPP is entered via ESPS, **otherwise coverage will not be put in force and billing will not occur.**

Note: When selling multiple contracts to an ESP purchaser, a separate Retail Installment Contract must be completed for each Extended Service Plan sold.

- If unable to complete the IPP process, contact **IPP Dealer Assistance Line at (888) 368-8462**

When Customer Payments Are Due

- For customers choosing the monthly invoice or credit/debit card payment method, the customer's first payment to Budco Financial Services will be due approximately 22 days from the day Budco Financial Services is able to establish an account for billing
- Customer choosing the direct debit to checking/savings account monthly payment method may choose to have their monthly payment drawn from their checking/savings account on the 1st or the 15th of each month

Credit Card Authorization

- The credit card authorization will be obtained by IPP Program Headquarters

DO NOT:

- Contact MasterCard, Visa or Discover for payment authorization
- Complete a credit card sales slip
- Submit authorization form to any bank or customer convenience payment plan office



Note: Failure to follow these guidelines may result in a duplicate charge to the customer's account.

Acceptance of the Contract Activation

- If the contract is not eligible for registration, the selling dealer will be notified of the denial by phone, mail or fax. **It is the dealership's responsibility to notify the customer if the application is rejected**
- After validating the contract for registration eligibility, the ESP contract will be moved from a "pending" status and made "active" in the ESPS system
 - **It is the selling dealer's responsibility to obtain a minimum 10% down payment from the customer at the time of sale**
 - This payment should be reported in the Down Payment field on ESPS
 - If the Down Payment field does not indicate a dollar amount equal to or greater than 10% of the contract price plus tax, the contract will not be accepted in ESPS

Contract Activation

- After the contract is activated:
 - A debit will appear on the selling dealer's Dealer Daily Register (DDR) under the customer's name and Vehicle Identification Number (VIN)

Dealer Cost


Dealers will be assessed an IPP administrative fee for each ESP contract sold using the Installment Payment Program. This amount varies depending on the IPP finance term and financed amount, and the Prime Rate of interest.

Finance Term	Amount Financed	Administrative Fee*
5 Months 11 Months	Less than \$1,600	\$90
5 Months 11 Months	Equal or greater than \$1,600	\$120
17 Months	Less than \$1,600	\$135
17 Months	Equal or greater than \$1,600	\$175

* IPP fees will be adjusted based on the prime rate of interest.

Decreases in Administrative Fees will be displayed on www.fmcdealer.dealerconnection.com. Increases in Administration Fees will also be displayed on www.fmcdealer.dealerconnection.com with a letter sent to all participating dealers stating any increase in the Administrative Fees. Current fees will also be displayed on the IPP Web site “ippforesp.budco.com.”

Dealer Payment

 Budco Financial Services will prepare and distribute monthly dealer statements and include a remittance in the form of a check to the selling dealer. **Budco Financial Services will no longer require receipt of the first installment payment from the customer prior to issuing a remittance check to the selling dealer, making dealer payment processing faster.** Dealer payment for a contract successfully processed through IPP will occur once a month. The monthly dealer statement will net out over a period beginning with the 5th of the previous month through the 4th of the current month, and will include the following ESP contract/account transactions:

- Activations
- Downgrades
- Reinstatements
- Upgrades
- Cancellations

If for a given month the total of all debits and credits from the transactions defined above nets a negative balance, dealers will be sent a dealer statement and the applicable negative balance will be billed through the Ford Motor Co. ARMIS billing process. The dealer debit will then hit the dealer's Parts Statement.

The IPP administration fee will be considered fully earned for any ESP contract canceled on a “Pro Rata” basis. The remittance process to the dealer will be based on selling price + sales tax (if applicable) – (minus) down payment – (minus) the one-time IPP dealer processing fee

It is a strict condition of the IPP that the purchase price of an eligible ESP contract offered to each customer will not vary depending on whether the purchaser chooses to finance the ESP purchase instead of paying cash. Further, no incremental charges may be assessed under any circumstances by the reason of the purchaser electing IPP, nor shall any discount be offered or made in any manner to entice the purchaser to pay cash.

Customer total amount paid to date information may be obtained by contacting IPP Program Headquarters. For customer support: (888) 352-7901; for dealer support: (888) 368-8462.

Non-Payment Procedures After Activation

If IPP Program Headquarters is denied payment by the customer's credit card company (for the credit card auto-debit payment method), denied payment by customer's banking institution (for direct debit to checking/savings account payment method) or if the customer fails to make payments in response to a monthly statement (for monthly statement payment method) during the payment schedule:

- The customer will be issued two notifications explaining the billing denial and/or failure to make payment by its due date, and the potential cancellation status of the contract
- The letter will request a valid credit card number and/or payment of the amount past due, payable by a check or money order



Note: *The Vehicle Identification Number, or Customer Account Number, must be included on the check or money order.*

- If the customer responds within the established time frame with the appropriate information and/or past due amounts, the contract will remain active and billing will continue until all payments are made
- If the customer does not respond to the late notice and a customer becomes 60 days late on any payment, the ESP contract will be canceled based on months or miles used, whichever is greater. A letter will be issued to the customer explaining the cancellation, and the appropriate refund (if applicable) will be mailed to the customer in the form of a check by IPP Program Headquarters for customers choosing the invoice or direct debit to his/her checking/savings account payment option. Customers choosing the credit card payment option will be issued a credit to their credit card for any applicable refund due
- In the event the customer does not provide sufficient funds to the dealer for his/her down payment of the ESP contract, or the down payment was paid by credit card and then charged back, the dealer is responsible to notify ESP headquarters within 30 days of the contract signature date for review. If notification is not provided within 30 days of the contract signature date, ESP Headquarters will not review for cancellation, as monthly payments by the customer will have already begun, and the issue of non-sufficient funds or charge back on the down payment is between the selling dealer and the retail customer

IPP Correcting Contracts

- All IPP corrections must be made by faxing a request via a Dealer Request for Action form (FCS-11543) or on dealer letterhead, to ESP Headquarters at (313) 390-3817
- To correct Ford ESP New or Used IPP Plans, see the guidelines outlined in the New Plans and Used Plans Correction sections in the Registration section of this guide

IPP Coverage Change

- To change coverage on Ford ESP New or Used IPP Plans, see the guidelines outlined in the ESP Program Manual
- The coverage change can be purchased or adjusted using IPP as long as the contract is still within the 5-, 11- or 17-month payment schedule. Contracts paid in full cannot be changed using IPP
- Submit the required documentation as outlined in the Coverage Change section of the ESP Program Manual, **and a new BFS Retail Installment Agreement form** (IPP-RIC-01 through 09)
- All changes in billing will be handled by BFS. Do not take any additional funds from the purchaser. A check for increased coverage will be provided within the monthly itemized dealer statement to the selling dealer

- The customer's monthly payment will be adjusted to reflect:
 - The new total price
 - Less any payments received to date
 - Divided by the remaining months of the IPP term
- Dealer cost adjustments will appear as credits/debits on the dealer's monthly parts statement



Note: The selling dealer will receive notification of the debit/credit for the coverage change on their Dealer Daily Register (DDR).

IPP Transfers

- Only ESP IPP contracts that are paid in full are eligible for transfer
- To transfer IPP contracts, see the guidelines outlined in the Transfer section of this guide

IPP Finance Limits

Effective May 1, 2004, ESP financing limits under IPP will be as follows:

- If customer purchase price is less than \$1,600 – No limit based on MSRP
- If customer purchase price is greater than or equal to \$1600 – Limited to 35% above published MSRP

IPP Cancellation Procedures

Canceling ESP Contracts Using the Ford Extended Service Plan System (ESPS)

- All IPP contracts which have been registered and paid in full are eligible for cancellation using ESPS
- All IPP contracts which are NOT paid in full must be forwarded to ESP Headquarters for cancellation
- Follow the guidelines for eligibility and procedures in the Cancellation section of this guide

Cancellation of Contracts Paid in Full

- Cancellations will be issued using the guidelines outlined in the Cancellation section of this guide
- A cancellation worksheet will be issued to the dealer, and a credit will appear on the Dealer Daily Register (DDR)
- Dealers will be responsible for issuing a refund to the customer

Cancellation of Contracts Not Paid in Full

- ESP contracts will be canceled based on months or miles/distance used. A letter will be issued to the customer explaining the cancellation, and the appropriate refund (if applicable) will be issued to the customer in the form of a check or credit to his/her credit card by IPP Program Headquarters. The dealer will be issued a debit on their IPP Monthly Dealer Statement for the unearned portion of the commission remaining on the ESP contract reducing the credit paid for sales processed. Monthly dealer statements with a negative net balance will be mailed, with the corresponding debit to appear on the dealer's parts statement
- The dealer will be issued a credit on the Dealer Daily Register (DDR) for the unused wholesale cost for the cancellation
- If Budco is unable to capture the initial payment from the customer, the contract will be cancelled, due to default. If Ford ESP cancels the contract as a full flat cancellation, the IPP Administrative fee will be refunded, minus a \$50 processing fee



Calculating Equally Prorated/Pro Rata Refunds

For Contracts Not Paid in Full

- In calculating refunds to customers under IPP, the total purchase price (excluding sales tax) is used
- Customers are responsible for 100% of all sales tax (when applicable) at the time of cancellation
- Sales tax is not prorated or included in the prorated calculation, but added on when determining total customer monetary obligation
- Where states permit, a cancellation fee may be assessed to the customer at the time of cancellation
- In determining customer ESP usage, the time elapsed or mileage driven will be used, whichever is greater

The steps to calculate a refund will be demonstrated using the following information as an example:

Contract Information:

- Customer purchased through IPP a New ESP ExtraCARE 5 year/60,000 mile plan
- Signature date is 11/1/2005
- Warranty Start Date was 5/1/2005
- Mileage at time of ESP registration equal to 5,000 miles

Customer IPP Account Information:

- Customer Plan Price equal to \$1,200.00
- Customer Sales Tax equal to \$72.00
- Total Purchase Price equal to \$1,272.00
- Down Payment equal to \$127.20
- Total Amount Financed: \$1,144.80
- Payment term was 11 months
- Customer has made five payments of \$104.07 totaling: \$520.35
- Total customer paid to date including down payment is: \$647.55

ESP Cancellation Information:

- Customer requests cancellation effective 3/12/2006 with 20,000 miles on the odometer

Steps For Determining Customer Refunds:

STEP 1: Determining Months of Service Used

- Determine the number of **months purchased**
 - From the signature date of 11/01/05 to the expiration date of 5/01/09:
Actual number of months purchased = 42 months
- Determine the number of **months used**
 - From the signature date of 11/01/05 to the cancellation date of 3/12/06:
Actual numbers of months used = 5 months
- Determine the **cost per month**
 - Divide the total plan price (\$1,200.00) from the total number of actual months purchased (42 months) to determine the cost per month (\$28.571)
- Determine the **cost for months used**
 - Multiply the cost per month (\$28.571) by the number of months used (5 months) to determine the cost for months used (\$142.86)



Note: Cost per month will be calculated to the third decimal point, to the eleventh decimal point in determining distance. In determining the amount of months used, if one day of a given month is used, the entire month is included in the monthly usage calculation.

STEP 2: Determining Service Used by Mileage

- Determine the **actual mileage purchased**
 - Subtract the plan start mileage (5,000) from the plan mileage (60,000) to determine the number of miles purchased (55,000 miles)
- Determine the **actual mileage used**
 - Subtract the plan start mileage (5,000) from the mileage at the time of cancellation (20,000) to determine the number of miles used (15,000 miles)
- Determine the **contract cost per mile**
 - Divide the contract plan price (\$1,200.00) by the actual mileage purchased (55,000 miles) to determine the contract cost per mile (\$.0218)
- Determine **service used based on mileage**
 - Multiply the contract cost per mile (\$.02181818181) by the actual miles used (15,000) to determine service used based on mileage (\$327.27)

STEP 3: Determining Customer Refund Amount

- From the example above customer used (\$142.86) in service based on months of service used and (\$327.27) based on mileage used
- Add the greater of the two (\$327.00) to the sales tax amount of (\$72.00) to obtain total amount of **Sales Tax and Service Used** (\$399.27)
- Subtract the total of **Sales Tax and Service Used** from the example above from the **total of customer paid to date** to determine **customer refund**.
 $\$647.55 - \$399.27 = \text{customer refund of } \248.28



Note: Cancellation processing fees may also be utilized when determining customer refunds where state-specific rules and regulations permit.

Short Rate Method

For Contracts Not Paid in Full

The steps to calculate a refund will be demonstrated using the following information as an example:

Contract Information:

- Customer purchased through IPP a New ESP ExtraCARE 5 year/60,000 mile plan
- Signature date is 11/1/2005
- Warranty Start Date was 5/1/2004
- Mileage at time of ESP registration equal to 5,000 miles

Customer IPP Account Information:

- Customer Plan Price equal to \$1,200.00
- Customer Sales Tax equal to \$72.00
- Total Purchase Price equal to \$1,272.00
- Down Payment equal to \$127.20
- Total Amount Financed: \$1,144.80
- Payment term was 11 months
- Customer has made five payments of \$104.07 totaling: \$520.35
- Total customer paid to date including down payment is: \$647.55

ESP Cancellation Information:

- Customer requests cancellation effective 3/12/2006 with 20,000 miles on the odometer

Steps For Determining Customer Refunds:

STEP 1: Determining Months of Service Used

- Determine the number of **months purchased**
 - From the signature date of 11/01/05 to the expiration date of 5/01/09:
Actual number of months purchased = 42 months
- Determine the number of **months used**
 - From the signature date of 11/01/05 to the cancellation date of 3/12/06:
Actual numbers of months used = 5 months
- Determine the **cost per month**
 - Divide the total plan price (\$1,200.00) from the total number of months purchased (42 months) to determine the cost per month (\$28.571)
- Determine the **cost for months used** based on Short Rate Calculation
- Determine the **remaining months of service after cancellation**
 - Subtract the months used (5 months) from the number of months purchased (42 months) to determine the remaining months of service (37 months)

- Determine the **Short Rate cost of service used based on months**
 - Multiply the cost per month (\$28.571) by the number of months used (5 months) to get the base cost of service used (\$142.86 prior to short rate calculation)
 - Multiply the cost per month (\$28.571) by the number of remaining months (37 months) \$1,057.13 to determine the base cost of unused service
 - Multiply the cost of unused service (\$1,057.14) by a flat 10%
\$1,057.13 x .10 = \$105.71
- The **Short Rate cost of service used** is calculated by adding the **cost of service used** (\$142.86) and the **10% multiple** (\$105.71) together to obtain the **Short Rate cost of service used** (\$248.57) based on months



Note: Cost per month will be calculated to the third decimal point, to the fourth decimal point in determining the distance. In determining the amount of months used, if one day of a given month is used, the entire month is included in monthly usage calculation.

STEP 2: Determining Service Used by Mileage

- Determine the **actual mileage purchased**
 - Subtract the plan start mileage (5,000) from the plan mileage (60,000) to determine the number of miles purchased (55,000 miles)
- Determine the **actual mileage used**
 - Subtract the plan start mileage (5,000) from the mileage at the time of cancellation (20,000) to determine the number of miles used (15,000 miles)
- Determine the **contract cost per mile**
 - Divide the contract plan price (\$1,200.00) by the actual mileage purchased (55,000 miles) to determine the contract cost per mile (\$.0218)
- Determine the **cost for mileage used** based on Short Rate Calculation
- Determine the **remaining mileage**
 - Subtract the mileage used (15,000 miles) from the mileage purchased (55,000 miles) to determine the remaining mileage (40,000 miles)
- Determine the **Short Rate cost of service used based on mileage**
 - Multiply the cost per mile (\$.0218) by the number of miles used (15,000) to determine the base cost of service used (\$327.00 prior to short rate calculation)
 - Multiply the cost per mile (\$.0218) by the number of remaining miles (40,000 miles) to determine the base cost of unused service based on mileage (\$872.00)
 - Multiply the cost of unused service (\$872.00) by a flat 10%
\$872.00 x .10 = \$87.20
- The **Short Rate cost of service used** based on mileage is calculated by adding the **cost of service used** (\$327.00) and the **10% multiple** (\$87.20) together to obtain the **Short Rate cost of service used** (\$414.20).

STEP 3: Determining Customer Refund Amount

- From the example above customer used (\$248.57) in Short Rate service based on months of service used and (\$414.20) based on mileage used
- Add the greater of the two (\$414.20) to the sales tax amount of (\$72.00) to obtain total amount of **Sales Tax and Service Used** (\$486.20)
- Subtract the total of **total sales tax** and **Service Used** from the example above from the **total of customer paid to date** to determine **customer refund**
 $\$647.55 - \$486.20 = \text{customer refund of } \161.35



Note: Cancellation processing fees may also be utilized when determining customer refunds where state-specific rules and regulations permit.

Calculating the Dealer's Earned Commission

For Equally Prorated/Pro Rata Refund Method

The steps to calculate a dealer's commission will be demonstrated by utilizing the information used to calculate the customer's refund amount above. In this example, dealer cost is \$200.

- Determine the **dealer's full commission** by subtracting the dealer's purchase price minus the BFS fee from the amount financed through the IPP
 - \$500 purchase price – (minus) \$200 dealer cost – (minus) \$90 IPP processing fee = \$210 dealer's full commission
- Determine the **commission rate by months or miles** (whichever is applicable) by dividing the dealer's full commission by the number of months or miles (whichever is applicable) purchased
 - \$210 dealer's full commission ÷ 60,000 miles purchased = 0.0035 commission rate by miles
- To determine the **dealer's earned commission**, multiply the commission rate by months or miles (whichever is applicable) by the number of months or miles (whichever is applicable) used
 - 0.0035 commission rate by miles x 15,000 miles used = \$52.50 dealer's earned commission

Selling dealers who fall into an IPP balance owing situation for any given month, for whatever reason, will be invoiced accordingly via the Accounts Receivable Miscellaneous Invoicing System commonly referred to as ARMIS.

Reinstatement of Contracts Canceled in Error

- Reinstatement of a contract **canceled in error** can be processed only once during the contract coverage period
- Requests must be postmarked or faxed (to ESP Headquarters) within 30 days of the original cancellation request date
- All reinstatement requests must be submitted by the original selling dealer of the contract
- Reinstatements must be requested on a completed and signed Dealer Request for Action form (FCS-11543) or on dealer letterhead. Please include a copy of the cancellation worksheet on which the cancellation credit or debit appears
- Contracts canceled where the purchaser is outside their base warranty by time or mileage will not be eligible for reinstatement.
- Used Vehicle contracts that cancel due to a default in payment are not eligible for reinstatement