



Partner Eric Johnson comments for MidAtlantic DealerNews on electronic contracting for auto dealers

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The COVID-19 pandemic has created an even greater need for auto dealers to be able to offer more of the purchase process to be done virtually. In the March 2021 issue of *MidAtlantic DealerNews*, a publication by the MidAtlantic Regional Independent Automobile Dealers Association, Hudson Cook Partner Eric Johnson weighs in on compliance issues facing buy here pay here dealers as they look to digitize finance contracts, often referred to as E-Contracting.

Eric defines E-Contracting as the process by which the retail installment sales contract and other ancillary documentation is signed by electronic means by the buyer(s). He cautions dealers when using a generic e-signature tool that is not designed for auto finance transactions. "The dealer didn't have a system for maintaining control of its electronic chattel paper and its finance source wasn't able to perfect its interest in the electronic chattel paper by control," Eric said. "In addition, the generic e-signature tool didn't provide a method for the conversion of the electronic chattel paper into tangible chattel paper, a process known as papering-out or converting the digital documents to paper." Eric noted that a dealer wanting to adopt e-contracting at their dealership should really do their homework on the vendor first and understand if the vendor's e-signature tool was designed for auto finance transactions and their financing sources requirements.

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. Eric also assists DMS providers of documents and software with federal and state law compliance. He provides responses to regulator examinations; provides comments on proposed statutes and regulations to legislators and regulators; and assists financial services creditors with statutory and regulatory changes occasioned by the Dodd-Frank Act. Eric also assists financial services providers on e-commerce and information technology issues.

Read the full article on pages 14-16 of the March 2021 issue of [MidAtlantic DealerNews](#).

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