

Please Vote Yes on HB 1342 (Moreno/Cooke)

HB 1342 is good for consumers and local Colorado businesses

Current Law:

Under current Colorado statutes, any person who sells, offers for sale, leases or otherwise deals in three (3) or more motor vehicles in any 12-month period is presumed to be engaged in the business of a motor vehicle dealer and must be licensed.

Problem:

Unlicensed individuals with a commercial purpose in mind are selling more than three (3) total loss, salvage, junk or non-repairable or similarly branded vehicles within a 12-month period without adhering to the current licensing requirement found in the Colorado statutes.

There is no process in place to keep cumulative track of these sales to enforce the sales limitation and trigger licensure when the limit is reached.

Proposed Solution – PASS HB 1342:

1. Bill would require proper and necessary retention of records from individuals selling vehicles thereby increasing consumer awareness of a vehicle history and also provide proper tools to law enforcement;
2. Bill would provide the Department of Revenue with the tools necessary to enforce the current Colorado statutes through the establishment of a statewide reporting database.
3. Bill would require the seller of a total loss, salvage, junk, non-repairable or similarly branded vehicles to report to the database pertinent transaction information involving such vehicle.

HB 1342 WILL NOT:

1. Impose burdensome requirements on licensed businesses since licensed business retain the ability to report to the database given the large volume of inventory they transact.
2. Duplicate information available through the National Motor Vehicle Title Information System (NMVTIS).
3. Limit the market or exclude private purchasers from the salvage auctions.

Why HB 1342 is good for Colorado Consumers:

Enforcing current Colorado statutes will level playing field for all parties involved while keeping the salvage pools and auctions open to the public.

Individuals who benefit from the current lack of enforcement will be deterred from engaging in business activities and enterprise without acquiring proper licensing.

The database will help to facilitate multistate communication which will reduce the potential of individuals unknowingly purchasing salvage vehicles which cross state lines without disclosure of damage to consumers.

The database requirements will deter criminal entities from attempting to purchase these vehicles for criminal purposes.

Colorado will benefit from much-needed tax revenue which exporters avoid when these vehicles are shipped abroad.



For Auto Recyclers, Salvage Yards, and Junk Yards

- [The Role of NMVTIS](#)
- [NMVTIS Reporting Requirements/No State is Currently Reporting on Behalf of Junk and Salvage Yards](#)
- [NMVTIS Reporting Requirements and State Laws](#)
- [Reporting Methods](#)
- [Approved Third Party Data Consolidators for Auto Recyclers, Junk Yards, and Salvage Yards](#)

The Role of NMVTIS and How it Works for Auto Recyclers, Salvage Yards, and Junk Yards

Please contact an approved third party data consolidator listed below alphabetically for more information on reporting methods and technical specifications

NMVTIS serves as a repository of information related to vehicles that have been in the possession of auto recyclers, junk yards and salvage yards. This repository is then used by states and consumers to ensure that junk or salvage vehicles are not later re-sold and ensures that the VINs from destroyed vehicles can never be used for a stolen auto (see www.nicb.org). Thieves use the VINs from destroyed vehicles because they know that the true VIN will never appear again on the road and because they know that if the VINs are reported to state motor vehicle titling agencies, there is a strong likelihood that the reporting may not result in a flagged or retired record (also known as a "kill title" report). Because NMVTIS reporting is mandated and because consumers and states can access the information, the system makes it much easier to detect attempts to use VINs from destroyed or salvage vehicles in cloning operations.

Although not required, NMVTIS can also serve as a tool for junk and salvage yards to check a vehicle history for any reason before accepting the vehicle into inventory.

NMVTIS Reporting Requirements for Auto Recyclers, Salvage Yards, and Junk Yards

Data To Be Reported

Auto recyclers, junk yards and salvage yards are required to provide NMVTIS with the following information on each vehicle received into inventory every month:

- The name, address, and contact information for the reporting entity.
- VIN.
- Date the automobile was obtained.
- Name of the individual or entity from whom the automobile was obtained (for USE BY law enforcement and appropriate governmental agencies ONLY).
- A statement of whether the automobile was crushed or disposed of, or offered for sale or other purposes.
- Whether the vehicle is intended for export out of the United States.

The Anti-Car Theft Act, defines junk and salvage yards "as individuals or entities engaged in the business of acquiring or owning junk or salvage automobiles for resale in their entirety or as spare parts or for rebuilding, restoration, or crushing." Included in this definition are scrap-vehicle shredders and scrap-metal processors, as well as "pull- or pick-apart yards," salvage pools, salvage auctions, and other types of auctions, businesses, and individuals that handle salvage vehicles (including vehicles declared a "total loss").

A salvage pool is an entity that acquires junk and salvage automobiles from a variety of parties and consolidates them for resale at a common point of sale. Both the Department of Justice and the state and local law-enforcement community are concerned that a significant number of these junk and salvage automobiles purchased from salvage pools have their VINs or titles used to create cloned vehicles, or otherwise make stolen vehicles appear legitimate. Such entities must report all salvage or junk vehicles they obtain, including vehicles from or on behalf of insurance carriers, that can reasonably be assumed to be total loss vehicles.

Exceptions to Reporting Requirements

Auto recyclers and junk and salvage yards are not required to report any vehicle that is determined not to meet the definition of salvage or junk after a good-faith physical and value appraisal conducted by qualified appraisal personnel, entirely independent of any other persons or entities.

Auto recyclers and junk and salvage yards that handle fewer than five vehicles per year that are determined to be salvage (including total loss) or junk are not required to report to NMVTIS consistent with federal legal requirements for automobile dealers.

Junk and salvage yards will not be required to submit reports to NMVTIS if they already report the required information to the state in which they are located and that state provides the required information for the junk and salvage entities to NMVTIS. Junk and salvage yards are responsible for ensuring that the state is reporting the required information to NMVTIS.

Supplemental Reporting

Because some junk or salvage yards may hold vehicles for several months or years before a final disposition (e.g., crushed, sold, rebuilt) is known, some junk and salvage yards may need to provide a supplemental or additional report at the time of disposition or within 30 days of the date of disposition. The NMVTIS regulations do not preclude a junk or salvage yard from reporting the disposition of a vehicle at the time of first reporting, if such a disposition is known with certainty. Junk and salvage yards are responsible for ensuring the accuracy and completeness of their

reporting and for providing corrected information to the system, should the disposition be changed from what was initially reported.

NMVTIS Reporting Requirements and State Laws

The Department of Justice recognizes that many state laws have differing requirements and definitions of terms of such as "junk" and "salvage." The NMVTIS requirements do not alter these state laws and the state laws do not prevail over federal definitions and requirements. The information reported to NMVTIS is not required to be used by any future state that titles a vehicle included in an auto recycler, junk or salvage yard report. The NMVTIS reporting requirements do not replace or negate any state reporting requirements.

Reporting Methods

Auto recyclers, junk yards, and salvage yards must submit the required monthly reports to NMVTIS through third party organizations that have agreed to provide this service. Reporting can be as frequently as desired, but not less frequently than monthly. The Department of Justice encourages all reporters to submit information to NMVTIS as soon as possible to prevent fraud and theft and to protect consumers.

Approved Third Party Data Consolidators for Auto Recyclers, Junk Yards, and Salvage Yards

Please contact data consolidators for more information on reporting methods and technical specifications.

AAMVA Single VIN Reporting Service

Web site: www.aamva.org/NMVTIS-Reporting-Service

AUDATEX

Phone: 1-800-237-3463

AUTO DATA DIRECT, INC.

Free and Full Service NMVTIS Reporting

Web site: www.add123.com

Telephone: 1-866-923-3123

Insurance: insurance@add123.com

Salvage: salvage@add123.com

INSURANCE SERVICES OFFICE (ISO)

ISO ClaimSearch Customer Support

Phone: 1-800-888-4476

E-mail: claimsearchnmvtis@iso.com

Web: www.iso.com/nmvtis

Scam Alert: Used Cars

If you're buying a used vehicle, heed the warning, "Buyer beware!" You may be buying a vehicle that was on its way to the salvage yard or a stolen car that you won't be able to register. To help prevent these problems, the US Department of Justice offers an electronic database called the **National Motor Vehicle Title Information System (NMVTIS)**.

- Protect states and consumers from fraud
- Protect consumers from unsafe vehicles
- Keep stolen vehicles out of interstate commerce
- Reduce the use of stolen cars for illicit purposes
- Help law enforcement agencies reduce vehicle-related crimes

NMVTIS gathers its information from several sources, including state motor vehicle departments, insurance companies and salvage yards. By law, NMVTIS information is available for a small fee to potential buyers. This includes businesses that purchase used automobiles and commercial buyers, such as car dealers and lenders who finance car purchases. NMVTIS has information on many vehicle types, including automobiles, buses, trucks, motorcycles, recreational vehicles, motor homes and tractors.

Vehicle Brand History

An important piece of information provided by NMVTIS is the vehicle's *brand* history. The brand is the descriptive label each state places on a vehicle to identify its current or previous condition. For example, a vehicle that has incurred significant damage is often branded as a "junk" or "salvage" vehicle.

Once a state motor vehicle department brands a vehicle, that brand becomes a permanent part of the vehicle's NMVTIS record. Knowing a vehicle's brand helps buyers avoid scams where vehicles marked for the salvage yard are cleaned up and resold.

A scam artist can easily "wash" - i.e., remove - a brand from a vehicle's title. The vehicle is retitled in a state that doesn't check with other states to determine whether it has existing brands not shown on the vehicle's paper title. Then, the vehicle is sold without disclosing its brand history and condition.

After Hurricane Katrina, many cars flooded by salt water were taken from Louisiana to states that don't "brand" flood vehicles. The cars were cleaned up and sold to unsuspecting consumers.

NMVTIS is designed to prevent a vehicle's history from being concealed. The system allows a state to check a vehicle's brand history from all other states before it issues a new vehicle title.

Cloned Vehicles

NMVTIS can detect a "cloned" vehicle. A cloned vehicle is a stolen vehicle that has had its vehicle identification number (VIN) removed and replaced with the VIN of a legally owned vehicle of the same make, model and year.

With a valid VIN number, a stolen vehicle often goes undetected by state motor vehicle departments, law enforcement and unsuspecting consumers. The cloned vehicle might be sold to a consumer or used to carry out a crime.

Vehicle cloning is a growing problem. According to the National Insurance Crime Bureau, estimated profits from vehicle cloning in the United States exceed \$12 million a year, and each cloned vehicle nets an average of \$30,000.

By checking NMVTIS, state motor vehicle departments can identify suspected stolen vehicles before issuing a new title. The system reveals whether the same VIN is issued to another vehicle. Law enforcement can be notified immediately.

State Implementation

States using NMVTIS have time and cost savings in their motor vehicle departments, decreased motor vehicle thefts and improved stolen vehicle recovery. Arizona, for example, has experienced a 99% recovery rate on vehicles identified as stolen and a decrease in consumer lawsuits involving vehicles with concealed brands.

States use different standards and terms in branding vehicles. For example, the "salvage" brand definition may be based on dollar value. A car could be branded as salvage in one state, but not another due to such differences.

Categories of brand designations aren't uniform among the states. Louisiana, for example, had a brand designation of "flood" vehicle, and many flood-damaged vehicles were taken to and retitled in states without that brand. NMVTIS shows a vehicle's reported brand designations from all states; relocation won't "wash" its brand history.

The goal of NMVTIS is that all states use it to prevent consumer fraud and vehicle-related crimes. Presently, more than half of the states report data to NMVTIS. The remaining states must begin reporting by January 1, 2010. Insurance carriers and junk and salvage yards must begin reporting by March 31, 2009.

Check NMVTIS before Purchasing a Used Vehicle

Use NMVTIS data as you plan your vehicle purchase. An NMVTIS vehicle history report includes:

- Information from the vehicle's current title, including its brand history
- The latest reported odometer reading
- An insurance company's designation that the vehicle is a "salvage" vehicle or was determined to be a total loss
- Any reports that the vehicle has been transferred or sold to a junkyard, salvage yard or auto recycler

You can check out the VIN of the vehicle you are considering purchasing on the [NMVTIS Web site](#). Currently, the cost of an NMVTIS vehicle history report ranges from approximately \$2 to \$4 per report. The report also includes a link to access the full vehicle title record from the state in which the vehicle is currently titled.

Title-washing' flooded cars a lucrative, if shady, business

By SARAH MASLIN NIR
The New York Times

BORDENTOWN, N.J. — At the far end of an enormous hangar, used cars rolled up one by one to the auction block. They had been buffed to a shine, but some carried telltale signs of damage. Puckered leather seats, a hint of mildew, headlights beaded with condensation. Just over two months ago, they had filled with seawater during Hurricane Sandy.

One buyer at the Manheim car auction last Wednesday, Hakim Shittu, was looking for totaled vehicles to export to Nigeria, where they would be fixed up and resold; but these, he said, were too far gone. Saltwater destroys cars, he explained, and even when rebuilt they can be unsafe. "I never buy the flooded ones," he said.

But all around him, other buyers showed no such compunction. The flood-damaged vehicles sold briskly, for \$2,600, \$5,300, \$3,000. Some were to be dismantled into salvageable parts, such as wheels and fenders; some were to be melted down for their rubber and steel. And yet, while all have titles branding them flood cars, not all were destined for the scrap heap.

Many were headed to out-of-state resale markets where, because of inconsistencies in state laws, buyers will have no inkling that the vehicles were so damaged by floodwaters that insurance companies deemed them a total loss.

"People masquerade those things as perfectly good vehicles without any hint that they had been flooded or exposed to water," said Frank Scafidi of the National Insurance Crime Bureau, an industry-financed nonprofit organization that investigates insurance fraud and vehicle theft. "There is a market for these vehicles, even though we might never want to see them on the road again."

Though this practice provoked outrage after Hurricane Katrina and other major storms, dealers and industry experts said the brisk trade in flood-damaged cars since Hurricane Sandy had highlighted how legislative efforts at the state and federal levels have failed to stem the resale market.

The Insurance Crime Bureau said more than 230,000 cars were damaged by the hurricane, predominantly by the ocean water that surged into seaside communities, filling engines and interiors with sand and corrosive saline.

Once the vehicles are declared a total loss, specialized firms swoop in on behalf of insurance companies to tow away, spruce up and resell the cars. One of those companies, Insurance Auto Auctions, which estimates it is handling about 40 percent of the region's storm-damaged cars heading to the salvage market, employs people to study weather forecasts and predict where the next disaster will be.

For the hurricane, the company sent 400 tow trucks to the area and leased huge holding facilities before the storm hit. One of those was an airport in Calverton, on Long Island, at a rate of \$2.7 million for the

year, according to Sean Walter, the town supervisor of nearby Riverhead. Since the storm, about 18,000 vehicles have packed the tarmac end to end, he said. "When you sit there and look at these cars with their children's seats in them and the briefcases and the uneaten lunches — it's just surreal," Walter said.

Previously storm-damaged cars can arrive at auction branded improperly, or have their titles fudged after they leave. In most states, cars destroyed by flooding are required to have their titles marked, or branded, to indicate that fact. But clearing that scarlet letter can be as easy as re-registering for a title in another state that does not require the flood brand carry-over, a process known as "title washing." Unscrupulous dealers pile their purchases on flatbeds and head straight for those states, such as Colorado and Vermont.

The prospect of title-washed cars from Hurricane Sandy entering the market raised alerts thousands of miles from New York. Officials warned consumers in Georgia, North Carolina and Illinois, where the secretary of state's office is scrutinizing all new title applications for cars coming in from states affected by the storm.

A foreign market for these cars is also booming, unfettered by U.S. regulations.

Federal legislation that would require total-loss status to be affixed permanently to a car's title was introduced in Congress before and after Hurricane Katrina, but was never passed. In 2009, the Justice Department began the National Motor Vehicle Title Information System, a database fed by insurers and states. But it is limited by sporadic reporting and incomplete data.

These shortcomings have provoked certain groups to warn about a deluge of unsafe cars hitting the market in the aftermath of Hurricane Sandy, including the National Automobile Dealers Association, which represents car dealers; and companies that sell reports on vehicle histories, such as Carfax. Both of these groups say insurance companies sometimes contribute to the problem by underplaying the damage to a car at auction.

In 2005, State Farm insurance reached an agreement with the attorneys general of 49 states and the District of Columbia for failing to properly title cars, reimbursing more than 30,000 affected consumers. Rachael Risinger, a spokeswoman for State Farm, said the company was complying with the laws in each state affected by Hurricane Sandy.

The explosion of car sales over the Internet, where vehicles can be sold person to person and bypass official channels, has made the problem harder to resolve.

Larry Scheiber, 58, never bothered to buy replacement insurance for the 1996 Nissan Altima he had used to get around his Belle Harbor neighborhood in Queens. After it was soaked, he sold it for \$250 to a junk-car buyer who had left a flier under the windshield wiper. Such uninsured cars with soggy histories are even more susceptible to ending up back on the road; they are often rebuilt, reinspected and retitled, without their true affliction ever being reported.