



## California New Car Dealers Association

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September 12, 2011

The Honorable Edmund G. Brown, Jr.  
Governor, State of California  
State Capitol, First Floor  
Sacramento, California 95814

**FOR ENROLLED BILL FILE**

***Re: AB 1215 (Blumenfeld) – Vehicle History Disclosure and Electronic Vehicle  
Registration Requirements  
Position: SIGNATURE REQUESTED***

Dear Governor Brown:

The California New Car Dealers Association (CNCDA) is a statewide trade association that represents the interests of over 1100 franchised new car and truck dealer members. CNCDA members are primarily engaged in the retail sale and lease of new and used motor vehicles, but also engage in automotive service, repair and part sales. We are writing to urge your signature on AB 1215, which was approved with broad bi-partisan support by both houses of the Legislature (30-4 in the Senate, 72-4 in the Assembly) and is supported by law enforcement officials, new and used car dealers, motorcycle dealers, consumer groups, toll taking agencies and others.

The major provisions of AB 1215 would accomplish the following:

1. Implement a first in the nation requirement that dealers post a red notice on vehicles that have been identified in a federally mandated and administered database—the National Motor Vehicle Title Information System (NMVTIS)—as junk or salvage automobiles or as having title brands. Although existing law requires dealers to inform consumers whether a used vehicle offered for sale has been salvaged—if the dealer is aware of that status—there is no statutory procedure for dealers to determine whether a vehicle has had a title-brand (such as a Katrina flooded vehicle in Louisiana) or similar designation. AB 1215 requires dealers check the federal title database and if there is a “hit” in that database, to post a 4 x 5.5 inch red notice on the windshield alerting consumers to this vital title information. This will prevent dealer customers from unwittingly purchasing vehicles with dubious title backgrounds and will likely severely curb the sales of such vehicles in California.
2. Require new car dealers use electronic vehicle registration (EVR) to register all eligible vehicles. Although this DMV program has previously been optional for dealers and

consumers, moving to a mandatory program will increase government efficiency, registration accuracy, and most importantly in this time of state fiscal stress, result in a *net fiscal benefit to the DMV of well over \$9 million per year.*

3. Allow dealers to offset the increased costs of the bill's new requirements through an increase in the statutory cap on the negotiable document processing charge. Even with the increase, the cap would be the second lowest in the country (most states have no cap).

4. Target scofflaws who avoid tolls by driving with paper plates by reducing the period which consumers may legally drive without permanent plates from six months to 90 days and requiring drivers to install permanent plates immediately upon receipt.

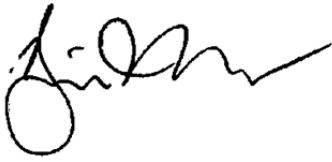
AB 1215 achieves two major policies goals: First, the bill helps consumers by requiring dealers post a red notice on used vehicles that have been identified as salvage, junk, insurance total-loss or have any history of title-brand (such as flood or fire) in any state in the country. This additional information will help consumers better evaluate whether the vehicle offered for sale has a hidden past that may not be readily apparent during a visual inspection on a dealer lot. Second, the bill will reduce the time that un-plated vehicles are driven on California roads from a matter of months to a couple of weeks in most instances through the EVR process. In addition to improving efficiency at the Department of Motor Vehicles (DMV), this provision will also aid law enforcement and state and local government—including toll taking agencies who are victimized by toll evaders who sneak through toll booths with no or paper plates on vehicles.

### **Conclusion**

AB 1215 is, at its essence, a simple measure. NMVTIS information disclosure will aid consumers in the car-buying process so that they can better understand exactly what kind of vehicle they are purchasing from a licensed dealer. By leveraging the already successful DMV EVR program and expanding it to cover the "birth" of all new cars, the timeliness and accuracy of vehicle registrations will be vastly improved. Under this bill, license plates will be issued and installed much more quickly to the benefit of law enforcement, toll agencies and local government, all at a modest cost to consumers. *Finally, in this difficult economic climate for the state, AB 1215 is that rare measure that will have a net positive fiscal effect for state and local government.*

Based upon the foregoing, we respectfully urge your signature on AB 1215. For a more detailed summary of the bill's provisions, please see the enclosed background document.

Very truly yours,

A handwritten signature in black ink, appearing to read "Brian Maas". The signature is fluid and cursive, with a large initial "B" and "M".

Brian Maas  
Director of Government Affairs

BWM:ef

cc: The Honorable Bob Blumenfield  
Gareth Elliott, Legislative Secretary  
Ralph Simoni, California Advocates, Inc.

## **AB 1215 Background**

### **Vehicle History Reports – Identification of Salvage, Junk and Title-Branded Vehicles**

The electronic National Motor Vehicle Title Information System (NMVTIS) is a national federally mandated vehicle history database maintained by the United States Department of Justice (DOJ) to ensure that states, law enforcement agencies, and consumers have access to vehicle titling, branding, and other information that enable them to verify the accuracy and legality of motor vehicle titles before transfer or registration of the vehicle occurs.

According to a cost-benefit analysis commissioned by the DOJ, full implementation of NMVTIS will save the American public between \$4.3 billion and \$11.7 billion by helping to curb auto-related salvage fraud, theft and related crimes. Over 87% of all registered vehicles in the nation have information in the NMVTIS system.

As a result of lengthy negotiations with consumer groups, AB 1215 will require dealers to obtain a vehicle history report from a qualified NMVTIS vendor and then identify vehicles offered for retail sale with a notice indicating whether the vehicle is a salvage or junk or has a title brand. This requirement, the first of its kind in the country, will directly aid consumers in identifying vehicles that may have had flood damage, been in an accident or been subject to some other event that warrants closer inspection of the vehicle's safety and condition. Several hundred thousand California-based inquiries into the NMVTIS system will be made each year. (For example, in 2010 CNCDA estimated that new car dealers sold 797,838 used vehicles). This in turn will likely spur other jurisdictions to encourage greater use of NMVTIS by dealers and the motoring public.

Some have asked why the NMVTIS database was chosen for the important task of title history verification in AB 1215. Among the several reasons: NMVTIS is the only database of vehicle title information where sources—including departments of motor vehicles, insurance companies, salvage yards and junk yards—are *required by federal law* to timely report information. Furthermore, NMVTIS is a creation of federal law and can only be modified by an act of Congress or by changes to federal regulations made by the Department of Justice. Finally, AB 1215 creates a floor from which data providers must begin their inquiries into vehicle title history. Language in the bill makes it clear that private vendors are free to provide additional information to dealers and consumers and no doubt many such customers will demand more comprehensive reports. AB 1215 ensures that every inquiry starts from the vehicle title database equivalent to the decennial federal census – the only mandated accounting of vehicle *title* information required by federal law.

### **Electronic Vehicle Registration**

Since 2001, the Legislature has authorized an *optional* electronic vehicle registration program through the Department of Motor Vehicles' (DMV's) Business Partner Automation (BPA) program. Although the BPA program has met with some success, dealer and consumer acceptance of the program have lagged behind expectations (with only about half of all new car dealers participating). In the wake of budget pressure, state worker furloughs, field office closures and reissuance of 24 million driver's licenses under the federal REAL ID Act, DMV is under considerable pressure to streamline business operations for dealers and other occupational licensees.

In this environment, the timely issuance of license plates has become a growing problem for dealers, consumers (who often wait 90+ days for plates to arrive), law enforcement (that must rely on Reports of Sale posted on windshields as vehicle “birth records” for up to six months), and local and regional agencies relying on toll booths and red-light cameras that can’t identify vehicles without permanent, hard plates.

All interested parties acknowledge that *requiring* EVR by making the BPA program mandatory for new registrations would alleviate many or all of these concerns—including reducing the time without permanent plates from months to about a week, and improving the accuracy of DMV registration records (since BPA program participants guarantee a near perfect level of accuracy). ***The bill’s EVR requirement for new car dealers would result in a net fiscal benefit to the DMV of well over \$9 million per year.*** Additional positive budget impacts will be felt if used car dealers also join the program, which the bill permits but does not require.

DMV regulations currently allow BPA program participating dealers to charge up to \$29 per registration, *as an optional consumer charge*, to recoup costs to pay first line business providers, secure a \$50,000 BPA bond, pay DMV a \$4 statutorily-authorized transaction fee, underwrite security and personnel costs and cover postage/shipping. The challenge in converting to an “all electronic” system for new car registrations has been figuring out a way to account for the \$29 *optional* charge in a non-optional environment and to do so *without imposing any new government fees*.

AB 1215 solves this problem by eliminating the optional charge while at the same time allowing dealers to pass on to consumers *only* the actual cost charged to them for processing transactions and mailing license plates, which currently ranges from \$18-\$20. To offset the new EVR requirement and to account for the dozens of documentary burdens already imposed on dealers, AB 1215 increases to \$80 the statutory cap on the document processing charge (which is a *negotiable, non-governmental charge*). At this \$80 level, the document processing charge will still be the second lowest in the country (26 states have no cap at all) even though dealer costs to comply with government requirements to sell or lease a vehicle *already* range from \$75 for a simple transaction (involving the purchase of a new car negotiated in English by a buyer and co-buyer with good credit and no trade-in) to \$180 for a complex transaction (involving the purchased of a used vehicle by a foreign language buyer and co-buyer with poor credit and a trade-in). *None of these changes result in the imposition of a new or higher government fee.*

AB 1215 also addresses the need to encourage consumers, once they receive their license plates, to put them on their vehicle. The bill reduces the period that consumers may legally drive without permanent plates from six months to 90 days. Some have argued that this time period could be reduced even further since electronic registration will occur in the vast majority of cases in a matter of days, rather than weeks. Unfortunately, reducing this “registration window” below 90 days runs up against the already existing rules governing all registrations—electronic or not—that allow dealers 20 days to process new vehicle registrations and 30 days for used vehicles (with additional time periods if such registrations are returned by the DMV to correct mistakes). Shortening the period further could impact consumers who, through no fault of their own and for reasons beyond their control (dealer error, DMV delays, postal service issues, etc.), don’t receive plates within the new 90 day window.

AB 1215 further requires consumers install permanent plates immediately upon receipt. Although existing law requires vehicles to have two license plates, the statutory language is vague

about *when* consumers must affix those plates. This has led some consumers to abuse the gap in existing law and to drive around for up to six months with paper plates. Scofflaws engaging in such conduct foil the technology used to identify vehicles that pass through toll booths or through red lights, costing local and regional agencies millions of dollars in revenue.