

Dear TARA Members

After our compliance seminar in Houston, Jay Svendsen, with AutoDataDirect, Inc. (ADD) put together a comprehensive (in plain English) article about the nuts and bolts of reporting requirements. I realize some of you already know this but good information is always a bonus.

If you have any questions, fell free to call Jay or Tom at 850-8787-8804. They are always willing to answer your questions.

NMVTIS 101: What You Need to Know About Federal Reporting

NMVTIS (nim×VEEextus or nim×VITxus) *n. acronym:* National Motor Vehicle Title Information System

1. A national storehouse of automobile information used to protect states and consumers from fraud and unsafe vehicles, and to prevent VINs from destroyed vehicles from being used for illicit purposes.
2. A federal reporting requirement for all state jurisdictions, insurers, junk and salvage yards, dismantlers, scrap yards, crushers, metal shredders, auto recyclers, salvage pools or any business that deals in junk and salvage vehicles.

What is NMVTIS, exactly? The National Motor Vehicle Title Information System (NMVTIS) is a U.S. Department of Justice (DOJ) database operated by the American Association of Motor Vehicle Administrators (AAMVA) that contains automobile information from states, insurance carriers and the salvage industry.

Beginning in March 2009 every business that handles junk, salvage or total loss vehicles must report specific pieces of information about those vehicles to the national database. States report title information and use the database to check out-of-state titles in NMVTIS before issuing a new title, to ensure that title brands (such as FLOOD or REBUILT) issued in one state move with the vehicle to other states. Consumers and insurers can use the reported information to make sure a used car has not been totaled or rebuilt without their knowledge. The NMVTIS database is also meant to provide a clear chain of possession for end-of-life vehicles. For law enforcement, NMVTIS helps prevent theft and fraud by reducing thieves' ability to steal vehicles and swap out VIN plates, or get clean titles on stolen vehicles.

Do you have to report? In general, if you own, control, handle, or acquire more than five junk or salvage vehicles a year, you must report to NMVTIS. It doesn't matter if your business type isn't specifically listed in the DOJ ruling; if you deal in salvage vehicles, you are affected by these new requirements.

What qualifies as a junk or salvage vehicle? According to the federal rule, junk vehicles are vehicles incapable of operating on public streets, roads, and highways with no value except as a source of parts or scrap. These vehicles may be acquired for resale in their entirety or as spare parts, for rebuilding, restoration, or crushing. Salvage vehicles are also automobiles damaged by collision, fire, flood, accident, trespass or other event to the extent that the fair salvage value plus the cost of repair for legal operation would be more than the fair market value of the automobile immediately before the damage occurred. This definition includes all automobiles declared a total loss under the laws of its state or declared a total loss by its insurance carrier's policies.

What does all this mean? Basically, if a vehicle will be used for parts or rebuilding, if it will be crushed, if the cost to repair a vehicle is more than the vehicle is worth, or a vehicle is connected with a total loss insurance claim, it's a junk or salvage automobile and must be reported. Please keep in mind that this definition does not consider title brands or status-- even a car with a "clean" title must be reported if it fits the federal salvage definition.

What is NOT a salvage vehicle? Under the NMVTIS guidelines, if a qualified independent appraiser determines that a vehicle does not meet the definition of a salvage or junk automobile, it does not have to be reported. This determination must be in writing and made after performing a good-faith physical and value appraisal. **The DOJ recommends that junk and salvage yards retain the reports and written appraisals for a period of ten years from the date of the report.**

How do you report? NMVTIS reports are made through approved data consolidators. Consolidators collect the required information from salvors and insurers, format it and insert it into the NMVTIS database. Auto Data Direct, Inc. (ADD), Insurance Services Office (ISO) and Audatex are the AAMVA-approved data consolidators for NMVTIS reporting.

New regulations can be frustrating and confusing, and consolidators have varied prices and different ways for recyclers to provide the required information, so it's

a good idea to shop around to find the data consolidator and reporting process that works best for your business. For example, ADD has three different reporting methods to choose from, and live customer service six days a week. ADD also offers tools to help verify your compliance, with a Record Manifest to monitor each report from submission to acceptance, a VIN validation tool, a searchable archive of reported vehicles and printable report confirmation receipts. Additionally, many management systems and business software providers have teamed up with NMVTIS data consolidators to help users report NMVTIS vehicles with a few clicks of a mouse.

What do you report? For each junk and salvage vehicle you handle, you should provide your business contact information, the VIN, the date the vehicle was obtained and who it was obtained from. Salvage reports are also required to include a statement of the vehicle's disposition (if it will be used for parts or rebuilding, crushed or sold) and if it will be exported out of the US.

The rules require you to report a vehicle within 30 days of receiving it. You should make an initial report within 30 days of taking a vehicle into inventory, and a supplementary report within 30 days of a change to the vehicle disposition (such as when a rebuilder is sold, or a parts vehicle is crushed).

If you will receive a vehicle and dispose of it (by crushing or selling the vehicle) within 30 days, you are allowed to make only one report indicating the final disposition. You should not report a vehicle as crushed until the vehicle has actually been crushed, because reporting a vehicle with a disposition of CRUSH indicates that the vehicle has reached the end of its life and can never again be sold, titled or used as a motor vehicle.

Is it too late to begin reporting? If you haven't ever made a NMVTIS report, or you've only reported some of your salvage vehicles (such as your Cash for Clunkers cars), it's not too late to catch up. **The Department of Justice has stated that even if you are late beginning NMVTIS reporting, when you do make your first report, you should include ALL junk and salvage vehicles that you have taken in since March 1, 2009.**

If you have been reporting and find that you have forgotten to report a few vehicles, or you've reported them incorrectly, the same principle applies: better

late than never. Even if you're behind, it is important that you make a complete and accurate report.

What's in it for you? The real benefit of the NMVTIS database is the consumer protection it provides. If you would like to check a vehicle history before you buy a rebuilder, take a trade-in, or auction a vehicle, you have access to NMVTIS information as well. A NMVTIS Vehicle History provides information from a vehicle's current title, including the vehicle's brand history, title history, and the latest reported odometer readings. NMVTIS vehicle reports will also tell you if a vehicle has been determined to be "salvage" or a total loss by an insurance company or a self-insuring organization, and lists prior reports from auto recyclers who may have handled the vehicle. Everyone has a story about a bad car purchase- don't get stuck with a clunker.

A program like NMVTIS has never before existed on a national level. The information it contains will demonstrate just how much the salvage industry does for recycling, and will be invaluable for industry groups fighting to make a difference on a policy level. The data in NMVTIS is hard evidence of the major role automotive recycling plays in the national economy. It also may help improve industry processes and make it easier for law enforcement to find "problem" businesses in the long run. The system is still new, but the information could potentially replace outdated state recordkeeping methods such as handwritten police books and mailed-in title packets.

NMVTIS levels the playing field for auto recycling businesses small and large. Across the industry, upstanding business owners obtain complicated permits and follow strict regulations for storm water, fluid recycling, and hazardous materials disposal-- expenses that cost thousands of dollars a year. Enforcement of these regulations is haphazard, and tends to target businesses trying to comply rather than shady businesses that fly under the radar by avoiding permits altogether. Unlike other industry requirements, NMVTIS reports provide a clear chain of possession for end-of-life vehicles that will make enforcement much simpler, and clearly identify those that are not compliant.

Many insurance companies and most salvage pools are reporting to NMVTIS, and each report indicates the name of the business that bought each vehicle. If an insurance carrier reports that they totaled a vehicle and sent it to auction, then the auto auction reports the receipt and sale of that same vehicle, but the recycler who purchased the vehicle never reports... it's clear that the recycler is

not reporting as required. Gaps in the chain of possession point directly to the businesses who are not reporting, rather than those who are.

How do you check compliance? The official government website, www.nmvtis.gov, provides a searchable database of compliant companies under the **About Us** tab, when you click the **Who Reports to NMVTIS?** link. NMVTIS compliance checks are a great law enforcement tool that will help identify unfair and illegal business practices that hurt the whole industry. Compliance checks can work for you, too. Make sure your suppliers are reporting-- don't buy cars from vendors trying to skirt the rules.

The NMVTIS reporting program is already producing results, from its role in Cash for Clunkers enforcement, to the discovery of VIN cloning rings and an improved recovery rate of stolen vehicles. NMVTIS is a federal program, and the reports are separate from your state regulations. It is important to understand the NMVTIS requirements, because it is not your state's responsibility to report information to NMVTIS on your behalf; it is ultimately your responsibility to ensure your business is in compliance.

More information is available at www.vehiclehistory.gov and www.add123.com.

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