

Testimony in Opposition to Ohio Bill SB 273

March 13, 2012

Howard Nusbaum
Administrator, NSVRP



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Good Afternoon Chairman Bacon and distinguished members of the Senate Committee on Insurance, Commerce, and Labor. Thank you for allowing me to speak with you today in opposition to Senate Bill 273. My name is Howard Nusbaum and I am the Administrator of the National Salvage Vehicle Reporting Program (NSVRP).

I. NSVRP is a nationally recognized law enforcement support organization. Membership in NSVRP is only open to Law Enforcement entities and related organizations. The NSVRP board includes: the FBI's most recently retired national program manager for major theft– Auto/Cargo/Jewelry/Art; the past Director of the Arizona Department of Public Safety and former head of the International Organization of Auto Theft Investigations (IAATI); a former Chief Operating Officer of the National Insurance Crime Bureau (NICB) who is presently head of the National Vehicle Service; a representative of the Galveston County Sheriff's department who is a member of the Southern Border Joint Federal Task Force and who is also is a former head of IAATI; a representative for the Miami-Dade Police Department; and several nationally recognized experts in the field of auto theft and title fraud.

NSVRP is recognized by the U.S. Department of Justice as an independent third party standards body for NMVTIS, and has been recognized by both the Department of Justice and the director of the Federal Bureau of Investigation for 'exceptional service in the public interest'. The U.S. Department of Justice selected NSVRP to serve on the National Motor Vehicle Title Information System (NMVTIS) Federal Advisory Board under the classification of Independent Organizations Focused on Reducing Vehicle-related Crimes.

II. As the U.S. Department of Justice has noted, NSVRP works very closely with many Federal, State and even international agencies in focusing on reducing vehicle related crimes¹. These crimes range from consumer fraud through small scale criminal activity, domestic organized crime, and international organized crime and Trade Based Money Laundering (TBML). What all of these have in common is the use of automobiles and automobile paperwork to further illegitimate and unlawful purposes at the expense of the public. According to the FBI, automobile related crimes can be viewed as a gateway crime that facilitates other criminal activity.

III. Unfortunately, vehicles represent an easy and lucrative means of preying on the public. This activity is not well understood and it is very difficult to trace. Each year there are many millions of vehicle sales, transfers and scrappages, in addition to the related insurance transactions that accompany these events. Furthermore, just in the United States alone, there are 51 different state jurisdictions (including DC) excluding US territories, with many differing and conflicting rules governing insurance

¹ See NMVTIS.gov website. NSVRP is identified by USDOJ as an 'Independent Organization Focused on Reducing Vehicle-related Crimes. http://nmvtis.gov/NAB_Membership.pdf

regulation, titling and branding. It was for just these reasons the National Motor Vehicle Title Registration System was first created:²

Inconsistent Title Branding Regulations by States

The same aged vehicle under identical accident conditions can be subject to different branding as a repairable salvage in one state, as non-repairable in a second state, and to be exempt from any branding at all in a third state. For example, two states, Minnesota and Colorado presently do not have a provision for branding titles on vehicles more than 6-7 model years old regardless of damage. Lobbying efforts in those states have carved out exemptions for such vehicles when damaged in accidents in those states. If such a damaged and unbranded vehicle is offered for sale by an auction in that state, or if such a vehicle is transferred to auction in another state it can be done without getting a branded title for such vehicle.

Use of Branding Inconsistencies to Wash Titles through Title Transfers between States

Often these differences in state title rules have been used to either avoid the branding of a damaged vehicle, or to 'wash' branding from a vehicle by transferring the vehicle between state jurisdictions before a final sale to an unknowing consumer. To scale the size of the problem, Experian-AutoCheck traced approximately 185,000 vehicles which had been branded during the first 6 months of 2008 that were then converted to clean titles before being resold.³ According to Experian's research there were some 1.3 million damaged vehicles branded during the first 6 months of 2008, and roughly 185,000 – over 15% of those branded vehicles had their titles washed through loopholes in the regulatory process.⁴ As a result, salvage vehicles represent a particularly risky purchase opportunity for an unsophisticated buyer.

Exemption of the Majority of Used Vehicles from Odometer Act Disclosure

We traditionally assume that Federal Odometer Act provides a strong reporting chain to protect consumers from odometer fraud. This assumption unfortunately is not true. The Federal Odometer Act presently does not cover vehicles that are more than 10 model years old. This is a major problem for used car buyers, since presently the average age of a car on the road is 10.8 years. The average age of light trucks are even greater. Since most cars are not resold until after they are several years old, as a result of most new vehicles are covered by either leases or car loans, and since more than half of the total vehicle population is older than the cut-off for odometer act reporting, the obligation for a seller to declare and certify odometer reporting often does not apply for many used and salvage vehicle resale situations.

² See Federal Register Vol. 74. No. 19/ Friday, January 30, 2009 page 5740. 28 CFR Part 25.

³ Federal Register NMVTIS Rule. January 30, 2009 pg 5742 first column, first paragraph. *Moreover, Experian Automotive reported that in the first six months of 2008 alone, there have already been more than 185,000 titles that initially were branded in one state, and were then transferred and re-titled in a second state in a way that resulted in a purportedly clean title.*

⁴ Experian news release August 25, 2008. [mailto:christopher.fielder@experian.com?subject=Experian's AutoCheck Finds More than 185,000 Damaged Vehicles Re-titled as Clean in First Half of 2008](mailto:christopher.fielder@experian.com?subject=Experian's%20AutoCheck%20Finds%20More%20than%20185,000%20Damaged%20Vehicles%20Re-titled%20as%20Clean%20in%20First%20Half%20of%202008)

Ease of Manipulating Electronic Odometers through Hacking with Hand-held Devices

We traditionally believe that electronic odometers are difficult to tamper with, however that is not an accurate belief. Just recently, in February 2012, an indictment was handed down in Los Angeles California for large scale electronic odometer tampering via the use of a hand held computer device to reset odometers on many models of cars. A video of the undercover operation shows the surveillance of the operation and how easy it is to change the readings on these electronic odometers.⁵ These handheld devices can be purchased over the Internet and used with relative impunity.

Other Forms of Mileage Reporting Abuse

NSVRP has also identified cases where vehicles with high mileage have been doctored to block out part of the odometer in the auction photos, and to thereby under-report the true mileage in the auction paperwork. In one specific case the vehicle was first sold at one auction, and then moved to a second auction where the leading digit of the odometer was edited out of the auction photo thereby cutting out 200,000 miles from the actual mileage. In other cases, the odometer was shown to be working and the mileage reported at a first auction, and then the vehicle was transferred by the buyer to a second auction with the odometer disconnected and the mileage declared as unknown.

Flood Damaged Vehicles and Cosmetic Improvement by Auctions

Many vehicles sold at auction are flood damaged vehicles. Flood vehicles represent a special risk to buyers. These vehicles tend to be subject to progressive corrosion, electrical failure, unhealthy mold, and represent long term risks for both being unreliable as well as a posing progressive health risks to the buyer.

If these flood vehicles are washed, vacuumed and sprayed with a deodorant they do not show any obvious indications of being water damaged when they are viewed in a photograph over the Internet. The auctions offer vehicle preparation services to insurers and others who are selling flood cars in order to clean and wash the vehicles before photographing them for sale. Furthermore, in many states, the vehicle will not have its title branded if either the insurer estimates that the damage to the vehicle is below a certain value, or if the vehicle is sold under the original insured paperwork.

In the case of a flood car, there is no way to accurately estimate the cost of repair until it has been repaired, since until it has been restored one does not know what components have failed, and what the mold damage and wiring damage is until repairs are completed. Unlike in a physical collision, there is no method of identifying the cost of repair through a collision estimating system since there are no parts readily observable as damaged and needing replacement.

NSVRP has observed many cars listed at salvage auctions after a flood event where the damage repair estimates on equally flooded cars ranged from a few thousand dollars to more than five times that amount – all without any documented basis presented by the insurer. Based upon the undocumented values placed upon the repair costs, some vehicles were assigned clean titles and others salvage titles without any documentation identifying what parts were expected to be replaced, wiring to replace, and times for the work. Most importantly, once those vehicles were washed and prepped,

⁵ <http://www.youtube.com/watch?v=GSoSIDRxIVg>

some of the vehicles showed no clear physical indication of flooding except they were noted in the auction as 'not starting'. Some vehicles did have flood branded titles, but others were listed at the auction as 'water damage' but had clean titles – so the next buyer would be unaware of the prior condition as the vehicle had not been branded as a flood/water vehicle on the title paperwork. If such a clean title vehicle were to be resold at a second salvage auction site, a consumer bidding on such vehicle would be totally unaware of the flood condition.

Flipping Vehicles between Auctions after Making Superficial Repairs

Another practice NSVRP has observed is the flipping of salvage vehicles between auctions by buyers who first make very quick superficial or cosmetic repairs to hide the extent of the true damage. In some cases these transactions cross state boundaries and in others cases they typically involve buying a vehicle from one auction chain, making a quick set of pulls to reduce the apparent extent of damage and then quickly offering the modified vehicle back at a second auction in the same local to sell to an unsuspecting buyer. In one case, the vehicle was bought at an auction in Northern California, bought by a licensed Utah salvage business operating an unlicensed location near Los Angeles. Operating from this location they used a frame machine to partly pull the body, they then banged down the roof of the cab, and then stuck in a windshield. None of the real damage was repaired; however, anyone looking at the photos over the Internet would estimate the extent of damage to be lower based upon the lessened deformity of the vehicle from the photos.

Again, in the case of a flood vehicle, such vehicles can be flipped from one auction to another and will look to a public bidder as a great buy. This has been done in large volumes of cars after major floods – most notably Katrina in 2005 and in other cases⁶.

Inclusion of Massively Damaged Vehicles as Qualified for Purchase by the Public

In some states where the public has been able to bid on salvage auction vehicles, auction vehicles are designated into categories of those that the public can bid on and those for which the public is excluded from bidding on. Purportedly, the intent of categorizing vehicles was to protect the public for having access to vehicles that were unsafe and inappropriate for private parties to acquire. However, in practice all kinds of vehicles – including those massively damaged have been designated as open to the public, and have been accessible to being bid on by the private citizens.

IV. The Salvage Auction Environment Does Not Allow for Fully Informed Bidding

The best protection when buying a used or salvage vehicle is to physically inspect a vehicle before purchasing it. Ideally, one should take it to a mechanic's shop for inspection. When dealing with

⁶ State Farm Insurance settlement agreement. Monday, January 10th, 2005. **Des Moines.** Attorney General Tom Miller announced today that Iowa and 48 other states plus the District of Columbia have reached an innovative agreement with State Farm Mutual Insurance Company that will result in \$40 million in compensation to thousands of car, SUV, and truck owners nationwide. Miller said that after titling research is complete an estimated 30,000 consumers nationwide may be eligible for payments ranging from about \$400 up to over \$10,000, depending primarily on the current average value of their vehicle, and the number of consumers who participate in the compensation program. The states believe most payments are likely to range from \$800 to \$1850. (Shortly after this settlement, Katrina hit the Gulf Coast, and more vehicles were cleared of branding by transferring them through Arizona and then to other states).

a salvage auction vehicle the risks are so much greater given that most units have both visible and hidden damage, making the need for a careful inspection extremely important.

Such detailed inspection is not possible when bidding at a salvage auction. The vehicles cannot be taken off site, and they cannot be carefully inspected. The vehicles cannot be lifted, and tests cannot be run. Furthermore, in virtually all cases the vehicles are bid based upon Internet photos with limited access to any backup paperwork before the auction is held.

V. The Auction Environment is Not Appropriate for a Private Bidder

The salvage auction environment does not provide any of the normal consumer protections for a buyer. It is a risky proposition to bid at a salvage auction – most suited to one who is in the automotive trade – and it is especially inappropriate to have a private party bid at such an auction especially remotely over the Internet.

Waiver of Rights

What makes the process even more inappropriate – and in NSVRP’s belief at least unethical if not worse – is that as a condition of signing up to bid at these auctions, the auction chains require the bidder to sign a waiver of rights. With at least one of the largest auction chains, the bidder must agree to purchase the vehicle on an ‘as is, where is’ basis regardless of any undisclosed problems, misstated mileage or essentially any other reason whatsoever. Such a provision should be inappropriate for any buyer, but it is especially improper to allow a private citizen of any state to be subject to such risks in the case of an auction of salvage vehicles when bid electronically over the internet without having inspected the vehicle in person⁷.

Most Sales Occur within a Minute or Less – Not an Appropriate Environment for Private Bidders to Make Informed Decision and without Recourse

Once registered for bidding, a bidder can access the Internet and bid on vehicles at many locations. The two largest auction chains each have over 120 locations around the country, and each auction over 1,000,000 vehicles at the salvage auction facilities annually. The pace of such auctions is also very fast. The largest auction chain – CoPart – has a television series entitled ‘sold in seconds’.⁸ This rapid sale pace should not be considered a proper environment to have private parties bid at on salvage vehicles without prior inspection and while having waived most or all of their rights to recourse.⁹

⁷ See IAAI.com website for conditions of sale.

⁸ CoPart TV series “Sold in Seconds”. CoPart.com link: <http://www.youtube.com/user/CopartTV> .

⁹ As an example, CoPart claims it will accept responsibility and issue refunds if they mis-posted on the auction listing the declared mileage of an odometer statement by more than 999 miles, but they will not accept a vehicle back if the odometer statement itself was mis-declared by the seller. They will not accept a vehicle back if there is hidden damage that is not visible in the auction pictures. CoPart will guarantee that the auction make/model/ year is posted correctly, and that the auction has a valid ownership title to convey without undeclared liens. Such warrantee is limited to vehicles only under \$50,000 in value. IAA, the other major auction chain, sells at its auctions ‘as is, where is’ without recourse. See copart.com and iaai.com websites for the actually legal language. About 72% of all domestically sold insurance salvage auction vehicles are sold between IAA and CoPart according to recent IAA investor relations disclosures.

Badly Damaged Vehicles with Clean Titles are Purchased at Salvage Auctions by Criminal Groups to be Used as VIN Clone Targets

There are many examples situations where badly damaged vehicles are offered at auction with clean titles. Some of these result from state loopholes than do not mandate branding on vehicles older than a set age, and in at least one known case there is no provision even allowing a party to request a salvage or non-repairable brand on such vehicle regardless of the level of damage¹⁰.

In other cases, vehicles, including some insured by national insurers, have been substantially under-declared as to the repair cost and thereby have been issued clean titles or repairable salvage titles as a result of their under declaring the repair cost¹¹.

Another source of such vehicles involves what is called title skipping. Title skipping can occur when an insurer or other party takes control of the wrecked vehicle after paying off the claim (or buying the vehicle as a 'broker') and then sells the vehicle under the original owner's paperwork as though the original owner still owns the vehicle. The proceeds of the sale go to the insurer or other party and not to the insured whom has already been paid off. By skipping title the intermediary party can avoid triggering the provisions for having to brand a vehicle based upon exceeding a damage threshold. When title skipping has occurred, a buyer at auction will be purchasing a vehicle that does not show the insurer as the seller.

At the time of sale it looks as though the seller is the insured making a direct consumer to consumer sale. After the sale has taken place at auction, the insurer may never show up in the chain of ownership. Often this allows a wrecked car to avoid getting a branded title and it appears afterwards as though the vehicle was always a clean title car. In many cases it also avoids incurring a sales or transfer tax on the transaction by hiding the intermediate transfer of ownership that has taken place.

There are documented cases where criminal groups bid for these clean title and under-branded wrecks for the paperwork. These groups can pay a smaller amount for the vehicle because the vehicle is fundamentally worth very little as a massively damaged wreck. The value for the buyer is the paperwork itself. This can also increase the profit for the seller, because such vehicle will often sell for a much higher price than its intrinsic value. Title skipped vehicles can be a significant source of such target vehicles.

The criminal group then uses the paperwork to steal a replacement vehicle and retag it using counterfeit tags and plates in a process called VIN cloning.¹² Such vehicles are then resold through many methods including on-line auctions, EBay, Craig's List, and through reputable dealers who are unaware that the vehicle they are selling is actually a stolen vehicle that has been VIN cloned. When such a vehicle has been purchased by an unsuspecting party, once discovered, the vehicle is returned to the

¹⁰ See Minnesota title branding statues for example. A vehicle older than 6 model years has no provision for a branded title regardless of the severity of collision damage. Colorado has a similar provision. Virginia has one that provides such exclusion based on age and value of the pre-accident value of the vehicle.

¹¹ Examples are available from NSVRP. Samples are provided here for Florida and New Jersey. Many others exist.

¹² VIN cloning is described on the NICB website, the FBI website and the NMVTIS.gov website.

true owner, and the buyer loses their investment since they actually had unknowingly purchased stolen property.

Auction Chains Promote Brokers who have Failed to Register or Report into NMVTIS

A number of the auction chains, promote the use of brokers to act as intermediary parties to buy vehicles on behalf of bidders including private parties¹³. As of September 7, 2011, one of the major auction chains, CoPart had 29 brokers listed on their website as in their program. Of the 29 listed, 21 were not registered with NMVTIS. As such, these 21 were failing to comply with the Federal Anti-Car Theft Act reporting requirements – yet they were being promoted as a ‘registered’ broker for CoPart bidders to use. At the same time, IAA was also promoting its own broker export program and the brokers listed in their program also appear to include many parties that have failed to register or report into NMVTIS.

VI.

Concluding Remarks

As one can see from the above analysis, the Internet based salvage auction environment is fraught with problems including questionable actors, misbranded vehicles, undisclosed mileage, hidden damage, and outright purchasing by criminal groups. It is sometimes also used for Trade Based Money Laundering.

In December 2011, there were indictments filed under the drug kingpin act in Alexandria Virginia. The indictment linked a major drug ring operating out of the tri-country area of South America to Hezbollah and the Zetas Mexican drug cartels. The drugs were resold and the money laundered through the purchase of used and salvage vehicles in the United States which were then shipped to West Africa to be resold. Those auction proceeds were then deposited in the Lebanese Canadian Bank, where they were then transferred to Hezbollah accounts. In February of 2011, there was a USA Patriot Act Finding which led to the closing of the LCB and the transfer of its clean assets to the French Bank Societe General. The Patriot Act filing indicated the monthly money laundering was for amounts up to \$200 Million/mo. On December 15, 2011 a coordinated indictment in the Southern District of NY on identified 30 specific used car/salvage car operations around the United States that were involved in laundering the money for this Hezbollah operation.

The lack of controls, the inability to inspect and test vehicles before an auction, the lack of protections for the buyers, and use of ‘where-is, as-is’ terms of sale make the concept of opening these auctions to the public highly inappropriate in the eyes of NSVRP. The failure of the major salvage auction chains to even ensure that the parties they selected as their recommended or registered brokers are even registered for NMVTIS reporting indicates how inappropriate it would be to open these auctions to the public.

It is worth noting that last year the State of Utah enacted SB 193, a bill which opened up the salvage auctions to the public. The bill was authored by Senator Urquhart. After seeing the impact of his own bill, this year Senator Urquhart introduced SB 260 which restored the restriction on the general

¹³ See this link for CoPart listed brokers: http://www.copart.com/c2/online_salvage_car_auction_brokers.html

public for open bidding at auctions. The Senator recognized the harm his deregulation effort had caused, and was instrumental in undoing most of what he had created in the last session including direct access by the public to bidding at auto salvage auctions. The act also helps to restrict some of the more serious abuses that were uncovered in the last year including title skipping and other such problems as improper disclosure of vehicle status to the bidders. These are some of the issues that NSVRP noted in its testimony to you above.

SB 260 was passed by both chambers of the Utah legislature and is now awaiting a signature by the Governor.

NSVRP urges you to continue to protect the consumers from the risks and abuses of the salvage auction process. If you were to allow the public to bid for vehicles at a salvage auction where: they would be unable to perform a full physical inspection before bidding; where they would be bidding without a full disclosure of condition; where they would be bidding without strong legal safeguards and without recourse - is inappropriate and unsafe for a person or entity that is not skilled in the trade.

Furthermore, given the many problems with titling, branding and other uncertainties and abuses that exist in the salvage auction environment, the State of Ohio should recognize that through its current regulations and requirements it has been doing a very important and successful job of protecting consumers and small businesses from some of the greatest risks at these auctions.

NSVRP urges you to reject SB 273, and retain the current protections that are in place for the public and for those individuals not skilled in the trade from being placed at risk by bidding at these salvage auctions. If this bill were to become law, and once these individuals were to begin to purchase such vehicles, many of these vehicles will be beyond their capabilities to repair safely and effectively. This will result in the resale of unsafe vehicles to unsuspecting buyers causing economic harm as well as safety concerns to the public at large.

NSVRP sees SB 273 as an effort by commercial interests to unfairly increase their profits through expanding the sales of damaged and unrepaired vehicles to an unprotected and vulnerable segment of the population with substantial disregard for the consequences. SB 273 should be considered poor public policy and a risk to public safety. We urge you to reject this bill.

Insurance Auto Auctions**2008 CHEVROLET COBALT**

Indianapolis Item# TBD



000-07535084 11/19/2010 COPYRIGHT 2010 - INSURANCE AUTO AUCTIONS

**PRINT**
 Auction [Indianapolis](#) | Wednesday **Dec-8 8:30**
 AM CST
Status : READY FOR SALE**Location :****Item# :** TBD
Who Can Bid : Dealer, Dismantler,
 Exporter, Non-Auto
 Licensed Business,
 Other Licensed
 Business, **Public**,
 Rebuilder, Scrapper

Pre-Bidding Closes **2d 15h 22m** [Pre-bidding history](#)
Stock# **7535084**

Data Last Updated: Dec-5 5:12 AM CST

Vehicle Attributes

VIN : 1G1AM58B387126392

VIN Status : OK

Vehicle Type : Automobile

Body Style : SEDAN 4 DOOR

Vehicle Class : Basic Economy (car)

Series : SPORT

Exterior Color : BLACK

Interior Color : GRAY

Engine : 2.4L L4 MPI DOHC 16V NM4

Country of Origin : UNITED STATES

Fuel Type : Gasoline

Cylinders : 4 Cyl.

Transmission :

Drive Line Type : FWD

Check Digit : 3

Sale Document Info

Certificate State : Indiana

Document : SALVAGE

Brand :

Notes :

Vehicle Condition

ACV: \$9,700.00

Key: PRESENT

Start Code: WON'T START

Odometer: 16901

Odometer Status: ACTUAL

Loss Type: COLLISION

Primary Damage: RIGHT FRONT

Secondary Damage: ALL OVER

Restraint System: Dual Air Bags Front, Head, And
 Side/active Belts W/automatic
 Passenger Sensor

Air Bags: 2

Driver Airbag: DEPLOYED

Passenger Airbag: DEPLOYED

Left Side Airbag: NONE

Right Side Airbag: NONE

Additional Features

CD Player: PRESENT

Radio: PRESENT

Tape Deck: N/A

Note that this vehicle has been designated eligible for purchase at this IAA salvage auction by the public.



Lot # 9902020 - 2000 VOLKSWAGEN GOLF GL [View Large Images](#)
[Glossary of Terms](#)

Lot Details	Highlights	Bid Information
ACV: \$5,475 USD	 	Facility: MA - NORTH BOSTON
Repair Cost: \$23,804 USD		Sale Date: 03/12/10
Title State/Type: MA CLEAN TITLE		Sale Time: 12:00 PM EST
Odometer: 0 EXEMPT		Item # / Grid/Row: 3119 / *SALE
Primary Damage: ROLLOVER		Sales Status: Sold
Secondary Damage:		Bid Status: Never Bid
VIN: WVWBC21JZYW677137		<p>Notice: Sale has ended.</p>
Body Style: HATCHBACK 2DR		
Color: BLACK		
Engine: 2.0L 4		
Drive: FRONT-WHEEL DRIVE		
Cylinders: 4		
Fuel: GAS		
Keys: NO		
Special Note:		
Services		
<p>THIS VEHICLE IS BEING SOLD AS "AS-IS, WHERE-IS" ALL BIDS ARE BINDING AND ALL SALES ARE FINAL (What this means)</p>		
<p>Share / Save </p>		
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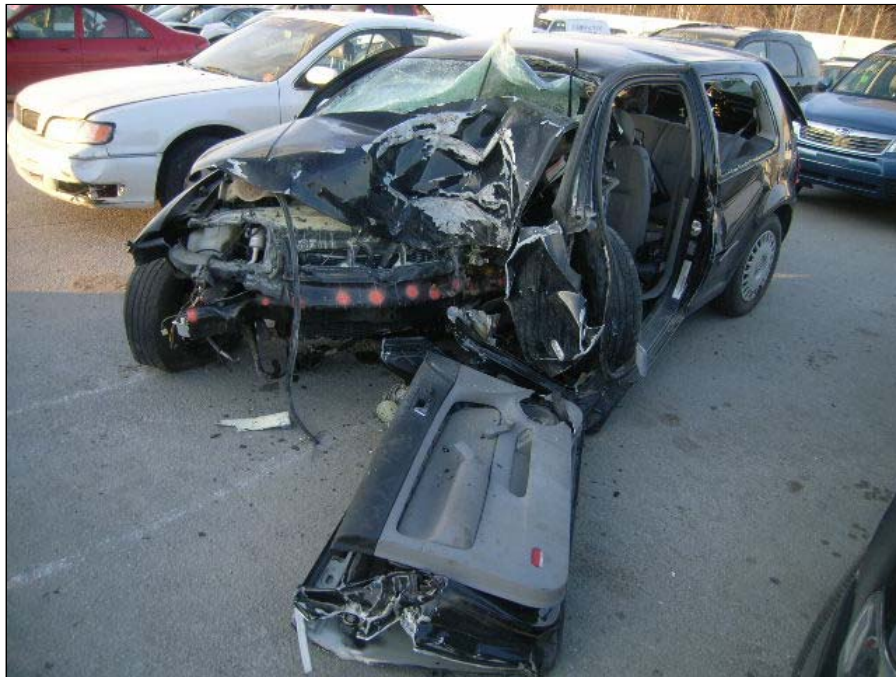
Note that this vehicle has been assigned a clean title by this insurer.
 (See a detail of the damage on the reverse side of this document).



Lot # 9902020 - 2000 VOLKSWAGEN GOLF GL



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Additional Vehicle Information

Body Style: **WAGON 4 DOOR**

Engine Size: **4.8L V8 SFI NS**

Estimated Repair Cost: **\$19,792.00**

ACV: **\$26,925.00**

Driver Airbag: **NONE**

Passenger Airbag: **NONE**

Left Side Airbag: **NONE**

Right Side Airbag: **NONE**

VIN Status: **OK**

The damage repair estimate on this vehicle is far below the true cost of repair. This vehicle cannot be repaired at any known cost yet a precise and low estimate was reported by the insurance company.

As a result, the damage estimate was below the 80% threshold for getting a non-repairable branding on the salvage certificate, and it was then auctioned off with a repairable salvage title.

The practice of securing better titles by insurers can lead to higher bidding both by unsuspecting bidders who use such repair estimates as guide as to how much it will cost to repair a vehicle they purchase, as well as cases where under-assigned branding is used to buy paperwork by parties who will then do a theft and VIN clone to change the identity of a stolen vehicle to hide the identity of a stolen vehicle. (see other insurance a clean title requested by an insurer for non-repairable vehicle as example in this package from a NJ auction).

Hot Picks of the Week



MY AUCTION CENTER

- Auction Lists
- Watch List
- Profile
- Resale Certificates
- Auction Calendar
- Manage Bids
- Account Summary
- I-bid Download
- Vehicle Locator
- Pre-Bid History
- Specialty Results
- Help

Last time you visited was 8/19/08 10:57 AM.

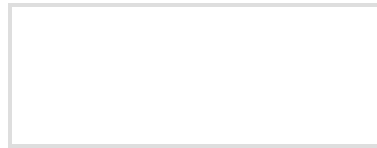
VEHICLE DETAILS

This vehicle has massive damage, yet has an estimated repair cost far below the true repair cost. The cost computes to be just below 75% of actual cash value (ACV), and consequently appears to have avoided being assigned a branded or salvage title.

This type of behavior is not unusual as there are many other such examples at these auctions. The repair cost was reported with a precision of two dollars - seemingly the result of a detailed valuation analysis. However, this vehicle is essentially un-repairable at any cost.

The estimated repair cost is not created by the salvage auction, but rather by the insurer that provided the total loss vehicle to be auctioned. Typically, the same insurer that produces the estimate and declares it a total loss, is the same entity to determine the estimated repair cost, and determines the title branding. Often, the returns on a vehicle at the auction are affected by the title status when the vehicle is auctioned off.

Branch:	Jacksonville	8/19/2008
Vehicle:	2007 CHEVROLET TAHOE C1500	Live Auction: AM ET I-bid LIVE
Stock Number:	4164452	Online Bidding Close: This auction is closed to pre-bidding. I-bid Live bidding begins at the time indicated.
		Auction Type: Open
		Who Can Buy: DEA ,DIS ,EXP ,LBU ,REB ,SCR



Vehicle Detail

Stock Number: 4164452
 Loss Type: FIRE
 Year: 2007
 Damage: TOTAL BURN
 Make: CHEVROLET
 Start: WON'T START
 Model: TAHOE C1500
 Key: YES
 Cert. State: Florida
 Odometer: 999999
 Sale Document: REBUILDABLE
 Odom.Status: BURNT
 Sale Document Brand:
 VIN: 1GNFC13C57R311126
 Sale Document Notes:
 Vehicle Status: READY FOR SALE
Vehicle Rating:
 Item #: 364



This is an example of a fraudulently manipulated Odometer at an auction.



1996 Chevrolet Corvette
VIN: 1G1YY32PXT5117625



1996 Chevrolet Corvette
VIN: 1G1YY22P6T5117454



As sold through CoPart 7/2011



As sold through IAA 7/2011

The vehicle on the right is a 1996 Chevrolet Corvette for sale via IAA online auction. The photo of the vehicle's odometer is below it. The vehicle to the left is also a 1996 Chevrolet Corvette, for sale via CoPart online auction. By comparing the two odometer photos it is clear that the vehicles' odometer frame should extend all the way to the edge of the main display, however the odometer of the vehicle for sale via CoPart is pinched showing just the 5-digit reading.

NSVRP identifies 2 serious concerns with this activity:

1. Odometer recording of this vehicle is not required under the current Odometer Act since the vehicle is more than nine years old. Therefore, fraudulent activity to hide 200,000 miles is not considered a violation of the Federal Odometer Act.

To a casual observer, the photo of this odometer recording looks legitimate and the vehicle appears to be a good purchase. It is only upon comparison of the CoPart photo with that of

another 1996 Chevrolet Corvette display that a buyer can see that some level of manipulation has taken place.

According to a Carfax vehicle history report for the CoPart vehicle, the odometer reading was 256,000 on 1/19/2011 but by 6/23/2011 it read only 56,921. Evidently, the initial “2” was dropped from the mileage and this understatement of 200,000 miles results in the Kelley Blue Book value more than doubling (\$16,100 as opposed to \$7,400).

2. Because this vehicle is for sale via an electronic auction, the buyer would be purchasing the vehicle under ‘as is – where is’ rules, under the false assumption that the vehicle has only 56,927 miles.

In reality, this vehicle has driven 256,927 miles but the sale would be completed over the internet before the buyer ever saw the actual vehicle and had the opportunity to inspect the main display and any back-up paperwork. Under the proposed amendments, as with live auctions, online auctions would be required to clearly display all vehicle information available so that potential buyers can be fully informed before they commit to a purchase.

Additionally, extending coverage to vehicles sold through online auctions would render this sale illegal. CoPart could not enforce a contract for an ‘as is –where is’ sale if the vehicle is in violation of the Federal Odometer Act as they can not enforce a contract that requires a federal law to be voided. This would be an additional federal crime.

Closing loopholes through proposed Odometer Act Amendments will stop similar fraudulent activity. Increasing vehicle coverage to model years 0-24 and extending coverage to vehicles sold through online auctions will drastically increase the number of vehicles that can be covered by the Federal Odometer Act and will protect consumers from fraudulent and harmful activity.



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The leading '2' in the odometer reading has been edited out of the auction listing photograph.

Proposed Odometer Act Amendments

For the purpose of protecting consumers and their vehicles
Example I: Flood Car



1989 Buick Lesabre Li VIN: 1G4HR54C9KH417630 Sold 6/2010 via CoPart

The vehicle above was a flood car that was sold at auction in 2010. It has a clean title and the online auction page does not disclose the seller. Clearly, the car has no apparent visual damage (but has the auction note of water/flood and minor dents/scratches).

Odometer recording of this vehicle is not required under the current Odometer Act since the vehicle is more than nine years old. To a casual observer, this is the type of vehicle (a low mileage, older car) that would be a prime candidate for a lower income family to consider for cheap transportation. Under the proposed extension of coverage to the original 0-24 years, this vehicle and others like it would be covered under the odometer reporting (should this be 'recording'?) requirements.

The proposed Odometer Act changes would require disclosure on the auction listing if this was a car that was being resold by an insurance company. Knowing that would flag for the bidder that rather than this being a nice older car being resold at auction, this was in fact an insurance total loss vehicle as a result of the water damage.

The proposed changes would also require auction disclosure of the selling party, providing an equally important protection to bidders. Since the online auctions now allow for retail people to bid at auctions, either directly or through bidder/broker services, this disclosure is very important.

The proposed clarifications as to when a transfer has taken place would also ensure that the reporting of the transfer from the original owner to the insurer would have been recorded before the auction process could take place, and guarantee that the prior insurance ownership would be disclosed before the on-line auction occurs.

This is just one example among many that demonstrates the urgent need for improved protections for consumers, especially for those economically disadvantaged consumers who cannot afford to be taken advantage of.

Note that although the auction noted water/flood damage this has a clean title. It can be bought and flipped to another auction and then sold without comment as a clean title vehicle making a consumer buying at the auction totally unaware of the past history.



Lot # 14316220 - 1989 BUICK LESABRE LI

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Lot Details	Highlights	Bid Information
ACV: \$0 USD	 	Facility: VA - RICHMOND
Repair Cost: \$0 USD		Sale Date: 06/11/10
Title State/Type: VA CERTIFICATE OF TITLE		Sale Time: 12:00 PM EDT
Odometer: 104,129 EXEMPT		Item # / Grid/Row: 55 / F070
Primary Damage: WATER/FLOOD		Sales Status: Sold
Secondary Damage: MINOR DENTS/SCRATCHES		Bid Status: Never Bid
VIN: 1G4HR54C9KH417630		Notice: Sale has ended.
Body Style: SEDAN 4DR		
Color: WHITE		
Engine: 3.8L 6		
Drive: FRONT-WHEEL DRIVE		
Cylinders: 6		
Fuel: GAS		
Keys: YES		
Special Note:		
Services		
THIS VEHICLE IS BEING SOLD AS "AS-IS, WHERE-IS" ALL BIDS ARE BINDING AND ALL SALES ARE FINAL (What this means)		
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Although the auction noted the vehicle as a water/flood vehicle, the official title document does not record the flood brand. As a result this vehicle can be flipped at a second auction without any notice of the flood status of the vehicle. It will look attractive to a low end consumer but in fact it will unknowingly be a risky purchase by such buyer.

Proposed Odometer Act Amendments
For the purpose of protecting consumers and their vehicles
Example II: Pull and Flip

As sold through IAA 3/2011

~\$3,500

1st Sale



As sold through CoPart 5/2011

~ \$6,800

2nd Sale



Recent Example of Probable Odometer Act Fraud: 2007 Jeep Wrangler VIN: 1J4FA24147L180950

The Jeep Wrangler pictured above was deemed an insurance total loss and acquired by the insurance company in December 2010. The Jeep was transferred to an auction company for sale via online auction and was bought by "Insurance Direct, Inc.", for approximately \$3,500. After some frame work was done which minimized the apparent damage, the Jeep was resold online through a different auction company for nearly twice the original amount to an unsuspecting second buyer.

The second buyer was a regular auction participant that purchased the vehicle unaware of the true severity of the damage that it had sustained. A significantly delayed timing in the submission of the title transfer paperwork just prior to the first auction may also be ignoring required Odometer Act recording upon transfer, thereby contributing to the financial harm and potential health and safety risks to downstream purchasers such as the final buyer in this example.

NSVRP identifies 2 main concerns here:

1. Because this was an online auction the second bidder did not physically inspect the vehicle to recognize the superficial repairs that masked the full extent of the damage.
2. The buyer was unaware that the vehicle was an insurance total loss vehicle from a prior auction, and only discovered that fact from additional research after they had purchased the vehicle and had access to the title documentation as the purchaser.

To protect against this kind of fraudulent activity, NSVRP proposes three amendments to the Federal Odometer Act:

1. Remove any ambiguity about the timing when the odometer transfer recording is required by clearly providing a federal definition for the Act's requirement for recording upon "transfer of ownership;"
2. Provide Act coverage for the majority of the vehicles on the road today by requiring odometer recording for vehicles from 0-24 years old; and
3. Ensure that the Act's recording requirements protect buyers in online auctions in the same way that direct sales purchasers are protected by 1) requiring any parties that help effect transactions, whether they take actual or virtual possession of the vehicle, to comply with the Act; 2) providing accurate seller information for better auction buying decision-making; and 3) maintaining online records of Internet sales searchable by VIN for a minimum of four years.

If the revised Odometer Act language had been in effect at the time of this sale, the amended definition of "transfer of ownership" would force the date of odometer recording to be the date that the buyer takes possession. In this case, timely recording and reporting of transfers would have alerted the second buyer that the initial seller was an insurance company and therefore that the vehicle had recently been declared a total loss, and a missing intermediate transfer would likely raise a question in the mind of the buyer regarding the status of the vehicle. Stored records of previous Internet sales searchable by VIN would have allowed the buyer to see the recent past history of this vehicle. As it was, the second buyer was at risk of a 10 percent loss to return the vehicle to CoPart after a physical inspection revealed the true extent of damage to this Jeep Wrangler.



Lot # 18068721 - 2008 NISSAN FRONTIER S

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Lot Details	Highlights	Bid Information
ACV: \$19,125 USD	 	Facility: CA - SACRAMENTO
Repair Cost: \$17,200 USD		Sale Date: 07/12/11
Title State/Type: CA SALVAGE CERTIFICATE		Sale Time: 12:00 PM PDT
Odometer: 122,977 ACTUAL		Item # / Grid/Row: 3059 / SD001
Primary Damage: ROLLOVER		Sales Status: Pure Sale
Secondary Damage:		Bid Status: Never Bid
VIN: 1N6AD09WX8C405323		<h2>Current Bid: \$500 USD</h2>
Body Style: CREW PICKUP		
Color: RED		
Engine: 4.0L 6		
Drive: FOUR BY FOUR		
Cylinders: 6	Your Maximum Bid:	
Fuel: GAS	\$ <input type="text"/> USD	
Keys: YES	(\$25 USD Bid Increment)	
Special Note:		
Services Transporters Inspectors Add to Watchlist		
THIS VEHICLE IS BEING SOLD AS "AS-IS, WHERE-IS" ALL BIDS ARE BINDING AND ALL SALES ARE FINAL (What this means)		
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The ACV listed for this vehicle would be a dealer retail top tier price for an excellent undamaged vehicle. ACV is defined as the value of the vehicle in its pre-accident condition, however there are multiple versions of pricing depending if the vehicle is treated as a dealer full retail 'certified used car', a private resale, or what a dealer would offer on a trade-in. These will vary wildly from each other.

BEFORE - This vehicle has major damage, and a crushed roof. Note however that the odometer is functioning and it displays 122,977 miles. The mileage is also declared on the auction papers.



Lot # 18068721 - 2008 NISSAN FRONTIER S



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 Match All Match Any

for example - jeep wrangler yellow

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Lot # 20764771 - 2008 NISSAN FRONTIER S

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Lot Details	Highlights	Bid Information
ACV: \$21,480 USD		Come Visit Us At: CA - LOS ANGELES
Repair Cost: \$0 USD		Sale Date: 08/08/11
Title State/Type: CA SALVAGE CERTIFICATE		Sale Time: 12:00 PM PDT
Odometer: 0 NOT ACTUAL		Item #: 0
Primary Damage: ROLLOVER		Sales Status: On Minimum Bid
Secondary Damage: SIDE		
VIN: 1N6AD09WX8C405323		Current Bid: \$0 USD
Body Style: CREW PICKUP		Your Maximum Bid: \$ <input type="text"/> USD
Color: RED		Min Starting Bid: \$125 USD (\$25 USD Bid Increments)
Engine: 4.0L 6		
Drive: Four By Four		
Cylinders: 6		
Fuel: GAS		
Keys: YES		
Special Note:		

THIS VEHICLE IS BEING SOLD AS "AS IS - WHERE IS" - ALL BIDS ARE BINDING AND ALL SALES ARE FINAL. [What this means](#)



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Worldwide Auto Inc. purchased this Nissan Frontier at a CoPart Sacramento auction on 7/12/2011 and now appears to be reselling the vehicle at CoPart's Los Angeles location. Note that the ACV has increased by more than \$2,000 from the original listing on 7/8/2011 and the reseller has failed to report the mileage. The reseller also deleted the repair estimate, despite making what seem to be only superficial repairs in the 6 day period between purchasing the vehicle (7/12/2011) and the date photos were seen on Worldwide Auto Inc.'s website, getwwa.com (7/18/2011).

The listing does not show the mileage and the odometer in the new photograph conveniently no longer shows the mileage display even though just a week earlier at the prior auction the odometer was functioning, and the mileage was therefore known to Worldwide Auto both from the odometer display and from the prior auction paperwork. Since the vehicle is a 2008 unit, and since the auction is the same company that had previously sold the same vehicle on 7/12/2011 it appears that the auction and the seller are both likely in violation of the Federal Odometer Reporting Act.

KBB estimates that a certified pre-owned 2008 Nissan Frontier with the national average 15,000 miles per year would sell for approximately \$20,000 in the Los Angeles area on a dealer retail resale of an undamaged vehicle. Worldwide Auto Inc. appears to be auctioning this vehicle with that information in mind and not the true ACV for the vehicle, with 122,977+ total miles. Based upon that mileage, even a dealer retail ACV would have been far lower.

With approximately \$17,000 worth of repairs necessary before the vehicle is road-worthy and with 122,977 miles on the vehicle the true reference ACV would be approximately \$12,000 since even repaired the vehicle would not qualify as a top rated low mileage condition vehicle.



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Lot # 20764771 - 2008 NISS FRONTIER S



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AFTER - Note the straightening and the reduction in apparent visibility of the damage. Also note the the odometer is now not working and the mileage is undeclared.



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Note that in the prior photos from the original CoPart auction of 7/12/2011 the odometer has power and shows a display of 122,977 miles. After a quick turn-around by the buyer (Worldwide Auto - GETWWA.com) where there were superficial cosmetic improvements made before quickly offering the vehicle for resale the odometer no longer has a displayed mileage.

Also note that in the initial resale offering on the GETWWA.com website on 7/18/2011 the seller still notes the mileage as 122,977 however upon transferring the vehicle for resale at CoPart's Los Angeles facility for an 8/8/2011 sale date, Worldwide Auto declared the mileage at 0 miles - essentially claiming that the mileage is now unknown to the seller.

Sent: Monday, January 29, 2007 3:39 PM
Subject: Here is the car with the clean title.



Lot Number: **12471176**

**Virtual Sale Starts : TUESDAY 1/30/2007
at 12:00 PM EST**

Pick Up Location : [NJ](#) - XXXXXXXXXX
Sale Date : 1/30/07 Item# 1050
Description : 2005 SUBARU IMPREZA
WRX STI
Color : CHARCOAL
VIN : [JF1GD70635L518910](#)
Title Type : CLEAN TITLE
Loss Type : BURN
[Mileage](#) : 0 N
Damage Type : AO
Keys: NO
Current Bid:

On Approval

This vehicle was offered for sale with a 'clean title' at a major salvage auction. It's only value would be to a car thief to 'cover' a vehicle theft and VIN swap for either domestic or international criminal or terrorist groups. The 'clean title' designation is designated by the insurance company, and sold by the salvage pool as an agent for the insurer.



Lot # 12471176 - 2005 SUBARU IMPREZA WR

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Lot Details	Highlights	Bid Information
ACV: \$0 USD	 	Facility: NJ - GLASSBORO EAST
Repair Cost: \$0 USD		Sale Date: 01/30/07
Title State/Type: NJ CERTIFICATE OF TITLE		Sale Time: 12:00 PM EDT
Odometer: 0 NOT ACTUAL		Item # / Grid/Row: 1050 / *SALE
Primary Damage: ALL OVER		Sales Status: Sold
Secondary Damage:		Bid Status: Never Bid
VIN: JF1GD70635L518910		<p style="text-align: center;">Notice: Sale has ended.</p>
Body Style: SEDAN 4DR		
Color: CHARCOAL		
Engine: 2.5L 4		
Drive: ALL WHEEL DRIVE		
Cylinders: 4		
Fuel: GAS		
Keys: NO		
Special Note:		
Services		
Pre-approval Information		
<p>THIS VEHICLE IS BEING SOLD AS "AS-IS, WHERE-IS" ALL BIDS ARE BINDING AND ALL SALES ARE FINAL. (What this means)</p>		
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This is a vehicle sold at auction with a clean title. The vehicle was sold at a major auction and was issued a clean title by the carrier. The repair cost was highly understated. A consequence of which enabled the repair cost to be reported as below the actual cash value (ACV) of the vehicle, thereby avoiding the threshold % of ACV trigger that would have required the title to be reported as 'Salvage'. If properly reported, the actual repair cost would have been substantially above the ACV of the vehicle.



Lot Number: **11754646**

Virtual Sale Starts : TUESDAY 2/13/2007 at 12:00 PM EST

Pick Up Location : [NJ - GLASSBORO EAST](#)

Sale Date : 2/13/07 Item# 2018

Description : 2004 HONDA PILOT EX

Color : BLACK

VIN : [2HKYF18484H](#)

ACV : \$22,993 USD

Repair Cost : \$19,016 USD

Title Type : CLEAN TITLE

Loss Type : COLLISION

[Mileage](#) : 0 N

Damage Type : BN

Keys: NO

Current Bid: \$2,900 USD

This damage was under-declared by the insurance company. As a result the insurer was able to request a clean title for the vehicle. Also note the high bid for this total burn vehicle. This vehicle was purchased for its value as clean title paperwork.







Lot # 11754646 - 2004 HONDA PILOT EX

[Glossary of Terms](#)



Lot Details	Highlights	Bid Information
ACV: \$22,993 USD	 	Facility: NJ - GLASSBORO EAST
Repair Cost: \$19,015 USD		Sale Date: 02/13/07
Title State/Type: NJ CERTIFICATE OF TITLE		Sale Time: 12:00 PM EST
Odometer: 0 NOT ACTUAL		Item # / Grid/Row: 2018 / *SALE
Primary Damage: BURN		Sales Status: Sold
Secondary Damage:		Bid Status: Never Bid
VIN: 2HKYF18484H597096		<p>Notice: Sale has ended.</p>
Body Style: 4DR SPORT UTILITY		
Color: BLACK		
Engine: 3.5L 6		
Drive: ALL WHEEL DRIVE		
Cylinders: 6		
Fuel: GAS		
Keys: NO		
Special Note:		
Services 		
<p>THIS VEHICLE IS BEING SOLD AS "AS-IS, WHERE-IS" ALL BIDS ARE BINDING AND ALL SALES ARE FINAL. (What this means)</p>		
<p>Share / Save </p>		

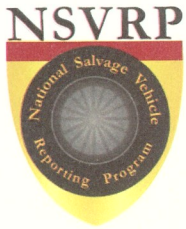
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National Salvage Vehicle Reporting Program

February 20, 2012

Honorable Kevin Bacon, Chairman
Ohio Senate Insurance Committee
Ohio Senate, The Statehouse
Columbus, Ohio 43215

Dear Chairman Bacon:

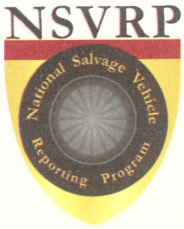
The National Salvage Vehicle Reporting Program (NSVRP) is a leading not-for-profit law enforcement support organization dedicated to reducing auto theft, title fraud and abuse, and helping to control criminal activities related to the exportation of stolen and fraudulently obtained vehicles. NSVRP works closely with the Department of Justice, the FBI, Customs and Border Patrol and other parties to help further these objectives. In addition, NSVRP is a recognized third party standards body for NMVTIS the National Motor Vehicle Title Information System (NMVTIS) which was created as a result of the Anti-Car Theft Acts of 1992 and 1996. NSVRP's board is composed of representatives of local and national law enforcement organizations.

NSVRP has been asked to comment on the Ohio Senate Bill 273, particularly regarding its provisions on opening up salvage auctions to the general public. In recent years, there have been efforts by various interested parties to open up such auctions to the public, and while a number of these have met with success, NSVRP has significant concerns about the consequences of such efforts on both consumer protection and public safety. Furthermore, allowing for the electronic sale of salvage vehicles directly by consumers creates a great temptation and further facilitates fraudulent activity and criminal elements to more easily profit from having such immediate and direct contact for the sale of misrepresented product to naïve consumers in a no-recourse environment.

There are some 3.0 – 3.5 million vehicles sold each year through salvage auctions. A substantial majority of these vehicles are sold over the Internet, and are sold under terms of a no-recourse as-is basis. The bidder has to agree to the auction rules, which almost universally require the bidder to waive their rights to reject the sale even if the vehicles have incorrectly stated mileage, misrepresented damage or other deficiencies in the information provided, and upon which the bidder based their bids. Such an environment is only suitable for a buyer who is in the automotive business, and who are willing to take those informed risks.

The National Motor Vehicle Title Information System was created to help protect the public from abuses, and it does provide a clearinghouse of total-loss vehicle histories for the public. NMVTIS is a great tool, however in an on-line salvage auction environment that takes place in real-time where sales often are held shortly after the total loss events, vehicles can move through these auctions even before

The National Salvage Vehicle Reporting Program (NSVRP) is a not-for-profit 501 (C) (3). The organization was founded to support law enforcement and to promote and support efforts to advance the National Motor Vehicle Title Information System (NMVTIS). NSVRP's mission is to support initiatives to control auto-theft and title abuse. NSVRP's Board of Directors consists of representatives of major law enforcement groups, and is an independent third party standards provider for NMVTIS. NSVRP has been recognized both by the Department of Justice and the FBI for 'Exceptional Service in the Public Interest' for its public policy efforts.



National Salvage Vehicle Reporting Program

the sellers have filed their required reporting into the system. Furthermore, even if there is a NMVTIS report on file, most buyers at these auctions are very unlikely to check with NMVTIS on each vehicle during an auction since the bidding on each car takes 60 seconds or less. One auction chain – CoPart which is the largest salvage auction chain in the country, and which auctions over 1 million units a year – even promotes its auctions under the catch phrase of ‘sold in 60 seconds’.

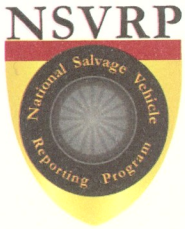
NSVRP can provide extensive documentation of cases where vehicles which are severely damaged and are superficially repaired and sent from one auction to another where they are resold to an unsuspecting dealer. NSVRP can also provide extensive documentation where vehicles which have branded titles based on salvage branding rules in one state have been flipped through a transfer to other states where the brands have been washed, and then the vehicles resold in a subsequent transaction under clean titles. Experian did a thorough study in 2008, where they identified in a six month period 185,000 vehicles whose titles had been washed through such transfers between states. That translates to roughly 370,000 branded and washed titles in a single year.

Ohio, like other states, has well developed bodies of law that provide consumer protections when a consumer purchases a vehicle. In the case of a salvage auction, where the consumer is even less qualified to evaluate damage – especially when bidding based upon pictures over the Internet, NSVRP considers it inappropriate to allow consumers to bid at such auctions. These vehicles are sold as-is where-is, and are appropriately sold to dealers who are able to deal with unexpected losses, and who are required to fix such vehicles before selling them to the public.

The auctions handle salvage units, wrecked vehicles with clean titles, superficially repaired but inoperable vehicles and other such vehicles. Bidders that are registered with an auction chain such as IAA or CoPart presently can bid at auctions both in state and out of state. Consequently, approving such a provision will not only allow such bidders to bid on Ohio vehicles, but could allow them to bid on vehicles being auctioned at other auction sites in other states. Some states such as Minnesota, Colorado and others have absolute exemptions on the branding of titles once a vehicle has reached 6 years old or older – they get clean titles regardless of damage. An Ohio consumer registered to bid under this law would, for example, be unaware that unlike Ohio, a clean title on a 7 year old vehicle in Minnesota provides no indication on the condition and status of such vehicle. Bidding on such vehicle remotely over the Internet under non-recourse terms of sale is not inappropriate. The state of Ohio presently and properly protects its citizens from this behavior. Enacting this legislation in the absence of retaining full consumer protections and a right of refusal and refund for the consumer is unwise.

This ability to sell to a consumer over the Internet will also facilitate increased fraudulent activity with lucrative new markets for dishonest sellers. While most of the salvage auction vehicles come from insurance companies, it is not limited to insurance companies, and some 20% come from other sources including reselling by brokers and dealers over the auction network. NSVRP can document numerous

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National Salvage Vehicle Reporting Program

examples of fraudulent and misrepresented sales offerings, and knows of many cases where experienced and sophisticated buyers have been fooled and misled.

Attached to this letter are a few examples of such practices, and in some cases individual entities have done cosmetic repairs and flips of numerous heavily-damaged vehicles. Also attached is a link to a video report on an individual who was able to roll back electronic odometers to any desired setting – and had done so to many hundreds of them during the course of the investigation until his indictment. The terms of the salvage auctions do not allow for a revocation of a sale even in the case where such tampering has taken place on an auction vehicle where the mileage had been fraudulently misrepresented at the auction by the seller. NSVRP also expects based upon its extensive research that by further expanding the direct reach of sellers to a larger pool of private and unsophisticated private bidders, the ability of these sellers to operate over the Internet in a no-recourse sale environment will further encourage these types of actors to expand upon their opportunities for fraudulent, illegal and unsafe activities.

NSVRP would anticipate many of the private buyers that would now be buying at these auctions will suffer from unexpected financial losses, or worse, they will then farm out the repairs and either operate unsafe vehicles that should never have been repaired, or will resell the unsafe vehicle to another consumer in an effort to recoup their loss.

NSVRP believes it unwise to allow private parties to purchase at such auctions without the benefit of an intermediary dealer to warrant the sale to them. If auctions are to be allowed to sell directly to consumers, there needs to be legislatively provided warranties that include a revocation period with a full refund of all costs, charges and fees. The warranty must provide from the time of purchase until a period after a private buyer begins to work on such vehicle allowing sufficient time to determine hidden undisclosed damage, fraudulent or otherwise misleading paperwork or for any problem. There should also be a 3 day period to allow the buyer an absolute right to revoke the purchase at will without penalty or cost.

NSVRP believes that the current closed auction best protects the private citizens in Ohio, and recommends that Ohio Senate Bill 273 is not in the public interest and should not be approved.

Respectfully submitted,

Administrator, NSVRP

The National Salvage Vehicle Reporting Program (NSVRP) is a not-for-profit 501 (C) (3). The organization was founded to support law enforcement and to promote and support efforts to advance the National Motor Vehicle Title Information System (NMVTIS). NSVRP's mission is to support initiatives to control auto-theft and title abuse. NSVRP's Board of Directors consists of representatives of major law enforcement groups, and is an independent third party standards provider for NMVTIS. NSVRP has been recognized both by the Department of Justice and the FBI for 'Exceptional Service in the Public Interest' for its public policy efforts.

