



FAIR DEALER NEWSLETTER

Quarterly updates for the dealer and manufacturer industry

www.dol.wa.gov/business/vehiclevesseldealer/dlrresources.html

October 2007

Greetings from the Administrator



Now that fall is here, the changing of the seasons and the falling leaves bring to mind some of the changes we have experienced here in the Dealer & Manufacturer Services section.

We have been involved in some interesting events during 2007, and have undergone some evolution, so it seems a good use of space here in the Fair Dealer to provide you with some updates.

The Dealer and Manufacturer Services section has lost three long-time employees to retirement during the past few months. Many of you will recognize the names: Ann Nielsen, Lee Howell and Sotero Rambayon.

Ann Nielsen's state service started in May of 1983. She transferred to the Dealer Services division of the Department of Licensing in November of 1999 where she served as a Licensing Auditor. She retired from state service effective July 31, 2007.

Lee Howell's first state service began on June 27, 1977, as a Park Ranger with the Parks and Recreation Commission. He later promoted to an Investigator position with the Department of Licensing in Seattle. In March 1988, he transferred to the Olympia/Tacoma office where he worked until retiring earlier this year.

Sotero Rambayon began his state service with the Department of Licensing in Seattle

on June 4, 1984, as an investigator. In October 1991 he went to the Department of Revenue as a Revenue Officer where he worked until October 1995. At that point in time, he transferred to the Department of Labor & Industries as an Investigator. In August 1997, Sotero transferred back to the Department of Licensing, still working in the Seattle area. He retired from state service effective August 31, 2007.

All three of these dedicated public servants will be missed by many. We wish them much luck as they now pursue other interests and hopefully enjoy quality time with their family members.

Along this same vein, many of you are familiar with Nikki Cope, my administrative assistant for the past two years. Nikki has been promoted to a supervisory position in the Driver Services division of DOL. I want to thank her publicly for her professionalism and her many contributions to Dealer Services while she was here.

I would also like to welcome our two newest employees: Laura Desmul as my new administrative assistant and Jeff Scheel as a recent addition to our investigator ranks.

Laura comes to Dealer services after spending the last 3 years in the DOL Disbursement Unit. She has worked for the State of Washington for 22 years, having previously worked for Department of Social

and Health Services and the Department of Corrections.

Jeff Scheel came to Department of Licensing in July of 2007 after working for five years with Department of Revenue (DOR). Before his service with DOR, he graduated from WSU with a Criminal Justice degree.

It may be of interest that the DOL now has a Title Fraud Unit (TFU) that has been up and running for approximately 18 months. The unit consists of two investigators whose primary duties include reviewing titles, reports of sale, and other supporting documents for fraudulent practices. So far, their work has resulted in the discovery of thousands of questionable or suspicious transactions.

TFU efforts are coordinated as needed with the Washington State Patrol (WSP). Several subagency employees have been interviewed regarding TFU findings and, so far, one individual has been arrested and charged. The subagency where they worked was closed by authorities for two weeks until internal subagency reorganization could be completed.

DOL investigators are also actively involved in odometer rollback investigations. The highest profile case we are currently working on is being conducted in conjunction with the National Highway Traffic Safety Administration (NHTSA). In this case, a team of scam artists had teamed up with a speedometer shop to target selected high-mileage vehicles for odometer rollback. The vehicles with altered mileage readings were then sold to dealers or to private parties, so please be alert and aware that this is going on out there.

As of September, 171 vehicles have been identified with altered odometers, 74 of which were less than 10 years old when the odometers were altered. It appears that in most cases the individuals are conducting research on the vehicles prior to acquiring

them, perhaps by using databases such as Carfax in an effort to determine if there is a recorded mileage history. They generally obtain high mileage vehicles which have had only one owner with no subsequent title transfers since the original purchase.

The suspects have been using dealer names and dealer numbers from some legitimate dealers (with or without their permission), and in some cases have forged dealer licenses using color printers. DOL Investigators were asked to provide to NHTSA a list of the licensed dealers who have bought and/or sold vehicles from/to the suspects currently under investigation. NHTSA subsequently mailed "Demand Letters" to all the identified dealers involved requesting wholesale orders in an attempt to ascertain the mileage of the vehicles when sold.

You can plainly see that things are hopping here in the Dealer Services section. Thanks to those of you who have provided feedback to us on the Fair Dealer newsletter and on business in general. We enjoy working with you to help ensure fairness and equity in the motor vehicle industry. As we move on toward the holidays (and deeper into football season) we hope your holidays are happy and that the Seahawks, WSU Cougs, UW Huskies, EWU Eagles, WWU Vikings, and CWU Wildcats all find success. Too late to send out any good wishes to the Mariners for this season, but there's always next year!

Cordially,

Dan Devoe
Administrator
Dealer & Manufacturer Services

You may have heard about the new Enhanced Drivers License (EDL) & ID card. We hope the information below answers any questions you may have.

For additional information on the Enhanced Drivers License project, visit
<http://www.dol.wa.gov/about/news/priorities/edl.html>

Enhanced Driver License and Identification Card



By Land or By Sea, Use Enhanced ID!

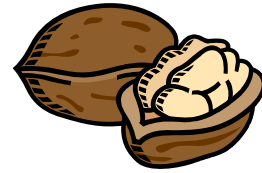
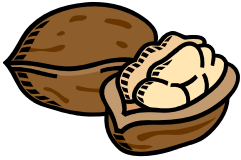
In January 2008, The Washington State Department of Licensing will begin issuing a new Enhanced Driver License and Identification card (EDL/ID). The EDL/ID provides travelers with a low cost, convenient alternate travel document to a passport for entry at land and sea ports between the U.S. and Canada, Mexico, Bermuda and the Caribbean.

The EDL/ID is voluntary. The cost is \$15 more than a driver license or identification card and you can make an appointment to apply by calling any of the 11 participating Licensing Service Office locations throughout the state. Applicants must provide documentation to prove U.S. citizenship, identity and Washington State residency. They must provide their social security number and have a digital photo taken, along with an interview with a Licensing Service Representative.

The EDL/ID has similar security features to a U.S. passport, such as embedded Radio Frequency Identification (RFID) and a Machine Readable Zone (MRZ). The RFID is required by the federal government to facilitate rapid identification checks at the border. The MRZ

can be scanned when the RFID reader is not available at the border crossing station. The RFID tag will only have a unique reference number and will not contain personal information about the applicant.

Washington State is first in the nation to create a viable solution to the Western Hemisphere Travel Initiative (WHTI), requiring people traveling into the U.S. to present a valid passport. The requirement for air travel went into effect in January 2007, and for land and sea border crossing, the passport requirement will start in early 2008. The EDL/ID is designed to improve security and facilitate border management to address the WHTI requirements and maintain trade and tourism across our borders.



Dealer Advertising in a Nutshell

By: Bill Wright, Western Region Investigations Manager

All successful dealers advertise. How else will your future customers know you exist and want their business? Advertising includes everything normally accepted to be advertising such as newspaper ads, Auto Trader ads, radio and TV spots, as well as signs, placards and anything on the vehicle. Refresh your knowledge with this information furnished by Mary Lobdell, Assistant Attorney General, Consumer Protection Division.

General Advertising Rules

Clearly and conspicuously disclose all material limitations to be read and understood.

- Do not run ads that promise something you do not plan to deliver. Ads that mislead a substantial number of consumers are illegal.
- Offer only vehicles available for delivery.
- Disclose optional dealer documentary fee and the amount of the fee.
- Disclose the expiration of ad or sale.
- Use photos of the exact vehicle (if used) or a vehicle similar to the class of vehicle offered (if new).
- Disclose number of specific vehicles available at specific price (i.e. “3 at”).
- Disclose number of vehicles available next to specific advertised vehicle.
- Disclose VIN number for specific advertised vehicle or make available on request.
- Disclose only manufacturer rebates that the consumer can immediately receive or apply to purchase (no delayed “rebates” from third parties or dealer rebates of any kind). Rebates that are not generally available to the public or do not reduce the sales price of the car should be advertised separately and not used to create an unattainable “sales price.”
- Advertise vehicles manufactured less than two-years from the date of the ad as “used,” “demo,” “lease return” or “rental return”;
- Use only terms commonly known by the public. Do not use auto or lending industry terms.
- Disclose all terms in large enough type and in color contrast to be easily read and understood.
- Advertise disclaimers in at least 10 pt or larger. Disclaimers cannot be used to contradict material terms in large print.
- If you make a claim such as “lowest price,” “guaranteed trade-in amounts,” “any price quote will be beaten,” “push, pull or drag” or “any deal accepted,” you must be able to substantiate the claim from your records at the time the claim is made.

Advertising Price and Finance Disclosures

An advertised price should include all equipment on the vehicle at the time of the ad and sold at the advertised price regardless of trade in value or whether the customer is aware of the ad price.

- Advertise new vehicles using MSRP. Do not use “cost,” “wholesale,” or “reference” pricing.
- If you use an industry pricing guide to advertise used car prices, identify the pricing guide (Kelly Blue Book/NADA) in the ad. Such reference pricing must be properly adjusted for date, mileage, equipment and vehicle condition. Your competitors should agree that the reference price is a fair representation of the book price—if they don’t—then don’t use it.
- Do not advertise at, above or below “invoice” or “at cost” pricing unless you put the actual price you are referring to in the ad and calculate “cost” or “invoice” as the actual cost to the dealer to obtain the vehicle (which may include paid shipping) *minus* holdbacks, manufacturer to dealer incentives, optional advertising fees, dealer overhead, document fees, and other similar items. You can not use customer rebates to get down to “invoice.”
- Advertise reductions or savings in price only when the dealer’s records demonstrate that the vehicle was offered or advertised for sale at the former price for a substantial period of time. Savings and discount claims must be substantiated. It is misleading to claim a savings when no higher price existed.
- If the ad lists any of the following:
 - A down payment (i.e. “10% down,” “90% financing,” “trade-in with \$1,000 appraisal value required,” “drive it home for \$199”);
 - A payment of any amount (i.e. “\$269 per month,” “pay \$23.44 per \$1,000 borrowed,” “monthly payments less than . . .”);
 - The number of payments or the period of repayment (i.e. “up to 4 years to pay,” “48 months to pay”);
 - The amount of any financing charge, no financing charge, or no credit charge (7%, “financing costs less than \$300 per year,” “less than \$1,200 interest,” “\$2 a month carrying charge”).

. then it must clearly and conspicuously state:

1. the cash price or amount of the loan;
2. the amount, percentage of any down payment or no down payment;
3. the annual percentage rate;
4. the amount and frequency of payments needed to repay;
5. the deferred payment price;
6. the specific model or vehicle to which it applies; and
7. any other conditions material to the offer.

- If advertising a lease payment or down payment, the ad must clearly and conspicuously state:
 - (a) the transaction advertised is a lease;
 - (b) the total amount due prior to or at consummation/delivery;
 - (c) the number, amount, and due dates or period of scheduled payments under the lease;
 - (d) a statement of whether or not a security deposit is required; and
 - (e) a disclosure of the lessee's liability at the end of an open-end lease.



Prize and Promotion Ads:

- Simulated checks/coupons must include “this is not a negotiable instrument,” “no cash value,” and bear the phrase “THIS IS NOT A CHECK” diagonally across the check in a typeface at least as large as the predominant typeface on the check.
- Simulated checks may constitute dealer rebates or be otherwise deceptive. Consult your attorney before using these types of marketing devices. The consumer must get actual value for what is represented—not an illusory discount.
- If offering a prize in a mailed advertisement, you must list:
 - (a) the name and address of the promotion’s sponsor;
 - (b) the *verifiable* retail value of each prize (or giveaway) offered in immediate proximity of the prize listed;
 - © (in equal type-size or larger,) the odds of being awarded a prize and any conditions to receive the prize, including whether a participant needs to attend a presentation or spend *any* money to claim the prize;
 - (d) all material limitations of an offer;
 - (e) a statement of “no purchase necessary” and “a purchase will not increase your odds of winning” in a clear and conspicuous manner; and
 - (f) official rules and reference such rules.
- Do not advertise “free merchandise.” In a car deal anything over \$25 (de minimis) is not likely “free.”
- Do not create a false sense of urgency or distress such as “liquidation,” “public notice,” or auction unless you can substantiate it.
- Do not use words or type that imply the offer originates from a government agency, utility, insurance company, credit reporting agency, bill collecting company, or law firm.

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Questions or comments for the editor? Email kzuchlewsk@dol.wa.gov

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Disciplinary Action Cases
June 1 thru September 30, 2007

Car Pros Kia, Tacoma
Finding: Bushing
Action / Penalty: \$3,000

Michael Nolan, Mountlake Terrace
Finding: Unlicensed dealer activity
Action / Penalty: Cease & Desist / \$9,000

Total Parking Solutions, Mercer Island
Finding: Unlicensed dealer activity
Action / Penalty: Cease & Desist

Bruce Titus Automotive Group, Olympia
Finding: Late title transfers
Action / Penalty: \$3,000

Valley Motors Limited, Spokane Valley
Finding: Falsifying documents
Action / Penalty: \$6,000

Kero's Auto Brokers, Edmonds
Finding: Late title transfers
Action / Penalty: \$1,500

Tony's Auto Repair, Yakima
Finding: Unlicensed dealer activity
Action / Penalty: Cease & Desist / \$5,000

Performance Nissan, Everett
Finding: Late title transfers
Action / Penalty: \$2,000

Premium Motorsports, East Wenatchee
Finding: No established place of business
Action / Penalty: \$500

Jerry Smith Chevrolet-Buick-Ki, Anacortes
Finding: Late title transfers
Action / Penalty: \$5,500

Federal Way Towing, Federal Way
Finding: Unlicensed wrecking at old address
Action / Penalty: \$15,000

Jerry's Quality Used Cars, Tacoma
Finding: Failure to maintain files / record keeping
Action / Penalty: \$1,000

John P. McLaughlin, Tonasket
Finding: Unlicensed dealer activity
Action / Penalty: Cease & Desist

Spokane Auto Sales, Incorporated, Spokane
Finding: Insolvent
Action / Penalty: Revoked

Newport Motors, Inc., Lynnwood
Finding: Late title transfers
Action / Penalty: \$3,000

Mid City Towing, Inc., Everett
Finding: Failure to pay monetary penalty / failure to remit surplus funds
Action / Penalty: Suspended / \$6,500

Shumate Harley-Davidson, Kennewick
Finding: Late title transfers
Action / Penalty: \$9,500

Chris' Towing, Port Angeles
Finding: Failure to provide certificate of insurance
Action / Penalty: Suspended

Carco Auto Sales, Inc., Burien
Finding: No established place of business
Action / Penalty: Suspended

Ctm Auctions, Rochester
Finding: No established place of business
Action / Penalty: Suspended

Yacolt Towing, Yacolt
Finding: Failure to provide liability insurance
Action / Penalty: Suspended

D-y Trucking, Woodland
Finding: Failure to provide liability insurance
Action / Penalty: Suspended license

Rags to Riches Towing, Olympia
Finding: Late title transfers
Action / Penalty: Suspended