



Testimony of

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On behalf of**

**American Association of
Motor Vehicle Administrators**

**Protecting Consumers from Flooded and Salvaged Vehicle
Fraud**

**Submitted to the
Senate Commerce, Science and Transportation –
Subcommittee on Consumer Affairs, Product Safety and
Insurance**

Washington, DC

November 16, 2005

Good afternoon, Mr. Chairman and distinguished members of the Committee. I am Karen Chappell, Deputy Commissioner of the Virginia Department of Motor Vehicles and today I am speaking on behalf of the American Association of Motor Vehicle Administrators (AAMVA).

AAMVA Background

Founded in 1933, AAMVA is a state-based, non-profit association representing motor vehicle agency administrators, senior law enforcement officials and industry in the United States and Canada. Our members are the recognized experts who administer the laws governing motor vehicle operation, driver credentialing, and highway safety enforcement. AAMVA plays an integral role in the development, deployment and monitoring of both the commercial driver's license (CDL) and motor carrier safety programs. The Association's members are responsible for administering these programs at the state and provincial levels. As a non-regulatory organization, AAMVA uses motor vehicle expertise to develop standards, specifications and best practices to foster the enhancement of driver licensing administration and vehicle titling and registration.

Consumer Concerns

AAMVA and its members place the concerns of consumers first. AAMVA has long realized the potential danger motor vehicle title fraud presents and has worked to combat the problem for years. Motor vehicle fraud costs consumers billions of dollars a year with life-threatening consequences. It endangers human life by putting unsafe vehicles back onto our roads. Title fraud dupes hard-working consumers into buying vehicles that look good on paper, but are not safe and reliable. Perhaps the most important issue concerning title fraud is the adverse effect it has on the consumer. For instance:

- In 2003, over 450,000 cases of odometer fraud cost consumers more than \$1 billion.
- Roughly 50,000 to 100,000 vehicles have had their Vehicle Identification Numbers (VINs) stolen or cloned. Consumers won't realize this until after the vehicles have been purchased or their numbers have been duplicated.
- Each year 200,000 stolen vehicles are shipped overseas where law enforcement organizations believe they are being used or resold to fund terrorist activities.
- Each year, 1.5 million motor vehicles are reported stolen at an average cost of \$5,000 per vehicle, amounting to total costs of \$8 billion.
- Over 30,000 vehicles were flood-damaged after Hurricane Floyd ravaged eastern North Carolina in 1999. An untold number of these vehicles were destined to be resold to the unsuspecting consumer.
- Most recently, the hurricanes that battered the Gulf Coast region caused flood damage to an estimated 500,000 motor vehicles. Unfortunately, many of these vehicles will be resold to unsuspecting consumers.

Addressing the Concerns

I would like to discuss two solutions that AAMVA, and the state Departments of Motor Vehicles, believe will help protect consumers from motor vehicle fraud: increased state participation in the federally mandated National Motor Vehicle Title Information System or NMVTIS and uniform salvage branding legislation.

Congress recognized the consumer value in a system like NMVTIS, and passed The Anti-Car Theft Act in 1992. To comply with this Act the states began the development, and roll-out, of this national online, real-time motor vehicle title history system.

The Anti-Car Theft Act also directed the Secretary of Transportation to establish the Motor Vehicle Titling, Registration and Salvage Advisory Committee to study problems which relate to motor vehicle titling, vehicle, registration, and controls over motor vehicle salvage which may affect the motor vehicle theft problem. The Advisory Committee, which included motor vehicle administrators and other stakeholders, developed recommendations in 1994 which AAMVA continues to support. While AAMVA realizes that a number of efforts to establish national standards have been unsuccessfully attempted, the association feels that NMVTIS helps alleviate some of the concerns this lack of uniformity presents. While national standards for title branding at the time the advisory committee was established were of paramount importance, years later, -the capability of NMVTIS to communicate a vehicle's title history between jurisdictions helps mitigate the need for identical matches on brands among jurisdictions.

The importance of NMVTIS as a reporting mechanism can best be illustrated by the fact that a 2001 Justice Department cost-benefit analysis indicated that, once fully implemented nationwide, NMVTIS has the potential to save consumers from **four to 11.3 billion** dollars annually.

A pilot evaluation report of NMVTIS conducted by AAMVA in 1999 further indicates that:

- NMVTIS can be used to instantly and reliably verify information on the previous state's title document prior to issuing a new title. During the pilot period, data verification occurred 97 percent of the time within the performance requirement of 7 seconds.
- NMVTIS deters fraud by reducing the occurrence of title washing. Brands are washed from titles when the state that issues the new title does not carry forward a brand issued by some previous state. Since NMVTIS maintains brands on a central file, they are available to any inquirer and are never washed from titles. Using data from the pilot, NMVTIS could prevent approximately 57,000 titles from being washed per year.

- NMVTIS reduces the issuance of stolen titles to stolen vehicles. Many state DMVs do not conduct NCIC checks prior to vehicle titling. Pilot data shows that use of NMVTIS could effect a cost avoidance of almost \$214 million per year in insurance payoffs on stolen vehicles.
- Law enforcement officials believe that NMVTIS provides significant value as well. Law enforcement agencies, such as auto theft task forces, can use NMVTIS to investigate thefts and recover vehicles. AAMVA is also analyzing possible enhancements to NMVTIS, such as inclusion of export data, which will provide even more assistance to auto theft investigators.

Senator Allen, when you were Governor, the Commonwealth became one of the first states to join NMVTIS. And because of that progressive step, Virginian's began to realize such consumer benefits as a reduction in brand washing, the ability to carry forward brands that did not appear on the paper title and the detection of stolen motor vehicles.

States participating in the system today:

- detect fraudulent titles by verifying paper title data against electronic records,
- identify odometer rollbacks by verifying odometer readings,
- determine if a vehicle is stolen, and
- view the brand history and carry forward all state brands.

Although this system is built, some components that Congress stipulated are still not realized: specifically, these include the provision of data by insurance companies and junk and salvage yards into NMVTIS. This function is critical in noting where insurance claims have been paid on vehicles deemed salvage, total loss or flooded. If reported directly to the system, this vehicle condition would be available to participating DMVs, as well as consumers, in a timely manner, preventing them from becoming victims of inaccurate or untimely title information. If this reporting mechanism had been in place before hurricanes struck the Gulf, the concerns about the current situation would not be as great.

But due to lack of federal funding, today NMVTIS represents 52 percent of the vehicle population in the United States. Until the objectives, set by Congress in the Anti Car Theft Act, are fully realized and every state is online and sharing vehicle title history data with each other, consumers will not have the up-to-date information they need to make informed purchase decisions.

Also, consumers need to know how each state defines **all** vehicle brands, including: salvage, junk and flood. Criminals can exploit the loophole created by an absence of standardized vehicle brands. In addition, vehicle brands get lost, or washed, when outdated paper titles are used to create new titles. Lack of consistency in branding definitions leaves the consumer at a major disadvantage when purchasing a new or used motor vehicle.

AAMVA has supported a number of efforts to help establish national salvage branding legislation. But to date, none have been successful. In the absence of federal legislation, many states have enacted additional laws or strengthened existing laws governing the titling or branding of salvaged motor vehicles. In addition, state DMVs participating in NMVTIS have a useful tool that helps compensate for the lack of uniform salvage branding legislation.

AAMVA also works to help DMV employees more quickly and accurately spot fake titles by continuing to advance its Vehicle Document Examiner Certification Program (VDEC). This program provides instruction on:

- Fraud prevention and employee responsibility,
- How to effectively examine features of vehicle documents,
- Alteration and counterfeit detection techniques,
- Basic interviewing techniques used in customer service, and
- Recognition of jurisdictional policies and procedures.

This national training program increases vigilance for fraudulent documents among title examiners as well as educating them about statutes, policies and procedures. The VDEC program provides better service and security in state DMVs and will deter fraudulent enterprises.

State DMVs and AAMVA are doing their part to help protect consumers from motor vehicle fraud. Please help us do more to ensure consumers have better protection from motor vehicle fraud.

Mr. Chairman, thank you for the opportunity to share our members' concerns. AAMVA applauds your efforts in addressing the issue of motor vehicle title fraud and feels strongly that with the support of Congress, the solution is well within reach.

I welcome your questions.