

Motor Vehicle Division Informational Memo # 21-27

Salvage Designation from 50% to 70%

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FROM: MVD Policy & Compliance Team

TO: All Motor Vehicle Division staff, Iowa County Treasurers, and County Treasurer's staff

SUBJECT

This informational memo explains legislation enacted during the 2021 legislative session requiring us to change the definition of "wrecked or salvage vehicle" and administrative rule changes that implement the legislation. The new definition is a damaged motor vehicle subject to registration for which the cost of repair exceeds seventy percent of the fair market value of the vehicle. The new definition will affect our forms, processes, and practices. This memo is most applicable to staff that issue and answer questions about motor vehicle titles, especially if the transaction involves a wrecked or salvage vehicle.

SUMMARY

Senate File 230 amends the definition of "wrecked or salvage vehicle" to mean a damaged motor vehicle for which the cost of repair exceeds 70 percent of the fair market value of the vehicle. Prior to the legislation, the cost of repair must have exceeded 50 percent of the fair market value to render the vehicle a wrecked or salvage vehicle. This legislation will result in us issuing fewer salvage titles.

The legislation was effective July 1, 2021. The administrative rules were also updated to implement the legislation and are effective April 13, 2022.

LINK TO LEGISLATION AND ADMINISTRATIVE RULES

<https://www.legis.iowa.gov/docs/publications/LGE/89/SF230.pdf>

<https://www.legis.iowa.gov/docs/aco/arc/6220C.pdf>

CURRENT

The law in effect before July 1, 2021 set the definition of "wrecked or salvage vehicle" at fifty percent of the fair market value of the vehicle before the vehicle became damaged.

Additionally, current law only allows a customer to complete a damage disclosure statement if the transferor fails to provide the damage disclosure statement or if the transferee lost the statement and the transferee has attempted in good faith to contact the transferor to obtain a statement.

NEW

The new law effective July 1, 2021 set the definition of "wrecked or salvage vehicle" at seventy percent of the fair market value of the vehicle before the vehicle became damaged.

New administrative rules effective April 13, 2022 will allow a customer to also complete a damage disclosure statement if the title is on old title stock with the 50% threshold. The new administrative rule also recognizes the procedure to carry forward the new "damage over 70%" designation.

BUSINESS IMPACT

This law change required us to print new title stock for use on and after July 1, 2021. This is because the prior definition of “wrecked or salvage vehicle” of 50% is specifically referenced in our damage disclosure statement in the assignment area on the back of the Iowa title. With the new Iowa title stock, we created a new process during the transition from old stock to new stock for transactions involving old title stock that are over the 50% threshold of the old law but less than the 70% threshold of the new law. We have updated programming and the DOT website to implement this change.

Further, to help customers transacting with old title stock displaying the 50% threshold, we have amended the administrative rules to allow certain customers to complete both the damage disclosure on the title and the damage disclosure statement, Form 411108.

HELPFUL QUESTIONS AND ANSWERS

The following questions and answers provide additional information that will be helpful to you and to customers.

1. HOW WILL THE NEW LAW IMPACT CUSTOMERS?

Vehicles with a transfer date on or after July 1, 2021 are affected by this law. Before a certificate of title can be issued under Iowa law, the transferor must complete a damage disclosure statement. The damage disclosure statement must disclose if the vehicle qualifies as a “wrecked or salvage” vehicle. The definition of “wrecked or salvage” vehicle changes under the new law from cost of repair that exceeds 50% to cost of repair that exceeds 70% of the fair market value of the vehicle. The DOT updated the certificate of title template and the damage disclosure statement, Form 411108, to say 70% instead of 50% for the damage disclosure statement.

We expect two main scenarios that will affect customers:

- Some customers will have a transfer date prior to July 1, 2021 but will not complete the damage disclosure until after July 1, 2021.
- Some customers will have a transfer date on or after July 1, 2021 but will have a damage disclosure on the certificate of title that references 50% instead of 70%.

Because there are a variety of situations that may affect these customers, these situations are discussed in more detail below.

2. HOW WILL THE NEW LAW IMPACT COUNTIES?

Counties have received new Iowa certificate of title stock with the 70% definition and DOT updated Form 411108, damage disclosure statement, for use on and after July 1, 2021. We also anticipate counties will receive questions during the transition as there is a natural turnover of the certificates of title with 50%.

Best practice will be for counties to direct transferees to complete Section 2 of Form 411108 if the following conditions are true:

- The transfer occurred on or after July 1, 2021; and

- The transferor discloses at least 50% damage but the form or the title assignment does not reference 70% damage.

We recommend this practice because we will not immediately know if the vehicle meets the 70% threshold when the form or title assignment only mentions 50% damage. This practice will provide staff with more accurate information on the damage percentage for processing and will expedite the salvage title transaction for customers with the 70% damage.

A salvage title that was issued for existing damage of between 50% and 70% prior to July 1, 2021, is not eligible for reissuance under the new law, and the title will remain branded as salvage. Counties should refuse any request from a customer to reissue a salvage title as a regular title in this circumstance.

3. WHAT IS THE TRANSFER DATE FOR PURPOSES OF THIS LAW?

Transfer dates prior to July 1, 2021 will operate under the 50% threshold because that is the law in effect at the time of transfer. Transfer dates on or after July 1, 2021 will operate under the 70% threshold. As we work through this transition, it will be very important to pay attention to the transfer date.

4. HOW MANY VEHICLES ARE EXPECTED TO BE AFFECTED BY THE NEW LAW?

Vehicles transferred on or after July 1, 2021 are subject to the new definition of 70%. Over 48,000 salvage titles were issued in 2019 under the 50% definition and we expect fewer salvage title transactions annually under the new law.

We expect a number of customers will be indirectly affected by the new law because of the need to change our certificate of title stock and the lingering side effects of that process change while the switch to the new title stock is made. We estimate numerous vehicles will have a title that identifies 50% in the damage disclosure section of the certificate of title. However, not all of these vehicles will have an issue with their title stock for several reasons. Some vehicles will have no damage to disclose at transfer. Some vehicles will have damage that is less than 50%, and therefore the title stock that identifies 50% in the damage disclosure section will be sufficient.

Further, some vehicles will not be required to disclose damage at transfer for these reasons:

- Because the transfer date is after the vehicle is more than seven model years old. Under Iowa Code 321.69(9), damage disclosure is not required for vehicles that are more than seven model years old.
- Damage disclosure is required only on motor vehicles. Travel trailers, semi-trailers and regular trailers or any other non-motorized vehicles do not require damage disclosure upon transfer.

5. HOW DOES THIS BILL IMPACT THE IOWA CERTIFICATE OF TITLE STOCK?

The DOT has provided new title stock that aligns with the new damage threshold of 70% as provided in the bill. Prior to the law change, title stock contained the 50% definition of “wrecked or salvage

vehicle.” The new title stock reflects the 70% definition of “wrecked or salvage” vehicle in the damage disclosure statement.

6. WILL THE DOT BE REPLACING TITLES ISSUED PRIOR TO JULY 1, 2021 THAT CONTAIN THE 50% DEFINITION?

No. We are aware many customers will have titles that were issued prior to July 1, 2021 with the 50% definition. These titles remain valid and customers are not required to apply for replacement titles. We anticipate many customers will have no issue with future transactions with these 50% titles for two reasons: (1) many customers will have no damage to disclose and will not use the existing check-box, and (2) a damage disclosure statement is not required for vehicles of more than seven model years, and many customers will complete their transaction after the vehicle is exempt from damage disclosure.

If a customer or dealer wants to replace old titles with new titles that include the 70% damage disclosure statement, they may apply to the County Treasurer for a replacement certificate of title using Form 411033. The replacement title cannot remove a salvage brand or any other designations as discussed in more detail in question 15 below. All fees will apply.

For customers that have a 50% title and a vehicle with damage over 50%, we have identified a process discussed below for these customer’s transactions.

7. HOW DOES THIS BILL IMPACT DAMAGE DISCLOSURE STATEMENTS?

Iowa law requires a transferor to complete a damage disclosure statement before a certificate of title can be issued. The damage disclosure statement must include:

1. If the transferor knows if the vehicle was titled as a salvage, rebuilt, or flood vehicle in this or any other state prior to the transferor’s ownership of the vehicle and, if not,
2. If the transferor knows if the vehicle was damaged “to the extent it was a wrecked or salvage vehicle” under the definition in Iowa Code 321.52(4)(e).

The bill changes the definition of “wrecked or salvage vehicle” from 50% damage to 70% damage. This means that for a transfer on or after July 1, 2021, transferors will only be required to disclose damage at the 70% or over threshold on the damage disclosure statement.

Best practice will be for the transferee to complete Section 2 of Form 411108 (damage disclosure statement) if the following conditions are true:

- The transfer occurred on or after July 1, 2021; and
- The transferor discloses at least 50% damage but the form or the title assignment does not reference 70% damage.

The transferee will disclose whether he/she knows that the vehicle had prior damage of 70% or more.

The transferor may complete both the back of the title and Section 1 of Form 411108.

8. FOR A TRANSFER BEFORE JULY 1, 2021, WHAT IS THE PROCESS FOR A TRANSFEROR TO COMPLETE THE DAMAGE DISCLOSURE STATEMENT?

If the transfer date is before July 1, 2021, the 50% threshold applies. This is because the transferor is required to disclose at the time of transfer if the vehicle was damaged to the extent it was a wrecked or salvage vehicle. The 50% threshold is the definition in place for vehicles transferred prior to July 1, 2021. Therefore, the transferor should either complete the back of the title if available or complete the separate damage disclosure statement that identifies the 50% threshold.

We anticipate county treasurers will see customers with a transfer date prior to July 1, 2021 but did not complete the transactional paperwork until after July 1, 2021. The 50% threshold will apply for these vehicles. ARTS is already programmed to identify vehicles by purchase date, and the 50% threshold will be identified in ARTS for these vehicles.

9. FOR A TRANSFER ON AND AFTER JULY 1, 2021, WHAT IS THE PROCESS FOR A CUSTOMER WHO SELLS A VEHICLE WITH DAMAGE UNDER 50%?

The process will not change for customers with damage under 50%. These customers were not required to disclose under existing law, and these customers are not required to disclose under the new law.

10. FOR A TRANSFER ON AND AFTER JULY 1, 2021, WHAT IS THE PROCESS FOR A CUSTOMER-TRANSFEROR WHO SELLS A VEHICLE WITH DAMAGE OVER 50% BUT UNDER 70%?

There are three possible scenarios a customer-transferor may have if the transfer date of the vehicle is on and after July 1, 2021 and the customer has damage over 50% but under 70%:

1. If the customer-transferor has the new Iowa title stock that identifies the 70% threshold, the customer-transferor should not check the box in the assignment area because the customer-transferor is stating that the vehicle was damaged over 50% but not over 70%. This is because the customer-transferor knows the vehicle is not over 70% damage.
2. If the customer-transferor has the old Iowa title stock that identifies the 50% threshold, the transferor has two options. First, the customer may request a replacement title prior to the sale and get the new Iowa title stock that identifies the 70% threshold. All fees will apply. Second, if the customer chooses to use the existing 50% title the customer (1) must complete the damage disclosure on the back of the Iowa title and (2) should be encouraged to also complete form 411108. The customer-transferor is required under Iowa law to complete the damage disclosure statement on the back of the certificate of title if the title is available to the transferor at the time of sale. The customer-transferor would accurately check the box that the vehicle was damaged over 50%. The new administrative rules allow for the customer-transferor to also complete the separate damage disclosure document, form number 411108, and identify that the vehicle was not damaged over 70%. While this option is best practice, the customer-transferor is not required to also complete the separate damage disclosure statement.

3. If the customer-transferor does not have the Iowa title, the customer-transferor must fill out form 411108. Form 411108 has been updated to reflect the 70% threshold.

11. FOR A TRANSFER ON AND AFTER JULY 1, 2021, WHAT IS THE PROCESS FOR A CUSTOMER WHO HAS DAMAGE OVER 70%?

If the customer selling the vehicle has the Iowa title, the customer is required under Iowa law to complete the damage disclosure statement on the back of the title.

If the customer has an old title with the 50% threshold, it will be best practice for the customer to:

- Check the box that the vehicle has damage over 50%, and
- Fill out the separate damage disclosure statement, form 411108, to identify that the vehicle was damaged over 70%. The county will note in ARTS that the vehicle was damaged over 70%, and the title will be branded as a wrecked or salvage vehicle.

If the customer has a new title with the 70% threshold, the customer should check the box that the vehicle has damage over 70%. The county will note that the vehicle was damaged over 70%, and the title will be branded as a wrecked or salvage vehicle. Note that the customer is not required to complete the separate damage disclosure statement.

12. FOR CUSTOMERS WITH DAMAGE BETWEEN 50% AND 70% AND A TRANSFER DATE AFTER JULY 1, 2021, IF A CUSTOMER REFUSED OR FAILED TO COMPLETE BOTH THE BACK OF THE TITLE DAMAGE DISCLOSURE STATEMENT AND THE SEPARATE DAMAGE DISCLOSURE STATEMENT, WHAT SHOULD THE COUNTY DO?

Customers are required under law to complete the back of the Iowa title. It will be best practice for counties to ask customers to also complete the separate damage disclosure form 411108 to help identify what vehicles should be labeled as salvage or wrecked vehicles under the new law.

However, if a customer refuses to complete the separate damage disclosure statement, the county should accept the title disclosure and in ARTs in the box "damage over 70%" the county should mark no. The transaction will then either (1) have an NMVTIS Salvage hit when entered into the system and go DOT staff for review or (2) there will be no NMVTIS Salvage hit and the customer will receive the title.

13. CAN A CUSTOMER AVOID THE ABOVE PROCESSES BY STRIKING OUT THE "50" ON THE CERTIFICATE OF TITLE AND WRITING IN "70"?

No. If a customer strikes out the 50 in the damage disclosure area of the certificate of title, this is an alteration to the title. As with any altered title, the customer will be required to apply for a replacement title or, if the customer is the buyer, will be required to track down the seller to get a replacement title. If the customer cannot find the seller to get a replacement title, the customer will go through the bonded title process.

14. IF A CUSTOMER STRIKES OUT THE "50" ON THE CERTIFICATE OF TITLE AND WRITES IN "70" MAY THE CUSTOMER FIX THE ALTERATION WITH AN AFFIDAVIT OF CORRECTION?

No. The customer will be required to either apply for a replacement title or find the seller to acquire a replacement title. If the customer cannot find the seller to get a replacement title, the customer will have to complete the bonded title process.

15. IF A CUSTOMER HAS A VEHICLE DESIGNATED SALVAGE UNDER THE 50% THRESHOLD PRIOR TO JULY 1, 2021, CAN THE CUSTOMER REQUEST A REPLACEMENT TITLE TO HAVE THE SALVAGE BRAND REMOVED?

No, a replacement title is a copy of the original certificate of title. In this situation, the original certificate of title was correctly designated salvage because the definition prior to July 1, 2021 was in effect. Any replacement title will also have the salvage designation.

16. IF A CUSTOMER HAS A VEHICLE DESIGNATED SALVAGE UNDER THE 50% THRESHOLD PRIOR TO JULY 1, 2021, CAN THE CUSTOMER REQUEST A CORRECTED TITLE TO HAVE THE SALVAGE BRAND REMOVED?

No. Under Iowa Code 321.23A, the county treasurer may accept a notarized affidavit of correction when information is printed incorrectly on a certificate of title. In this situation, the title was correctly branded as “salvage” under the law in effect prior to July 1, 2021. It was not an error, and therefore does not qualify under Iowa law for a corrected title.

17. HOW WILL THE NEW LAW IMPACT VEHICLE DEALERS AND RECYCLERS AS SELLERS OF THESE VEHICLES?

If the vehicle dealer or recycler is the transferor, the vehicle dealer or recycler is encouraged to complete both the back of the title and the damage disclosure statement form. More details are included in questions 9-11.

18. HOW WILL THE NEW LAW IMPACT VEHICLE DEALERS AND RECYCLERS AS BUYERS OF THESE VEHICLES?

For all transfers prior to July 1, 2021, the 50% damage disclosure threshold applies because that was the law in effect at the time of transfer. Vehicle dealers and recyclers are encouraged to carefully review all documents to ensure they or their customers are disclosing at the 50% threshold.

For all transfers on or after July 1, 2021, the 70% damage disclosure threshold applies. However, vehicle dealers and recyclers should be aware that customers may transfer with a certificate of title that still bears the 50% damage disclosure threshold because these certificates of title are valid. If the vehicle dealer will be applying for a dealer title, it will be best practice for vehicle dealers to complete both the back of the title and the damage disclosure statement form 411108 to help more accurately identify the damage of the vehicle.

19. HOW DOES THE LAW AFFECT OUT-OF-STATE VEHICLES WITH SALVAGE DESIGNATIONS OR A SALVAGE CERTIFICATE OF TITLE?

The new law does not change our process for out-of-state vehicles with a salvage brand. Iowa law requires the county treasurer to carry forward the “salvage” designation or the salvage certificate of title from another state. Under Iowa Code 321.24(5), an Iowa salvage certificate of title and a “SALVAGE” designation shall be retained if the prior certificate of title from another state shows

that the vehicle is (1) salvaged and not rebuilt or (2) is a salvage certificate of title. An owner has the option to surrender the prior certificate of title and a salvage theft examination certificate to avoid this process, but only if the salvage theft examination certificate was properly executed within thirty days of the date the owner was assigned the prior certificate of title.

20. HOW DOES THE LAW AFFECT OUT-OF-STATE VEHICLES THAT COME INTO IOWA WITH JUNKED DESIGNATION?

This law does not affect out-of-state vehicles that come into Iowa with a designation indicating the vehicle was junked. Iowa Code 321.24(5) requires the county treasurer to issue an Iowa junking certificate if the prior certificate of title is from another state and indicates that the vehicle was junked.

21. MAY A VEHICLE THAT RECEIVES AN IOWA JUNKING CERTIFICATE PRIOR TO JULY 1, 2021 ASK FOR RECONSIDERATION AFTER JULY 1, 2021 RELATED TO THIS NEW LAW?

No, a junking certificate is unrelated to the salvage definition and the new law is not “good cause” to issue a certificate of title after the junking certificate has been issued.

Iowa Code 321.52(3)(c) allows a person fourteen days to surrender a previously issued junking certificate to the county treasurer and register the vehicle. After the expiration of the 14-day period, the county treasurer shall not issue a certificate of title for the junked vehicle absent “good cause.” “Good cause” is defined as mistake or inadvertence, which is unrelated to the salvage definition or because a new law has been passed.

22. MAY CUSTOMERS WHO SCHEDULED A SALVAGE THEFT EXAMINATION RECEIVE A REFUND IF THE CUSTOMER LEARNS THE VEHICLE DOES NOT NEED A SALVAGE THEFT EXAMINATION?

Customers may always receive a refund for their salvage theft examination if they have not yet completed the examination. Customers should contact Morgan Isaac at Morgan.Isaac@iowadot.us for questions about salvage theft examinations.

Once the salvage theft examination has been completed, we cannot issue refunds to the customer. This is because the DOT has partnered with local law enforcement and ILEA in this area, and under Iowa law, the salvage theft examination fees are shared between the DOT, local law enforcement, and ILEA. Once the examination is completed, those fees are distributed to our partners. We recommend that customers check with the county treasurer prior to the salvage theft examination to confirm the vehicle qualifies as a salvage vehicle during this transition period.

23. WHAT IS THE BEST WAY TO CONTACT DOT REGARDING QUESTIONS ABOUT THE NEW SALVAGE THRESHOLD?

The best contact will be the MVD Central Programs Bureau at central.vehicle@iowadot.us