

## **Motor Vehicle Division Policy Memo # 18-03**

### ***Certificate of Title – Suspicious Out of State Wholesaler/Dealer Reassignments Being Held by an Iowa Buyer***

**DATE:** May 14, 2018

**FROM:** Christopher Little, Communications & Policy Officer, Bureau of Investigation & Identity Protection

**TO:** All County Treasurers, all Bureau of Investigation & Identity Protection (BIIP) and Office of Vehicle & Motor Carrier (OVMCS) staff.

#### **SUBJECT**

This policy memo explains the updated process when a customer is holding a certificate of title to a vehicle that was assigned to them by an out of state entity (such as a wholesaler or questionable dealer) that causes a reason for concern (such as a wholesaler who uses the “dealer reassignment section”).

#### **EXPLANATION**

First, buying vehicles on the internet can be a risky business – especially when you cross state lines to obtain a vehicle. Before we get started, please note that if a deal seems too good to be true, it *probably is!*

The Bureau of Investigation & Identity Protection, in conjunction with the Office of Vehicle & Motor Carrier Services, has continued to receive county treasurer questions and referrals for investigation of title reassignments where the legitimacy of the out of state wholesaler or dealer is questioned.

Past investigations have uncovered fraud in many of the transactions; unfortunately, attempts to prosecute in other states has had mixed results. In an effort to mitigate & ultimately improve these trends, properly investigate questionable vehicle transfers, and protect Iowa consumers, we are implementing changes to better identify fraudulent transactions, such as:

- (1) Illegal retail sales by a licensed wholesaler;
- (2) Fraudulent or fictitious reassignments; and
- (3) Use tax and odometer fraud.

The legislature vested us with the authority to refuse a registration or title application under many circumstances. This is an important delegation of authority, as it promotes the safety and general welfare of all Iowans by mitigating against consumer fraud. In this case, we are specifically relying on Iowa Code §321.30 which gives us the authority to refuse a transaction that:

- (1) Contains any false or fraudulent information;
- (2) Where the customer refuses to provide our reasonable request for additional records;
- (3) Where there are reasonable grounds to believe the vehicle was stolen;
- (4) Where the manufacturer’s or importer’s certificate is not properly assigned;
- (5) Where the title has not been properly assigned;

- (6) Insufficient supporting documents; and
- (7) Where a vehicle does not meet federal motor vehicle safety standards (via a manufacturer's label).

The Bureau is going to examine all vehicle transfers where an out of state wholesaler is suspected of selling the vehicle at retail or the out of state dealer reassignment is suspected of being fictitious or fraudulent.

**POSSIBLE INDICATORS:**

1. Missouri dealer/wholesaler (for example Camdenton, Missouri)
2. Washington dealer/wholesaler (for example Moses Lake, Washington)
3. Generic bill of sale
4. Customer obtained a vehicle in a state other than the selling dealer's state

**PROCEDURE (COUNTY TREASURERS)**

When a county treasurer is presented with title paperwork and the reassignment is by an out of state wholesaler who is suspected of selling the vehicle at retail OR an out of state dealer reassignment that is suspected of being fictitious or fraudulent, please follow these steps:

1. Advise the customer that they will be required to submit the vehicle and all related documents for examination to the Bureau of Investigation & Identity Protection. This could include copies of their title, bill of sale, proof of payment, bank records, online advertising, identity and address of the seller, etc.
  - To note, the Bureau will assist the counties in identifying these trends and vice versa. There are no hard and fast rules that lead to the identification of the suspected fraudsters. The information is obtained through observation of trends and conversations with the customer.

Explaining why we are doing this is critical to the customer experience, feel free to explain the following (this doesn't have to be verbatim):

"The Iowa DOT has identified fraud trends involving vehicles being sold to Iowans by individuals in other states that are not legally authorized to sell the vehicles. In an effort to prevent fraud and protect Iowa consumers, we have implemented a heightened review of these transactions."

2. Advise the customer to contact Investigator Stacey Rockwell to set up an appointment for inspection. Inv. Rockwell will review all documents needed and will work with the customer to schedule a time and location for the vehicle and paperwork inspection at one of our regional inspection locations.

**\*Please provide the customer with the following Bureau contact information:**

**Investigator: STACEY ROCKWELL, Phone: 563-582-0112,**

**Email: stacey.rockwell@iowadot.us**

3. The county treasurer should make a copy of the following (returning the originals to the customer) and email them to Inv. Stacey Rockwell as soon as possible:
  - a. The Certificate of Title (front and back)
  - b. The bill of sale
  - c. Any other paperwork related to the purchase that is presented by the customer
  - d. Customer's contact information, including a phone number and email address

4. If approved for title issuance: The Bureau will create the record in ARTS, insert approval under the inspection tab, and place a sticky note on the record. The customer will be instructed to take their title documents to the county treasurer office to make application for an Iowa title following the same procedure as any other vehicle with Bureau approval needed. The Treasurer Staff shall enter the VIN in ARTS to retrieve vehicle record. No further contact or documentation is required from the Bureau.

If the transaction is not approved for issuance, the two following options could be a recommendation that is made the Iowa buyer:

1. The Iowa buyer can request that the seller place the title in their name and transfer it as if it was a casual sale (utilizing the general assignment section, as opposed to the dealer assignment section) Unfortunately, when the out of state entity used the dealer assignment section, they were exercising a privilege that they are not entitled to use and the certificate of title was not “duly assigned” (duly means “properly”) as required by Iowa Code §§ 321.20, 321.30, 321.45 and pertinent administrative rules that implement those sections.  
  
Furthermore, the entity that is retitling the vehicle prior to sale should be an entity that is required to pay vehicle taxes (often times wholesalers do not have to pay taxes; therefore, the title will need to be titled by an entity that is required to pay pertinent vehicle taxes).
  2. The Iowa buyer may apply for a bonded title.
5. A note on odometer fraud (it’s common in these transactions): If odometer fraud is found an “Exception Case Management” (ECM) may be placed on the ARTS record by the Bureau and county treasurers should notify future purchasers of the odometer issue prior to title issuance.