

## CHAPTER 4.

### COMPLIANCE & DEALER OPERATIONS

**4.1 Codes and Rules.** Codes are statutes or laws and are known as “black letter law.” Any changes to the codes require action by the Texas Legislature which meets every other year. Rules are the regulations that the commissions and boards of agencies pass to clarify the laws and set out the details as to how the law will be administered. Rules are easier to change as they may be presented to the board or commission at any time. So while the Codes may change only every other year, the rules may be changing at any time. The rules are considered laws and carry the same weight as a code provision. A dealer is required to keep abreast of the various laws and the changes that may occur by attending seminars, reading special mail-outs from the different agencies, and being familiar with the following codes and rules. This is another reason why it is very important to keep the different agencies informed as to the dealership's current address.

The specific codes and rules to be discussed in this manual involve the following:

**a. Texas Occupations Code.** The Texas Occupations Code (formerly the Texas Motor Vehicle Commission Code) historically has regulated the relationship between franchised dealers and their manufacturers. Since the Motor Vehicle Division acquired jurisdiction of the independent dealers and the general dealer law, the Occupations Code has evolved to also include independent dealers and is applied in transactions involving used vehicles. Leasing of vehicles and the licensing of Lessors and lessees is found in this Code, as is the direction to regulate advertising. Fines under the Occupations Code can range as high as \$10,000 per violation, per day, of a continuing violation.

**b. The Texas Transportation Code.** The Transportation Code is a large set of laws involving everything from motor carriers, driver's licensing and traffic signals to titling of vehicles. The dealer law that the Motor Vehicle Division administers is Chapter 503. In this chapter, you will find the dealer licensing requirements and laws regarding dealer plates and temporary tags. Fines under this chapter can run from \$50 to \$5,000 if pled under the criminal penalty portion in §503.094, in addition to a civil penalty of \$50 to \$1000. However, for more serious violations of the Transportation Code, Section 2301.801 of the Texas Occupations Code allows a civil penalty of up to \$10,000 for violations of §503.038(a) of the Transportation Code.

**c. The TxDMV Rules.** All the rules adopted by administrative agencies in Texas are compiled in the Texas Administrative Code (TAC). All rules adopted by the Texas Department of Motor Vehicles Board along with the rules promulgated to administer Transportation Code Chapter 503 are found in Title 43, Chapter 215 of the TAC. These rules detail the requirements of getting a license, premises requirements and some general operation guidelines. They also set out under what circumstances metal plates and tags may be used and how to fill out temporary tags.

**d. Advertising Rules.** All rules promulgated by the Department regarding advertising motor vehicles are found at 43 TAC Subchapter H, §§215.241-215.271. These rules apply to both new and used vehicles unless explicitly stated otherwise in the rule. See Chapter 10 on the advertising rules for more information as to what is required when advertising.

**e. Leasing Rules.** In 1995, the Legislature passed a law that amended the Occ. Code requiring licensing of Lessors and lease facilitators. Rules adopted by the TxDMV regarding requirements for licenses, records and premises are found at 43 TAC Subchapter F, §§215.171-215.181.

**f. Lemon Law and Warranty Repair Rules.** Warranty performance obligations are commonly known as the Lemon Law and which is set out in §2301.601et seq. of the Occupations Code. The rules that set out how the Lemon Law and Warranty Repair will be administered are found at 43 TAC Subchapter G, §§215.201-215.210. This is where you will find out how a vehicle qualifies for repurchase or repair under the Lemon Law and Warranty Repair, and how complaints of consumers are handled. Section 2301.204 of the Occupations Code covers repair requirements to motor vehicles with defects that are reported during the term of the existing manufacturers' warranty in order to maintain the vehicle in operating condition. These cases, like the Lemon Law cases, if not settled informally, can be referred to an administrative law judge for hearing and the TxDMV Board for final decision.

**g. Other Laws.** Dealers are responsible to many different agencies for many laws on the local, state and federal level. The Texas Finance Code, the Texas Tax Code and the Deceptive Trade Practices Act are just a few examples. Cities have zoning and signage ordinances. Some cities require additional licenses for motor vehicle dealers. Federal agencies such as OSHA and EPA have serious penalties for violations of emission and work place standards.

**4.2 Record-keeping Requirements.** Dealers are subject to many different state and federal agencies record keeping requirements. Requirements for some agencies involve keeping different documents from those required by the TxDMV for longer periods of time. Dealers are responsible for complying with all record-keeping requirements.

The TxDMV requires a dealer to keep a complete, accurate record of all vehicle purchases and sales (retail or wholesale) for a minimum period of 48 months. The current and previous 13 months of records must be kept at the dealer's licensed location and be available for inspection by a TxDMV representative. The remaining 35 months of records need not be kept at the dealer's licensed location, but must be within the same county and readily available for inspection upon request of a TxDMV representative.

Records may be kept in an electronic format. Records, like the names, addresses, dates, VINs, etc. may be kept in a database, and no paper copy is required if they are available for inspection and are capable of being printed out for inspection by the TxDMV representative at the dealership location during normal business hours. Original vehicle titles in the possession of a dealer (not by a lien holder) should be kept in a secure but readily available location near the dealership if not on the premises. If the original title is kept by the floor-planner, the dealer is required to keep a copy of the front and back of the title on the dealership premises in its files.

The Occupations Code specifically allows the Department to inspect the books and records of a license holder in connection with the performance of its duties under the law. An investigator may show up at the dealer's lot and expect to see the records there or the TxDMV may request copies of records by certified mail. If the dealer does not respond to the certified mail request within 15 days or provide the records as requested at the dealer's lot, a civil penalty or suspension or revocation of the license may be imposed.

**a. Wholesale transactions.** When a dealer sells to another dealer, the seller needs to be sure he is dealing with a legitimate dealer. A dealer can check the TxDMV database instantaneously to see if a person is licensed by going to the TxDMV website. An additional way to verify a person is a currently licensed dealer is to ask for and make a copy of the buyer's current GDN license. These additional records should be kept:

- 1) A Purchase Record, Bill of Sale, Sales Contract, or Auction Receipt showing the date of purchase, vehicle identification number (VIN); name and address of seller and mileage statement.
- 2) A photocopy of **both sides** of the negotiable title after reassigned to the licensed dealer following a wholesale transaction.
- 3) Odometer Disclosure Statement if the odometer disclosure is not integrated into the title.
- 4) The Texas Motor Vehicle Sales Tax Resale Certificate is to be filled out, signed by the buying dealer and kept in the dealer's sales file. Do not send the completed certificate to the Comptroller. When the State Comptroller audits your records, the auditor will want to see this form in your records. A copy of this form (14-313) can be found on page 7-8. (Form 14-313 is available from the State Comptroller's Office).

**b. Retail transactions.** The following records for retail transactions should be kept:

1. Retail Installment Agreement, Sales Contract, or Bill of Sale which should include the date of sale; vehicle description (i.e. year, make and model); vehicle identification number (VIN); name and address of person purchasing the vehicle; sale price; all other fees and charges that are the total cost of the vehicle including trade-in, pay-off of trade-in, extended warranty, insurance, etc.
2. A copy of the Application for Texas Title after filled out and signed by buyer and seller (Form 130-U). This form may be obtained from the Tax Collector's office, a TxDMV regional office or from the TxDMV website at [www.TxDmv.gov](http://www.TxDmv.gov). A copy of this form is shown on page 6-14, the Tax Collector's receipt for title application (White Slip). This is an important document which can prove you did apply for title on a sold vehicle.
3. A copy of the Buyer's Guide, also known as the "As-is" statement. See Section 4.7.
4. Odometer Disclosure Statement.
5. A copy of the **front and back** of the negotiable title signed by buyer and seller. Also, the Power of Attorney (if required to complete the titling process). See more about powers of attorney in Chapter 6, Titling Vehicles.
6. The TxDMV Form VTR-136, County of Title Issuance, on which the consumer elects which county they desire to have their vehicle registered in. See Page 6-17.

**c. Other Forms.** Copies of other forms may be necessary depending on the type of sale and will need to be kept as a part of the dealer's records. Most of the forms may be obtained from the

Tax Assessor-Collector's office or your local Vehicle Titles & Registration office or their respective websites. VTR forms can be found on the TxDMV website. Forms involving taxes may be obtained from the State Comptroller's office or its website, [www.window.state.tx.us/taxinfo/taxforms/14-forms.html](http://www.window.state.tx.us/taxinfo/taxforms/14-forms.html).

Commonly used forms are the following:

1. The Dealer's Reassignment of Title for a Motor Vehicle Form (TxDMV Form VTR-41A) should be used if all available assignments on the back of a Texas title are signed or the negotiable title is from another state or foreign country. See page 6-11.
2. Texas Motor Vehicle Sales Tax Exemption Certificate – For Vehicles Taken Out of State (Comptroller's Form 14-312 See page 7-7) is used if a vehicle is sold to someone who claims they are taking it out of the state or the country, whether the transaction is a wholesale or retail sale. The original must be kept with the sales file with a copy filed with the Comptroller and a copy to the buyer. Since dealers are required to apply for vehicle titles, this form is an important record that proves the consumer advised the selling dealer the vehicle was leaving the state.

A motor vehicle "sales tax" is essentially an ad valorem or use tax. Any use of the vehicle in the state that is not incidental to leaving the state is going to require the tax being collected from the buyer. For example, a student who buys a vehicle and wants to take the vehicle back to his home state for registration at the next school break in two weeks, is using the vehicle in this state and is not taking the vehicle directly out of the state after purchase. The student should be charged the tax, and the titling and registration needs to be performed by the dealer.

The buyer should be advised that it is a felony to claim this exemption if the buyer intends to register and title the vehicle in Texas. (Texas Tax Code § 152.101)

3. Texas Motor Vehicle *Seller-Financed* Sales Tax and/or surcharge report, Comptroller form 14-117 which must be filed monthly by Seller-Financers. Form is available on the Comptrollers website. See Chapter 7 for more information.

**4.3 Consignment Sales.** The following records for consignment sales transactions should be kept in:

1. A written consignment agreement for the vehicle or a power of attorney covering the vehicle. A written consignment agreement should be completed by the licensed dealer and made a part of the sales file. A suggested consignment form is found at page 4-30.
2. A copy of the title should be at the dealer's licensed location for inspection by buyer or a TxDMV representative. It is recommended that the copy of the title be attached to the consignment agreement.
3. Record-keeping requirements for the actual sale of a consignment vehicle are the same as those of a retail sale as listed in Section 4.2(b).

**4.4 Blue Law.** Dealers must follow the Blue Law, which prohibits dealers from selling or offering to sell motor vehicles on consecutive Saturdays and Sundays. Dealers may choose to be in operation on either Saturday or Sunday of a given weekend, but not both. Salespersons may not offer vehicles on a consecutive Saturday and Sunday with the intent to sell a consumer a vehicle on another date.

**4.5 Disclosures under Deceptive Trade Practices Act (DTPA).** DTPA lawsuits are based on “misrepresentations” (false or misleading statements). If a misrepresentation made to influence opinion or action was made to a consumer before the sale of the vehicle, the dealer is subject to DTPA action. The representation can be written or oral. Contracts or other agreements cannot waive the consumer’s rights under the DTPA. It does not matter that the misrepresentation was made unknowingly, only that it was made

Common areas where dealers have encountered DPTA problems include the following:

1. Odometer replaced or is non-operative.
2. True miles are unknown.
3. Mileage exceeds mechanical limits.
4. Mechanical deficiencies.
5. Electrical equipment deficiencies.
6. Vehicle is stolen recovered, flood damaged, hail damaged, a salvage vehicle, rebuilt or reconditioned, etc.

The enforcement division does not sue dealers under the DTPA, but some business practices that in DTPA lawsuits by consumers will also trigger disciplinary action by the department under its statutory authority. Such disciplinary actions can occur before, during, or after a DTPA lawsuit by the consumer.

**A note about flood-damaged vehicles:** Weather events can create a large volume of vehicles with flood damage that could be sold to unsuspecting consumers and dealers. If a vehicle has a Texas flood-damaged title brand, it will show up on the TxDMV website.

There is a common misconception among dealers that if vehicle damage falls below a certain dollar amount, then the damage does not have to be disclosed to consumers. No law or court decision in Texas supports this dollar limit exemption. On the contrary, if damages of *any* dollar amount are not disclosed, the dealer may be in violation of DTPA.

**4.6 New Cars - Monroney (MSRP) Sticker.** When a franchised dealer displays vehicles for sale, the Monroney Sticker must be displayed on the vehicle. Failure to do so will subject the dealer to possible state and federal civil penalties.

**4.7 Used Cars - “As is” Buyers Guides.** The Federal Trade Commission’s Used Car Rule requires dealers to post a Buyers Guide – known as an “as is” sticker – on every used vehicle

displayed for sale, including consignment vehicles. The rule includes light-duty trucks, light duty vans, and vehicles that have (1) a gross vehicle weight rating (GVWR) of less than 8,500 pounds; (2) a curb weight of less than 6,000 pounds; or (3) a frontal area of less than 46 square feet. Exceptions to the Rule include (1) motorcycles; (2) any vehicle sold for scrap or parts if the dealer submits title documents to the appropriate state authority and obtains a salvage certification; or (3) agricultural equipment.

The sticker must be prominently and conspicuously on or in a vehicle when it is available for sale. This means it must be in plain view and both sides must be visible. The Buyer's Guide (Guide) may be hung from the rear-view mirror inside the vehicle or on a side view mirror outside the car. The dealer may attach it to a side window or place it under a windshield wiper. It may be removed for a test drive, but it must be replaced as soon as the test drive is over. A copy of this form is on page 4-34.

The Guide tells consumers: (1) Whether the vehicle is sold with a warranty or "as is"; (2) What percentage or repair costs a dealer will pay under the warranty; (3) To get all promises in writing; (4) To keep the Buyers Guide after the sale; (5) How long the warranty is enforceable; (6) The major mechanical and electrical systems on the vehicle as well as some of the major problem problems that consumers should look out for; (7) To have the car inspected before buying and (8) To keep the Buyer's Guide for reference after the sale.

**IF A DEALER CONDUCTS USED CAR DEALS IN SPANISH, A SPANISH LANGUAGE BUYER'S GUIDE MUST BE DISPLAYED.** These are available from the same sources as the English versions.

**Warranties.** The Guide must show any agreed changes in warranty coverage. The Guide also becomes part of the sales contract and overrides any contrary provisions. For example, if the Guide says the car comes with a warranty and the contract says the car is sold "as-is," the dealer must give the consumer the warranty described in the Guide.

**a. As is – No Warranty.** "As-is" means that the buyer is assuming any risk that the vehicle is defective. If one buys a car "as-is" and the car breaks down minutes later, the repair is the buyer's responsibility and not the dealer's. When a dealer offers a vehicle "as-is," the box next to that disclosure on the Guide must be checked. If the box is checked but the dealer promises to repair the vehicle or cancel the sale if the consumer is not satisfied, that promise should be written on the Guide. "As-is" does not prevent a dealer from being liable under the DTPA, and also does not necessarily avoid disciplinary action by the TxDMV for misrepresentations made to the purchaser.

**b. Warranty.** If a vehicle is offered with an express warranty, the box next to the heading "Warranty" must be checked and that section of the Guide must be completed, including:

1. What percentage of parts and labor costs does the warranty cover?
2. What is the deductible, if any?
3. What systems are covered? For how long?

4. What manufacturer's warranty still applies, if any? If the dealer and the consumer negotiate changes in the warranty, the changes must be written on the Guide.

**c. Service contract.** If a vehicle is offered with a service contract, the box next to the words "Service Contract" should be checked.

**d. Required Disclosure.** The dealer must put the following disclosure in all used car sales contracts:

**"The information you see on the window form (Buyer's Guide) for this vehicle is part of this contract. Information on the window form overrides any contrary provisions in the contract of sale."**

Upon completion of a sale, the dealer **must give** the buyer the original or a copy of the Buyers Guide at the sale. **The Guide must reflect all final changes.** It is **not required**, but strongly suggested that the buyer sign the guide for protection of the dealer.

More details about the Buyer's Guide can be obtained from a dealer's guide at the FTC website at <http://www.ftc.gov/bcp/edu/pubs/business/autos/bus13.shtm>. The guide is available in English <http://www.ftc.gov/bcp/edu/resources/forms/buyers.pdf> or in Spanish at <http://www.ftc.gov/bcp/edu/resources/forms/s-buyers.pdf> or toll-free at 1-877-FTC-HELP. On page 4-36 there is a very informative brochure that is reprinted from the FTC's library that gives you even more information on the federal Used Car Rule.

**4.8 Metal Dealer's Plates.** Instead of obtaining regular metal plates through the county tax office for a vehicle that the dealer owns, operates, or permits to be operated on a public street or highway in the state, the dealer may apply for metal dealer's license plates (Dealer's Plate) for the vehicle if it is of the type the dealer is licensed to sell.

**a. Expiration of Dealer Plates.** These Dealer's Plates expire on the same day as the dealer's General Distinguishing Number and the full fee must be paid regardless of the date of the application for the plates. Most dealers purchase Dealer's Plates upon the renewal of their license.

**b. One Plate Issued.** Only one Dealer's Plate is issued and the plate should be displayed only in the rear license plate holder of the vehicle. Taping or propping up the plate in the rear window is not allowed. Though Texas law generally requires plates on the front and back of vehicles, law enforcement is aware that the TxDMV only issues one Dealer's Plate.

**c. Uses of Metal Dealer License Plates.** Dealer's Plates may be used for the same purposes that a Dealer's Temporary Tag can be used such as demonstration test drives. Additionally the Dealer Plate may also be displayed on vehicles that are used for personal use by the dealer, family or employees. See the chart on page 4-31 for a quick reference to dealer plate usage.

A dealer who is licensed to sell only cars may use his dealer plate only on a car and not on a motorcycle or trailer. Also, any vehicle with Dealer's Plates must: (1) have a current inspection; (2) the title must be assigned into the dealer's name; and (3) Dealer's Plates may be displayed on independent dealer service or work vehicles such as a vehicle carrying a load (such as a dealer's service vehicle used to haul parts or inventory back and forth); Vehicles used for towing and

transporting other vehicles; Rental or lease vehicles; Dealer-owned vehicles loaned to schools; or Any boat trailer owned by a dealer that transports more than one boat.

A light truck is not considered a laden commercial vehicle when mounted with a camper unit or when towing a trailer for recreational purposes.

**d. Metal Dealer's License Plate Log.** The law requires a dealer to maintain a record of all metal dealers' plates issued to that dealer and each vehicle assigned a license plate. The log must contain:

1. Assigned Metal Dealer's License Plate number;
2. Make of the vehicle displaying the Dealer's Plate;
3. Vehicle identification number (VIN); and
4. Name of the person in control of the vehicle.

The dealer's log, as well as the titles for all vehicles assigned a metal license dealer's plate, must be available at the dealer's licensed location for review by a TxDMV representative during normal working hours. Dealer's Plates, not accounted for, will be voided by the TxDMV. A sample of a plate log is found on page 4-32.

**4.9 Metal Plate Limits.** Dealers are limited in the number of plates they may order depending on the type of license issued and the number of vehicles sold. New applicants for franchised motor vehicles and motorcycles are limited to five for the first year of their license. Franchised or independent travel trailer dealers, utility trailer or semi-trailer dealers, independent motor vehicle dealers, independent motor cycle dealers, and independent mobility vehicle dealers are limited to two for the first year. Wholesale dealers may have one plate.

Upon renewal, a franchised motor vehicle dealer may obtain a total of 30 plates; a franchised motorcycle dealer may get a total of 10 plates; Independent motor vehicle dealers, independent motorcycle dealers, independent mobility vehicle dealers, franchised or independent travel trailer dealers, and utility trailer or semi-trailer dealers are eligible for a total of 3 plates. Wholesale dealers may have a total of one plate.

There are provisions under the plate limits rule found at 43 TAC §215.139 for dealers to obtain additional plates upon proof of sales. If a dealer is selling less than 50 vehicles a year, they are entitled to an additional 1 plate; those selling 50 – 99 vehicles may obtain 2 additional plates; those selling 100 – 200 vehicles may get 5 additional plates. Any dealer who sells more than 200 vehicles in a year may have unlimited plates. A wholesale dealer may get one additional plate upon proof they are regularly and actively engaged in the business.

If a dealer needs even more plates than allotted under the rule, in accordance to the number of vehicles they sell, a request for waiver of the plate limits may be submitted stating why the additional plates are necessary to the continuation of the applicant's business. Wholesale dealers may not apply for waiver of the dealer plate issuance restrictions.



**4.10 Metal Converter's License Plates.** Metal Converter's License Plates (Converter's Plates) may be used only by the converter or the converter's employees on unregistered vehicles to: (1) demonstrate the vehicle, or cause the vehicle to be demonstrated, to a prospective buyer who is a franchised motor vehicle dealer or an employee of a franchised motor vehicle dealer; or (2) convey the vehicle or cause the vehicle to be conveyed: (A) from one of the converter's places of business in this state to another of the converter's places of business in this state; (B) from the converter's place of business to a place where the vehicle is to be assembled, repaired, reconditioned, modified, or serviced; (C) from the state line or a location in this state where the vehicle is unloaded to the converter's place of business; (D) from the converter's place of business to a place of business of a franchised motor vehicle dealer; or (E) to road test the vehicle.

Converter's Plates may be displayed only on the type of vehicle that the converter is engaged in the business of assembling or modifying. Converter's Plates are attached to the rear license plate holder of vehicles. These plates expire annually on the same day as the converter's license.

When an unregistered new motor vehicle is sold to a converter, the selling dealer must remove the dealer's temporary tag. The selling dealer may attach a buyer's temporary tag to that vehicle or the purchasing converter may display a converter's temporary tag or Converter's Plate on that vehicle.

A converter must maintain a record of each Converter Plate issued to that converter that contains:

1. Assigned metal plate number;
2. Year and make of the vehicle to which the metal plate is affixed;
3. Vehicle identification number (VIN); and
4. Name of the person in control of the vehicle.

The converter's record must be available at the converter's location during normal working hours for review by a representative of the department. Converter metal plates that cannot be accounted for will be voided in the dealer's record and reported as missing to the department within three days of the date that the discovery is made. After a plate is reported as missing it is no longer valid.

**4.11 Temporary e-Tags.** Under the new Internet based system called Vision 21, dealers who hold a GDN license may issue dealer temporary tags, initial buyer's temporary tags, supplemental buyer's temporary tags, Internet-down temporary tags, and emergency temporary tags for each type of vehicle the dealer is licensed to sell. A converter may issue converter temporary tags only. Dealers and converters are required by law to have Internet access at their place of business to connect to the temporary tag database. Vision 21 will be accessed through the TxDMV website at <https://vision21.txdmv.gov/login/login.aspx>.

Entry of false information into the Internet based system may subject the user to revocation of access, the TxDMV civil penalties or license suspension, and/or criminal prosecution. No

temporary tag may be placed on a vehicle without this specific number generated by the Vision 21 database.

**a. Format.** Dealers and converters must issue a temporary tag with the information obtained from the state database (Vision 21). All tags must be printed or completed in black ink. Cardboard or cardboard backing material for temporary tags is no longer required except to prevent any paper tag from curling up in the wind. All temporary tags that are not of a water-resistant material must be sealed in a 2 mil clear poly bag that covers the entire tag and must be displayed in the rear license plate holder of unregistered vehicles.

Paper tags in bags should be secured with either double-sided tape on back of bag, or by tacking down within a plate holder to keep the tag from flapping up in the wind.

Display in the rear windows is not allowed. All printed information on a temporary tag must be visible and may not be covered or obstructed by any plate holder. Homemade tags are not permitted.

**b. Dealer's Temporary Tag (formerly known as the black tag).** Dealer Temporary Tags (dealer's tags) may be used by the dealer only to:

1. Demonstrate the vehicle or cause the vehicle to be demonstrated to a prospective buyer;
2. Convey or cause the vehicle to be conveyed:
  - A. From one of the dealer's places of business in this state to another of the dealer's places of business in this state;
  - B. From the dealer's place of business to a place where the vehicle is to be repaired, reconditioned, or serviced;
  - C. From the state line or a location in this state where the vehicle is unloaded to the dealer's place of business;
  - D. From the dealer's place of business to a place of business of another dealer;
  - E. From the point of purchase by the dealer to the dealer's place of business; or
  - F. To road test the vehicle;
3. Use the vehicle in parades;
4. Use by a charitable organization;
5. Use on vehicles loaned to customers whose vehicles are being repaired.

A vehicle on the streets or highway with a dealer tag is exempt from state inspection requirements. A dealer who holds a wholesale motor vehicle auction GDN may display its dealer's tags on any vehicles that are transported to or from the licensed auction location by a bona fide employee or agent of the auction.

Dealer tags may be displayed only on the type of vehicle for which the general distinguishing number is issued and for which a dealer is licensed to sell.

A dealer's tag may not be used to:

- Operate a vehicle for the personal use of a dealer or a dealer's employee.
- May not be displayed on dealer service or work vehicles or a laden commercial vehicle;
- Vehicles used for towing and transporting other vehicles;
- Courtesy cars with signs on the vehicle;
- Rental or lease vehicles;
- Dealer-owned vehicles loaned to schools; or
- Any boat trailer owned by a dealer that transports more than one boat.

A vehicle bearing a dealer tag is not considered to be a laden commercial vehicle when it is towing another vehicle bearing the same dealer's tags, and both vehicles are being conveyed from the dealer's place of business to a licensed wholesale auto auction or from a licensed wholesale auto auction to the dealer's place of business.

When an unregistered vehicle is sold to another dealer, the selling dealer must remove its dealer's tag. The purchasing dealer may display its dealer's tag or dealer's plate on the vehicle. If a vehicle, not in dealer inventory, is consigned from one dealer to another, the vehicle must display the temporary tag of the dealer to which that vehicle was consigned.

A dealer's tag may be issued by a dealer to a specific vehicle or to a dealer's agent who is authorized to operate a motor vehicle owned by the dealer. A dealer's tag can be issued for any length of time up to 60 days. In the case of a vehicle specific tag, only one tag per vehicle at a time may be issued.

Sometimes a dealer will allow a customer to take a vehicle with just a signed bailment agreement. In this instance, no sale has taken place and the proper tag to use on the vehicle is the dealer vehicle-specific tag.

A dealer who issues a dealer's tag to a specific vehicle must ensure that the following information is placed on the tag: (1) the vehicle-specific number from database; (2) the year and make of vehicle; (3) the vehicle identification number (VIN) of the vehicle; and (4) the month, day, and year of the tag's expiration.

A dealer who issues a dealer's tag to an agent must ensure that the following information is placed on the tag: (1) the agent-specific number from the database; and (2) the month, day, and year of the tag's expiration.

Dealers should make an effort to guard the dealer's tags. Such tags may be stolen and used by criminals to prevent identification of vehicles used in crimes.



Dealer Temporary Tag – Authorized Agent Tag



Dealer Temporary Tag – Vehicle Specific Tag

**c. Buyer's Temporary Tag (formerly red tag).** A temporary buyer's tag (Buyer's Tag) may be displayed only on a vehicle that may be operated upon the public streets and highways and for which a sale has been consummated. The dealer must place a Buyer's Tag on any new or used vehicle sold by the dealer, except for a vehicle sold in a wholesale transaction in which the purchasing dealer places its own dealer temporary tag on the vehicle. If the dealer is an out-of-state dealer and does not have dealer tags, then a Buyer's tag can be used. Buyer's Tags are valid for a period not to exceed 60 calendar days including the date the vehicle is sold and may only be displayed on a vehicle actually sold by the dealer. Only one Buyer's Tag may be issued.

The dealer must ensure that the following information is placed on a buyer's tag that the dealer issues: (1) the vehicle-specific number obtained from database; (2) the year and make of vehicle; (3) the vehicle identification number (VIN) of the vehicle; and (4) the month, day, and year of the tag's expiration.

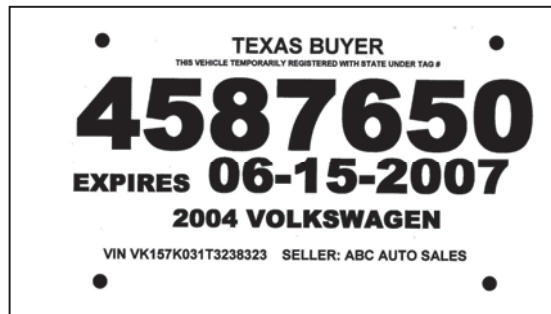
A dealer must provide a buyer's temporary tag receipt to the buyer of each vehicle to which a Buyer's Tag is issued regardless of whether the tag is issued in the ordinary course of business or is an Internet-down or emergency tag. The dealer may print the image of the receipt issued from the database or construct the form using the same information. The dealer must instruct the buyer to keep a copy of the receipt in the vehicle until the vehicle is registered in the buyer's name and metal plates are affixed to the vehicle. The receipt must include the following information: (1) the issue date of the buyer's tag; (2) the year, make, model, body style, color, and vehicle identification number (VIN) of the vehicle sold; (3) the vehicle-specific tag number; (4) the expiration date of the tag; (5) the date of the sale; (6) the name of the issuing dealer and the dealer's license number; and (7) the buyer's name and mailing address.

Lienholders are required to release liens within 10 days of payoff. If the dealer has paid off a lien and cannot obtain the release of lien from the lienholder, the dealer should notify the TxDMV of the lienholder's tardiness and then the dealer should obtain for the buyer a 30-day permit from

VTR which cost \$25 and require liability insurance to be shown. Supplemental temporary tags are no longer allowed.

If a dealer intends to transfer plates from the buyer's old vehicle, the dealer may put the plates on the vehicle and put the buyer's tag over the metal plates (See Section 4.39 for more information about plates to owner). Inform the buyer that until the vehicle is registered, the temporary e-Tag must stay on the vehicle as the sale information will not be available in the RTS database for 48 hours during which time the metal plates will not be recognized by law enforcement. The same holds true for those dealers who take the title application immediately and obtain plates to put on a vehicle before the buyer picks up the vehicle. A temporary tag is temporary registration and must be entered into the state database and the \$5 fee collected whether a temporary tag is actually put on the vehicle or not.

**d. \$5 fee for Buyer's Tag.** There is a \$5 fee charged to the consumer for the temporary registration evidenced by the e-Tag. This fee is paid to the Tax Assessor-Collector at the time of titling and registration. Since all sales must be registered in the Vision 21 database, this fee must be collected and paid for each sale made regardless of whether a tag is put on the vehicle or not. The buyer's tag is the only tag that requires a fee. Exempt agencies are the only exception to collecting the \$5 fee. The only vehicles that do not require issuance of an e-Tag are ATVs, off-road motorcycles and salvage vehicles. These vehicles are not allowed to be driven on the roads.



Buyer's Temporary Tag

**e. Converter's Temporary Tags.** Converter's Temporary Tags (Converter's Tags) may be used only by the converter or the converter's employees on unregistered vehicles to:(1) demonstrate the vehicle, or cause the vehicle to be demonstrated, to a prospective buyer who is a franchised motor vehicle dealer or an employee of a franchised motor vehicle dealer; or (2) convey the vehicle or cause the vehicle to be conveyed: (A) from one of the converter's places of business in this state to another of the converter's places of business in this state; (B) from the converter's place of business to a place where the vehicle is to be assembled, repaired, reconditioned, modified, or serviced; (C) from the state line or a location in this state where the vehicle is unloaded to the converter's place of business; (D) from the converter's place of business to a place of business of a franchised motor vehicle dealer; or (E) to road test the vehicle. Prospective buyers who are employees of a franchised dealer or a converter may operate a vehicle displaying converter's temporary tags during a demonstration.

Converter's Tags may be displayed only on the type of vehicle that the converter is engaged in the business of assembling or modifying. A vehicle being conveyed while displaying a

converter's temporary tag is exempt from vehicle inspection requirements. Converter's Tags may not be used to operate a vehicle for the converter's or a converter's employee's personal use.

When an unregistered new motor vehicle is sold to a converter, the selling dealer may attach a Buyer's Tag to the vehicle or the purchasing converter may display a Converter's Tag or Converter Plate on the vehicle.

A Converter's Tag may be issued by a converter to a specific vehicle or to a converter's agent who is authorized to operate a motor vehicle owned by the converter. Converter's Tag must show its expiration date valid for a period not to exceed 60 calendar days, including the date the tag is issued.

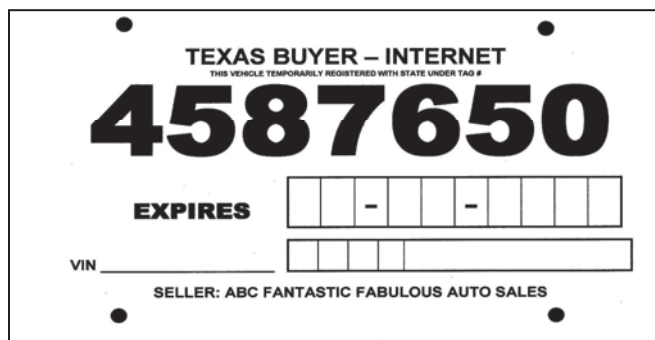
A converter who issues a Converter's Tag to a specific vehicle must ensure that the following information is placed on the tag: (1) the vehicle-specific number from database; (2) the year and make of vehicle; (3) the vehicle identification number (VIN) of the vehicle; and (4) the month, day, and year of the tag's expiration.

A converter who issues a Converter's Tag to an agent must ensure that the following information is placed on the tag: (1) the agent-specific number from the database; and (2) the month, day, and year of the tag's expiration.



Converter's Temporary Tag

**f. Advance Numbers, Internet-down Buyer's Temporary Tags.** A dealer may obtain an advance supply of specific numbers in order to issue Buyer's Tags when the dealer is unable to access the Internet. When a dealer is unable to access the Internet at the time of sale, the dealer must complete and sign the dealer's copy of the buyer's receipt form and enter the required information on the sale into the database not later than the close of the next business day that the dealer has access to the Internet. The Internet-down Buyer's Temporary Tag must be in the format as described in Section 4.11(c) above.



Internet-down Buyer's Temporary Tag

**g. Assigning Vehicles to Internet Tags.** In the instance of a sale occurring and a dealer using one of the Internet Down tags, the dealer must complete the receipt forms by hand, give one to the buyer and keep the dealer's copy of the receipt in their records. These records become part of those records required to be kept by dealers/converters for the TxDMV inspection. **Any dealer who uses an Internet tag must report the vehicle information not later than 24 hours after the time that power or communication is restored.** Failure to do so will keep a dealer from getting additional tags and is a violation that could result in an enforcement action.

**h. Different License Types.** Licensees who have more than one license should be careful to use the proper license when issuing an e-Tag. For example, trailer dealers who have other retail GDNs to sell used vehicles, should only use the trailer GDN to log sales of trailers, not their vehicle GDN or their motorcycle GDN.

**4.12 Logs for the Temporary Tags.** Temporary tags are no longer required to be logged with the exception of the Internet Down tags.

**4.13 The 30-Day Permit.** Many times it is not the dealer's fault that a title has not appeared. Any time the dealer cannot get a title transferred to a buyer within the 20 working days from the date of sale, and there is no issue with a lienholder, the dealer usually can keep the buyer happy by obtaining a 30-day permit. The permit is available from the local TxDMV office upon payment of \$25.00 and showing of the consumer's financial responsibility (liability insurance).

**4.14 Other Restrictions On Tags And Plates.** A franchised dealer may only use temporary tags and metal dealer license plates on used vehicles and new motor vehicles for which they are licensed to sell. A chart that summarizes for dealers the uses and prohibitions of plates and tags can be found at page 4-31.

**4.15 Transported Vehicles.** Each motor vehicle being transported using the full mount method, the saddle mount method, the tow bar method, or any combination of those methods in accordance with Transportation Code, §503.068(d), may have a dealer's or converter's temporary tag or a buyer's temporary tag, whichever is applicable, affixed to that vehicle. If the vehicle being transported is unable to qualify for registration because it is of a type that is prohibited from operating upon the public streets and highway (i.e., off-highway vehicle or self-propelled machine), a tag may be displayed that states in bold letters "For Off Highway Use Only."

**4.16 Special Exception for Auctions.** A wholesale motor vehicle auction may use dealer's tags and dealer plates. The auction may use buyer's tags on those vehicles which they have bought, taken assignment on and are selling for themselves at the auction. Sometimes auctions will provide a ferry service for dealers to ferry vehicles to and from the auction for dealers. In this instance, auctions are allowed to use their own dealer tags even though the vehicles are not in the auction's name.

**4.17 Manufacturer's License Plates.** Instead of registering a new vehicle that a manufacturer or distributor intends to test on a public street or highway or to loan to a consumer during warranty repair to a consumer's vehicle, the manufacturer may apply for manufacturer's license plates for the vehicle. A commercial motor vehicle with manufacturer's license plate attached may not carry a load.

**4.18 Public Auctions.** A dealer may sell his own inventory by way of an auction held on the dealer's licensed lot. An Auctioneer licensed by the Department of Licensing and Regulation must conduct the auction in accordance with the Texas Auctioneer Law. The auctioneer's name and license number must appear in any advertisement.

It is not legal for several dealers to get together and hold a public auction on one of their lots. This is selling off site which is prohibited by the Transportation Code.

Some dealers promote themselves as a public auction and hold regular auctions to sell to the public from their licensed lot. These dealers do not take assignment until vehicles are sold through their auction but must still transfer the titles to the purchaser before the 21<sup>st</sup> day after the sale.

**4.19 Wholesale Auctions.** Only a person who possesses a wholesale motor vehicle auction license may hold a wholesale or dealer-to-dealer auction, which must be held only at the licensed location to the highest bidder. Only licensed dealers, not the public may attend the auction. Out-of-state dealers may attend if they hold a valid license in their home state. Some franchised dealers have a wholesale auction license and hold regularly scheduled auctions and invite dealers to bring their vehicles to the lot for sale to other dealers. This is legal, but the auction must be advertised in the dealer's name, not the name of the company that is conducting the auction.

**4.20 Wholesale Auction Procedures.** Most wholesale auctions have their own procedures and guidelines. A dealer should contact the different auctions in the area and inquire about the auction's particular requirements. A dealer going to an auction for the first time will generally be required to fill out an application, giving information about the dealer's financial condition and that of the dealership. Be prepared to present the original of your dealer license for verification. Most auctions will provide the dealer with a picture ID and a list of the auction's procedures. The most common auction procedures observed by the TxDMV are: (1) All representations or guarantees are that of the seller. (2) All transactions are between buying and selling dealers. (3) Dealers must register with the auction and obtain an auction I.D. card before conducting business. (4) Some auctions may allow a dealer to establish a line of credit. (5) The auctions are for licensed motor vehicle dealers and their authorized agents only. A dealer may not take customers to an auction to buy a vehicle, nor can a dealer lend its GDN to an individual. The dealer/owner may be able to take one guest; however, this person may not buy a vehicle (check with the auction on bringing a guest). (6) Dealers may be able to preview vehicles before the auction begins. The hours may vary at each auction so check with the auction that you plan to attend.



The auction will announce the condition of the vehicle as told to them by the seller. This may be done verbally or through the use of a light system, i.e. red, green and yellow, to indicate the condition of the sale. Dealers should check with each auction regarding the different categories of the light system.

Some auctions may have a separate “damaged and disabled” sale. This could include units that have frame damage, frame damage repair, flood damage, missing emissions, broken odometers, etc. If a motor vehicle has a salvage title or is deemed a total loss, both the buyer and the seller must hold a salvage dealer license. If a dealer buys a vehicle and believes it was misrepresented, arbitration may be available at the auction. Check the auction arbitration policy.

**4.21 Getting a Title From the Auction.** Once a dealer is awarded the bid in an auction, the vehicle is released to that dealer. In most cases, there is a 21-30 working-day policy in getting the title. The TxDMV strongly advises dealers to wait until they have received the title before they sell that vehicle. After the vehicle is sold, sometimes the title is lost, or the title may be a salvage title, or marked as a reconditioned vehicle. A dealer who has sold such a vehicle before receiving the title is likely to be in trouble with not only the buyer, but also with the TxDMV because that dealer has sold a vehicle without a title and has failed to timely apply after a sale for a title. The dealer who sells a vehicle through the auction and has not provided the title in a timely manner would also be in violation of selling a vehicle without the title.

Several steps must occur before the dealer can take possession of the vehicle and sell it to a retail consumer: (1) The dealer’s draft must clear. (2) Lien holder and/or selling dealer is paid. and (3) Title is released to the auction, and the auction releases the title to the dealer. [Note: Titles are not reassigned to the auction. The title must be reassigned directly to the purchasing dealer.]

The auction should have a buyback policy if the auction cannot get the title to the buyer within the 21-30 working-day period.

**4.22 Dealer Agents.** Dealers are responsible for the actions of their employees and agents. Under the Dealer Agent Rule, a dealer must give anyone dealing with his employees or agents in a wholesale situation, a letter of written authority of that agent. The dealer’s authorization will be valid until either the termination of that dealer’s license or until the dealer revokes the authority in writing. Once a dealer gives such written authority, the agent may buy and sell vehicles at auctions and to other dealers in the name and under the auspices of the dealer’s license. The Dealer Agent Rule found at 43 TAC §215.148, sets out what is required in the letter of authority. Some wholesale auctions have their own forms for agent authorization. These forms will take the place of the required letter on dealership letterhead if the form contains all the requirements of the rule.

Under the Dealer Agent Rule, an agent may not pay for a vehicle in cash as all transactions must be in the name of the dealer using the dealership checks, drafts through the dealership financial entity, or cashier’s checks drawn on the dealership accounts. Further, auctions and other dealers may not give the agent the title to vehicles, but must deliver the titles to the dealer at his dealership.

**4.23 Motor Vehicle Shows and Exhibitions.** The general rule is that only *new* motor vehicles may be shown or exhibited away from the licensed premises and then only with the written

permission of the TxDMV. As described below, there are many different rules for the different types of licenses held and the vehicles that can be entered in an exhibition or show. To be absolutely sure of all requirements, licensees are urged to call or write the TxDMV well in advance of any show or exhibition to ascertain if they may participate in that particular event. Some non-selling shows and exhibitions may be self-permitting, including some association-sponsored events. Forms are located online at the TxDMV website.

**a. Used Motor Vehicles.** There is no provision in the law for used motor vehicles to be displayed in a show or exhibited away from the licensed premises. Dealers of used motor vehicles may be approved for participation in a show, to provide contact information for their dealership and to advertise the various services they may provide, however, the presence of vehicles is prohibited. There are exceptions under the law for certain types of non-motorized vehicles like used trailers.

**b. New Motor Vehicles.** There are three types of motor vehicle events where motor vehicles may be approved for participation:

**1. Exhibitions** – A static display of motor vehicles in which one dealership participates, for example, a new Ford Mustang displayed at the local airport. Exhibitions may be approved for one day or more, but approval will not extend past the renewal date of a license. No selling is permitted and personnel are not present. For unusual exhibitions, permission from the TxDMV may be obtained to have personnel present.

**2. Motor Vehicle Shows** – Motor vehicle shows may include a variety of vehicle types. It is important to know whether or not the vehicle type being entered may be sold during the event. Dealers may not sell or offer to sell new motor vehicles such as cars, trucks, sport utility vehicles, motorcycles, motor scooters, all-terrain vehicles, neighborhood vehicles and recreational off-highway vehicles in motor vehicle shows.

Special provisions in the law for sales of ambulances, fire trucks and busses, as well as towable recreational vehicles, motor homes and trailers (boat, cargo, livestock, motorcycle/motor scooter, watercraft and semitrailers) may be approved in motor vehicle shows.

**3. RV Shows** – When three or more RV dealers are approved for participation in a show that qualifies under Chapter 215.112 of the Texas Administrative Code, the event is considered an RV show where dealers may sell new motor homes. These regulations are for the sale of motor homes only. All other types of motor vehicles, as well as trailers, must meet the specific regulations governing the specific type of vehicle. When there is a mixture of vehicle types in a motor home show, the vehicles which cannot be sold are required by the TxDMV to post signage on the vehicles indicating they are not for sale at the event.

**c. Qualifications for Approval and Participation in a Motor Vehicle Show or Exhibition** All dealers, and promoters of motor home shows, must complete the appropriate TxDMV authorization forms. Under state law, forms must be received by the TxDMV at least 30 days before the show to be approved. The location of the show will be considered the market area of the closest dealer for each licensed line-make being entered, unless it is a motor home show. If the dealer is not the closest dealer, then the dealer making application must obtain waivers from any dealer(s) located physically closer to the event location, submitting the waiver(s) with the

application for participation to the Department. Dealers must leave MSRP stickers on the vehicles as required by Federal law when participating in events.

**d. Untimely off-site show or exhibition requests.** No exceptions for submitting an application past the statutory deadline required by law will be made by the TxDMV. If a request is not timely and no other provision of the law would be violated, the TxDMV will simply refrain from approving or disapproving the application for show or display. If the TxDMV receives a complaint, then the TxDMV will investigate the matter. The dealer's attempt to file an untimely request will be considered in imposing sanctions arising from any complaint for not obtaining the TxDMV show or exhibition approval in advance.

**e. Forms Required for Shows or Displays.** Depending on the type of show or display, participants must determine the type of form to be utilized. Self-Authorization forms are designed for events where ALL PARTICIPANTS are prohibited from making sales. The Licensee Participant Application is designed for events with a mixture of vehicle types being entered – those vehicles approved for sales and those never approved for sales at events. The Licensee Participant Application should be utilized if an applicant is unsure of the types of vehicles being entered in an event or when they know towable recreational vehicles, trailers or emergency vehicles are being entered into the event. REMEMBER – the Licensee Participant Application form is for events where some vehicle types may be approved for sales, however, new automobiles, trucks, all-terrain vehicles, neighborhood vehicles, recreational off-highway vehicles, motorcycles and motor scooters are **never** approved for sales in events. Approved automobile dealer associations may submit a list of members in lieu of separate applications. Each dealer that participates must be the closest dealer to the show site or have a signed waiver from any dealer(s) located closer than the prospective participant. Waivers must accompany the application for participation. If admission tickets are required, four tickets for admission to the show must be provided to the TxDMV so investigators may enter and monitor compliance.

**The TxDMV website has information and forms available for downloading for shows and exhibitions. Be sure and check this site and read the provisions carefully. Forms for participation may be submitted by fax, e-mail or by mail. Self-Authorization forms will not be responded to by the Department, however, applicants may call the Department to verify receipt.**

**f. Special Rules for Motorhome Shows.** Under the law, motorhomes may be sold at approved shows, but there must be at least three motor home dealers, representing 3 different lines in the show. No dealer located outside of a 70 mile radius of the show site representing the same line can participate without written permission of all like-line dealers located within the 70 mile radius of the show site. The show may not last longer than 6 days, and all participating dealers must suspend motor home sales on the same day if the show extends over a consecutive Saturday and Sunday to remain in compliance with the blue law. Dealers of motor homes MAY open their units on Sunday; MAY attend their units on Sunday; MAY quote a price on their units on Sunday; and MAY discuss finance options; but MAY NOT close sales or finalize a sale; MAY NOT enter into contracts; AND may not enter into letters of intention to contract. All motor home shows in the same county must be scheduled at least 90 days apart unless specific permission has been given for good cause.

**g. Trailers.** Trailers, both new and used, may be exhibited or shown and sold at shows that are regularly scheduled events. There must be at least two different trailer dealers at the show to qualify for this type of event.

**h. Fire-fighting Vehicles and Ambulances.** Fire-fighting vehicles (those vehicles meeting the description in the Occupations Code Chapter 2301.002 and are licensed as a fire-truck) and ambulances may also be sold at shows when approved by the Department.

**i. Advertising a Show.** All advertising of any motor vehicle show or exhibition must comply with 43 TAC §§215.241 – 215.271, the TxDMV advertising rules, which can be found online at the TxDMV website.

**j. Location of the Show.** Licensees are generally discouraged from exhibiting vehicles at another licensee's licensed location to inhibit illegal sales and the perception by the public that visiting vehicles may be purchased or serviced at the location where they are not licensed for sales. When approved for participation, vehicles from the visiting licensee must have visible and clearly stated signage posted on the vehicles indicating they are not for sale at the location.

**4.24 Lemon Law Disclosure on New Vehicles.** When a franchised dealer sells a new vehicle, the dealer is required to provide the consumer the requisite Lemon Law Notice. Such a notice is found on page 11-3. The content of this form is prescribed by the TxDMV and should be given to the consumer at the same time the buyer signs the sales contract.

**4.25 Selling to Foreign Buyers Rule.** Any dealer who sells motor vehicles to foreign buyers are required to verify the identity of the buyer and stamp the title with the words "For Export Only" and the selling dealer's or auto auction's General Distinguishing Number showing the vehicle as an exported vehicle. This rule was passed at the request of dealers. It is designed to give the TxDMV one more tool to reduce curbstoning. The rule is known as the "Foreign Buyer Rule" and is directed at foreign dealers and buyers who buy vehicles in Texas on the pretext of exporting to Mexico and other countries, but instead illegally sell the vehicles on this side of the border in unfair competition with Texas dealers. Many of those Texas dealers along with a group of Tax Assessor-Collectors along the border proposed the procedure to the TxDMV staff that then wrote the rule and presented it to the Board. The rule was worded to apply to sales to any person claiming to buy vehicles for exporting.

**a. Verifying Identity of Buyer.** A dealer should obtain a copy of the driver's license, passport, or other picture identity of the buyer confirming the foreign residence. These copies should become part of the dealer's sales file.

**b. Stamping the Title.** A dealer should obtain a rubber stamp containing the dealer license number and the words "For Export Only." The stamp should be placed on the front of the title where it is not covering up any information and should also be placed on each blank reassignment form on the back of the title. See Page 4-36 for a sample of the stamp and where to stamp a title.

**c. Notifying the Department.** The rules also require dealers to notify the department when a vehicle is sold for export. This notification consists of checking the "vehicle for export" box when requesting a buyer's e-Tag through the Vision 21 system.

**4.26 Displaying the License.** All licensees must display their license in a manner that makes the license easily readable by the public in a conspicuous place in the office of each place of business. If a license covers more than one location then a copy of the original license may be displayed in the additional locations.

**4.27 License Plate Holders.** A person may not attach an illuminated device, sticker, decal, emblem or other insignia that is not authorized by law and that interferes with the readability of the letters, or number on the plate or the name of the state in which the vehicle is registered. Care should be taken when dealers affix plate holders to a sold vehicle that the edges of the plate holder do not obscure the name of the state, the license numbers, or other original design feature of the plate. Customers will not be happy with the free plate holder you furnished if they pay a \$200 fine because the plate holder is illegal.

**4.28 Moving the Dealership.** All licensees are required to keep the department advised of their most current address. The TxDMV is to be advised within ten (10) days of any move. Failure to do so may result in the failure to receive important mail from the TxDMV such as license renewals or important notices about changes in the law. See §3.15 (Licensing) about amending the license because of moving, adding a new location or going out of business.

**4.29 Trailer Dealers and VINs.** With the advent of Vision 21, the department wants to start collecting VINs on trailers. While this is not mandatory at this time, it behooves trailer dealers to protect their customers' interest in the trailers they have bought by providing an identifying VIN on the trailers. This may become mandatory in the future so all trailer dealers need to become familiar with this procedure. TxDMV has outlined the procedure for obtaining a trailer VIN in a Registration and Title Bulletin to the County Tax Assessor-Collectors dated September 2, 2005. This bulletin can be seen on page 4-34 of this section.

**4.30 Specific Violations Under Transportation Code §503.038.** The following are specific violations found in the Transportation Code §503.038:

**a. Falsifying or forging documents.** A dealer may not falsify or forge a title document, including an affidavit making application for a certified copy of a title.

**b. Filing a false or forged document.** A dealer may not file a false or forged tax document, including a sales tax affidavit.

**c. Keeping Open Titles.** A dealer may not fail to take assignment of any basic evidence of ownership, including a certificate of title or manufacturer's certificate, for a vehicle the dealer acquires, known as an "open title." Receiving, holding or delivering an open title is a violation and a very risky way to conduct business. An open title is like a blank check.

**d. Not assigning titles.** A dealer may not fail to assign any basic evidence of ownership, including a certificate of title or manufacturer's certificate, for a vehicle the dealer sells.

**e. Misuse of plates or tags.** A dealer may not use or permit the use of a metal dealer's license plate or a dealer's temporary tag on a vehicle that the dealer does not own or control or that is not in stock and offered for sale.

**f. Making Material Misrepresentations on Applications.** If a person misrepresents a fact on any application to the department, whether it is a false statement of ownership, a false response to the felony question or a designation of a false place of business, a serious violation has occurred. Such violations could result, at the minimum, in denial of the application and possibly could result in a civil penalty.

**g. Failing to maintain qualifications for GDN.** The initial requirements to get a license must be maintained throughout the license period. This includes all requirements as to signs, business hours, office requirements, phones, allotted spaces, leases, etc. The department may deny an application for a license, revoke or suspend an outstanding license, impose a civil penalty or place on probation a person whose license has been suspended or reprimand a licensee for any of the reasons set forth in the Occupations Code. Civil penalties can range from \$50 to \$10,000 per violation per day.

This also includes keeping the security bond in full amount at all times. If a claim is made on the bond and paid, the dealer must bring the bond back to the full amount immediately. See Section Licensing Section 3.10 for more information on the bond.

The department will cancel a dealer's GDN if the dealer obtains the number by submitting false or misleading information. A person whose GDN is canceled under this chapter must surrender to a representative of the department each license plate, temporary cardboard tag, sticker and receipt issued under this chapter not later than the 10<sup>th</sup> day after the date the GDN is canceled. The department will direct any peace officer to secure and return to the department any plate, tag, sticker or receipt of a person who does not comply with this subsection. A person whose GDN is canceled automatically loses any benefits and privileges afforded under Texas Transportation Code Chapter 503 to the person as a dealer.

**h. Refusal to provide evidence of being in business.** A dealer must provide satisfactory and reasonable evidence that the person is regularly and actively engaged in business as a wholesale or retail dealer within 30 days after a demand is made by TxDMV.

**i. Not Remaining Regularly and Actively Engaged in the Business.** , Those persons who make fewer than five (5) sales per year will have their license challenged. Texas law now *requires* tax appraisal districts to turn in to the TxDMV the names of any dealers who either fail to file the annual VIT declaration and monthly statements or do not sell five vehicles within the calendar year. Wholesale transactions will count towards the required five (5) sales.

**j. Failing to Report or Pay Taxes.** Although the TxDMV does not collect taxes, those dealers who fail to properly report and pay state sales taxes or vehicle inventory taxes, could incur additional penalties and revocation of licenses from this agency.

**k. Misuse of license.** Misuse of a license involves any use of the license for purposes other than that specifically contemplated under the dealer law. Lending license numbers to unlicensed entities to buy or sell vehicles, or using the dealer location for illegal purposes are examples of misuse of a license.

**l. Off-site Sales, Curbstoning.** Dealers are not allowed to sell vehicles from anywhere but their licensed premises. (43 TAC §215.136) Dealers are strictly prohibited from curbstoning, which is the practice of selling vehicles away from a dealer's licensed location. Dealers are also subject to

penalty if they aid and abet curbstoning by selling vehicles to persons who practice curbstoning. Exceptions to this are the permitted shows and displays discussed in Section 4.23 of this manual.

**m. Failure to apply for title within 20 county working days of the date of sale.** The most common complaint received from consumers is they have not received their plates or title to the vehicle within 20 county working days of the purchase. There are only two valid defenses to this violation. The first defense is if the consumer has misrepresented their credit history on a credit application. In that instance, the dealer has the right to rescind the contract. The second defense is if the dealer has promptly paid off the lienholder of the vehicle but the lienholder has failed to issue a release of lien within 10 days of the payoff. This is known as the “lienholder excuse.” See Section 4.13 for more information on the 30 day permit. A Seller-Financed sale allows 45 calendar days to apply for title.

If the lienholder has failed to issue a release of the lien to the dealer after payoff, the dealer should notify the enforcement division of the TxDMV of such non-compliance so the dealer will not be held responsible. Dealers now have 25 days to pay off a lien on a trade-in once they have the vehicle and proper paperwork to pay the lien.

It is not a defense to this violation that the title is held by a prior owner or the title is lost. If a dealer has sold a vehicle without ascertaining where the title is, then he is responsible for purchasing the 30-day permit for the consumer until the dealer can locate and transfer the title. In addition, it is not a defense that the buyer has not come up with the tax, title and license fees. This should have been covered in the down payment before the vehicle was released to the consumer. Further, lack of insurance on the part of the buyer is no longer an excuse since dealers are no longer required to provide proof of financial responsibility of the buyer.

**n. Giving the title work to the consumer.** Dealers are required to apply for the title and registration and *not* give the paperwork to consumers. The Tax Assessor-Collector offices have been very cooperative in turning in paperwork to the TxDMV that has been filed by the consumer who bought a vehicle from a dealer. *Exception:* If a consumer is taking the vehicle out of state immediately, then a dealer should have the consumer fill out the Comptroller’s Sales Tax Exemption Certificate for vehicles taken out of state. This form is kept in the dealer’s sales file in case of an audit. Dealer has 20 working days to provide the buyer any necessary forms to register in their state.

**o. Failing to Notify the TxDMV of Change of Address.** As stated prior, any change in the licensed entity, ownership, physical or mailing address must be reported within 10 days of the change. *It is critical that any change of address be promptly reported to the TxDMV in order to ensure that dealers are provided with any and all necessary notices that could affect your operations.*

**p. Incomplete or No Records.** Rules require records to be kept for at least 48 months. The current and immediately preceding 13 months must be available for inspection at the dealer's location. Records from the prior 35 months may be kept either on the licensed site or off-site within the same county. Failing to keep records at all or incomplete records is a serious violation.

**q. Not responding to request for records.** Not keeping records is a serious violation, but not producing those records when a representative appears at a dealership is even more serious. Most information is requested by the TxDMV through certified mail, fax or email. If a dealer fails to

respond to this request, it is a violation and the agency representative may travel to the dealership to inspect not only the requested information, but the general state of records overall.

**r. Forgery or Fraud.** This encompasses rollbacks, title frauds and fraudulent sales of reconditioned vehicles. Also in this category are credit fraud or commercial fraud, floor-planner fraud and consignment fraud, which usually go hand in hand with these activities. In all of these instances, the perpetrator has made representations that have induced someone to buy a vehicle that he or she would not have purchased but for the fraudulent representations. Fraud is also cited when a dealer files a false tax or title document.

**s. Spot Deliveries.** This fraudulent practice consists of selling and delivering a consumer a car after signing a Retail Installment Contract and then calling the consumer back into the dealership to sign a new contract with higher interest, higher payments or to put more money down. This practice happens a lot when a dealer wants to tie the consumer to a sale but is unable to verify credit in a timely manner.

If a dealer wishes to employ this practice, there are special contracts such as a bailment contract, also known as a conditional sale and delivery agreement, which should be entered into instead of a Retail Installment Contract. These contracts make it clear to the consumer that the deal is not final.

The Office of the Consumer Credit Commissioner has approved a form that contains three elements:

1. The buyer has an option to cancel the sales contract before credit is approved;
2. The buyer can cancel with full refund and return of trade-in if financing is not approved in accordance with the terms described in the purchase order;
3. The buyer's liability in case of cancellation is limited to rental, excessive mileage and use, which are items set out in the bailment contract.

**t. Dehorsing.** Dehorsing is done in conjunction with a spot delivery and occurs when the consumer refuses to sign a new contract and demands back their trade-in, and are told their trade-in has already been sold, thus forcing him or her into the new contract or a vehicle of lesser value.

**u. Parking on the Right-of-Way.** Dealers are specifically prohibited from parking or displaying vehicles on the right-of-way adjacent to their dealership premises unless the governing body having jurisdiction of the easement, right-of-way, or driveway expressly consents to such use in writing. Use of right-of-way property that is part of the state highway system may only be authorized by a lease agreement entered into with the Texas Department of Transportation (TxDOT). This permission is given very seldom due to the nature of the safety hazard involved in allowing cars to obstruct the view of oncoming traffic. If a dealer wishes to inquire as to written permission, the dealer should call the local TxDOT office.

**v. Failing to Pay Civil Penalties.** One sure way to lose a license permanently is to refuse or neglect to pay any civil penalties assessed against a licensee by the department.



**4.31 Odometer Rollbacks.** Dealers are strictly prohibited from fraudulently tampering with an odometer to reduce the number of miles indicated on the instrument. This is a federal and state law with serious criminal penalties. Besides the criminal penalties, a person could be permanently denied a dealer license upon such a conviction. Dealers should exercise extreme caution when purchasing used cars with low mileage and inspect them for signs of odometer tampering. For the purposes of this law, odometer means an instrument for measuring and recording the distance a motor vehicle travels while in operation. This does not include an auxiliary odometer designed to be reset by the operator to record mileage on trips.

Pursuant to Transportation Code §727.002, a person who commits such an offense is subject to:

- Confinement in the county jail for not more than two years;
- A fine not to exceed \$1,000; or
- Both the confinement and fine.

If a person is found *more than once* to be guilty of odometer tampering, he or she is subject to punishment by:

- Confinement in the county jail for not less than 30 days or more than two years;
- A fine not to exceed \$2,000.

Under the federal statute, some individuals found guilty of numerous practices of odometer tampering or related fraud have been sentenced to up to nine years in prison and fined more than \$400,000.

**4.32 Unlicensed Sales.** No person, unless exempted by the Transportation Code as noted in Section 3.3 of this manual, may sell or offer to sell motor vehicles without having a GDN and/or franchised dealer license for the purposes of engaging in the business of buying, selling or exchanging motor vehicles, including purchasing wholesale vehicles or participating in auto auctions.

Franchised dealers may be sanctioned for offering to sell or selling or transferring new motor vehicles for which they are not franchised.

**4.33 Violating Any Law relating to a Motor Vehicle Sale.** Under Texas Occupations Code, any person who violates any law relating to the sale, distribution, financing or insuring of motor vehicles is subject to civil penalties, or probation, denial, suspension or revocation of their license and GDN by the Department. This general prohibition is usually applied to those dealers who willfully defraud a consumer.

**4.34 Brokering.** Texas law prohibits the brokering of motor vehicles among persons who are not licensed motor vehicle dealers. The definition of a broker is a person who, for a fee, commission, or other valuable consideration, arranges or offers to arrange a transaction involving the sale of a new motor vehicle. Arranging or offering to arrange a transaction has been defined to include soliciting or referring buyers for new motor vehicles. Therefore, the "transaction" of referring a customer to a dealer for a fee, is considered brokering. See 43 TAC §§215.84-215.85 for the full text of the broker rules.

**a. New motor vehicles.** Note the definition of a new motor vehicle under the Definitions section. The only persons allowed to broker new motor vehicles are franchised dealers or bona fide employees of a franchised dealer when acting on behalf of the franchised dealer. Representatives and distributors and their bona fide employees are likewise exempted from the brokering prohibition. Consequently, a used vehicle dealer may not accept a fee from a franchised dealer for referral of a new motor vehicle customer.

**b. Used motor vehicles.** The brokering of used motor vehicles is allowed by those licensees possessing a valid GDN, which would include all licensed franchised and independent dealers.

**c. Referral companies.** The broker rules also set out how a referral company can operate without violating the broker rules. In summary, the company may operate legally if they:

- Do not offer exclusive market areas;
- Allow all dealers to participate on equal terms with no restrictions as to size, location or line-make;
- Charge all participants the same fee that is not based on a per referral basis or other transaction-related fee;
- Do not set or suggest to the dealer any price of vehicles or trade-ins;
- Do not advertise or promote their plan in the manner that implies that the buyer, as a customer of that program, receives a special discounted price that cannot be obtained unless the customer is referred through that program.
- Do not violate the advertising rules.

**d. Bird-dog fees.** Referral fees are also known as bird-dog fees and are considered to be broker fees.

**4.35 Vehicle Transfer Notice.** When a vehicle is taken in on trade or is sold in a casual sale, the vehicle owners now have the ability to notify the department that they no longer own the vehicle. Vision 21 made this very easy to do with a simple form that may be filled out and submitted to the department electronically. There is no charge for this service. While the law is not mandatory at this time, dealers can offer to fill out this form for the customer, print it out and hand it to them to mail or file it direct electronically. Delivery of this notice to the department puts a note in the RTS system advising queries that this vehicle is no longer owned by the person to whom the system reflects as the title owner.

**4.36 Choice of County to register Vehicle.** There are three locations where a vehicle may be titled:

1. The county where the vehicle was sold;
2. The county where the lienholder resides;
3. The county where the buyer resides;

In the past the dealer chose where he wanted to register the vehicle, but the law changed and it is now the buyer's choice. There is a simple form that the buyer fills out and signs at the time of sale indicating where they wish the vehicle to be registered. This form requires that the **BUYER** fill in the county of choice, in their own handwriting. Dealers should NOT have this form prefilled. This form is VTR-136, County of Title Issuance and is found on page 6-15 with a Spanish version on page 6-16.

**4.37 Transfer of Vehicle Registration and Removal of License Plates.** Metal Plates should be removed from a vehicle taken in on trade along with the registration sticker. The past owner of the vehicle may keep the plates or they may wish to have the plates put on the vehicle they buy to replace the trade-in. If the owner of the vehicle wishes to have the old plates put on their new vehicle, then the dealer will title the vehicle and transfer the registration to the new vehicle. If the owner does not buy a vehicle, then the dealer just gives the owner the old plates and the registration sticker. Either way, the dealer should deliver the plates to the owner. If the plate age is 6 years or less, the plates may be transferred to another vehicle. If the plate age is 7 years or more, the plates must be replaced due to loss of plate reflectivity. Currently the Plates to Owner Law is limited to cars and light trucks one ton or less. Plates can only be transferred to same classification vehicles (Car-to-car, truck-to-truck).

The customer is charged the same fees as current, unless customer is transferring a set of license plates to the newly-purchased vehicle and the additional \$5 plate transfer fee would apply. If there are no plates to transfer, no charge replacement plates will be issued. When the dealer takes the license plates and sticker off the vehicle, it doesn't affect any registration on the vehicle as the registration stays with the vehicle. If a 2005 Honda is traded in and the registration expiration date is Aug. 2010, the person that purchases the 2005 Honda will receive new plates and sticker (no charge) at the time of title and will still have Aug. 2010 expiration.

If a dealer buys a vehicle from an auction and it does not have plates or registration sticker on it, the time left on the registration, if any, can be found by entering the VIN in the V21 database for a buyer's tag and the registration information will appear.

For vehicles taken on consignment, the plates should be removed and stored, but not the sticker. If the vehicle is sold, then the sticker should be removed at that time. This is because if the consigned vehicle does not sell, the dealer must return the vehicle with the plates and sticker to the owner.

As a courtesy to the buyers, the dealer may put the plates on the new vehicle and put the buyer's temporary tag over the metal plates. The customer needs to understand the tag should not be removed until the dealer sends them the registration sticker indicating that the plates are now registered with the new vehicle.

**4.38 Special Handling of Out-of-State & Out-of-Country Sales.** Out-of-state and out-of-country procedures differ slightly from the norm when a dealer sells a vehicle that will be leaving the state. Handling titles, e-tags, and taxes can be confusing, but dealers can benefit from learning to recognize the differences and train employees to handle these matters accordingly.

**a. Export Sales.** First, differentiate a "foreign" sale, as applied in the For Export Only rule, as pertaining to out-of-country sales, *not* out-of-state. The Export Sales rule can be found in the Admin Code at 43 TAC §215.147. This rule sets out the requirements for dealers handling a sale to a foreign buyer. (See previous Section 4.25) The rule originally was passed to apply only to foreign dealers, but was amended in February of 2010 to include all foreign buyers, retail and wholesale.

The first requirement is to obtain identification of the individual who is buying the vehicle. The identification document must be issued by the jurisdiction where the buyer resides and may consist of a passport; a driver's license; a consular identity document; a national identification

certificate or identity document; or other identification issued by the jurisdiction where the buyer resides that is able to be verified by law enforcement including the name of the jurisdiction; the buyer's full name, foreign address, date of birth, photograph, and signature. It is important to make a copy of the document to be kept in the records of the dealer.

The second requirement is to complete the Texas Motor Vehicle Sales Tax Exemption Certificate for Vehicles Taken Out of State Form 14-312. It is completed whether the vehicle is going to another state or another country (see form on page 7-7). Note the new form and the requirements printed thereon to send the completed form to the Comptroller and advise the buyer you are doing so.

Finally, the dealer must stamp the title once on the front of the title in an area that does not cover any information and on the back of the title in each and every unused reassignment blank. The stamp must be at least 2 inches wide and have the words "For Export Only" with the dealer's license number (See example on page 4-36).

A copy of the front and back of the stamped title, the Comptroller's form, and the buyer's identification document are all required to be kept in the dealer's sales file as a record of the out-of-country sale.

**b. Temporary Tags – Retail Sales.** E-Tags are another aspect of vehicles leaving the state. All retail sales must be registered in the e-Tag database system, regardless of whether the vehicles are driven out of Texas or hauled by any means. A buyer's tag must be affixed to a vehicle being driven out of the state. Even if the vehicle is being towed or transported by carrier and not requiring a tag to be affixed to the vehicle, a tag must be logged in the system and given to the transporter or placed in the vehicle. The \$5 tag fee must be collected from all retail buyers unless the buyer is an exempt agency. When preparing the buyer's tag in Vision 21, pay special attention to the questions:

Is this vehicle to be exported?\*  Yes  No

Will this vehicle be titled/registered out of Texas?\*  Yes  No

**c. Wholesale Sales.** When selling out of state or out of country, if the transaction is a wholesale transaction, no e-Tag is required. While vehicles being towed by other registered vehicles, and transported vehicles are not required to have a tag, some wholesale buyers may receive some grief from law enforcement if they are driving a vehicle with no plate or temporary tag on it. So it is important to let your out of state dealer know he needs to bring a dealer plate or temp tag from his state to put on the vehicle if he intends to drive it back to his home state because the selling Texas dealer may not put his dealer temporary tag on the sold wholesale vehicle. The key is the transport method. If the vehicle is "cargo," being pulled by a registered vehicle or carried by a transport, then no tag is required. The question always arises: What if the Mexico dealer has no dealer tag or plate? Though the rules do not provide for this situation and law enforcement may stop the driver, we suggest a vehicle-specific dealer temporary tag valid for only a few days.

**d. Handling Titles.** If vehicles are going out of the country, Customs requires that the titles accompany the vehicles whether with a Bill of Lading or other documents. Once Customs stamps the titles, they are returned to the owner of the vehicle.

If the vehicle is going out of state, you must give the title papers to the buyer within 20 county days of the sale for registering in the other state.

**Taxes.** As stated above, if the vehicle is going out of state or out of country, the Comptroller's exemption form must be completed, signed, and sent to the Comptroller. Detailed instructions are found on the form. However, there are always the "what if" questions.

*What if the buyer is not taking the vehicle immediately, but 3 months or 3 weeks later after their Texas summer vacation is over?* The motor vehicle tax is a "use tax" not a sales tax and if the vehicle is being used in Texas for any length of time, i.e. other than being immediately removed, then the tax is due. The Comptroller defines this as "no use of the vehicle in Texas other than the immediate transportation of the vehicle out of the state." If the buyer registers the vehicle in their state later, they may apply for a refund from the Texas Comptroller.

*What if the buyer is a Texas dad who is buying the vehicle for his OU son who is driving the vehicle immediately to Oklahoma?* The Texas exemption is predicated on *exclusive* use out of state. As long as the vehicle is titled and registered out of state, and remains out of state, the exemption would apply. Nevertheless, if the vehicle is brought back into Texas at some point, then Texas tax is due. If Oklahoma tax had been paid at the time of Oklahoma registration, then the Comptroller would allow a credit for the Oklahoma tax toward the Texas tax. This would hold true even if the son, who presumably is also a Texas resident, titles and registers the vehicle in his own name outside Texas and then brings it back into the state at some point. Again, if the son will be attending school in Oklahoma but driving home to Texas on occasion, then he should pay the Texas tax at the time of purchase. The use will not be exclusively outside Texas.

There is a second consideration in this scenario. When the father purchases the vehicle, the selling dealer has a responsibility to look to the issue of good faith before accepting an exemption certificate. A Texas home address or a Texas driver's license is a typical "red flag" that would alert a dealer to the possibility that a motor vehicle is being purchased for Texas use, and the dealer would then have reason to question that the transaction involves a person taking the vehicle out of state for exclusive use. In such a case, with good faith in question, the dealer would typically collect the tax and then the purchaser would need to seek a refund from the Comptroller, having taken the vehicle directly out of state for titling, registration and exclusive use. Even in that case, the exemption should be sought as soon as possible, inasmuch as the person will need to prove that no use, other than transportation directly out of the state (i.e., no other use, such as vacation travel, etc.) had occurred in Texas prior to the out-of-state titling and registration. This can become a harder thing to demonstrate with the passage of time, particularly when trying to prove that Texas use *did not* occur, because exemptions must be narrowly construed and must be proved by clear and convincing evidence.

If you have a buyer that shows up with Texas identification and has no reason for an exemption other than he plans on registering elsewhere, and refuses to sign the Comptroller's form which has a felony for perjury admonition, you probably should err on the side of caution and collect the tax from him. It is always a good idea to get identification from your buyer. In fact there

are other laws out there that require identification of the buyer to be obtained and kept in records, see Occupations Code §2305.004.

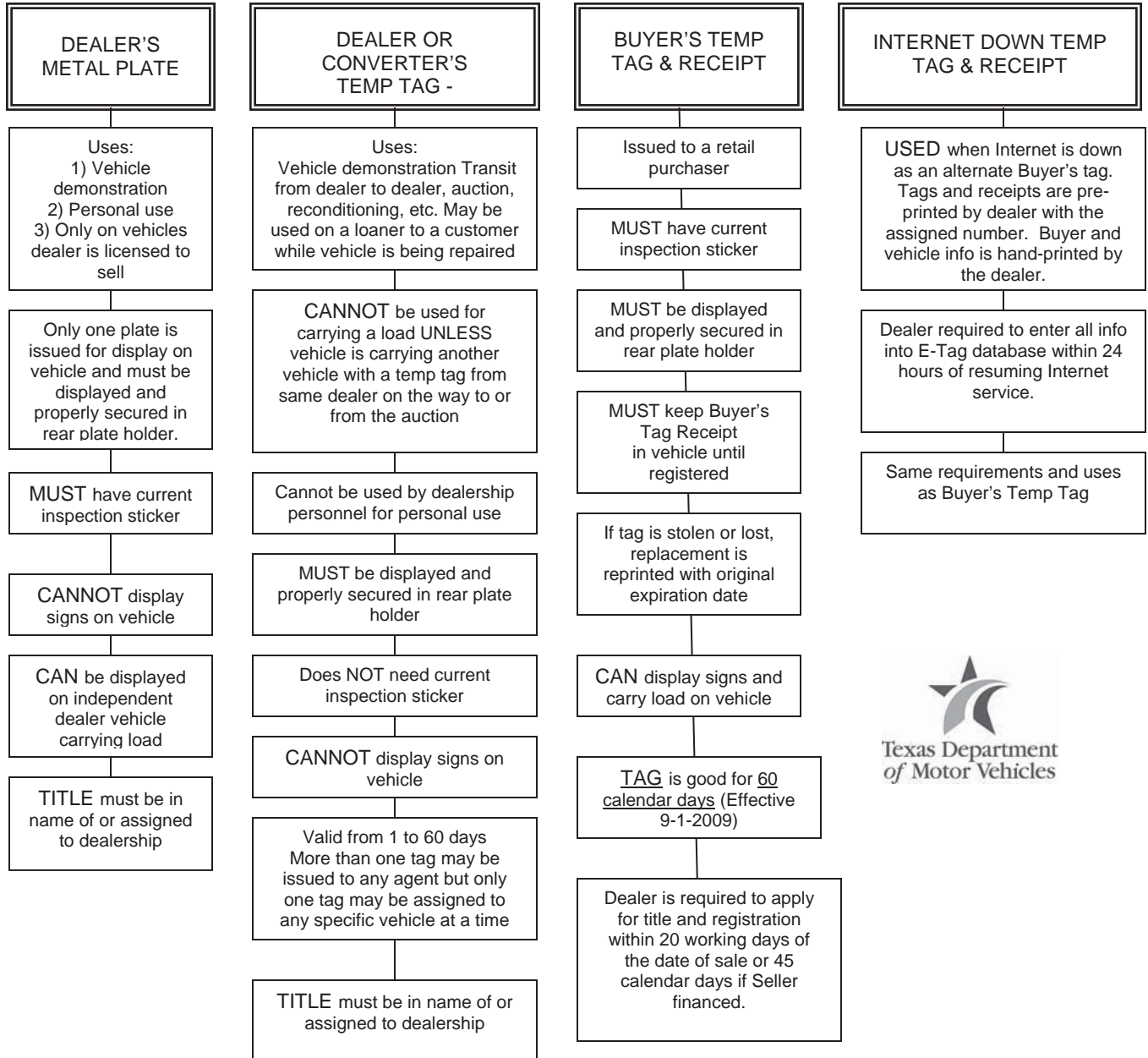
In summary, for out-of-state sales:

1. Either collect the MV tax or get the Comptroller's exemption form signed;
2. Obtain the same identification you require for in-state sales;
3. Give the title paperwork to the buyer within 20 working days;
4. For a retail sale, issue a buyer's tag and collect the \$5 e-tag fee;
5. For a wholesale transaction, inform your buyer he needs a tag from his state if he plans on driving vehicle back.

For out-of-country sales:

1. Either collect the MV tax or get the Comptroller's exemption form signed;
2. Obtain the buyer's photo identification issued by the jurisdiction where the buyer resides;
3. Stamp title "For Export Only" and give to the buyer. Title must accompany vehicles for Customs;
4. For a retail sale, issue a buyer's tag and collect the \$5 e-tag fee;
5. For a wholesale transaction, inform your buyer he needs a tag from his country if he plans on driving vehicle back.

## E-Tag Dealer Plate & Tag Usage



**A SAMPLE METAL DEALER PLATE LOG:**

<b>PLATE #</b>	<b>VEHICLE MODEL</b>	<b>VEHICLE VIN #</b>	<b>DATE ISSUED</b>	<b>DATE RETURNED</b>	<b>NAME OF DRIVER</b>

Dealers with a large amount of plates may also want to add columns for dates the stickers expire and a signature line for the driver of the vehicle.



## CONSIGNMENT TO DEALERSHIP

The undersigned owner of the motor vehicle described herein, hereby certifies that he has delivered on consignment to the dealership named below a vehicle that he legally owns and that said dealership has the owner's authority to offer such vehicle for sale at the dealer's licensed location. Owner certifies and guarantees that the vehicle is free and clear from any liens other than that may appear on the face of the title, or that he has disclosed herein. Owner has shown the dealer the title to the vehicle. Owner further states that he is not a wholesale dealer.

Dealer agrees that it will offer the herein described vehicle for sale on its legally licensed premises under the terms and conditions agreed to between the Owner and Dealership as set out herein. Dealership further agrees that it will pay the owner any amounts owed from the sale no later than \_\_\_\_\_ days from the date of sale. Dealership understands that it is responsible for registering and titling the vehicle and paying any Vehicle Inventory Tax due on the vehicle.

**VEHICLE** Make: \_\_\_\_\_ Year Model: \_\_\_\_\_ Body Style: \_\_\_\_\_

License Number: \_\_\_\_\_ Vehicle Identification Number: \_\_\_\_\_

**DEALER Name:** \_\_\_\_\_

Licensed Address: \_\_\_\_\_

Phone Number: \_\_\_\_\_ Fax: \_\_\_\_\_ GDN: \_\_\_\_\_

**OWNER Name:** \_\_\_\_\_

Address: \_\_\_\_\_

Daytime Phone Number: \_\_\_\_\_ Evening Phone Number: \_\_\_\_\_

**TERMS OF CONSIGNMENT:**

This consignment begins on \_\_\_\_\_ and terminates on \_\_\_\_\_

Sales price (set amount or minimum) \_\_\_\_\_

Consignee to pay owner \_\_\_ days after the sale

Agreed commission (set amount, percentage or over net) \_\_\_\_\_

Fees owner agrees to pay (if any): \_\_\_\_\_

Liens (if any): \_\_\_\_\_

\_\_\_\_\_  
Signature of Owner

\_\_\_\_\_  
Signature of Dealer

# BUYERS GUIDE

**IMPORTANT:** Spoken promises are difficult to enforce. Ask the dealer to put all promises in writing. Keep this form.

\_\_\_\_\_  
VEHICLE MAKE

\_\_\_\_\_  
MODEL

\_\_\_\_\_  
YEAR

\_\_\_\_\_  
VIN NUMBER

\_\_\_\_\_  
DEALER STOCK NUMBER (optional)

## WARRANTIES FOR THIS VEHICLE:

### AS IS-NO WARRANTY

**YOU WILL PAY ALL COSTS FOR ANY REPAIRS.** The dealer assumes no responsibility for any repairs regardless of any oral statements about this vehicle.

### WARRANTY

FULL  LIMITED WARRANTY. The dealer will pay \_\_\_\_% of the labor and \_\_\_\_\_% of the parts for the covered systems that fail during the warranty period. Ask the dealer for a copy of the warranty document for a full explanation of warranty coverage, exclusions, and the dealer's repair obligations. Under state law, "implied warranties" may give you even more rights.

**SYSTEMS COVERED:**

**DURATION:**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

**SERVICE CONTRACT.** A service contract is available at an extra charge on this vehicle. Ask for details as to coverage, deductible, price and exclusions. If you buy a service contract within 90 days of the time of sale, state law "implied warranties" may give you additional rights.

**PRE PURCHASE INSPECTION: ASK THE DEALER IF YOU MAY HAVE THIS VEHICLE INSPECTED BY YOUR MECHANIC EITHER ON OR OFF THE LOT.**

**SEE THE BACK OF THIS FORM** for important additional information, including a list of some major defects that may occur in motor vehicles.

**Below is a list of some major defects that may occur in used motor vehicles.**

---

Frame & Body

- Frame-cracks, corrective welds, or rusted through
- Dog tracks-bent or twisted frame

Engine

- Oil leakage, excluding normal seepage
- Cracked block or head
- Belts missing or inoperable
- Knocks or misses related to camshaft lifters and push rods
- Abnormal exhaust discharge

Transmission & Drive Shaft

- Improper fluid level or leakage, excluding normal seepage
- Cracked or damaged case which is visible
- Abnormal noise or vibration caused by faulty transmission or drive shaft
- Improper shifting or functioning in any gear
- Manual Clutch slips or clatters

Differential

- Improper fluid level or leakage, excluding normal seepage
- Cracked or damaged housing which is visible
- Abnormal noise or vibration caused by faulty differential

Cooling System

- Leakage including radiator
- Improperly functioning water pump

Electrical System

- Battery leakage
- Improperly functioning alternator, generator, battery, or starter

Fuel System

- Visible leakage

Inoperable Accessories

- Gauges or warning devices
- Air conditioner
- Heater & Defroster

Brake System

- Failure warning light broken
- Pedal not firm under pressure (DOT spec.)
- Not enough pedal reserve (DOT spec.)
- Does not stop vehicle in straight (DOT spec.)
- Hoses damaged
- Drum or rotor too thin (Mfgr. specs.)
- Lining or pad thickness less than 1/32 inch
- Power unit not operating or leaking
- Structural or mechanical parts damaged

Steering System

- Too much free play at steering wheel (DOT specs.)
- Free play in linkage more than ¼ inch
- Steering gear binds or jams
- Front wheels aligned improperly (DOT specs.)
- Power unit belts cracked or slipping
- Power unit fluid level improper

Suspension System

- Ball joint seals damaged
- Structural parts bent or damaged
- Stabilizer bar disconnected
- Spring broken
- Shock absorber mounting loose
- Rubber bushings damaged or missing
- Radius rod damaged or missing
- Shock absorber leaking or functioning improperly

Tires

- Tread depth less than 2/32 inch
- Sizes mismatched
- Visible damage

Wheels

- Visible cracks, damage or repairs
- Mounting bolts loose or missing

Exhaust System

- Leakage

---

DEALER

---

ADDRESS

---

SEE FOR COMPLAINTS

---

**IMPORTANT: The information on this form is part of any contract to buy this vehicle. Removal of this label before consumer purchase (except for purpose of test-driving) is a violation of federal law (16 C.F.R. 455).**

ILLUSTRATION OF WHERE TO PLACE "FOR EXPORT ONLY" STAMP

TEXAS DEPARTMENT OF MOTOR VEHICLES  
 408360427  
 BODY STYLE

VEHICLE IDENTIFICATION NUMBER YEAR/MODEL MAKE OF VEHICLE

TITLE/OCCURANT NUMBER DATE TITLE ISSUED

MODEL MFG. CAPACITY IN TONS WEIGHT LICENSE NUMBER

PREVIOUS COUNTY COONETER READING

OWNER REMARKS

**VOID**

**FOR EXPORT ONLY**

X SIGNATURE OF OWNER OR AGENT MUST BE PLACED  
 UNLESS OTHERWISE AUTHORIZED BY LAW, IT IS A VIOLATION OF STATE LAW TO SIGN THE NAME OF ANOTHER PERSON ON A CERTIFICATE OF TITLE OR OTHERWISE GIVE FALSE INFORMATION ON A CERTIFICATE OF TITLE

DATE OF LIEN TO: LENDHOLDER 1ST LIEN RELEASED DATE  
 BY AUTHORIZED AGENT

DATE OF LIEN TO: INDIVIDUALHOLDER 2ND LIEN RELEASED DATE  
 BY AUTHORIZED AGENT

DATE OF LIEN TO: 3RD LIENHOLDER 3RD LIEN RELEASED DATE  
 BY AUTHORIZED AGENT

IT IS HEREBY CERTIFIED THAT THE PERSON AT SIGNATURE IS THE OWNER OF THE VEHICLE DESCRIBED ABOVE AND IS NOT SUBJECT TO THE ABOVE LIENS.

RIGHTS OF SURVIVORSHIP AGREEMENT  
 BY THE SIGNED PERSON(S) ABOVE SIGNATURE(S) ABOVE, I/WE HEREBY AGREE THAT THE OWNERSHIP OF THE VEHICLE DESCRIBED ON THIS CERTIFICATE OF TITLE SHALL FROM THIS DAY FORWARD BE HELD JOINTLY AND IN THE EVENT OF DEATH OF ONE OF THE PERSON(S) NAMED IN THIS AGREEMENT, THE OWNERSHIP OF THE VEHICLE SHALL VEST IN THE SURVIVOR(S).

DO NOT ACCEPT TITLE SHOWING ERASURE, ALTERATION, OR MUTILATION

On the front of the title where no information is covered

WHEN VEHICLE IS SOLD, TITLE HOLDER MUST ASSIGN AND FURNISH THIS TITLE, CURRENT LICENSE RECEIPT, AND SIGNED APPLICATION FOR TITLE (FORM 130-U) INDICATING DATE OF SALE AND SALES PRICE TO THE PURCHASER WHO MUST FILE APPLICATION WITH COUNTY TAX ASSESSOR-COLLECTOR WITHIN 30 DAYS TO AVOID PENALTY.

FEDERAL AND STATE LAW REQUIRES THAT YOU STATE THE MILEAGE IN CONNECTION WITH THE TRANSFER OF OWNERSHIP. FAILURE TO COMPLETE OR PROVIDING A FALSE STATEMENT MAY RESULT IN FINES AND/OR IMPRISONMENT.

The undersigned hereby certifies that the vehicle described in this title is free and clear of all liens, except as noted herein, and has been transferred to the following printed name and address:

Name of Purchaser: Jose Diaz, 123 Matamoros, Nuevo Laredo, Mexico  
 City, State, Zip

I certify to the best of my knowledge that the odometer reading is the actual mileage of the vehicle unless one of the following statements is checked:  
 ODOMETER READING (plus tenths) 87,654  
 1. The mileage stated is in excess of its mechanical limits.  
 2. The odometer reading is not the actual mileage. WARNING - ODOMETER DISCREPANCY.

Date of Sale: 1/22/14  
 Signature of Seller/Agent: [Signature]  
 Printed Name (same as signature): John Doe, Texas Autos P67894

I am aware of the above odometer certification made by the seller/agent.  
 Signature of Buyer/Agent: [Signature]  
 Printed Name (same as signature): Jose Diaz

The undersigned hereby certifies that the vehicle described in this title is free and clear of all liens, except as noted herein, and has been transferred to the following printed name and address:

Name of Purchaser: [Blank]  
 City, State, Zip

I certify to the best of my knowledge that the odometer reading is the actual mileage of the vehicle unless one of the following statements is checked:  
 ODOMETER READING (plus tenths) [Blank]  
 1. The mileage stated is in excess of its mechanical limits.  
 2. The odometer reading is not the actual mileage. WARNING - ODOMETER DISCREPANCY.

Date of Sale: [Blank]  
 Dealer No.: [Blank]

Agent's Signature: [Blank]  
 Printed Name (same as signature): [Blank]

I am aware of the above odometer certification made by the seller/agent.  
 Signature of Buyer/Agent: [Blank]  
 Printed Name (same as signature): [Blank]

The undersigned hereby certifies that the vehicle described in this title is free and clear of all liens, except as noted herein, and has been transferred to the following printed name and address:

Name of Purchaser: [Blank]  
 City, State, Zip

I certify to the best of my knowledge that the odometer reading is the actual mileage of the vehicle unless one of the following statements is checked:  
 ODOMETER READING (plus tenths) [Blank]  
 1. The mileage stated is in excess of its mechanical limits.  
 2. The odometer reading is not the actual mileage. WARNING - ODOMETER DISCREPANCY.

Date of Sale: [Blank]  
 Dealer No.: [Blank]

Agent's Signature: [Blank]  
 Printed Name (same as signature): [Blank]

I am aware of the above odometer certification made by the seller/agent.  
 Signature of Buyer/Agent: [Blank]  
 Printed Name (same as signature): [Blank]

The undersigned hereby certifies that the vehicle described in this title is free and clear of all liens, except as noted herein, and has been transferred to the following printed name and address:

Name of Purchaser: [Blank]  
 Street, City, State, Zip

I certify to the best of my knowledge that the odometer reading is the actual mileage of the vehicle unless one of the following statements is checked:  
 ODOMETER READING (plus tenths) [Blank]  
 1. The mileage stated is in excess of its mechanical limits.  
 2. The odometer reading is not the actual mileage. WARNING - ODOMETER DISCREPANCY.

Date of Sale: [Blank]  
 Dealer's Name, Dealer No.: [Blank]

Agent's Signature: [Blank]  
 Printed Name (same as signature): [Blank]

I am aware of the above odometer certification made by the seller/agent.  
 Signature of Buyer/Agent: [Blank]  
 Printed Name (same as signature): [Blank]

LIENHOLDER TO BE RECORDED AND SHOWN ON NEW TITLE:  
 1ST LIEN IN FAVOR OF (NAME & ADDRESS)

On the back of the title in any blank

September 2, 2005

## **Registration and Title Bulletin #094-05 Policy and Procedure**

**TO:** All County Tax Assessor-Collectors  
**SUBJECT:** Assigned Serial Numbers for Homemade/Shopmade Trailers and Semitrailers

### **1.1. PURPOSE**

To clarify the requirements for owners of homemade or shopmade trailers and semitrailers to obtain an assigned serial number.

### **DETAILS**

All vehicles that are titled are required to have a serial number or vehicle identification number (VIN). An assigned serial number is not required for non-titled, homemade or shopmade:

- trailers that have an empty weight of 4,000 pounds or less
- semitrailers that have a gross weight of 4,000 pounds or less
- farm trailers or farm semitrailers that have a gross weight of 34,000 pounds or less, unless the owner chooses to apply for a title for a farm semitrailer that has a gross weight of over 4,000 pounds and not more than 34,000 pounds

An owner may choose to have a serial number assigned to a non-titled trailer, semitrailer, farm trailer, or farm semi-trailer for identification purposes and to aid in the recovery of their property in the event that it is stolen. If an assigned serial number is required (titled), or the customer chooses to obtain an assigned serial number(non-titled), the attached procedures should be followed in order to obtain an assigned serial number. If the owner of a non-titled trailer or semitrailer chooses to not have a serial number assigned, a Form VTR-68-A executed by law enforcement is not required to be submitted with the application for registration.

The Motor Vehicle Title Manual has been revised to reflect this information and will be distributed at a later date.

### **COUNTY ACTION**

Please disseminate this information on the requirements for assigned serial numbers for non-titled trailers, semitrailers, farm trailers and farm semitrailers to your offices and customers.

### **CONTACT**

If you have any questions or need any additional information, please contact your local Vehicle Titles and Registration Division Regional Office. You may also call me at (512) 465-7570. Thank you very much.

Sincerely,  
Mike Craig, Interim Director  
Vehicle Titles and Registration Division

## **PROCEDURES FOR OBTAINING AN ASSIGNED SERIAL NUMBER FOR A HOMEMADE/SHOPMADE TRAILER OR SEMITRAILER**

- A Form VTR-68-A, *Application for Assigned or Reassigned Number*, must be completed. The top portion must be completed by the owner and the owner's signature must be notarized. The bottom portion must be completed by law enforcement (a member of the Department of Public Safety, Motor Vehicle Theft Service, National Crime Insurance Bureau, or an established vehicle theft unit of a Texas law enforcement agency).
- The owner must mail or take the completed Form VTR-68-A, acceptable evidence of ownership, a \$2 fee, and a photograph of the trailer or semitrailer to their local Vehicle Titles and Registration Division (VTR) Regional Office.
- Once approved and an assigned serial number is issued, the VTR Regional Office will forward a copy of the completed Form VTR-68-A and Form VTR-68-N, *Notice of Assigned Number or Installation of Reassigned Vehicle Identification Number*, to the owner.
- The owner must then die stamp the assigned serial number on the trailer or semitrailer on the right side of a permanent part of the frame forward of the axle or tandem assembly.
- After the assigned number has been die stamped on the vehicle, the Form VTR-68-N, must be signed by the owner.
- If the trailer or semitrailer is being titled, the copy of the Form VTR-68-A and the completed Form VTR-68-N must be submitted to the County Tax Assessor-Collector's office with the application for title and all supporting documents.

## A Dealer's Guide to the Used Car Rule

Most car dealers who sell used vehicles must comply with the Federal Trade Commission's (FTC's) Used Car Rule. In fact, car dealers who sell more than five used vehicles in a 12-month period must comply with the Rule. Banks and financial institutions are exempt from the Rule, as are businesses that sell vehicles to their employees, and Lessors who sell a leased vehicle to a lessee, an employee of the lessee, or a buyer found by the lessee.

The Used Car Rule applies in all states except Maine and Wisconsin. These two states are exempt because they have similar regulations that require dealers to post disclosures on used vehicles. The Rule applies in the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, and American Samoa.

This booklet defines the Rule's requirements, explains how to prepare and display the Buyers Guide, and offers a compliance checklist.

You must post a Buyers Guide before you "offer" a used vehicle for sale. A vehicle is offered for sale when you display it for sale or let a customer inspect it for the purpose of buying it, even if the car is not fully prepared for delivery. This requirement also applies to used vehicles for sale on your lot through consignment, power of attorney, or other agreement. At public auctions, dealers and the auction company must comply. The Rule does not apply at auctions that are closed to consumers.

Previously titled or not, any vehicle driven for purposes other than moving or test driving, is considered a used vehicle, including light-duty vans, light-duty trucks, demonstrators, and program cars that meet the following specifications:

- a gross vehicle weight rating (GVWR) of less than 8,500 pounds;
- a curb weight of less than 6,000 pounds; and
- a frontal area of less than 46 square feet.

Exceptions to the Rule are:

- motorcycles;
- any vehicle sold for scrap or parts if the dealer submits title documents to the appropriate state authority and obtains a salvage certification; and
- Agricultural equipment.

## The Buyers Guide

A disclosure document that gives consumers important purchasing and warranty information, the Buyers Guide tells consumers:

- whether the vehicle is being sold "as is" or with a warranty;
- what percentage of the repair costs a dealer will pay under warranty;
- that oral promises are difficult to enforce;
- to get all promises in writing;
- to keep the Buyers Guide for reference after the sale;
- the major mechanical and electrical systems on the car, as well as some of the major problems that consumers should look out for; and
- To ask to have the car inspected by an independent mechanic before they buy.

If you conduct a used car transaction in Spanish, you must post a Spanish language Buyers Guide on the vehicle before you display or offer it for sale.

The Buyers Guide must be posted prominently and conspicuously on or in a vehicle when a car is available for sale. This means it must be in plain view and both sides must be visible. You can hang the Guide from the rear-view mirror inside the car or on a side-view mirror outside the car. You also can place it under a windshield wiper. The Guide also can be attached to a side window. A Guide in a glove compartment, trunk or under the seat is not conspicuous because it is not in plain sight.

You may remove the Guide for a test drive, but you must replace it as soon as the test drive is over.

## **Vehicle Information**

At the top of the Guide, fill in the vehicle make, model, model year, and vehicle identification number (VIN). Write in a dealer stock number if you wish.

## **Dealer Information**

On the back of the Guide, fill in the name and address of your dealership. Also fill in the name (or position) and the telephone number of the person the consumer should contact with complaints. You may use a rubber stamp or preprint your Guide with this information.

## **Optional Signature Line**

You may include a signature line on the Guide and you may ask the buyer to sign to acknowledge that he or she has received the Guide. If you opt for a signature line, you must include a disclosure near it that says: "I hereby acknowledge receipt of the Buyers Guide at the closing of this sale." This language can be preprinted on the form. The signature line and the required disclosure must appear in the space provided for the name of the individual to be contacted in the event of complaints after the sale.

## **Warranty Information**

The Buyers Guide has two versions: One says "As Is-No Warranty;" the other says "Implied Warranties only."

**As Is-No Warranty.** If state law allows it, and you choose not to offer a warranty — written or implied — you must use the "As Is" version and check the box next to the heading "As Is-No Warranty" on the Guide.

**Implied Warranties Only.** In states that limit or prohibit the elimination of implied warranties, you must use the "Implied Warranties Only" version and check the box next to the "Implied Warranties Only" heading if you don't offer a written warranty.

**Warranty.** If you offer the vehicle with an express warranty, you must check the box next to the heading "Warranty" and complete that section of the Guide. Warranties required by state law must be disclosed in this section. Your state Attorney General can tell you about state warranty requirements.

**State Law:** In some states, use of the "As Is-No Warranty" Buyers Guide may be legally sufficient to eliminate implied warranties. In other states "as is" sales are allowed only if specific action is taken or certain language is used. For example, some states may require you to eliminate implied warranties by using special language and/or a document other than the Guide.

If you're not sure which version of the Buyers Guide you should use or if you have questions about state requirements, contact the FTC or your state Attorney General.



## **Is the Warranty "Full" or "Limited"?**

For a warranty to be considered "full:"

Warranty service must be provided to anyone who owns the vehicle during the warranty period.

Warranty service must be provided free of charge when necessary, even for services like removing and reinstalling a system covered by the warranty.

The consumer must be able to choose either a replacement or a refund if the vehicle can't be repaired after a reasonable number of tries.

The consumer is not required to take any action to receive service, except to give notice that service is needed. Service must be rendered after notice unless the warrantor can demonstrate that it is reasonable to require consumers to do more than give notice.

The length of implied warranties must not be limited.

The warranty is considered "limited" if any of these conditions don't apply.

## **What Percentage of Costs Does the Warranty Cover?**

Fill in the percentage of parts and labor costs covered by the warranty in the spaces provided. If a deductible applies to repairs made under the warranty, put an asterisk next to the number and explain the deductible in the "systems covered/duration" section. For example, "\*A \$50 deductible applies to each repair visit."

## **What Systems Are Covered? For How Long?**

There's one column to list the systems covered, and another to list the length of the warranty for each system. In the left hand column, you must specify each system that's covered by the warranty. The Rule prohibits the use of shorthand phrases such as "drive train" or "power train" because it's not always clear what specific components are included in the "power train" or "drive train."

In the right hand column, you must state the length of the warranty for each system. If all systems are covered for the same length of time, you may state the duration once.

## **What if the Manufacturer's Warranty Still Applies?**

If the manufacturer's warranty hasn't expired, you may disclose this fact by checking the "Warranty" box and including this disclosure in the "systems covered/duration" section: "MANUFACTURER'S WARRANTY STILL APPLIES. The manufacturer's original warranty has not expired on the vehicle. Consult the manufacturer's warranty booklet for details as to warranty coverage, service location, etc." The disclosure must be stated in the exact language quoted above. Using phrases such as "balance of factory warranty" are not sufficient.

If the consumer must pay to get coverage under the manufacturer's warranty, you may not check the "Warranty" box. Such coverage is considered a service contract. However, you may check the "warranty" box if you pay for coverage from the manufacturer and the consumer doesn't have to pay anything more than the price of the vehicle to get the coverage. If you provide a warranty in addition to the unexpired manufacturer's warranty, explain the terms of your warranty on the Buyers Guide.

## **Where Should Negotiated Warranty Changes Be Included?**

If you and the consumer negotiate changes in the warranty, the Buyers Guide must reflect the changes. For example, if you offer to cover 50 percent of the cost of parts and labor for certain repairs, but agree to cover 100 percent of the cost of parts and labor after negotiating with the customer, you must cross out the "50 percent" disclosure and write in "100 percent." Similarly, if you first offer

the vehicle "as is" but then agree to provide a warranty, you must cross out the "As Is-No Warranty" disclosure and complete the "Warranty" section of the Buyers Guide properly.

## **What About Service Contracts?**

If you offer a service contract for repairs, check the box next to the words "Service Contract." However, if your state regulates service contracts as the "business of insurance," you don't have to check this box. Check with your Attorney General or state insurance commissioner to find out if your state regulates service contracts as insurance.

## **What Do I Have to Give the Buyer At the Sale?**

You must give the buyer the original or a copy of the vehicle's Buyers Guide at the sale. The Guide must reflect all final changes. If you include a signature line on your Buyers Guides, make sure the buyer signs the Guide that reflects all final changes.

If you offer a written warranty, or if the manufacturer's warranty still applies, you also must comply with the Magnuson-Moss Warranty Act and other FTC Rules, including the "Warranty Disclosure Rule." The Warranty Act contains provisions that establish consumers' rights with respect to written warranties. For example, the Act prohibits you from eliminating implied warranties when you provide a written warranty.

The Warranty Disclosure Rule requires that you disclose certain information about the coverage of your warranty and consumers' rights under state law. This information must be included in a single document that is clear and easy to read.

## **Can the Buyers Guide Serve As My Written Warranty?**

The warranty information you provide on the Buyers Guide is not sufficient to meet the requirements of the Warranty Disclosure Rule. Therefore, your written warranty and the Buyers Guide must be two separate documents.

Another federal rule — the FTC's Rule on Pre-Sale Availability of Written Warranty Terms — requires that you display written warranties in close proximity to the vehicle or make them available to consumers, upon request, before they buy.

Two publications are available to help you comply with these and other federal regulations on warranties: *A Businessperson's Guide to Federal Warranty Law* and *A legal Supplement to Federal Warranty Law*. Both are available from the FTC. Call toll-free 1-877-FTC-HELP (382-4357), or write: Consumer Response Center, Federal Trade Commission, Washington, DC 20580. You also will find the full text of these publications at [www.ftc.gov](http://www.ftc.gov).

## **What Disclosures Should I Make if I Offer a 50/50 Warranty or Another Type of Split Cost Warranty?**

Split cost warranties are those under which the dealer pays less than 100% of the cost for a warranty repair. This type of warranty includes 50/50 warranties where the dealer pays 50% of the cost for a covered repair and the buyer pays the remaining 50%. Another type of split cost warranty is one under which the buyer pays a deductible amount and the dealer pays the remaining cost for the repair.

If you offer a split cost warranty that requires you to pay a percentage of the repair cost for covered repairs, you should include the following disclosures in your warranty document:

The percentage of the total repair cost you will pay.

The percentage of the total repair cost the buyer must pay.

How the total cost of the repair will be determined. For example, your warranty might state: "The total cost of a warranty repair will be the retail price ABC motors charges for the same job." As another example, your warranty might state: "The total cost of a warranty repair will be determined by adding the dealer's cost for parts to the labor cost. Labor will be billed at a rate of \_\_\_\_\_ per hour for the actual time required to complete the repair." As a final example, your warranty might state: "If the work is done by an outside repair shop, total cost of a repair will be the same price ABC Motors is charged by the outside shop. If the work is done by ABC Motors, the total cost of the repair will be the same price ABC Motors charges non-warranty customers for the same job."

If your warranty requires buyers to pay a deductible, your warranty document should disclose the deductible amount and the details as to when and under what circumstances the deductible must be paid.

Dealers offering split cost warranties can require that buyers return to the dealer for warranty repairs. If your warranty includes this restriction, however, you should provide an estimate of the total repair cost before work is started. This will allow the buyer to decide whether to approve the repair or have the work done elsewhere.

## **Where Can I Get Copies of the Guides?**

You can get Buyers Guides from business-form companies or trade associations, or you can download the Buyers Guide from the FTC's Web site. You also can generate them yourself on a computer. However, you must use the wording, type style, type sizes, and format specified in the Rule. You are not allowed to place any other wording or symbols (including logos) on the Buyers Guide. The Guides must be printed in 100% black ink on white paper cut to at least 11" x 7 1/4." These requirements cannot be modified in any way. You may use colored ink to fill in the blanks.

### **How Am I Doing?**

Do you complete a Buyers Guide properly for each used vehicle offered for sale?

Do you post the Buyers Guide prominently and conspicuously on each used vehicle you offer for sale?

If you choose to include a signature line for the buyer's signature, do you include the following required disclosure language:

I hereby acknowledge receipt of the Buyers Guide  
at the closing of this sale.

Do you put the following required disclosure in your sales contract:

The information you see on the window form for this vehicle  
is part of this contract. Information on the window form overrides  
any contrary provisions in the contract of sale.

Do you give the vehicle's Buyers Guide or a copy to the purchaser at the time of sale and make sure it states the final negotiated warranty coverage accurately?

If a sale is conducted in Spanish, do you use the Spanish language Buyers Guide?

If you offer a written warranty, do you prepare a warranty document that complies with federal law? Is the warranty document available for examination by potential buyers?

## **What If I Don't Comply?**

Dealers who violate the Used Car Rule may be subject to penalties of up to \$11,000 per violation in FTC enforcement actions. Many states have laws or regulations that are similar to the Used Car Rule. Some states incorporate the Used Car Rule by reference in their state laws. As a result, state and local law enforcement officials may have the authority to ensure that dealers post Buyers Guides and to fine them or sue them if they do not comply.

## **Where Can I Get More Information?**

If you have questions about the Used Car Rule, contact the FTC and request a free copy of the Rule or staff compliance guidelines for the Used Car Rule; both documents explain some aspects of the Rule in more detail. You also can download these documents from the FTC's website.

The FTC works for the consumer to prevent fraudulent, deceptive, and unfair practices in the marketplace and to provide information to businesses to help them comply with the law. To file a complaint or to get free information on consumer issues, visit [www.ftc.gov](http://www.ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

**June 2004**