

Katrina cars still floating around

By Darrell Fuller

Hurricane Katrina struck the southern coast of the United States more than two years ago. The devastation can still be seen in much of New Orleans and...on your car lot if you're not careful.

Thousands of cars damaged by hurricane Katrina are still swimming around in used cars lots across the United States. Vehicle dealers who fail to check vehicle histories are buying and selling damaged goods. And even checking vehicle histories is no guarantee of protection. In the end, unsuspecting customers are taking home vehicles which, in many cases, shouldn't be driven.

Just the facts

Flood damage from Katrina is worse than damage from many other floods because the water was ocean salt water. The salt water is much more corrosive than fresh water flooding.

Estimates suggest 350,000 to 400,000 vehicles were damaged by Katrina in Louisiana. The fact that there are only estimates of vehicles damaged indicates the large scope of the problem. Mississippi had at least 60,000 vehicles damaged.

A large majority of the damaged vehicles were scrapped. However, about 200,000 vehicles had their titles branded and as many as 15,000 have been registered in another state since.

There is already a federal law to collect vehicle histories using the VIN number. However, many states, including Oregon, are not yet fully participating in the program. According to an association representing motor vehicle administrators (DMVs), only Arizona, Florida, Indiana, Kentucky, Nevada, New Hampshire, South Dakota, Washington and Virginia are fully integrated.

The fifteen-year-old law created the Motor Vehicle Title Information System. It is receiving renewed attention after Katrina. Counter-terrorism agencies have also expressed interest in seeing the database completed.

No national system of title brands

Each state has its own system of branding titles. Many states don't even have a "flood" brand. In those cases, some states will issue a branded title with something other than "flood" while others might issue a "clean" title. In Oregon, an out-of-state branded title will always receive a branded title in Oregon. If Oregon doesn't have a corresponding brand, the brand box will simply list the state in which the brand originated.

The National Independent Auto Dealers Association (NIADA) and the National Automobile Dealers Association (NADA), representing franchised new car dealers have

long supported federal legislation creating a national title and title-branding standards. However, efforts to pass national legislation have been opposed by consumer groups and state Attorneys General for not going far enough.

With so many different participants at the federal level, including DMV, dealers, insurers, consumer groups, attorneys and law enforcement to name a few, creating a federal program that meets everyone's needs and engenders everyone's support will be no easy task.

Dealer self-protection

In Oregon, dealers are assumed to have superior knowledge about the background and condition of vehicles. Once you have your dealer's license, the state considers you an expert. As a result, you have an obligation to notify potential consumers of all material nonconformities and defects in vehicle you sell. The legal standard is anything you "know or should have known" about the vehicle.

Oregon dealers are strongly encouraged to check the vehicle history on anything you sell. If the vehicle was even titled or registered in Louisiana or Mississippi in 2005, red flags should go up in your mind even if the vehicle title is not branded. This is especially true if the vehicle has been titled in any other state.

Dealers can also check for signs of flood damage. They include any signs of mud or sand anywhere in the vehicle. Check under the carpet in the trunk. Check the wiring under the dashboard. Remove a rear light assembly. Any odor that hints of mildew should be a warning sign. Also look for signs of rust, a green tint around copper or white powder around aluminum or alloy metals.

It may be impossible to completely protect yourself from buying, or selling, a vehicle which has been damaged in Katrina. However, keeping written records of your efforts to protect yourself and your customers will go a long way if a customer or government investigator should ever accuse you of selling damaged goods.

HEADING OFF TO COLLEGE

By: Larry Hecht, Hecht & Hecht Insurance

The Insurance Information Institute recently released this article reminding parents and students of the need for insurance while attending away from home college. It offers these tips regarding insuring College Student possessions.

New York: August 22, 2007 — With computers, TV's, Printers, PDAs and MP3 players being shipped off to school, the average dorm room is looking more and more like an electronics store than a college residence. More than ever, it is crucial that students and their parents make sure

that they purchase the appropriate insurance protection, according to the Insurance Information Institute (I.I.I.).

College students and their parents are expected to spend \$47.3 billion gearing up for college, according to the National Retail Federation, with an average purchase of \$956.93 on back-to-college merchandise, up from last year's \$880.52.

Theft is a major concern on college campuses. In fact, the U.S. Department of Education reports that there were about 40,000 thefts last year alone. Unfortunately, this is not the only potential disaster facing college students; fires are on the rise on college campuses nationwide with a dramatic increase from a low of 1,800 fires in 1998 to 3,300 fires in 2005, according to the Consumer Product Safety Commission (CPSC). Most of the fires are cooking related so students should be careful about the types of hot plates or microwaves they plan to bring to school.

“With electronics and expensive sports equipment showing up on campuses around the country, many college students may be bringing thousands of dollars worth of personal possessions with them to college,” pointed out Jeanne M. Salvatore, senior vice president and consumer spokesperson for the I.I.I. “And with the cost of tuition rising, the last thing students or their parents want to do is to have to pay to replace costly items due to theft, fire or another disaster.”

For students who live in a dorm, most personal possessions are covered under their parents' homeowners or renters insurance policies. However, some home insurance policies may limit the amount of insurance for off-premises belongings to 10 percent of the total amount of coverage for personal possessions. This means that if the parents have \$70,000 worth of insurance for their belongings, only \$7,000 would be applicable to possessions in the dorm. Not all insurers impose this type of limit, so you should check with your individual insurance company, suggests Salvatore.

Expensive computer and electronic equipment and items such as jewelry may also be subject to coverage limits under a standard homeowners policy. If the limits are too low, parents may consider buying a special personal property floater or an endorsement for these items. There are also stand-alone insurance policies for computers and cell phones.

Students and/or their parents may also want to consider purchasing a stand-alone policy specifically designed for students living away at college. This can be an economical way to provide additional insurance coverage for a variety of disasters.

Students who live off campus are likely not covered by their parents' homeowners' policy and may need to purchase their own renters insurance policy. Parents should consult their insurance agent or company representative to see if their homeowners or renters policy extends to off-campus living situations.

For students going off to college, the I.I.I. recommends the following:

- Leave valuables at home if possible.
- While it may be necessary to take a computer or sports equipment to campus, other expensive items, such as valuable jewelry, luxury watches or costly electronics, should be left behind or kept in a local safety deposit box.
- Create a "dorm inventory". Before leaving home, students should make a detailed inventory of all the items they are taking with them, and revise it every year. Having an up-to-date inventory will help get insurance claims settled faster in the event of theft, fire or other types of disasters. For an easy way to put together an inventory, use the I.I.I.'s free Home Inventory Software (available at <http://www.knowyourstuff.org>)
- Engrave electronic items such as computers, televisions and portable devices like iPods with your name or other identifying information that can help police track the stolen articles.

The I.I.I. offers the following advice to guard against theft of your personal belongings on campus:

- Always lock your dorm room door and keep your keys with you at all times, even if you leave briefly. And, not just at night—most dorm thefts occur during the day. Insist your roommates do the same.

- Don't leave belongings unattended on campus. Whether you are in class, the library, the dining hall or other public areas, keep book bags, purses and laptops with you at all times. These are the primary areas where property theft occurs.

- Buy a laptop security cable and use it. A combination lock that needs decoding may be just enough to dissuade a thief.

- Most campus fires are cooking related so be careful about the types of hot plates or microwaves you to bring to school, and how you use them.

- In the event a student is planning to have a car on campus, choose a safe, reliable vehicle and do some comparison-shopping to find the best auto insurance rate. You should also check with your own insurance company as it may offer a multi-policy discount. If you decide to keep the student's car at home, be sure to contact your auto insurance company, as many insurers will give discounts for students who are living away school at least 100 miles away from home.

Hecht & Hecht Insurance Agency Inc. is a full service insurance agency. We have represented the interests of OIADA members since the 1988. If you have questions about your dealer insurance or any insurance we can be reached in Portland 503-542-1131 or 800-609-0979 or by email info@hechtinsur.com.

THE CAR Counselor

Q:We are seeing an increase in the number of customers who do not speak English as their primary language. Which laws address a dealership's obligation to ensure that a consumer understands the transaction? A:There is a host of federal and state laws that affect a motor vehicle transaction. The key issue is whether the consumer has the ability to understand the transaction. State unfair and deceptive acts and practices (UDAP) statutes deal most directly with these issues. Virtually all states have enacted statutes that regulate the conduct of suppliers who engage in consumer transactions and protect consumers against deceptive business acts and practices.

While they vary somewhat from state to state, most contain a provision that prohibits a dealership from knowingly taking advantage of the inability of a consumer to protect his interests because of physical or mental infirmities, ignorance, illiteracy, or inability to understand the language of an agreement.

Q:A number of lender/dealer agreements we are seeing require us to warrant that the buyer has the “legal capacity to contract.” What does this mean?

A:Generally, this means that you must determine whether the consumer is of legal age to buy a vehicle, which is a state law issue. A dealership can sell a vehicle to someone that has not reached legal age but, since a car is not a “necessity” (i.e. food, clothing or shelter), a minor can bring the car back and rescind the transaction. This issue may also be relevant when selling vehicles to elderly persons because an individual with power of attorney may have to sign contracts on their behalf in order to protect their interests. The dealership would need to obtain copies of the power of attorney to know who is empowered to do what.

Q:Language is often a barrier to effective communication with a consumer, how can we overcome this problem?

A:There are several policies that the dealership may consider implementing. If it is located in an area where there is a large population of people that speak a language other than English, the dealership may want to employ an individual who is bi-lingual. As an alternative, the dealership can suggest that the consumer bring a family member or friend that speaks English to assist him with the transaction. In either of these instances, the Dealership would be wise to use an Interpreter Confirmation of Translation form.

Q:Are there any other things Dealers can do from a paperwork perspective when conducting transactions with Spanishspeaking consumers?

A:Using a Delivery Confirmation form that is written in Spanish is a good start. In this document, the consumer should acknowledge that the documents he signed are written in English, but that he had the opportunity to ask questions and have the documents explained to him and that he fully understood the transaction and the implications of signing the documents. Many dealerships are also having other documents used prior to the actual sales process, such as Test Drive Agreements and Privacy Notices, written in Spanish.

Tracking the Numbers

Kelly's Korner

When you are promoted into senior management, you end one chapter of your career and enter the realm of numbers. There really is no mystery to our industry - It is all in the numbers.

The difference in just getting by or having an outstanding year is in the numbers. While every business wants to cut expenses, many cut the wrong expenses. It is the wise

business management team that can identify what to cut. I was recently asked why I have the F&I managers source customers. By knowing what brought a customer into the dealership, senior management can make an intelligent decision on where to place its advertising dollars. How many repeat or referral customers do you get? How many listen to country and western radio and how many listen to Christian radio? How many watch late night cable TV? If you have no response to those questions, you are at the mercy of the advertising rep who walks into your office with someone else's information.

By viewing the closing ratios of the Sales Department, the wise manager can identify the strengths and weaknesses of each sales consultant. Perhaps you have a person who conducts a great interview, but cannot do a walk around on a vehicle.

The managers who watch the trends, production and closing ratios will know where to spend advertising dollars. They will also know what skill set to focus on during their educational meetings or one-on-one coaching.

Change in every organization begins by looking at production numbers, identifying where weakness is, and then making a plan of action. Often, the action is asking questions. Other times, the action is education on a correct process. And other times, when people refuse to grow, they need to be invited to drink coffee elsewhere.

Article written by Jan Kelly, President of Kelly Enterprises. She is a sales trainer and consultant, convention speaker, and writes frequently for industry publications. For information about training opportunities, telephone 800.336.4275 or contact Kelly Enterprises at www.JLKelly.com. E-Seminars are now available.

Kelly Enterprises F&I Training Calendar

4-Day F&I Seminar Schedule

October 23-26	Portland, OR
November 6-9	Dallas, TX

2-Day Advanced F&I Seminar Schedule

September 13-14	Kansas City, MO
December 13-14	Portland, OR

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"Oregon Dealer News" issue for October 2007**

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