

FINAL BILL REPORT

HB 1581

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Synopsis as Enacted

Brief Description: Revising provisions for licensing of motor vehicle dealers and manufacturers.

Sponsors: By Representatives Cooper, Haigh, Morell, Hankins, Rockefeller and Delvin; by request of Department of Licensing.

House Committee on Transportation
Senate Committee on Transportation

Background:

Applicants for a vehicle dealer license must, among other things, submit an application to the Department of Licensing (DOL) disclosing such information as their qualifications and business history, their financial history, franchise information, and their current service agreement with a manufacturer. The applicant must also pay a fee of \$500 and file a \$15,000 surety bond with the DOL.

Once the license has been issued, the DOL provides the dealer with a copy of the Vehicle Dealer Manual which contains information on the various state laws and rules related to vehicle dealers. Outside of this manual, vehicle dealers are not provided any in-depth training on state laws and rules, nor do they receive any information or education on related federal laws and regulations. Because of this, often times new licensees later find themselves to be overwhelmed and unaware of critical laws and regulations which can sometimes become known to them only after it is too late and a violation has occurred.

In an effort to limit dealer violations and provide consumer protection, DOL has the authority to monitor and regulate the business and sales practices of licensed vehicle dealers. Part of the department's responsibility in regulating dealers is to investigate complaints filed by customers. After conducting an investigation, if the department finds a dealer to be in violation of current regulations, the department may issue a correction notice, assess a fine, or suspend or revoke their license.

However, the law does not explicitly authorize the department to regulate or monitor lease agreements. This fact notwithstanding, the department has historically investigated lease complaints which have been done with dealer consent and cooperation. However, because this practice is not specifically authorized in statute, it could be questioned and challenged if so desired. With vehicle leasing becoming a very popular option with the general public, it is likely that there will be an increase in lease complaints filed with the

DOL, thus the need for clarification on regulatory authority.

Summary:

To ensure that vehicle dealers are fully aware and knowledgeable of relevant state and federal laws, applicants for a vehicle dealer license must successfully complete eight hours of education on state and federal laws regulating dealer business practices prior to submitting their application. When the application is submitted to the DOL, a certificate of completion from the education provider must be included. Additionally, for licensed vehicle dealers who are renewing their dealer license, five hours per year of continuing education on state and federal laws is required.

Those individuals who are franchise dealers selling new vehicles, franchise dealers selling new recreational vehicles, franchise car rental companies, manufactured housing dealers, wholesale auto auction companies, or national auction companies disposing of totaled vehicles, are exempt from the education requirements.

The education programs and test must be developed by motor vehicle industry organizations including, but not limited to, the state independent auto dealers association and the DOL.

To strengthen consumer protection, the amount of the surety bond required to be filed with the department prior to the issuance of the vehicle dealer license is increased from \$15,000 to \$30,000.

To clarify the DOL's authority as it relates to regulating and monitoring vehicle lease practices of auto dealers, the word "lease" is added throughout the "Dealers and Manufacturers" chapter, to be included with current authority over vehicle sales.

To save time and money, language is added authorizing the DOL to electronically transmit the Vehicle Dealer Manual, which is provided to dealers when they initially license their business and when they renew their license if any revisions or updates have occurred.

In an effort to ensure that a dealer is both registered and in good standing with the Department of Revenue (DOR), language is added which authorizes the DOL to suspend or revoke a dealer's business license if the dealer does not have a current certificate or registration with the DOR.

Technical amendments are made to gender-neutralize the language.

Votes on Final Passage:

House 93 0

Senate 47 0 (Senate amended)
House 73 18 (House concurred)

Effective: July 22, 2001
July 1, 2002 (Section 12)