

SENATE BILL REPORT

SHB 2429

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, February 25, 2010

Title: An act relating to the resale of motor vehicles previously determined as having nonconformities.

Brief Description: Addressing the resale of motor vehicles previously determined as having nonconformities.

Sponsors: House Committee on Commerce & Labor (originally sponsored by Representatives Wood, Condotta, Williams, Takko, Eddy, Morrell, O'Brien, Conway and Ormsby; by request of Attorney General).

Brief History: Passed House: 2/10/10, 96-0.

Committee Activity: Labor, Commerce & Consumer Protection: 2/18/10, 2/25/10 [DP].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: Do pass.

Signed by Senators Kohl-Welles, Chair; Keiser, Vice Chair; Franklin, Honeyford, King and Kline.

Staff: Ingrid Mungia (786-7423)

Background: The Motor Vehicle Warranty Act (Act), also known as the state's lemon law, establishes the rights and responsibilities of consumers, dealers, and manufacturers when a new or nearly new vehicle has a serious safety or other substantial defect.

The Act requires that notice of manufacturers' warranties be given to consumers along with information to assist the consumer who needs to repair a defective vehicle. Once repair is requested, the manufacturer must make a reasonable effort to repair the vehicle. If, after reasonable attempts to repair the vehicle, the defect continues to exist, the consumer may request replacement of the vehicle or repurchase of the defective vehicle by the manufacturer.

If a manufacturer elects to repurchase a defective vehicle, the manufacturer may then resell the vehicle if the defect can be corrected and the manufacturer so warrants. The

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manufacturer generally sells a repaired vehicle to a motor vehicle dealer, who then sells the motor vehicle to a retail purchaser.

The Act requires manufacturers, their agents, and new vehicle dealers to inform potential purchasers if a vehicle was repurchased pursuant to the state's lemon law. A manufacturer, agent, or new vehicle dealer who fails to inform a potential purchaser must:

- indemnify any subsequent transferor or first retail purchaser for all damages caused by the failure to disclose; or
- repurchase the vehicle at full purchase price, including fees, taxes, and costs incurred.

A violation of the Act is also a violation of the Consumer Protection Act.

Summary of Bill: When selling a vehicle repurchased under the Act, used motor vehicle dealers must comply with the same disclosure requirements as new vehicle dealers. When selling a vehicle repurchased under the Act, if a used motor vehicle dealer fails to transfer to the purchaser the required disclosures, the purchaser has the same remedies as if they had purchased the motor vehicle from a new vehicle dealer.

Manufacturers and dealers must identify the nonconformity and include a title brand on the resale disclosure form.

When a manufacturer does not provide notice of repair of a nonconformity, the Department of Licensing (DOL) must issue a new title with a title brand indicating that the nonconformity has not been corrected. When the DOL receives a title application for a motor vehicle previously titled in another state and that vehicle has a title brand indicating it was reacquired by a manufacturer under a law similar to the Act, the DOL must issue a new title with a title brand indicating the vehicle was returned under a similar law of another state.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill is a good first step toward transparency and information for used cars. If we want to go further in the used car world, it will get a little more difficult. This lets people know about the vehicle they are purchasing; how to know if the car they are buying had problems before, and how they can track it down. The bill does not create any new resale procedures or requirements that do not exist today. This bill will include all vehicle dealers, new and used, under the resale disclosure obligations that currently exist.

Persons Testifying: PRO: Representative Wood, prime sponsor; Paul Corning, Attorney General's Office.