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PAGE 2  
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(Exactly as it appears on your Driver License)

**Your DEALERSHIP OWNERSHIP POSITION:** \_\_\_\_\_ (Owner? Corp Officer?  
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COURSE**

CA DRIVER LICENSE or CA I.D. NUMBER\_\_\_\_\_

CA EXPIRATION DATE\_\_\_\_\_  **Warning: Must NOT be expired**

DEALERSHIP NAME\_\_\_\_\_ DEALER #\_\_\_\_\_

**DEALERSHIP ADDRESS**

Street\_\_\_\_\_

City\_\_\_\_\_ State\_\_\_\_\_ Zip Code\_\_\_\_\_

**DATE** YOU COMPLETED COURSE\_\_\_\_\_

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2. A B C D	22. A B C D
3. A B C D	23. A B C D
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18. A B C D	38. A B C D
19. A B C D	39. A B C D
20. A B C D	40. A B C D

**Read study material FIRST.  
It's easy as reading a magazine!  
At END of course, read  
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here to the left.**



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## INLAND EMPIRE / ORANGE COUNTY DEALER SCHOOL

### **4-HOUR CONTINUING EDUCATION HOME STUDY COURSE**

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**CLASS FEE** (see website for current fees - subject to change without notice)

**RE-TAKE FEE**: No charge if re-taken within 30 days upon failing.

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## **Lesson 1: California Civil Code, Chapter 2B (commencing with Section 2981) of Title 14 of Part 4 of Division 3, relating to Motor Vehicle Sales Finance**



### What Is A Conditional Sales Contract?

A conditional sales contract is the legal contract between the buyer and the dealer. The contract is “conditional” because often, the sale is contingent on the buyer obtaining financing.

### **Conditional Sales Contract Must Be in Writing**



There is a law that says the Conditional sales contract must be in **WRITING**. Use standard written contracts only. In other words, a dealer cannot legally “speak” the contract in lieu of a “written” contract.

### **Conditional Sales Contract Disclosures**

This law states that the conditional sales contract shall contain the following disclosures, as applicable, which shall be labeled "itemization of the amount financed":

The cash price, exclusive of:

- Document processing charges
- Charges to electronically register or transfer the vehicle
- Taxes imposed on the sale
- Pollution control certification fees
- Prior credit or lease balance on property being traded in
- The amount charged for a service contract
- The amount charged for a theft deterrent system
- The amount charged for a surface protection product
- The amount charged for an optional debt cancellation agreement
- The amount charged for a contract cancellation option agreement.
- A subtotal representing the sum of above amounts

**DEALER TIP:** When purchasing your conditional sales contracts, make sure your forms vendor sells you the most CURRENT version to ensure compliance the Civil Code amendments!

### Excess Finance Charges

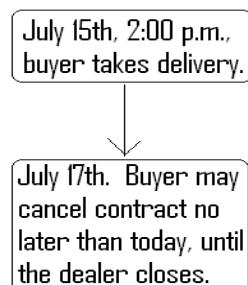
If the minimum finance charge is greater than the actual finance charge earned, the difference must be returned to the buyer.

**EXCEPTION:** The above section does not apply to delinquency charges on delinquent installments and reasonable costs and fees.

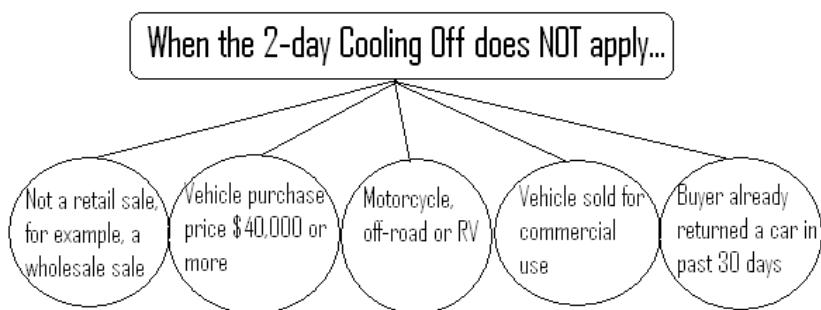
### Contract cancellation, 2-day Cooling Off Period (AB 68)

When a used vehicle is purchased, a dealer must give the buyer the option for a 2-day cooling off period. This simply means the customer has up to 2 days to “change their mind” if they choose to not purchase the vehicle.

**Timing is critical:** The buyer can cancel the contract until the close of business on the second day after delivery. Please study this diagram:



**EXCEPTIONS** (When the dealer can choose to NOT offer the option):



## **MAXIMUM FEES DEALER MAY COLLECT**

### **Max Cancellation Option Fees:**

\$75 (vehicle \$5,000 or less)

\$150 (vehicle \$5001 - \$10,000)

\$250 (vehicle \$10001 - \$30,000)

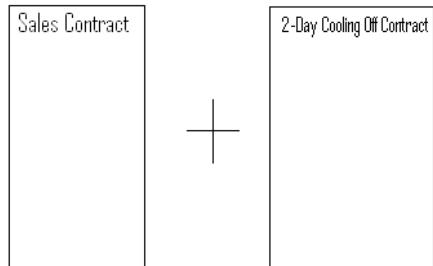
1 Percent (vehicle \$30,000 - \$40,000)

### **Cash Price Exclusions**

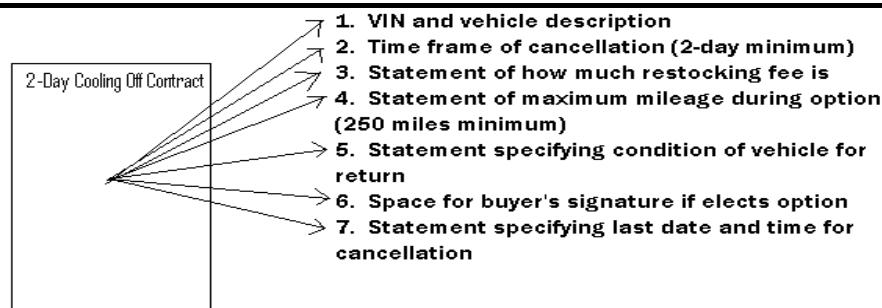
AB1215: The above prices are CASH prices, which means the prices **exclude** registration, transfer, titling, license, California tire and optional business partnership automation fees.

## **SEPARATE DOCUMENT REQUIRED**

It's important to note that the 2-day cooling off option must be a separate contract from the sales contract:



## **CONTENTS OF COOLING OFF CONTRACT:**



## **DISCLOSURE REQUIRED NEXT TO BUYER'S SIGNATURE**

Next to the place where the buyer signs, the contract must state:

"A used vehicle may be returned and the transaction cancelled within the time-frame specified in the dealer's cancellation option agreement"

## **CONTENTS OF NO-COOLING OFF SIGN**

THERE IS NO COOLING OFF PERIOD UNLESS YOU  
OBTAIN A CONTRACT CANCELLATION OPTION.

California law does not provide for a "cooling-off" or other cancellation period for vehicle sales. Therefore, you cannot later cancel this contract simply because you change your mind, decide the vehicle costs too much, or wish you had acquired a different vehicle. After you sign below, you may only cancel this contract with the agreement of the seller or for legal cause, such as fraud.

However, California law does require a seller to offer a 2-day contract cancellation option on used vehicles with a purchase price of less than \$40,000, subject to certain statutory conditions. This contract cancellation option requirement does not apply to the sale of a recreational vehicle, a motorcycle, or an off-highway motor vehicle subject to identification under California law. See the vehicle contract cancellation option agreement for details.

## **WHEN DOES THE 2-DAY PERIOD START?**

The 2-day cooling off period starts once the vehicle is SOLD. A vehicle is considered SOLD when the buyer signs the contract, AND takes delivery.

**BUYER SIGNS CONTRACT + BUYER TAKES DELIVERY = VEHICLE CONSIDERED "SOLD"**

## **HOW CAN A BUYER RETURN A VEHICLE?**

A buyer must give written notice AND return the vehicle within the 2-day time frame. Please study this diagram:



**BOTH BUYER AND DEALER MUST PLAY BY THE RULES...**

## **WHAT THE BUYER MUST DO...**

The buyer must ensure the following for a smooth return:

Vehicle must be in SUBSTANTIALLY same condition, excluding normal wear and tear.

Mileage must not exceed minimum 250 miles

Buyer must return ORIGINAL CONTRACT and all ORIGINAL DOCUMENTS provided to buyer at time of sale

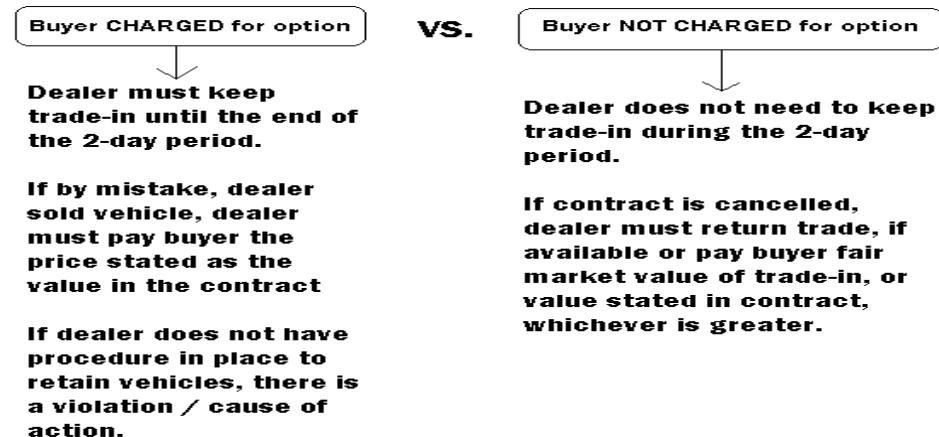
Vehicle must have no liens or encumbrances (vehicle loan to obtain vehicle does not apply).

## **WHAT THE DEALER MUST DO...**

The dealer must cancel the contract and provide a FULL REFUND (including trade-in, if any) within 2 days of cancellation, including SALES TAX and REGISTRATION FEES.

### **TRADE-IN ISSUES:**

WHETHER THE BUYER WAS CHARGED FOR THE 2-DAY COOLING OFF PERIOD AFFECTS HOW THE DEALER MUST HANDLE THE TRADE-IN. PLEASE STUDY THIS DIAGRAM...



### **FEES DEALER IS NOT REQUIRED TO REFUND:**

Cost of cancellation agreement option & Restocking fee

#### MAXIMUM-Stocking Fees:

\$175 (vehicle \$5,000 or less)  
\$350 (vehicle \$5001 - \$10,000)  
\$500 (vehicle \$10001 - \$40,000)

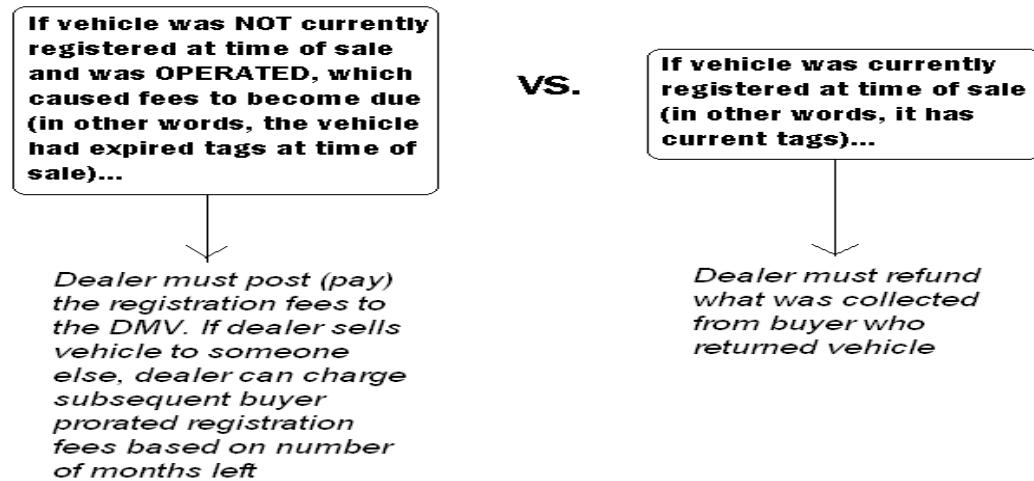
**WARNING:** Money paid for cancellation option must be applied towards restocking fees!

### **WHAT HAPPENS TO REGISTRATION FEES ?**

Registration fees are due when the vehicle is placed on the road, without dealer plates. It is important to note that a buyer can NEVER drive a vehicle on dealer plates after the sale.

If vehicle is returned during the 2-day period, the dealer must refund any registration fees collected from the buyer (requirements are the same as a typical roll-back).

Please study the following diagram to understand important information about how to handle registration fees buyer paid.



### All Costs and Terms of Payment Must Be Disclosed

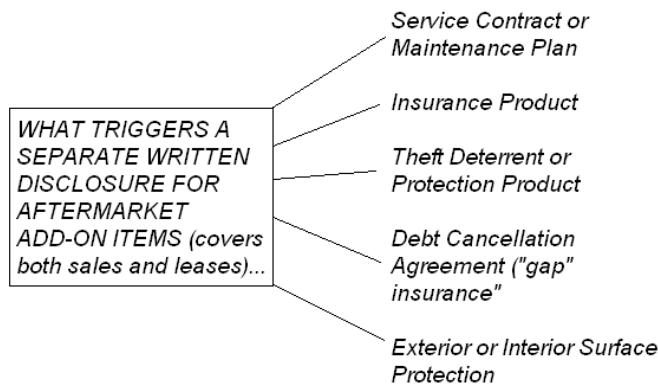
Dealers must disclose all costs to the buyer in the conditional sales contract.

In addition, where financing is involved, the dealer must disclose all terms of financing. The most common terms of financing are:

1. APR
2. Finance Charge
3. Principle Amount Financed
4. Total of Payments
5. Amount of Down Payment
6. Total Sale Price
7. Payment Schedule
8. Late Payment Fees
9. Security Interest Terms
10. Prepayment Terms

### Written Disclosure for After Market Add-On Items (AB 68)

When a dealer offers the sale of certain aftermarket add-on items, a separate written disclosure is required. Please study the following diagram...



**Requirements for the written disclosure are as follows:**

Seller's name and address must appear at the top

Date of the contract must appear at the top

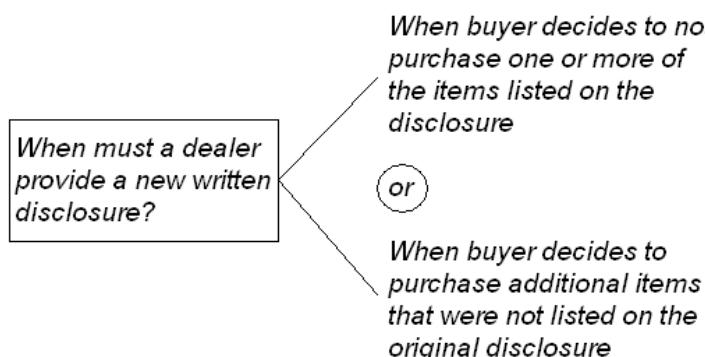
Description and cost of each individual item

Total cost of all of the items

Amount of installment payment if the buyer does not purchase the items

Amount of installment payment if buyer does purchase the items.

**Sometimes a new disclosure must be provided. Please study the diagram to help understand...**



NOTE: It is a misdemeanor crime and a cause of action against a dealer's license if a dealer fails to provide the above disclosures!

### Signatures of Buyer and Seller



**SIGNATURES** of buyer and seller must be in all sales contracts. Many dealers forget that the seller must sign. Be careful because by failing to sign, the contract has not been executed yet and the buyer can legally get out of the deal!

### Copies Must Be Furnished to Buyer



**COPIES** must be furnished to buyer.

## Conditional Sales Contract Required for Cash Sales



AB 68 makes it clear that a conditional sales contract is required for cash sales. This is due to the fact that critical disclosures must be provided to the buyer, regardless of whether the buyer pays cash or obtains financing. This clarification in AB 68 serves to protect consumers from dealers who provide simple cash contracts, absent of critical legal disclosures.

### AB 68 states...

(a) "Conditional sale contract" means:

(1) A contract for the sale of a motor vehicle between a buyer and a seller, with or without accessories, under which possession is delivered to the buyer and either of the following:

(A) The title vests in the buyer thereafter only upon the payment of all or a part of the price, or the performance of any other condition. (THIS REFERS TO A CASH SALE, HENCE A CONDITIONAL SALES CONTRACT IS REQUIRED FOR CASH SALES)

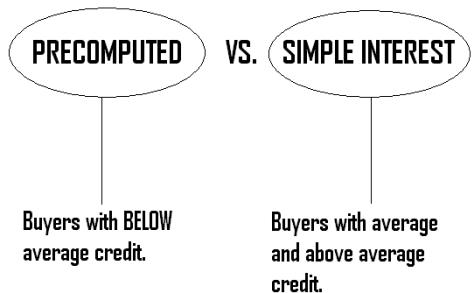
(B) A lien on the property is to vest in the seller as security for the payment of part or all of the price, or for the performance of any other condition. (THIS REFERS TO A "FINANCED" SALE)

### Types of Conditional Sales Contracts

You also need to know that there are two different Types of Conditional Sales Contracts

**One is called Pre-Computed Interest.** This means that all the financing fees are pre-calculated in the beginning of the loan. The result is that the customer has no major money-saving benefit to paying off the loan early. Therefore, a pre-computed interest contract is generally for people with BAD credit. Remember, early Payoff of Loan under Pre-Computed Interest is a bad deal for the consumer

**The other type of loan is called Simple Interest.** This is the most common type of loan. That means that the customer only pays interest on the diminishing balance. In other words, if the customer pays off the loan early, then they will save money on interest, since the interest in a simple interest loan is NOT pre-calculated. As a result, this type of loan is generally for people with GOOD credit.



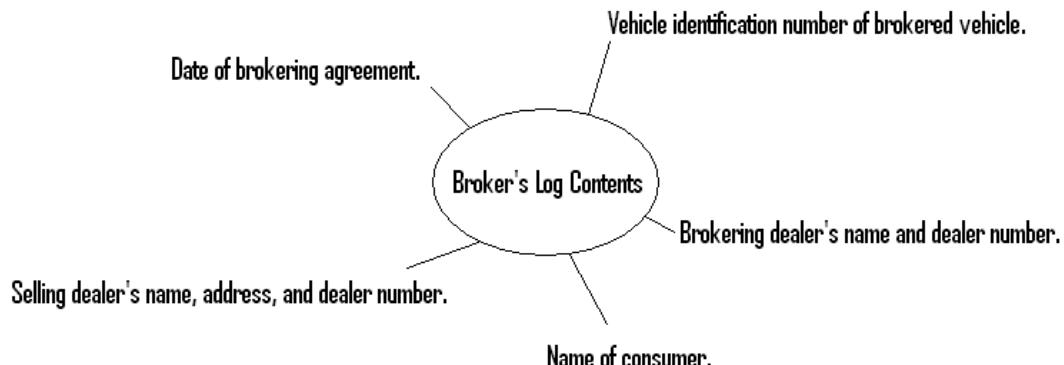
### **Autobroker Sales, vehicle delivery and return option (AB 68)**

If a dealer chooses, a dealer can obtain an autobroker's endorsement to a dealer's license.

#### **Important autobroker laws:**

Fees to obtain autobroker's endorsement: \$100

Broker's Log Required



**Trust Account is Required for money to be deposited in, so please get one at the bank.**

#### **Broker's Agreement Required. Here are the minimum components of a Broker Agreement as indicated by the Vehicle Code:**

- The name, address, license number, and telephone number of the autobroker.
- A complete description, including line-make, model, year model, and color, of the vehicle and the desired options.
- The following statement: "The following information shall be completed prior to the signing of this brokering agreement:

Dollar Purchase Price of Vehicle: \_\_\_\_\_.

Date this agreement will expire if a purchase agreement from a selling dealer is not presented for your signature: \_\_\_\_\_.

Fee that you will be obligated to pay us, if any: \_\_\_\_\_."

(d) One of the following notices, as appropriate, printed in at least 10-point bold type and placed immediately below the statement required by subdivision (c):

(1) "We do not receive a fee from the selling dealer."

(2) "We receive a fee from the selling dealer."

(e) The following notice on the face of the brokering agreement with a heading in at least 14-point bold type and the text in at least 10-point bold type, circumscribed by a line, that reads as follows:

**NOTICE**

This is an agreement to provide services; it is not an agreement for the purchase of a vehicle. California law gives you the following rights and protection:

Once you have signed this agreement, you have the right to cancel it and receive a full refund of any money paid, including any brokerage fee you may have paid, under any of the following circumstances:

(1) The final price of the vehicle exceeds the purchase price listed above.

(2) The vehicle is not as described above upon delivery.

(3) This agreement expires prior to your being presented with a selling dealer's purchase agreement.

If you have paid a purchase deposit, you have the right to receive a refund of that deposit at any time prior to your signing a vehicle purchase agreement with a selling dealer. Purchase deposits are limited by law to no more than 2.5 percent of the purchase price of a vehicle and must be deposited by an autobroker or auto buying

service in a federally insured trust account. If you are unable to resolve a dispute with your autobroker or auto buying service, please contact an investigator of the Department of Motor Vehicles

---

(f) The date the agreement is executed.

(g) The signature of the autobroker and consumer.

By definition, an autobroker is also a dealer. Therefore, AB 68 applies to autobrokers the same way it applies to dealers who do not have an autobroker's endorsement.

The law is found in Vehicle Code section 11700.2. This section provides that a dealer who obtains an autobroker's endorsement to his or her dealer's license is

*"subject to all of the licensing, advertising, and other statutory and regulatory requirements and prohibitions applicable to a dealer, regardless of whether that dealer acts as the buyer of a vehicle, the seller of a vehicle, or provides brokering services on behalf of another or others for the purpose of arranging, negotiating, assisting, or effectuating the sale of a vehicle not owned by that dealer."*

Therefore, when it comes to vehicle delivery and return options, as long as the buyer returns the vehicle prior to the expiration of the option contract period to the autobroker, the law is satisfied.

In other words, the buyer can either return the vehicle to the dealer, or if the dealer has an autobroker's endorsement, the autobroker

### **Lease Disclosures with Respect to Trade-ins**

The lease contract shall contain:

- A brief description of each vehicle or other property being traded in and
- The agreed-upon value of the vehicle or property if the amount due at the time of signing the lease or upon delivery is paid in whole or in part with a net trade-in allowance or
- The "Itemization of Gross Capitalized Cost" includes any portion of the outstanding prior credit or lease balance from the trade-in property.

Thus, full disclosure is required for accepting trade-ins.

#### **EXTRA CONTINUING EDUCATION TIP!**

Make sure you used UPDATED current year contracts. Look at the bottom to ensure you have the most up to date version – law change frequently and the new laws are reflected in the conditional sales contracts, **ESPECIALLY THE AB 68 LAWS.**

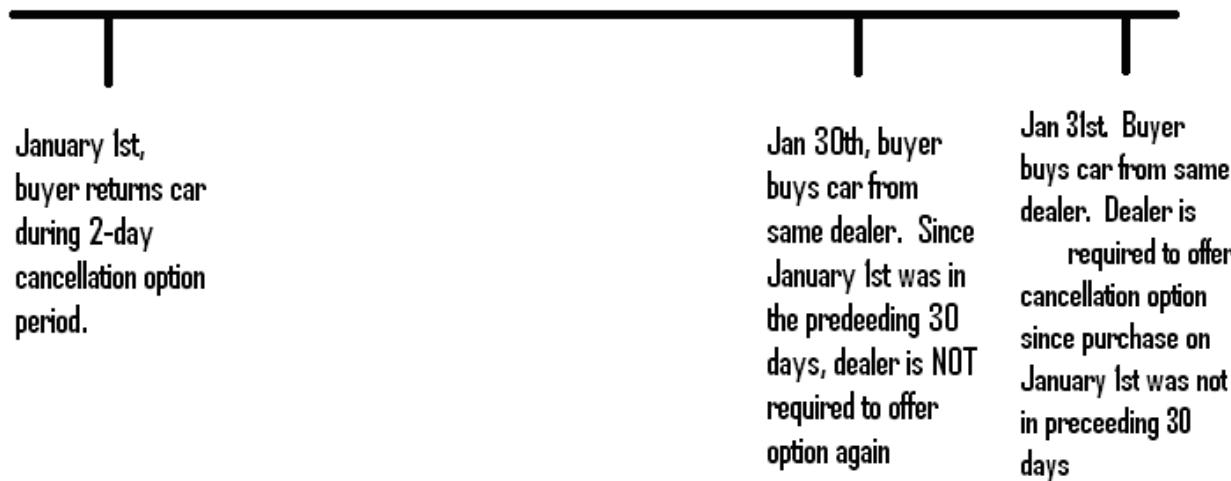


## Lesson 2: Vehicle History Disclosure

### AB 68 Return Option Contract

#### DEALER MAY NOT BE REQUIRED TO OFFER A 2-DAY OPTION PERIOD

A dealer is not required to offer a contract cancellation option agreement to an individual who exercised his or her right to cancel the purchase of a vehicle from the dealer pursuant to a contract cancellation option agreement during the immediately preceding 30 days. Please study the following diagram to help understand this:



### RETURN OPTION HISTORY DISCLOSURE TO SUBSEQUENT BUYER

**AB 68 added a new section to the vehicle code. The law now provides that a dealer is NOT required to give notice to a subsequent buyer of the return of a vehicle.**

#### BONUS DEALER TIP

ALWAYS POST YOUR DAYS OF OPERATION AND BUSINESS HOURS TO AVOID POSSIBLE DISAGREEMENTS REGARDING RETURN TIME.



## Vehicle History Disclosure Requirements

If a car has some type of history that is major history, you need to tell your customer in writing about its history. Make sure you purchase “Vehicle History Disclosure” forms from your vendor. What kind of history is so major that we are required to tell the customer in writing? Here are some common examples. By the way, all the examples I’m about to discuss are things that the dealer auction must tell you before you bid on the car. If the auction fails to tell you any one of these history items, you can return the car to the auction for a refund. O.K., here are the examples of major history:

### **Condition of Vehicle**

In general, you must disclose any negative condition of the vehicle.

You must disclose in writing any aspect of the vehicle that is material to the buyer’s decision whether or not to buy the car. In other words, ask yourself whether disclosing an aspect of the car may change the customer’s mind. If it would, you must disclose it – This is what the law terms “material”.

For example, it is material to disclose that a fender was repaired, but not material to disclose that a headlight bulb was replaced.

### **Known Damage**



Known damage. This means if there’s any damage that you know about, you must tell the customer. If you don’t know about it, then try your best.

### **Odometer Replacement**



Odometer replacement or discrepancy. Whenever the odometer has been repaired or replaced, or the mileage is not actual or the mileage exceeds mechanical limits, such information must be disclosed in writing.

### **Previous Rentals or Taxis**



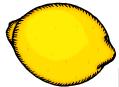
Vehicles which were previous rentals or taxis: Rentals and taxis have a “reputation” of being driven hard (although many will disagree with this). Nevertheless, such history must be disclosed.

## Previous Law Enforcement Vehicles



Previous law enforcement vehicles also have a “reputation” of being driven hard (although many will disagree with this). Nevertheless, such history must be disclosed.

## Other Disclosures



Lemon Law Buyback Title. This means someone bought a brand new car and it kept having problems that the new dealership could not fix. If the dealership cannot fix or find the problem in 4 attempts, then the manufacturer may buy back the car. Once that happens, the title is forever stamped “Lemon Law Buyback”. These lemon cars are worth about 30% less than their full market value.



Frame Damage, Fire Damage, Flood Damage. These types of damage are self-explanatory.



Theft Recovery history must also be disclosed.



Salvage Title. A car with a salvage title means at some point in time, for various reasons, an insurance company declared the car a total loss. The title is stamped “Salvage” and the car is worth about one half of its full market value.

### Salvage Vehicle Disclosure Requirements

Senate Bill 2076 was very important to dealers.

Senate Bill 2076 removed an exemption for dealers. Therefore, the applicable vehicle code section now applies to dealers (occupational licensees). This is a significant change in the law.

The old law required a dealer to disclose to the purchaser at, or prior to, the time of sale that the vehicle has been declared a total loss salvage vehicle. The old law was satisfied if a dealer would post a sign stating that the seller sells total loss salvage vehicles. This bill would eliminate the provisions for satisfying the disclosure requirement by posting a sign!

### **EXTRA CONTINUING EDUCATION TIP!**

If you are ever in doubt whether to disclose or not to disclose, it's always better to **DISCLOSE** anyway.

### CHECKLIST OF HISTORY TO DISCLOSE BY LAW

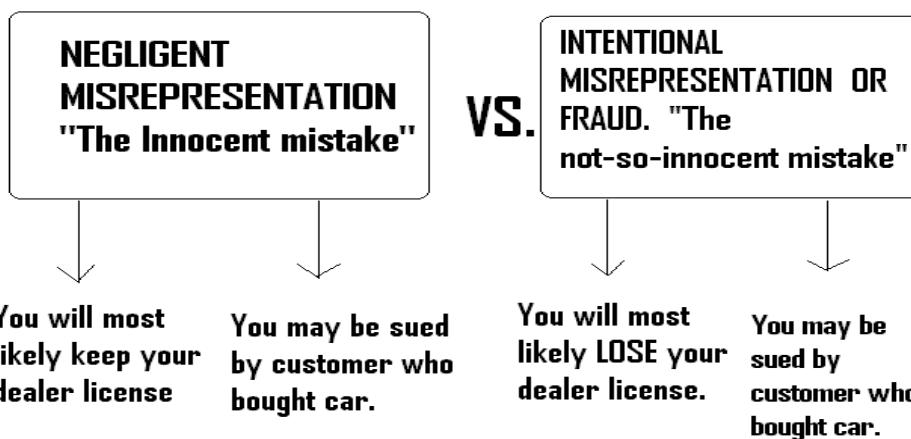
1. Frame damage
2. Salvage (total loss, permanent mark on title, not recommended)
3. Fire
4. Flood
5. Miles in excess of mechanical limits / OD replacement
6. Previous law enforcement, rental, taxi
7. Material damage (more than 10% value of car)
8. Theft and recovery of car
9. Suspension or frame damage
10. Lemon Law Buyback (you must obtain specific language in writing signed by customer that states the car is a lemon law buyback and is a permanent brand - new law allows lemon law buyback if 2 same life-threatening repairs)



### Consequences of not knowing.

If you overlook a history item and you end up not telling your customer about it, you may still be liable in court, so try your best to tell the customer everything and if you overlook something, please try to work it out with your customer and make them happy.

STUDY THIS VISUAL DIAGRAM AND NOTICE THAT NOT ONLY CAN THE **DMV** GO AFTER YOUR LICENSE, BUT **CUSTOMERS** CAN ALSO SUE YOU!



## What is NMVTIS?



NMVTIS is the National Motor Vehicle Title Information System, which is a federally-mandated vehicle history database maintained by the United States Department of Justice to ensure that accuracy and legality of motor vehicle titles. This in effect, prevents introduction or re-introduction of stolen vehicle into interstate commerce, protects states, consumers and other entities from fraud, reduces the use of stolen vehicles for illicit purposes and provides consumer protection from unsafe vehicles.

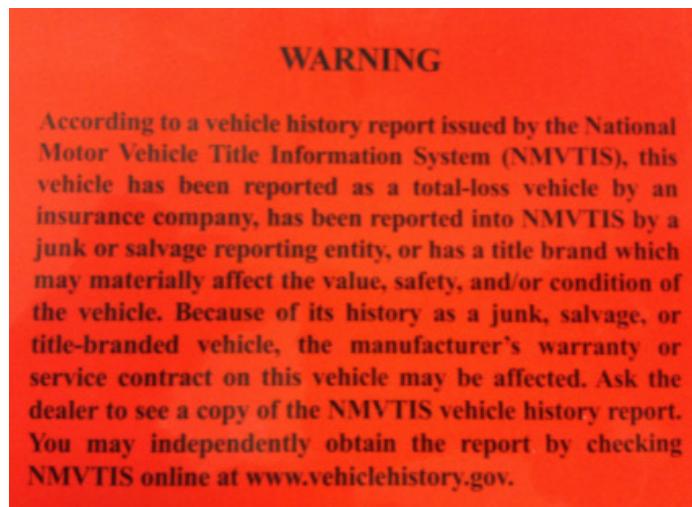
All dealers must obtain a history report for vehicles for sale. Exception: Off-road vehicles, recreational vehicles, motorcycles.

Low cost history reports can be obtained from [www.vehiclehistory.gov](http://www.vehiclehistory.gov)

### Title Brand Warning Sticker

If the certificate of title contains a brand, or the vehicle has or has been junk or salvage, or reported as junk, salvage or total loss by a salvage entity or insurance carrier, a red warning sticker must be affixed to the vehicle in close proximity to the Federal Buyer's Guide and the retailer must provide a copy of the NMVTIS history report upon request. Exception: Off-road vehicles, recreational vehicles, motorcycles.

The law sets forth specifications for the sticker (*the word "warning" must be at least 18 pt black font and the body must be at least 14 point black font, on at least 4" x 5.5" red background.*) . However, it is recommended to purchase ready-made stickers from your forms vendor. Here is a sample:



## Examples of NMVTIS Title Brands

- Flood damage
- Fire damage
- Hail damage
- Salt water damage
- Vandalism
- Kit car
- Dismantled
- Junk
- Rebuilt
- Reconstructed
- Salvage
- Test vehicle
- Refurbished
- Collision
- Reserved
- Salvage retention
- Prior taxi
- Prior police
- Original taxi
- Orginal police
- Remanufactured
- Gray market
- Warranty return
- Antique
- Classic
- Agricultural vehicle
- Logging vehicle
- Street rod
- Vehicle contains re-issued vin
- Replica
- Totaled
- Owner retained
- Bond posted
- Memorandum copy
- Parts only
- Recovered theft
- Undisclosed lien
- Prior owner retained
- Vehicle non-conformity uncorrected
- Vehicle safety defect uncorrected
- Vehicle safety defect corrected
- VIN replaced by a new state-assigned VIN
- Manufacturer buy back
- Former rental
- Salvage – stolen
- Salvage – reasons other than damage or stolen
- Disclosed damage
- Prior non-repairable / repaired
- Crushed
- Actual
- Non actual
- Exempt from odometer disclosure
- Exceeds mechanical limits
- Odometer may be altered
- Odometer replaced
- Reading at time of renewal
- Odometer discrepancy
- Call title division
- Rectify previous exceeds mechanical limits brand
- Junk automobile – cars.gov

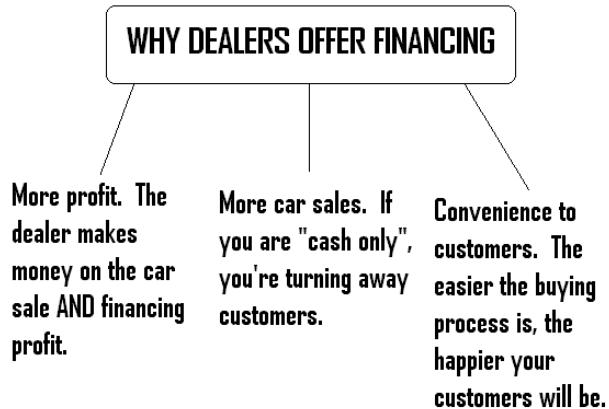


## Lesson 3: Motor Vehicle Financing



### FINANCING

You do not have to offer financing, but it's a good idea to do it because if you tell your customers "cash only", then you are turning away business from people who do not have cash to buy a car.



### Terms of Financing

Now let's discuss Motor Vehicle Financing laws

This means that all financing contracts must have certain financing terms.

You need to disclose all terms of financing. The most common terms of financing are:

1. APR
2. Finance Charge
3. Amount Financed
4. Total of Payments
5. Amount of Down Payment
6. Total Sale Price
7. Payment Schedule
8. Late Payment Fees
9. Security Interest Terms
10. Prepayment Terms

## Allowable Interest Rates

This is regulated federally by the Treasury or Bond market and is always changing. If you have computer software to help you out with financing, the lenders you deal with will provide the current rates. If you are not equipped with lenders, it is your responsibility to check up on the most current maximum allowable rate.

In addition, STATE LAW regulates allowable interest rates.

## Computation of interest and conversion to Annual Percentage Rate (APR)



### The Theory behind this topic:

When money is borrowed to finance a car, if the repayment amount is calculated based on simple interest (also known as flat rate interest), interest is charged each year on the full amount borrowed at the beginning!

To calculate the total interest that a customer will pay on a simple interest loan, use this formula:

$$I = PRT$$

where:

'P' is the 'principal', the amount borrowed.

'R' is the 'rate' percent of interest per year. The rate is calculated by dividing the yearly interest percentage by 100. For example, if 12.5% interest is charged per year, then  $R = 12.5 / 100, = 0.125$

'T' is the number of years that the car buyer will be paying back the loan.

The buyer must pay back both the principal that was borrowed, as well as the interest.

## What is A.P.R.?

APR is also called "Annual Percentage Rate". It's a yearly rate of interest. Defined by the federal truth in lending act, it includes financing charges as well as the contractual interest rate.

APR is usually a bit higher than the interest rate because other fees (points/ origination, etc) are usually included. To calculate APR, simply multiply the interest by the balance at the end of the prior month to find out the monthly interest that is due.



If you have computer software to help you, it is recommended. Also, if you have a customer get financing through their own lender, you will not need to worry about computation, as the lender will be responsible for it.

### Computation of monthly payments

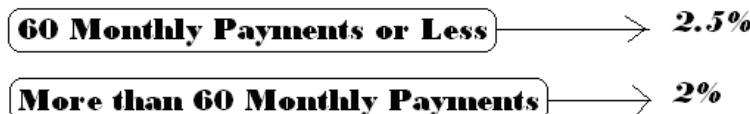
If the buyer makes monthly payments, you can easily calculate the payment amount. Just add the total interest to the principal, then divide this by the number of months that the buyer will be paying the loan back.

### Cap on finance mark-up rate (AB 68)

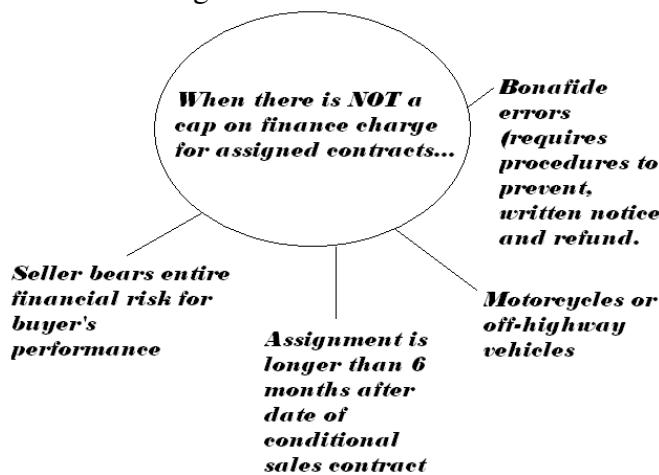
Quite often, sellers of vehicles will sell (assign) contracts to buyers for a profit.

A seller cannot collect more than 2.5 percent for loans of 60 monthly payments or less or 2% if the contract has MORE than 60 monthly payments. Please study this diagram:

#### Mark-up allowed when a dealer assigns a contract



However, there are a couple EXCEPTIONS to this rule. This rule does NOT apply to the following circumstances:





## CONSEQUENCES if dealer violates this rule:

**The dealer is subject to action against the dealer's license and also violation is a MISDEMEANOR CRIME!**



## Upside down Trade-In FTC Issues

OK, what is an upside down trade in? An upside trade in occurs when a customer wants to trade in their car, but they owe more on their loan than their car is worth.

For example, they trade in a car, and they owe \$7,000 to their bank, but you only want to give them \$5,000 for their trade in. In this example, they are \$2,000 upside down on the trade in.

There is a law and in plain english, it means...."A dealer cannot hide an upside down amount in the purchase price of the car they are buying from you".

The law says you are required to separate the upside down amount from the purchase price of the car they are buying from you.

In other words, lets say the car they are buying from you costs \$10,000 and they are \$2000 upside down on their trade.

The law says it's illegal to increase the purchase price from \$10,000 to \$12,000.

Instead, you need to put the \$2,000 upside down amount on a separate line of the contract, called "prior credit or balance".

The reason is because if you simply increase the purchase price by the upside down amount, then the customer will be paying more sales tax than they should, since sales tax will be added to the purchase price of the vehicle, but no sales tax is added to an upside down amount.

Another reason for this law is that banks like to see where the upside down amount is because banks don't like to give financing on upside down amounts, since there is no security in an upside down amount.

### WHAT IS AN UPSIDE-DOWN TRADE-IN?

Example: Car is worth  
\$5,000

Customer still owes \$7,000

The customer is upside-down \$2,000

**FOR MORE INFORMATION ON UPSIDE DOWN TRADE INS, PLEASE VISIT THE FEDERAL TRADE COMMISSION WEBSITE: [WWW.FTC.GOV](http://WWW.FTC.GOV)**

**Financing Falls Through – Recission Rights / 10 Day Rule / Financing is a condition for sale to occur**

This law means that when a customer buys a car from you and obtains financing, there is a 10 day grace period if the loan falls through.

For example, lets say you finance someone today for 4.9% financing and they drive away with the car.

Then, tomorrow, the bank calls you and says the loan didn't go through because the customer lied about their income.

The bank tells you that instead of 4.9%, the best they can give is 14.9%.

**REGARDING THE RECISSION RIGHT – CERTIFIED LETTER REQUIRED**

Well, you must send the customer a certified letter that demands they bring the car back to you to re-negotiate.

If the customer does not want to sign a new contract for the 14.9%, then they don't have to buy the car.

Remember there is a **10 day time line** from the date the customer signs the contract to the date the customer receives the letter.

## **Buy Here Pay Here Laws**

**Reason for Buy-Here-Pay-Here Legislation**

There is a public policy to protect Buy-Here-Pay-Here consumers who cannot qualify for traditional loans. It is the intent of the Legislature to curb unfair and deceptive practices by buy-here-pay-here dealers and to protect the consuming public. Some dealers take advantage of these consumers by charging large down payments, installing tracking devices without notice, requiring payments to be made at the dealership, and selling older vehicles with high mileage without a warranty. These customers have little or no negotiating leverage when purchasing a vehicle.

**When are you a Buy-Here-Pay-Here Dealer?**

A dealer is a BHPH dealer if they:

1. Enter into a conditional sales contract that is NOT paid in full within 30 days

**AND**

2. Assign less than 90% of conditional sales contracts within 45 days

In other words, even if you do a few BHPH loans per year, you are still considered a BHPH dealer unless you assign away 90% or more of those BHPH loans!

**When are you NOT a BHPH dealer?**

1. Lessors who primarily lease vehicles 2 years or newer or
2. Dealer who CERTIFY 100% of vehicles and maintains on on-site service / repair facility license by Bureau of Automotive Repair and employs at least 5 master auto technicians certified by “National Institute for Automotive Service Excellence”.

**BHPH Dealer May Not Require Payments in Person Except for Down Payments**

BHPH dealers must allow payments through other means than personally paying at the dealership place of business. Also, if the buyer tenders timely payment of a deferred down payment, the dealer shall not repossess the vehicle or impose any other charge or penalty on the grounds that the payment was not made in person.

**AB1447 Limits of use of GPS After the Sale**

It is illegal for a BHPH dealer to use a tracking device to obtain vehicle's location.

When is it OK for a BHPH dealer to use a tracking device?

1. Buyer is made aware expressly AND
2. Buyer consents in writing AND
3. The tracking device is used to check that it operates properly, OR used to repossess the car, OR used to service the loan or keep the loan current

**Optional Tracking Services are Separate from BHPH Laws**

A buyer may choose to purchase optional services that are capable of communicating with the vehicle for service and safety, such as “Northstar”, or “LoJack”, etc.

The optional service is separate from the purchase and sale agreement. The buyer is permitted to cancel the optional service at any point in the future without affecting the sale of the vehicle, and is informed of his or her ability to do so.

**Limits of use of Starter Interrupt Devices After the Sale**

BHPH dealer may remotely disable a vehicle if the following conditions are met:

1. Written notice
2. 48 hours notice prior to using the technology
3. Choice of warning methods (warning from device, phone call, email, or text, etc)
4. If emergency, buyer gets 24 hour period to operate vehicle

**Mandatory Warranty Required**

- Must issue 30-day or 1,000 mile warranty
- Dealer must either repair covered parts that fail or cancel the sale or lease or reimburse buyer or lessee
- If sale is cancelled, dealer must refund money within 3 days, and offer a receipt and dealer may deduct any damage, excluding normal wear and tear, and buyer must return car in substantially similar condition.
- Dealer is to pay 100% of cost of labor and parts for any repairs under the warranty
- If dealer waives or limits such requirements, the dealer must void the purchase or lease agreement!
- If dealer fails to issue required warranty, the law deems that a warranty was issued
- Important Bureau of Automotive Repair Issue: If the BHPH dealer performs the repairs, a license with the Bureau of Automotive Repair is required! See bar.ca.gov



### **Minimum Components That Must Be Covered**

- (1) Engine, including all internally lubricated parts.
- (2) Transmission and transaxle.
- (3) Front and rear wheel drive components.
- (4) Engine cooling system.
- (5) Alternator, generator, starter, and ignition system, not including the battery.
- (6) Braking system.
- (7) Front and rear suspension systems.
- (8) Steering system and components.
- (9) Seatbelts.
- (10) Inflatable restraint systems installed on the vehicle as originally manufactured.
- (11) Catalytic converter and other emissions components necessary for the vehicle to pass a California emissions test.
- (12) Heater.
- (13) Seals and gaskets on components described in this subdivision.
- (14) Electrical, electronic, and computer components, to the extent that those components substantially affect the functionality of other components described above.

### **Buyer's Guide Must Indicate Components Covered**

Any Used Car Buyer's Guide displayed on a vehicle offered for sale or lease by a buy-here-pay-here dealer shall list each of the above systems and components and shall specify that the buy-here-pay-here dealer will pay 100% of the cost of parts and labor for repairs covered by the warranty.

**Market Value Label Required**

BHPH dealers MUST affix **label** offered for retail sales that states the reasonable market value – This label must be prominently and conspicuously displayed!

Label must contain DATE the value was determined and specified information used to determine the market value (example: Kelley Blue Book).

Dealer must provide the prospective buyer a copy of information obtained from a nationally recognized pricing guide that dealer used to determine reasonable market value (example: Copy of Kelly Blue Book or N.A.D.A. printout).

Label must be in writing with a heading that says “REASONABLE MARKET VALUE OF THIS VEHICLE” in at least 16-point bold type and text at least 12-point type.

**LOCATION OF LABEL:** Adjacent to window sticker identifying equipment provided. If no equipment is provided, it shall be located prominently and conspicuously on vehicle so that it is readily readable.

A statement that indicates that the reasonable market value of the vehicle is being provided only for comparison shopping and is NOT the retail sales price or the advertised price of the vehicle.

**DEALER TIP:** See your local forms vendor for ready-made labels.

**Illegal to Waive or Limit BHPH Laws**

The law states that any agreement between a buy-here-pay-here dealer and a buyer or lessee that disclaims, limits, or waives the rights set forth in this section shall be void as contrary to public policy.

**Where To Find Additional Information About BHPH Laws?**

- SEE [http://leginfo.public.ca.gov/pub/11-12/bill/asm/ab\\_1401-1450/ab\\_1447\\_bill\\_20120929\\_chaptered.pdf](http://leginfo.public.ca.gov/pub/11-12/bill/asm/ab_1401-1450/ab_1447_bill_20120929_chaptered.pdf)

**CONSEQUENCES FOR VIOLATION**

Misdemeanor punishable by fine up to \$1,000



## Lesson 4: *Truth-in-Lending*

### Disclosures

Truth in lending is a nation-wide federal law that says certain **disclosures** need to be in financing contracts.

For example, the down payment amount needs to be in all financing contracts

Another example is the annual percentage rate.

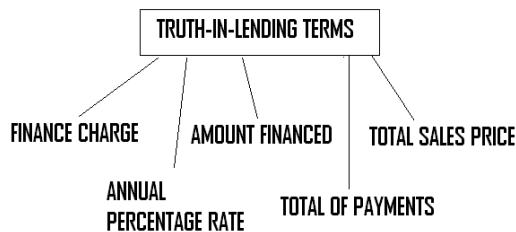
Another example is the finance charge

Another example is the monthly payment

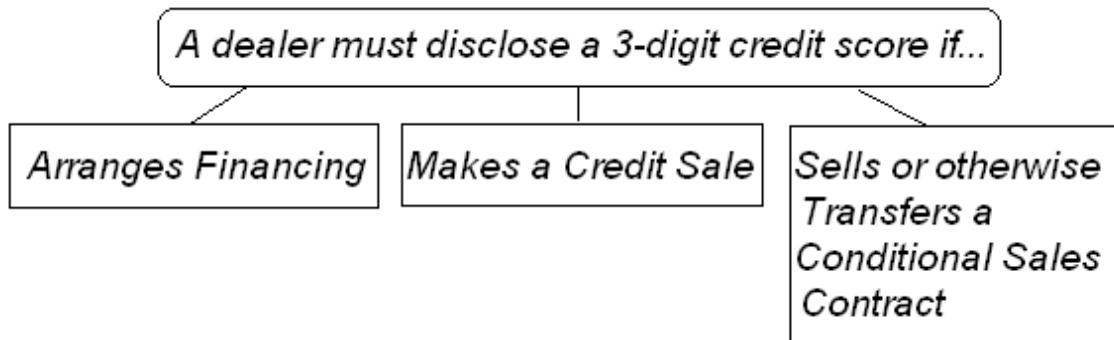
Another example is how long the loan is for.

Another example is the total sales price (that's the price after financing fees are added to the amount financed).

If you want to see where these terms are located in the financing contract, simply look at any financing contract and study this diagram too:



### Disclosure of credit scores (AB 68)



**In addition, AB 68 requires the credit score disclosure to contain:**

Seller's name and address at top

Disclosure of 3-digit credit score

Name, address and phone number of credit reporting agency reporting score

Range of scores of that credit reporting agency

## Contract not executed



Contract not executed is a law that says you cannot let a customer drive away with a car until the contract has been signed. In other words, executed means signed.

This is common sense. Is it safe to let a customer take a car BEFORE they sign a contract? OF COURSE NOT!



## Breach of conditional sales contract

What is a breach? A Breach means someone breaks the contract. With a car loan, it's usually the customer who breaks the contract. THEY SIMPLY DO NOT MAKE THEIR MONTHLY PAYMENTS.

WHEN A CUSTOMER IS LATE WITH EVEN ONE PAYMENT, THEY ARE IN BREACH AND IT IS CALLED A DEFAULT.

## Repossession



What rights do banks and customers have when the customer stops making payments?

The day after a customer is late, the bank can repossess the vehicle. In the case of in house financing, which means the dealer is the bank, then the dealer would need to repossess the car.

Once the car is repossessed, the bank must mail the customer a special letter called a "**notice of intent to dispose**".

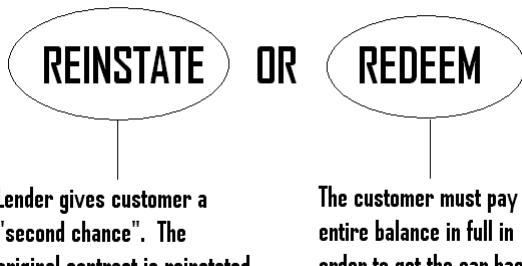
You can buy these letters from dealer forms companies.

The letter gives the customer 15 days to reinstate or redeem.

Reinstatement means the customer will need to pay the bank the repo fee paid to the repo company and make payments current. If that happens, then the bank must give the car back to the customer as long as the customer pays up within 15 days from the date of repossession.

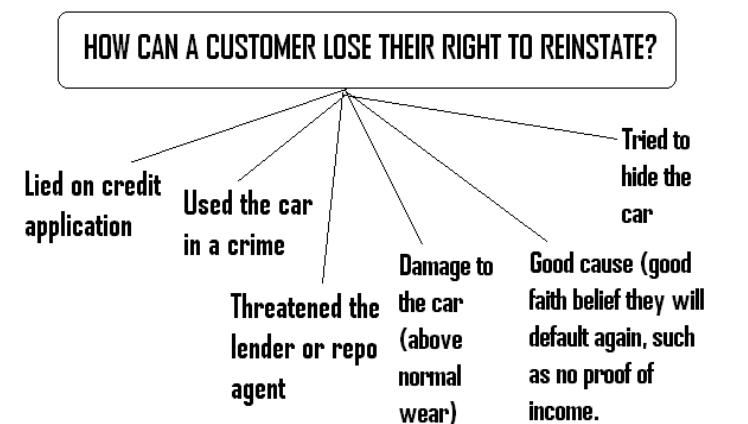
To redeem means the customer pays the entire balance of the loan in full, which rarely happens.

FROM THE DATE OF REPOSSESSION, A CUSTOMER HAS 15 DAYS TO:



### **A CUSTOMER CAN LOSE THEIR RIGHT TO REINSTATE**

A customer can lose their right to reinstate if they lied on the credit application, used the car in a crime, tried to hide the car or threatened the bank or the repo agent. If the customer does any of these things, they give up the right to reinstate and can only redeem, which means pay in full.



**Repossession Agency License:** If you will be repossessing vehicles, please contact the Bureau of Security and Investigative Service [www.dca.ca.gov/bsis/repo.htm](http://www.dca.ca.gov/bsis/repo.htm)



### **WHAT DOES ACCOUNTING MEAN?**

This means that after a bank re-sells the customers car, the bank needs to keep on file an accounting of how much the car sold for.

### **WHAT ARE THE DEALER RESPONSIBILITIES?**

If the dealer is the bank, then the dealer needs to sell the car in a commercially reasonable manner, which means the dealer must sell the repo'd car for current market value.

## **Spanish Contracts and Languages Other than Spanish**

The law is simple. You can buy Spanish versions of all your contracts for financing.

If the customer is negotiating in Spanish, then you must provide a Spanish contract as well.

The Spanish speaker will then sign an acknowledgement form, which is attached to the Spanish contract.

It's important to point out that even if you or your salesperson speaks Spanish, you still need to provide the Spanish version to protect yourself.

### **WHAT ABOUT LANGUAGES OTHER THAN SPANISH?**

If the customer speaks a different language, chances are you will not have a contract in their language.

In those situations, it's ok to have your customer bring a translator with them, but be sure to get some type of proof that your customer brought a translator. In other words, have the translator sign something to prove they were there.

#### **ATTENTION DEALERS:**

Negotiating in Spanish, Chinese, Tagalog, Vietnamese, or Korean?

### **California Civil Code Section 1632**

This applies where a loan or extension of credit is secured other than by real property, or unsecured, for use primarily for personal, family or household purposes.

If so, then any person engaged in a business (such as a car dealer) who negotiates primarily in Spanish, Chinese, Tagalog, Vietnamese, or Korean, orally or in writing, shall...

*“deliver to the other party to the contract or agreement and prior to the execution thereof, a translation of the contract or agreement in the language in which the contract or agreement was negotiated, which includes a translation of every term and condition in that contract or agreement.”*

### **STUDY THIS DIAGRAM TO AID IN YOUR UNDERSTANDING OF THIS TOPIC:**

REQUIRED DOCUMENTS WHEN PRIMARILY NEGOTIATING IN SPANISH

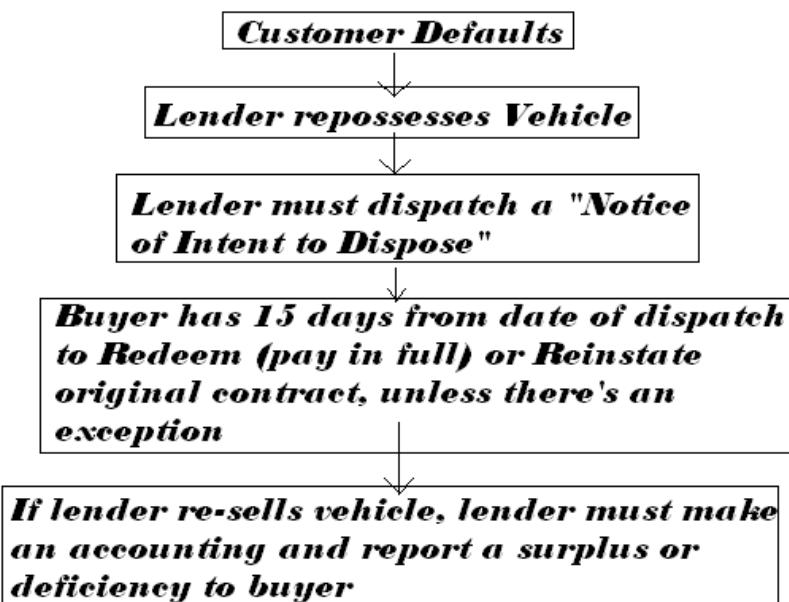


### Dealer Carrying the Contract

When a dealer carries the contract, it simply means that they do in house financing. In California, a dealer may be the "lienholder" and carry the loan. If you want to learn in house financing, we recommend you take an optional course on financing, typically offered through private institutions.

### Defaults

When a buyer fails to make payments as promised under the conditional sales contract, it is called a "default" in the industry. When a customer defaults, the lender is entitled to an assortment or remedies, including but not limited to, payment due, repossession fees if any, and attorneys fees if any.



### Documentation Processing Charge (DOC)

The document preparation fee is a fee that you can charge your customer for doing all their paperwork. By law, the maximum you can charge is \$65. Is is regulated by State Law.

DMV also requires that you charge everyone or no one. In other words, you cannot charge one person \$65, and the next person zero, etc. Either charge all customers or no customers.

### **Change To Terminology Of Document Preparation Fee:**

No longer called a document preparation fee  
Now called a **document processing charge**

#### **Document Processing Charge**

- If the registration is NOT processed electronically, the maximum charge is \$65.
- If processed electronically, the maximum charge is \$80.

### **Disclosures with Respect to Document Processing and Applicability to Leases**

The conditional sales contract SHALL contain a disclosure that, if the seller imposes a charge for document processing or to electronically register or transfer a vehicle, the charge is NOT a governmental fee.

#### **Applicable to Leases too:**

The charge retained by the lessor for document processing may NOT be represented as a government fee and Subsection (6) states that the charge to electronically register or transfer the vehicle shall NOT be represented as a government fee.



### **Gramm-Leach-Bliley Act Compliance**

The GRAMM LEACH BLILEY act is a federal law that says you need to give your customer a copy of your privacy policy if you collect personal financial information.

For example, if you have customers fill out a credit application, since the application contains personal financial information, then your customers deserve to know whether you share their information or not.

If you share their information, the customer must be given a right to opt out of your policy. In other words, if the customer does not agree with you sharing their information, you cannot share their information.

**PRIVACY POLICY**  
(Pursuant to The Federal Gramm-Leach-Bliley Act)

**THE PURPOSE OF THIS POLICY**

We appreciate your privacy and would like to assure you private information stays private. We take responsibility to ensure that the type of information you provide is secure and protected. This document explains our privacy policy and the type of information we collect about you. It also explains how we use and disclose your information. If we do share any information, we take steps to protect your privacy. We also explain the information other than you that we collect, use, disclose, and keep for other purposes. Please take a moment to read this entire document.

**HOW WE COLLECT INFORMATION**

In the course of a purchase of a motor vehicle, you may be required to provide us with nonpublic personal information. For example, if we sell or lease you a vehicle, extending to you credit in your request, we may collect your name, address, telephone number, name, address, Social Security number, driver's license number, and other information. We also collect information about you from your payment holder bank, your payment processor, and your payment reporting agency. We may also obtain information from third parties such as employers, references and insurance companies.

Some of the information sought from you may be required by state or federal agencies such as the Department of Motor Vehicles or the Federal Trade Commission. This information may be required even if you were to pay cash for a vehicle. Examples would be a seller's license, title, and other information. We also collect any nonpublic personal information about our customers and former customers to helpfully, except as permitted or required by law.

**HOW WE MAY SHARE YOUR INFORMATION**

Occasionally, we may share information as permitted by federal or state law with companies that are affiliated with us or with other companies that we do business with. We may also share your information with companies we conduct or company under contract with us.

The sharing of your nonpublic personal information may be for the purpose of processing a sale or have taken action as you request or authorize, such as submitting information to a credit reporting agency, verifying information to finance your purchase of loans, verify insurance coverage, or other such information.

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## BONUS SUPPLEMENTAL INFORMATION on Gramm-Leach-Bliley Act Compliance

The Gramm-Leach-Bliley Act was signed by President Clinton in 1999. Federal Agencies with regulatory authority were empowered to adopt and implement rules setting forth which entities are subject to the Act and how to comply with its provisions.

In the case of motor vehicle dealerships, finance companies and collection agencies, the Federal Trade Commission (FTC) is the regulatory agency with enforcement authority. The FTC issued a Final Rule on Privacy of Consumer Financial Information in May, 2000. The FTC's Final Rule became effective on November 13, 2000. Full compliance with the Act and the Rule were required by July 1, 2001.

The stated purpose of the Act and Rule is to ensure that "financial institutions" respect the privacy of their customers and protect the security and confidentiality of "nonpublic personal information" collected when an individual obtains a "financial product or service."

The FTC chose to retain a broad definition of "financial institution". For example, the definition of "financial institution" encompasses retail sellers of goods if they assist consumers in obtaining credit or extend credit themselves.

A motor vehicle dealership is also a financial institution if it, in the regular course of its business, leases motor vehicles on a non-operating basis for longer than 90 days.

Like the definition of financial institution, the FTC also adopted broad definitions for "financial products or services" and "nonpublic personal information". The definition of "financial products and services" includes the financial institution's evaluation of information collected in connection with an application by a consumer for a financial product or service, even if the application ultimately is rejected or withdrawn. It also includes the distribution of information about a consumer in obtaining a financial product or service. In some cases, the only product or service offered is the funding of the loan, directly or indirectly. In other cases, the product or service is the processing of payments, sending account-related notices and responding to consumer inquiries.

"Nonpublic Personal Information" means any personally identifiable financial information that is provided by a consumer to a financial institution, the results from any transaction with the consumer or any financial service performed for the consumer, or information otherwise obtained by the financial institution. Examples of "nonpublic personal information" include:

- Information a consumer provides on an application to obtain a loan;

- Account balance information, payment history and credit card information;
- The fact that an individual is or has been one of a dealer's customers or has obtained a financial product or service from the dealership;
- Any information that a consumer provides to a dealership, or the dealership's agent or is otherwise obtained in connection with collecting on or servicing a credit account;
- Any information a dealer collects through an Internet "cookie" (an information collecting device from a web server);
- Information from a consumer report; and
- Any list, description, or other grouping of consumers that is obtained in whole or in part using any personally identifiable financial information that is not publicly available.

Simply put, a motor vehicle dealer or his related finance company is required to comply with the notice and opt out requirements under the Act and the Rule if it:

- Accepts a credit application from an individual, even if financing is never extended by either the dealership, the related finance company or a third party;
- Agrees to assist the individual to obtain a loan or credit to purchase or lease a vehicle and/or related goods or services;
- Contracts to extend financing to an individual for the purchase or lease of a vehicle and/or related goods or services, including any side agreement to finance a product or service and/or agreement for a deferred down payment;
- Assists a consumer to obtain financing for the purchase or lease of a vehicle and/or related goods or services, whether or not the finance or lease agreement is subsequently assigned to a lender or is directly between the consumer and the lender; or,
- Insures, guarantees, or indemnifies against loss, damage, illness, disability, or death or act as principal, agent, or brokers for the sale of insurance designed for any of these purposes.

Full Compliance with the Act and the FTC's Final Rule by July 1, 2001 means that you have established a system for providing an initial notice to all new customers, have mailed the initial notices to all of your existing customers (those with whom you have a continuing relationship) and have afforded them the opportunity to opt out of any disclosures which are not otherwise permitted by law.

In addition to complying with the notice and opt out requirements, your dealership and each of your affiliated entities must be capable of tracking whether an individual has opted out of a disclosure and following the opt out instructions.

You must also have procedures and policies in place to ensure that nonpublic personal information is safeguarded and kept in a confidential manner.

The Gramm-Leach-Bliley Act and the Federal Trade Commissions Final Rule on Privacy of Consumer Financial Information are quite lengthy and too complex to cover all of the compliance issues in this book.

A motor vehicle dealership's individual business practices, state privacy laws and the Fair Credit Reporting Act may have an impact on the required disclosures.

Dealers are encouraged to consult legal counsel to ensure that any forms or materials they use to make required disclosures accurately describe their individual dealership's policies and are appropriate for their use. Additional information on the Act and Rule can be obtained from your State Independent Dealer Association.



## Lesson 5: Sales and Use Tax



When you become a dealer and you sell a car to the retail public, you need to collect sales tax.

Whether you have a big car lot, or whether you sell one car at a time, you still need to collect sales tax from retail customers.

The people who make sure you are collecting the sales tax are the Board of Equalization. They are headquartered in Sacramento.

If you want to learn more about the Collection of Taxes, you can get tons of information at the Board of Equalization's website: [www.boe.ca.gov](http://www.boe.ca.gov).

The screenshot shows the California State Board of Equalization (BOE) website. The main navigation menu includes links for Home, Efile, Board Members, About BOE, Careers with BOE, Meet with Us, Board and Committee Meetings, BOE Programs, Property Taxes, Sales & Use Tax, Tax Rates, Local Tax, Permit Verification, Special Taxes, Electronic Records Fee, Environmental Fees, Excise Taxes, Fuel Taxes, Investigations, Legal Department, Legislation, Taxpayers' Rights Advocate, Contact Us, Phone, Fax, E-mail, Media Relations, Field Offices, Customer Service Survey, Other Useful Links, and Vehicle Motor Vehicle Tax.

The central content area features sections for Business and Property Taxes in California, Important Notices, Recent Developments, and various tax filing and permit registration options. The page is dated Sunday, June 12, 2005.

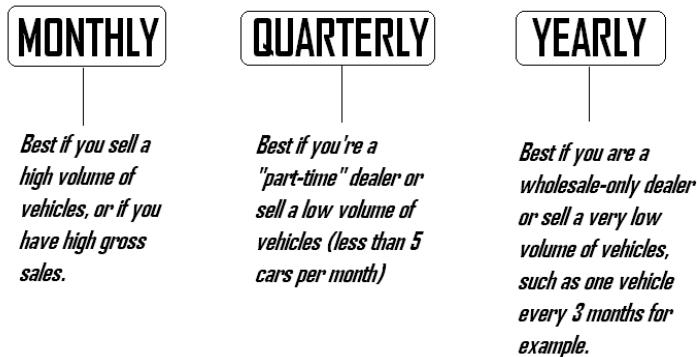
**The current phone number for the Board of Equalization is (800) 400-7115**  
Lets start with the general rule – when you sell a car, you collect sales tax from retail public

## Collection and Reporting of Taxes

You will automatically be put on a monthly reporting system. That means every month, you will receive a bill from the Board of Equalization. You will need to send them a check for all the sales tax you collected the past month.

In other words, don't spend the tax you collect because the state will want it at the end of the month!

## Which Reporting System is Best for You?



## How to compute tax

Computing tax is easy. Simply multiply the taxable amount by the county tax rate. All counties have different tax rates. You can get a list of all the tax rates in California at [www.boe.ca.gov](http://www.boe.ca.gov), or use the registration fee calculator at [www.dmv.ca.gov](http://www.dmv.ca.gov)

### **SPECIAL RULE FOR CAR DEALERS:**

It's important to point out that when a car dealer sells a car, the dealer must charge the tax rate where the customer lives.

In other words, if the dealer is in Los Angeles county, and the customer lives in San Bernardino county, then the dealer must charge the San Bernardino county tax rate.

## What is taxable?

Many dealers rely on the conditional sales contract if they are not sure what to add tax to, since any standard sales contract will tell you when to add tax.

In general though, here is a list of the most common things you add sales tax to:

Accessories ,the price of vehicle, / the document preparation fee / the smog fee paid to seller (I will discuss the smog fee later). These are TAXABLE.

### **COMMON NON-TAXABLE ITEMS FOR DEALERS**

***Smog Certificate Fee (\$8.25)***

***DMV Fees (License, Reg, etc)***

What are some exceptions to collecting sales tax? In other words – when do you **not** need to collect tax?

One exception is when you **sell a car to another dealer**. There is never sales tax when a dealer buys a car. Why? Because tax law says that when a purchase is for re-sale, then no tax is due. Therefore, when you buy a car from a dealer auction, since the car you buy is for resale, then no tax is due.

Another exception when you don't have to collect tax is when you sell a car **out of state**:

**The general rule is if you sell a car that is to be registered out of state, you do not collect sales tax.**

However, there is one catch... in order for a customer to not pay tax, the customer cannot pick up the car from you – instead, you need to deliver the car to the customer out of state.

Lets look at an example: let's say you are here in California and your customer lives in las vegas nevada. Your customer does not need to pay sales tax. But... if the customer comes to you and picks up the car and drives the car himself, then he must pay sales tax

On the other hand, if the car is delivered to the customer across the state lines and the customer takes delivery outside California, then no tax needs to be collected.

The reason for this law is to make it hard for people to cheat the state out of sales tax by using a friends address who lives out of state, but using the car in California. The state requires you to keep proof on file that the customer took delivery outside California.

Keep in mind, **you cannot use a dealer plate for an out of state delivery** – you must purchase a "one-trip permit".

**THERE ARE TWO WAYS TO PROVE THAT THE CUSTOMER TOOK DELIVERY OUTSIDE CALIFORNIA.**

You can hire a truck transport company to pick up the car from you and deliver it to the customer. The truck company will give you a receipt called a bill of lading. You then need to keep the bill of lading on file just in case the Board of Equalization does an audit.

The second way you can prove the customer took delivery outside of California is to deliver the car yourself or have an employee deliver the car personally.

If you do this, then you need to get a hold of a special form called the bt-448. This is a form you get from the Board of Equalization that needs to be notarized by the customer outside of California. After you get it notarized , you need to keep it in your file cabinet in case you get audited.

**HOW TO TRANSPORT A VEHICLE TO BE REGISTERED OUT OF STATE**

**COMMERCIAL TRANSPORT    OR    DEALER DELIVERY VIA BT-448**

Requires a "Bill of Lading"  
from the transport  
company.

Requires a **NOTARIZED**  
**BT-448 form available at**  
**www.boe.ca.gov**

**WHAT IF YOU SELL A CAR OUT OF THE COUNTRY?**

THE SAME RULE APPLIES. IN OTHER WORDS, THE CUSTOMER MUST TAKE DELIVERY OUTSIDE THE COUNTRY. IF IT'S A COUNTRY OVERSEAS, THEN THE CONTAINER COMPANY WILL GIVE YOU A SHIP BILL OF LADING.

**STUDY THIS BT-448 FORM PLEASE:**

BOE-448 REV. 4 (1-05)  
STATEMENT OF DELIVERY OUTSIDE CALIFORNIA  
Please submit a copy of this form, the sales contract, and, when applicable, a completed form BOE-447

**NOTICE TO SELLER**

Since this transaction may be subject to audit verification as authorized under the Sales and Use Tax Law section 7054, you must retain documentation such as receipts for meals, lodging, fuel, and transportation to support any claimed exemption. All records required to be retained must be preserved for a period of not less than four years unless the State Board of Equalization authorizes in writing their destruction within a lesser period.

Seller – please retain the original for your records, provide a copy to the purchaser, and send a copy of this statement to:

BOARD OF EQUALIZATION  
Consumer Use Tax Section  
P.O. Box 942875  
Sacramento, CA 94279-0037

Please type or print

NOTE: When a vehicle is delivered to the purchaser outside California, the seller (or person making the delivery on behalf of the seller) and the purchaser will both be at the out-of-state delivery point at the time of delivery. In order to establish that the delivery did not occur in California, both persons must appear at the same time before a notary at the out-of-state delivery location to sign this statement and have it notarized. The seller must retain the original of this statement to support any claimed exclusion or exemption from the California Sales and Use Tax.

I hereby certify, under penalty of perjury under the laws of the State of California, that the below described vehicle was delivered outside California on the date and at the place stated below.

YEAR	MAKE	MODEL	VIN/IC NUMBER
OUT-OF-STATE ADDRESS (street, city, zip code)		DATE OF DELIVERY	
NAME OF SELLING DEALER		SELLER'S PERMIT NUMBER	DAYTIME TELEPHONE (      )
STREET ADDRESS		CITY	STATE ZIP CODE
I have delivered the above-described vehicle to the purchaser named below.			
NAME (please print)		CHECK (✓) ONE SALEMAN    EMPLOYEE    PARTNER    OTHER (explain below)	
SIGNATURE [Signature]		DATE	

Notice to Purchasers  
(check appropriate box)

California Resident

The vehicle described above was delivered to me by the above-named person. As a California resident, I understand that if this vehicle is, for any reason, brought into California within 12 months of its delivery to me, it shall be presumed that I have purchased the vehicle for use in California and use tax may apply. If use tax applies, I will pay it directly to the State Board of Equalization.

Non-California Resident

The vehicle described above was delivered to me by the above-named person. As a non-resident, I understand that if this vehicle is brought into California within 12 months of its delivery to me and is used or stored in California more than one half the time during the first 12 months of ownership, or is subject to registration in California within 12 months of its date of purchase, it shall be presumed that I have purchased the vehicle for use in California and use tax may apply. If use tax applies, I will pay it directly to the State Board of Equalization.

All Purchasers: Be sure to keep a copy of this document to collect use tax from you. This transaction is subject to audit verification by the State Board of Equalization. Since you are claiming that this vehicle is not purchased for use in California, it is important that for the first 12 months of ownership you obtain documentary evidence of your place of use of this vehicle (e.g., proof of registration in another state, gas and/or service receipts, credit card statements, check registers, travel logs, lodging, or campground receipts, etc.). You must retain these documents as evidence of the vehicle's out-of-state use for not less than eight years, unless the State Board of Equalization authorizes in writing the destruction of these documents within a lesser period. For more detailed information, please contact the Board's Information Center at 800-400-7115 or the Board's Consumer Use Tax Section at 916-448-9524.

I have received the above described vehicle from the seller named above.

NAME OF PURCHASER (please print)	DRIVER LICENSE NUMBER	STATE
PURCHASER'S SIGNATURE [Signature]	DATE	DAYTIME TELEPHONE NUMBER (      )

**NOTARY STATEMENT**

On \_\_\_\_\_, before me, \_\_\_\_\_, (NOTARY NAME)

a Notary Public in and for the County of \_\_\_\_\_, State of \_\_\_\_\_, (NOTARY NAME)

duly commissioned and sworn, together, personally appeared both \_\_\_\_\_ (seller or agent)

and \_\_\_\_\_ (purchaser), known to me to be the persons whose names are subscribed

to the within instruments, and acknowledged that they executed the same in the authorized capacities, and that by their signatures on this

instrument the persons executed the instrument. WITNESS my hand and official seal.

Signature \_\_\_\_\_

Fraudulent use of this statement to avoid the payment of California sales and use tax can result in severe penalties.



**NOW LETS REVIEW Use Tax**

By definition, use tax is the same rate as sales tax, and you need to pay it if you use things instead of re-sell them.

For example, did you know that you can buy auto parts tax free? All you need to do is give the auto parts store a copy of your sellers permit and all purchases for your cars are tax free, as long as you put the parts in the cars you are re-selling.

But let's say you're at the auto parts store and you buy two car batteries. One battery is put in a car you are re-selling. That is no problem

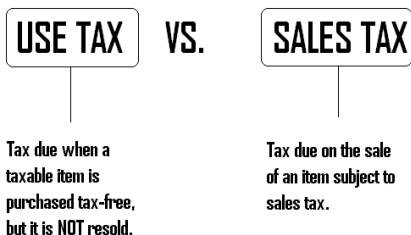
But the other battery is kept for personal use. In that situation, since you did not pay sales tax when you bought the battery, and you didn't re-sell it, then you must pay use tax on the battery that you did not re-sell.

**HOW DO YOU ACTUALLY PAY USE TAX?**

It's easy – when the Board of Equalization sends you the tax bill every month, there is a box you fill in where you have to tell them how much use tax you owe.

For example, if you used a car battery instead of re-sold it, then you need to pay the equivalent of sales tax on that battery.

If you want to learn more about use tax, please visit the Board of Equalization's web site. [www.boe.ca.gov](http://www.boe.ca.gov)



**Audit Tips:**

You never know when the Board of Equalization might audit you, so keep these tips in mind in case you get audited:

Always keep a personal car registered in your own name. If you get audited and you don't have a personal car, then the state will assume you're getting personal use out of your cars for sale. Now, it's ok to use your inventory on occasion, but if you don't have a personal car, then the state will say you are using your inventory for personal use and they may charge you use tax on your inventory.

Another tip is to be as organized as possible. The better-organized you are – the quicker the audit will be.

**DEALER TIP:** NOTE: PLEASE SEE BOE.CA.GOV FOR recent increases to sales and /or use tax rates.

## Board of Equalization Permit

One requirement to getting a dealer's license is to obtain a Board of Equalization Seller's Permit. The seller's permit allows the dealer to collect sales tax from retail customers. The permit also allows the dealer to make tax-free purchases if they are for re-sale, such as a motor vehicle at the dealer auction. The best thing about a Seller's Permit is that it's FREE to obtain! You may apply IN PERSON or BY MAIL.

We recommend you visit [www.boe.ca.gov](http://www.boe.ca.gov) for a permit download and local field office locations. The Board of Equalization states: You must obtain a seller's permit if you:

- Are engaged in business in California
- Intend to sell or lease tangible personal property that would ordinarily be subject to sales tax if sold at retail
- Will make sales for a temporary period, normally lasting no longer than 30 days at one or more locations (e.g. fireworks booth, Christmas tree lots, garage sale)

Here is a sample of the Seller's Permit Application:

BOE-400-SPA REV. 1 (BACK) (7-05)			
54. NAME OF PERSON MAINTAINING YOUR RECORDS 57. ADDRESS (street, city, state, zip code)			
55. NAME OF OTHER IF PERSONAL RECORDS (circle letters below or provide)			
56. BANK BRANCH/LOCATION			
51. NAME OF MERCHANT/CREDIT CARD PROCESSOR (if you accept credit cards)			
52. MERCHANT/CARD ACCOUNT NUMBER			
53. NAME OF MAJOR CALIFORNIA/BASED SUPPLIERS 64. ADDRESS (street, city, state, zip code)			
55. PRODUCTS PURCHASED			
<b>ADDITIONAL SELLING LOCATIONS (List All Other Selling Locations)</b> 66. PHYSICAL LOCATION OR STREET ADDRESS (attach separate list, if required)			
<b>OWNERSHIP AND ORGANIZATIONAL CHANGES (Do Not Complete for Temporary Permits)</b> 67. ARE YOU BUYING AN EXISTING BUSINESS? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, complete items 70 through 74. 68. ARE YOU CHANGING FROM ONE TYPE OF BUSINESS ORGANIZATION TO ANOTHER (FOR EXAMPLE, FROM A SOLE OWNER TO A CORPORATION OR FROM A PARTNERSHIP TO A CORPORATION)? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, complete items 70 and 71. 69. OTHER OWNERSHIP CHANGES (please describe): 70. FORMER OWNER'S NAME <b>SAMPLE</b> 71. SELLER'S PERMIT NUMBER 72. PURCHASE PRICE \$ 73. VALUE OF FIXTURES & EQUIPMENT \$ 74. IF AN ESCROW COMPANY IS REQUESTING A TAX CLEARANCE ON YOUR BEHALF, PLEASE LIST THEIR NAME, ADDRESS, TELEPHONE NUMBER, AND THE ESCROW NUMBER <b>TEMPORARY PERMIT EVENT INFORMATION</b> 75. PERIOD OF SALES <b>FROM / / THROUGH / /</b> 76. ESTIMATED EVENT SALES \$ 77. SPACE RENTAL COST IF any \$ 78. ADMISSION CHARGED <input type="checkbox"/> YES <input type="checkbox"/> NO 79. ORGANIZER OR PROMOTER OF EVENT (last name, first name, middle initial, if applicable) 80. ADDRESS (street, city, state, zip code) 81. TELEPHONE NUMBER ( ) 82. ADDRESS OF EVENT (if more than one use the 88, above. Attach separate list, if required)			
<b>CERTIFICATION</b>			
All Corporate Officers, LLC Managing Members, Partners, or Owners must sign below. I am duly authorized to sign the application and certify that the statements made are correct to the best of my knowledge and belief. I also represent and acknowledge that the applicant has engaged in or conduct business as a sole tangible personal property.			
NAME (type or print)	SIGNATURE	DATE	
NAME (type or print)	SIGNATURE	DATE	
NAME (type or print)	SIGNATURE	DATE	
<b>FOR BOARD USE ONLY</b>			
SECURITY REVIEW		FORMS	PUBLICATIONS
<input type="checkbox"/> BOE-598 (\$ <input style="width: 20px; height: 15px; border: 1px solid black;" type="text"/> ) or <input type="checkbox"/> BOE-1009 REQUIRED BY <input style="width: 100px; height: 15px; border: 1px solid black;" type="text"/> APPROVED BY <input style="width: 100px; height: 15px; border: 1px solid black;" type="text"/>		<input type="checkbox"/> BOE-467 <input type="checkbox"/> BOE-400-LY <input type="checkbox"/> BOE-462 <input type="checkbox"/> BOE-519 <input type="checkbox"/> BOE-467 <input type="checkbox"/> BOE-1241-D	<input type="checkbox"/> PUB 73 <input type="checkbox"/> PUB DE 44  REGULATIONS <input type="checkbox"/> REG. 1692 <input type="checkbox"/> REG. 1698 <input type="checkbox"/> REG. 1700 <input type="checkbox"/>
			RETURNS



## Lesson 6: Division 12 (commencing with Section 24000), relating to equipment of vehicles



### Now let's Review Safety Laws

#### **All Safety Equipment Must Be in Compliance With Division 12**

Safety laws are found in Division 12 of the Vehicle Code book.

The law requires that all safety equipment must be in compliance with Division 12 at time of retail sale. In other words, cars you sell need to be safe for the roads.

Also notice that the law says “retail”. That means that cars only need to be safe when sold to the public. Therefore, if you sell a car to another DEALER, then the car does not need to be safe.

#### **Clarification of What is Considered Division 12 Equipment**



**BRAKES** need to be in good working condition. You don't need to take the tires off to check the brakes – as long as the car stops properly, that's all a dealer needs to check. Of course, the best thing to do is have the brakes inspected by a brake mechanic.



**LIGHTS** need to be working. That means all the lights from the headlights to the tail lights and everything in-between need to be working. In other words, if one head light or tail light is burned out, you need to fix it.



The **HORN** is a safety device so make sure to test it



**MIRRORS** need to be present



**WINDOWS** need to be present. If a windshield has a small crack or chip, it can be repaired, but if there are several chips or large cracks, then replace the whole windshield



**SEAT BELTS** must be working properly. Make sure they latch tightly and that there is no excessive slack in the strap.



**AIR BAGS** need to be working EVEN IF THE CAR HAS A SALVAGE TITLE. MANY DEALERS THINK THAT JUST BECAUSE A CAR HAS A SALVAGE TITLE, AIR BAGS DON'T NEED TO WORK – THAT'S NOT TRUE – MAKE SURE THE AIR BAGS ARE WORKING.. There is a very cheap way to test an air bag system. Just start the car and keep your eyes on the air bag light. It should stay on a few seconds longer than the rest of the dash board lights – then it should shut off. As long as it shuts off and stays off, the air bag system is ok and it just gave itself a self-check. However, if the air bag light keeps blinking or stays on long after the car is started, then there is a problem with the air bag system.



**TIRES:** Tires are one of the most critical safety items to check on a car. They should be inflated to the correct pressure recommended on the outside of the tire and be checked for wear and damage. Excessive wear or any damage should always be addressed immediately. The spare tire should be checked for proper inflation and be sure to have the correct jack handy and know how to use it.



**HAND BRAKE:** Many sure the hand brake works too. Many dealers forget this.



## **WINDSHIELD WIPERS AND BLADES.**

Make sure the wipers work and the blades properly remove water from the windshield without streaks.



**EXHAUST LEAKS:** Start the engine and listen for any unusual sounds particularly those that come from under the car. A leaking exhaust system can let poisonous carbon monoxide gas inside the car.



**SUSPENSION AND STEERING:** Drive the car and listen for any rattles or a feeling of looseness in the steering. These could be signs of trouble.

## **Division 12 Safety Equipment Cannot Be Waived**

The law says that Division 12 safety equipment cannot be waived by retail public. What does that mean? That means that even if a customer knows that the car has a safety problem and even signs something that says they know the car is unsafe, you still cannot sell them the car. So no matter how much someone begs to buy your unsafe car, don't sell it to them because it's illegal.

How do you prove vehicle was safe at the time you sold it to the public? You can always get a written safety inspection before you sell your cars.

Example of what NOT to do. This would be ILLEGALLY waiving safety:

I, retail buyer, am aware that the brakes need work and the windshield wipers do not work and the headlights do not work. I agree to take the vehicle anyways. I will not hold the dealer responsible.

X John Buyer



## Lesson 7: Advertising Laws



### All Media Methods

Advertising law applies to All media methods. This means that wherever you advertise, you need to follow the same laws. So lets say for example you place an ad on the internet... well, you still need to follow the same laws that you would need to follow if you advertised in the auto trader.

### Disclosure as a Dealer in All Forms of Advertisements

You need to Disclose that you are a dealer in all forms of advertisements. In other words, you need to put the word dealer in your ad and your business name.

### Vehicle Identified by VIN

You need to identify the Vehicle by the VIN number or license plate number. You can shorten the vin number if you wish. Many dealers like to put only the last six digits of the vin number. However, the FULL VIN is best.

### All Terms of Sale Specified

You need to put All the terms of sale specified. In other words, if you offer financing, don't forget to put all the financing terms in the ad. Also, there is a California law which specifies when a dealer must include all terms:

#### When must a dealer include all terms of sale?

The vehicle code defines what constitutes an advertisement, which would require a dealer to list all the terms of sale. The following list of items would be considered an advertisement:

- Two or more columns in width in any newspaper magazine, or direct mail publication
- One column in width and more than seven inches in length in any newspaper magazine, or direct mail publication
- Any Web page of a dealer's Web Site that displays the price of the vehicle offered for sale on the internet

### All Terms of Sale – Complying Statement

In order to satisfy the required terms of sale in an ad, a dealer will satisfy the law if the following statement is included in the ad:

*"Plus government fees and taxes, any finance charges, any dealer document preparation charge, and any emission testing charge."*

**REVIEW: What needs to be in the ad?**

Here is a brief check list of what needs to be in every ad:

Year, Make and Model, Vin or License plate number, Dealership name, the Word "Dealer", Terms that apply, such as tax, license, document preparation fee, smog fee, etc

**Certified Used Vehicles (AB 68)**



Many dealers claim their vehicles are "certified" or use similar terms, but what does that really mean? Prior to AB68, the answer was unclear and unregulated.

AB 68 requires that certain criteria are met in order to advertise a vehicle as "Certified". The following is a helpful diagram to explain when a dealer may NOT advertise a vehicle as certified...



**CONSEQUENCES FOR VIOLATING THIS LAW...**

Actionable under the Consumer Legal Remedies Act

California's Unfair Competition Law

Action of false or misleading advertising

Any other applicable State or Federal law. For example, there are other Federal laws regarding deceptive advertising – see [www.ftc.gov](http://www.ftc.gov)



### Illegal use of coupons or simulated checks

You cannot use coupons that are misleading. Also, here is the [Law on Simulated Checks](#): Use is illegal unless words “This is Not a Check” are clearly written diagonally across simulated check. Why? Simulated checks tend to mislead public.

### Withdrawal of Advertisement After Vehicle Sold

You need to Withdraw your ads within 48 hours of the sale, and the withdrawal must be in writing. FOR EXAMPLE, let's say you sell a car today. You need to submit a written request to the advertiser within 48 hours and tell them to remove the ad. This is to prevent bait and switch advertising, so that ads don't stay published forever.

### Honoring the Advertised Price When a Buyer is Unaware of the Advertisement

You need to Honor the advertised price, even when a buyer is unaware of the advertisement. Now if your ad has expired, you can charge anything you want, but remember, as long as your ad is current and active, you must honor that advertised price, even if the customer is unaware of the ad.

#### Miscellaneous Laws:

**Promotional claims** are ok, as long as you have proof that they're true. For example, let's say a dealer places an ad and the ad says “we have the best selection of toyotas in town”. In that case, the dealer would need to prove that it's true by visiting his competitors in town and making sure he has a better selection of toyotas than his competition. He can prove this by taking notes or pictures.

**Misleading ads** are illegal. A misleading ad in an ad that is designed to divert attention away from the truth.

**It is Unlawful to display the DMV name in your ads.** For example, many dealers will put the price of the car in their ads and put “plus dmv fees”. Well, the dmv does not like this, so you would need to put “plus license and registration fees” instead.

**Promotional Freebees** are ok. Here's what the law says. If your dealership gives free things away, you can't make someone buy a car to get the free gift. In other words, any gift you give away as a promotion must be NO PURCHASE NECESSARY. Proof of how dealers try to get around this is they say “we'll give you a gift... and you don't need to buy anything, but you do need to test drive a car to get the free gift.”

**Truth in Lending Cross over issue:** Truth in Lending applies to advertising. This means if you advertise any financing terms, then you need to put all the financing terms in your ad. For example, don't just advertise \$199 per month. You need to put all the other financing terms, such as the annual percentage rate, down payment amount, length of the loan, etc.



## Lesson 8: Odometers



Disclosure Laws have been set in place to prevent odometer fraud

### Odometers must be in working condition at time of sale

At time of retail sale, the odometer must be in working condition. That means that mileage must be accurately registering mileage. If not, you need to repair or replace the odometer.

### Odometers are Illegal to roll back

This is simply common sense. It is illegal to roll back an odometer. This occurs when you mechanically or electronically adjust the mileage to read a lower number than actual mileage. This carries severe criminal penalties. The same applies to disconnecting an odometer, driving the vehicle, and later re-connecting it sometime after.

### Required notification when repaired

If mileage can't register same mileage after repair or replacement, you must:

- a) Adjust OD to Zero AND affix: b) Written notice on left door frame by repairer stating: Mileage prior to repair and date of repair or replacement.

NOTE: Do not attempt this on your own – take it to a certified odometer repair shop

### Odometer Disclosure by Legal Owner of Repossessed Vehicle

If a vehicle is repossessed, as the legal owner (lienholder), you are required to disclose the odometer mileage at time of repossession.

#### Form Needed

Now everytime you sell a car, you need to disclose the mileage on a form called the odometer disclosure. The odometer disclosure is found on a form called form number REG 262.

**ATTENTION DEALERS: DID YOU KNOW....**

### ODOMETER TAMPERING IS ILLEGAL UNDER STATE AND FEDERAL LAW

Violators of state and federal odometer tampering laws can be sentenced to jail for up to 3 years in prison and/or be ordered to pay up to a \$50,000 fine *per violation*. Victims of odometer fraud, whether they are consumers or automobile dealers, have the right to sue under both state and federal law. Victims must prove: That the odometer mileage was misrepresented on the vehicle, The person or entity who made or was responsible for the misrepresentation, and That there was intent to defraud.

The court will award the victim 3 times his/her actual damages, or a minimum amount of \$1,500 (whichever is greater), plus court costs and reasonable attorney fees.



## Lesson 9: Vehicle Licensing and Registration

### Vehicle Registration And Titling Transaction Procedures (Dealer Handbook)

Please visit [http://www.dmv.ca.gov/pubs/reg\\_hdbk\\_pdf/toc.htm](http://www.dmv.ca.gov/pubs/reg_hdbk_pdf/toc.htm) for a FREE HANDBOOK!



#### Now let's learn about Vehicle Licensing and Registration

### Types of California Titles

There are different **types of California titles**. The older titles and the newer titles. The older titles did not conform to federal odometer laws. The older titles were therefore called non conforming. The newer titles are called conforming titles because they have federal odometer laws integrated into the titles. However, the DMV will take all titles, whether they conform or not, since all titles must now be submitted with a separate federal odometer disclosure form, which we will discuss later.

Before we begin talking about forms and registration, i want to tell you the big picture. The big picture is that dealers do everything.

In other words – dealers compete the paperwork, dealers collect registration and license fees from customers, and dealers go to the dmv for the customer.

Therefore, all the customer does is puts money on your table, signs a contract and drives away with the car – the dealer does all the rest! Now that you know the big picture, let's discuss in detail how to sell a car.

### Transfer Requirements

For now we're going to discuss a **retail sale to the public** – later in the discussion we will discuss **wholesale sales to dealers**.

Get organized & be careful not to forget putting the lien holder on the back of the title if there is a loan on the vehicle

If you do financing and a customer gets financed to purchase your car, then you need to put the banks name and address on the back of the title. It's line 11, 12 and 13 on the back of the title.

Have a copy of the DMV "Handbook for Registration Procedures " at your desk for reference. The handbook shows you how to fill out paperwork in case you forget how. You should always have the dealer handbook in front of you when you are doing paperwork



ATTENTION DEALERS!

**THE HANDBOOK OF REGISTRATION PROCEDURES IS  
NOW ONLINE!**

Go to: [www.dmv.ca.gov](http://www.dmv.ca.gov) and click on "Publications".

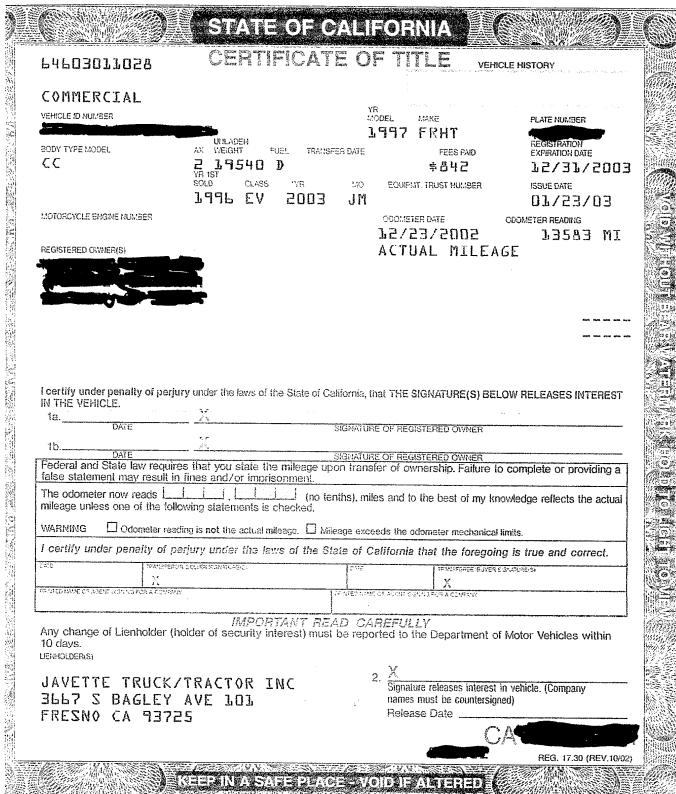
Agree on a price and make sure customer knows about tax, license fees, document preparation fees, smog fees, etc. We talked about sales tax and the document fee. We will discuss what license fees and smog fees are later in the discussion.

*Is the Title Complete?*



*The title is one of the documents that needs to be taken to the DMV after you sell a car.*

**On the Front** of the title, make sure that prior owner signed and dated it and the odometer disclosure is complete. Here's some good news. If you buy a car from a dealer auction, the front of the title is already done for you. In other words, the auction makes sure that the prior owner signed it.



**On the Back** of the title, – Write the report of sale serial number on any margin. We will discuss the report of sale later. You also need to put the retail customer's information on the section titled "New Registered Owner."

APPLICATION FOR TRANSFER BY NEW OWNER <i>(Please print or type.)</i>			
<p>Any change of registered owner or lienholder must be recorded with the Department of Motor Vehicles (DMV) within ten (10) days. The title, transfer fee and in most instances, use tax and a smog certificate must be presented to DMV to record the ownership change.</p>			
<p>3a. TRUE FULL NAME(S) OF NEW REGISTERED OWNER(S) (LAST, FIRST, MIDDLE) AS IT APPEARS ON DRIVER'S LICENSE OR I.D. CARD</p>			
<p>N 3b. <input type="checkbox"/> AND <input type="checkbox"/> OR W 4. STREET ADDRESS OR P.O. BOX NUMBER</p>			
<p>R 5. CITY STATE ZIP CODE</p>			
<p>REGISTERED 6. MAILING ADDRESS STREET OR P.O. BOX NUMBER (DO NOT COMPLETE IF SAME AS RESIDENCE ABOVE) STATE ZIP CODE</p>			
<p>7. CITY STATE ZIP CODE</p>			
<p>8. FOR TRAILER COACHES ONLY - ADDRESS OR LOCATION WHERE KEPT</p>			
<p>OWNER I certify under penalty of perjury under the laws of the State of California that the information entered by me on this document is true and correct. If there is a mailing address entered on this form, it is a valid, existing and accurate address. I consent to receive service of process at this mailing address pursuant to Civil Procedures Code Sections 415.20(b), 415.30(a) and 416.90.</p>			
9a. DATE	SIGNATURE OF NEW REGISTERED OWNER	CALIFORNIA DRIVER LICENSE OR ID CARD NO.	PURCHASE DATE
9b. DATE	SIGNATURE OF NEW REGISTERED OWNER	CALIFORNIA DRIVER LICENSE OR ID CARD NO.	PURCHASE PRICE OR IF GIFT, SO STATE
<p>LEASED VEH. ONLY 10. ADDRESS OF NEW LESSEE IF DIFFERENT FROM LINE 4 ABOVE (WILL NOT BE PRINTED ON TITLE)</p>			
<p>L 11. NAME OF LIENHOLDER - FIRM OR INDIVIDUAL HOLDING SECURITY INTEREST (IF NO LIEN, WRITE "NONE") DO NOT ENTER NAME OF REGISTERED OWNER(S) ABOVE. ELECTRONIC LIENHOLDER ID ELT #</p>			
<p>NEW 12. STREET ADDRESS OR P.O. BOX NUMBER STATE ZIP CODE</p>			
<p>LEADER 13. CITY STATE ZIP CODE</p>			
<p><b>TITLE REASSIGNMENTS BY LICENSED CALIFORNIA DEALERS</b></p>			
<p>FEDERAL LAW REQUIRES that you state the mileage upon transfer of ownership. Failure to complete or making a false statement may result in fines and / or imprisonment.</p>			
<p>I certify under penalty of perjury under the laws of the State of California that the signature below releases my interest in this vehicle, acknowledges the odometer mileage recorded by the seller, and certifies that the odometer reading entered above my signature (in compliance with Federal law) and the other information entered by me on this document are true and correct.</p>			
14. DEALER DATE	Odometer now reads: <input type="text"/> (no tenths) miles, and to the best of my knowledge reflects the actual mileage of the vehicle unless one of the following statements is checked: <b>WARNING - Mileage</b> <input type="checkbox"/> is not the actual mileage. <input type="checkbox"/> exceeds the odometer mechanical limits.	R/S NUMBER	
	<input type="checkbox"/> X		
DATE	SIGNATURE OF AUTHORIZED AGENT	PRINTED NAME OF AGENT	DEALER NAME
	<input type="checkbox"/> X		
DATE	BUYER'S SIGNATURE, ACKNOWLEDGES ODOMETER READING	PRINTED NAME OF BUYER OR AGENT	SALES PERSON'S NO.
	<input type="checkbox"/> X		
15. TRANSACTIONS DATE	Odometer now reads: <input type="text"/> (no tenths) miles, and to the best of my knowledge reflects the actual mileage of the vehicle unless one of the following statements is checked: <b>WARNING - Mileage</b> <input type="checkbox"/> is not the actual mileage. <input type="checkbox"/> exceeds the odometer mechanical limits.	R/S NUMBER	
	<input type="checkbox"/> X		
DATE	SIGNATURE OF AUTHORIZED AGENT	PRINTED NAME OF AGENT	DEALER NAME
	<input type="checkbox"/> X		
DATE	BUYER'S SIGNATURE, ACKNOWLEDGES ODOMETER READING	PRINTED NAME OF BUYER OR AGENT	SALES PERSON'S NO.
	<input type="checkbox"/> X		
16. ONLY DATE	Odometer now reads: <input type="text"/> (no tenths) miles, and to the best of my knowledge reflects the actual mileage of the vehicle unless one of the following statements is checked: <b>WARNING - Mileage</b> <input type="checkbox"/> is not the actual mileage. <input type="checkbox"/> exceeds the odometer mechanical limits.	R/S NUMBER	
	<input type="checkbox"/> X		
DATE	SIGNATURE OF AUTHORIZED AGENT	PRINTED NAME OF AGENT	DEALER NAME
	<input type="checkbox"/> X		
DATE	BUYER'S SIGNATURE, ACKNOWLEDGES ODOMETER READING	PRINTED NAME OF BUYER OR AGENT	SALES PERSON'S NO.
	<input type="checkbox"/> X		

Is the REG 262 transfer form complete? Another name of the form is the VEHICLE VESSEL TRANSFER AND RE-ASSIGNMENT FORM.

Some dealers call it the REG 262 because that's the form number that the DMV gives it on the bottom of the form. You need to fill this out every time you sell a car. The DMV will give you a supply for free. The form just has information of who is buying the car and who is selling the car.

### Secure Power of Attorney

SECTION 5, POWER OF ATTORNEY: First of all, this section is optional. Because it is optional, if the customer says "I don't want to do the power of attorney", they don't have to. You can leave it blank and the DMV will still take the form.

Here's how to fill it out and in a minute, I'll explain why this section is important. It says "I, WE". After "I, WE", print your customer's name. Then look for the word "APPOINT". After the word "APPOINT", print your dealership business name. Then the customer signs it.

OK, now that we know how to fill it out, here's why the POWER OF ATTORNEY is important: If your customer signs the power of attorney, that means you can sign for your customer when your customer is not available. But you can only sign for your customer on forms that are necessary to transfer ownership. In other words, you cannot sign for them on a financing contract because the financing contract is not necessary to transfer ownership – instead, it's necessary to get financed.

How about an example. Let's say you go to the DMV and you realize you forgot to complete the APPLICATION FOR NEW LICENSE PLATES form. The form for new license plates needs your customer's signature on the bottom. Normally, you would have to drive back to your office and meet your customer there to get their signature. But if you had your customer sign the power of attorney, you can sign for your customer on the spot.

Here's how it's done: You actually will PRINT their name on the signature line, then put a comma, then PRINT your business name, then PRINT the letters P.O.A. Of course, POA stands for POWER OF ATTORNEY.

### **Signature Requirements on Documents**

You must have your customer sign certain documents. They must sign the application copy of the report of sale, they must sign the REG 262 transfer form, and they must sign the Federal Buyer's Guide and the Conditional Sales Contract (if applicable). They also need to sign the back of the Title under "New Registered Owner". In addition, your customer's signature must match their driver license signature.

### **When Registration Fees Required**

Think of registration fees as BACK FEES AND FORWARD FEES.

#### **LET'S START WITH BACK FEES:**



BACK FEES are what a previous owner failed to pay the DMV. One penalties are charged, the DMV does not forget it, so the next person who tries to register that car will have to come up with the back penalties at the DMV.

Here's an example that you might run into at the dealer auction: You might see a car that has written on the windshield the words... DMV \$1,000. That means, if you buy that car at the dealer auction, you will have to pay \$1,000 in back penalties that the previous owner didn't pay. Therefore, if you see a car at the auction with a price next to the word DMV, be sure to bid that much lower.

If you're not sure what the back penalties are, here's an easy way to tell. Just walk into the auction during normal business hours, or call them. Ask for the TITLE department and the auction will tell you if there are back penalties on the car.

You can always contact your local DMV office. There are also private companies who will give you a printout for a small \$10 fee. One example is [dmvlink.com](http://dmvlink.com). By the way, a KSR report is just another way of saying "DMV PRINTOUT". KSR stands for KEY PUNCH SERVICE REQUEST.

#### **NOW LET'S DISCUSS THE LICENSE FEE:**

THINK OF LICENSE FEES AS "TAGS FOR ONE YEAR".

When you sell a car, you need to charge your customer for one year of tags. Another name for this is the LICENSE FEE. Some people call it CAR TAX.

The first thing I want you to know is that SOMETIMES, YOU DON'T NEED TO CHARGE YOUR CUSTOMER A DIME FOR THE LICENSE FEE. Here's the law:

You only need to charge the customer one year of tags if the current registration is expired or will expire within 75 days.



### **HOW MUCH IS ONE YEAR OF TAGS?**

The general rule is the more expensive the car, the more expensive the license fee is.

Registration fees are always required when the vehicle is operated. This typically occurs at time of delivery. This causes fees to become due unless the vehicle is currently registered.

The largest portion of registration fees is the LICENSE FEE. The base rate is 2% of the selling price of the car:

Ok, so tags cost 2% of the selling price.

LET'S say for example you're selling a car for \$10,000. How much is 2% of \$10,000? 2% of \$10,000 is \$200. Therefore if you are selling a \$10,000 car and you need to charge your customer one year of tags, you would charge that customer \$200.

Now you know the license fee is 2%, let's talk about this thing called an OFFSET. An offset is another way of saying "discount". The offset is subject to change at any time, so please visit [www.dmv.ca.gov](http://www.dmv.ca.gov) for the latest license fee offset chart or:

**ALSO SEE [WWW.DMV.CA.GOV](http://WWW.DMV.CA.GOV) FOR A HANDY REGISTRATION FEE CALCULATOR! TRY IT – YOU'LL LIKE IT. IT'S EASY!**

### **LICENSE FEE INCREASE:**

Legislation authorized the DMV to increase the Vehicle License Fee from 0.65 percent to 1.15 percent and is subject to change at any time.

**LICENSE FEES:** Please see the DMV rate calculator for current offsets.

### **Transfer Fees Required**

Always collect a **\$15** transfer fee. The TRANSFER FEE is what the DMV charges every time you transfer ownership.

**TRANSFER FEE**  
= \$15

### Time Requirements for Transfer:

You have a legal duty to transfer title within 60 days or be subject to DMV enforcement action. You should however, transfer Title within 30 days to be safe to avoid Administrative Service Fees.

### Now lets discuss something called a weight fee



OWNERS OF COMMERCIAL TRUCKS HAVE TO PAY A YEARLY WEIGHT FEE.

By definition, a commercial truck is any pick-up truck or cargo van or larger. SUV's are not commercial unless they're the kind of SUV with a small pick-up bed in the rear such as a Chevy Avalanche or Ford Sport Trac.

See [www.dmv.ca.gov](http://www.dmv.ca.gov) for the current weight fee chart.

### Gross weight fee system

#### Registering commercial trucks and the gross vehicle weight fee system

- This law is very important for used car dealers, since certain trucks dealers sell are still considered "commercial" for registration purposes.
- The law does **NOT** apply to Pickup trucks with a manufacture's gross vehicle weight rating of less than 11,500 pounds, or pickups with an unladen weight of less than 8,001 pounds, and an "open" type bed not exceeding nine feet in length.
- The law simply requires owners to declare the operating weight of their commercial motor vehicle!
- The fee will be based on either the unladen weight if the vehicle is always operated at 10,000 lbs. or less, **OR** the gross weight or combination, and its heaviest load when operated at 10,001 lbs. or more.
- **EFFECT OF FAILING TO DECLARE WEIGHT:** for current owners/lessees were asked to return the completed declaration form to

DMV within 30 days and did not do so, the DMV will assess the MAXMUM WEIGHT. That's maximum **CVRA fee of \$1,700!**

- **EFFECT OF “UNDER-DECLARING” WEIGHT:** If drivers operate their vehicles over the registered owner's declared weight, the driver may be cited by law enforcement. If the vehicle is operated over the declared weight, fines between \$250 and \$2,000 may be assessed. Additional CVRA fees would be required.

(See [www.dmv.ca.gov](http://www.dmv.ca.gov) for most current rates)

#### **REVIEW OF TRANSFER REQUIREMENTS:**

Mail the dealer notice section of the report of sale to the DMV within 5 calendar days.

Make sure a conditional sales contract is complete. In other words, you need to purchase sales contracts from a dealer forms company.

Fold temporary window permit and tape on inside car window.

Go to the DMV within 30 days of sale to transfer ownership. What do you bring with you to the DMV?

Title, Application Copy of Report of Sale (ROS)  
262 Form

Smog Certificate

Check book to pay fees

Application for new license plates:

**NOTE: If a car has only one plate, the DMV wants you to bring that one plate to the DMV when you bring the paperwork. It's called surrendering the existing plate.**

**Error and Erasure Forms** (The error and erasure form is needed if you make a mistake on the title. In other words you accidentally put in the wrong mileage on the title or your customer signs in the wrong box.)



#### **Administrative Service Fees**

What is an administrative service fee? An administrative service fee is a late fee. It's a fee the DMV charges if you miss deadlines.

Please keep in mind that the DMV strictly enforces administrative service fees.

For a used vehicle, a \$5 administrative service fee will be due if a dealer does the following:

Fails to submit the dealer notice portion of the report of sale to the DMV within 5 Calendar days, not including the date of sale.

Fails to place a window copy portion of the report of sale on a vehicle before it is delivered to the customer

Fails to submit the application along with all fees to the DMV within 30 days of the sale

**Potential \$25 ASF** – The DMV will fine you \$25 if you Fail to submit the application copy within 50 days from the date of sale. That Means if it takes you more than 50 days to process the paperwork at the DMV after selling a car, then the DMV will fine you \$25.

**Example of computing ASF dates:**

As noted earlier, there is a 50 day rule for used car dealers.

For example, if you sell a car on January 1<sup>st</sup> and submit the application on January 20<sup>th</sup>, there is no ASF fee (within 30 days). If however you made a mistake, then the application will be cashiered as “incomplete” and you may be charged an ASF Fee. Let’s say for example, the INCOMPLETE application is cashiered is February 5<sup>th</sup>, you need to determine which is greater, 50 days from the date of sale, or 20 days from the date of cashiering.

In this example, January 1<sup>st</sup> + 50 days is February 20<sup>th</sup>. However, the date of cashiering + 20 days is February 25<sup>th</sup>. Therefore, the GREATER date will be used, which is February 25<sup>th</sup>. So you have until February 25<sup>th</sup> or you will be charged \$25 in addition to the \$5 for missing the 30 day deadline. It’s that easy!

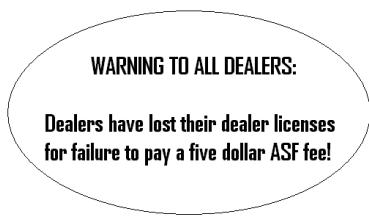
**Can you pass on the fees to the customer?**

NO. ASF fees may NOT be passed on to the customer. It is your responsibility to pay them.

**IMPORTANCE OF PAYING IN A TIMELY MANNER:**

By not paying in a timely manner, your dealer license is subject to administrative action. In other words, it is against the law to not pay in a timely manner!

**CONSEQUENCES FOR FAILURE TO PAY A.S.F. FEES:**



Here are examples of what may happen if you fail to pay you're A.S.F. fees in a timely manner:

Possible Probation

Possible Suspension of your dealer license

Possible Revocation of your dealer license

Possible bond reduction (which leads to automatic cancellation of your dealer license)

## **Out of State Deliveries:**



### **Special Registration Rules Regarding Out-of-State Sales (Sales to Non-residents)**

When the vehicle is to be registered outside California, there are special rules you need to follow regarding registration issues:

Verify out of state residence via driver license

You will not generally collect registration fees

You must deliver car without using dealer plates. You must purchase a “One-Trip-Permit” if delivery is done by dealership and not a commercial transporter.

You must NOT give customer window copy of the Report of Sale.

You must still retain the “Book Copy” of the Report of Sale. However you must mail to the Department of Motor Vehicles the “Application Copy”, the “Window Copy” and the “Dealer Notice”, along with a “Statement of Facts” indicating how the vehicle was moved (One-Trip-Permit Number or Bill of Lading) and the statement “To be registered out of state”. You must also write “To be registered out of state” on the Report of Sale. Then mail all documents to the DMV. The correct address is located in the “Handbook of Registration Procedures” located at [www.dmv.ca.gov](http://www.dmv.ca.gov)

### **THERE ARE TWO WAYS TO PROVE THAT THE CUSTOMER TOOK DELIVERY OUTSIDE CALIFORNIA.**

You can hire a truck transport company to pick up the car from you and deliver it to the customer. The truck company will give you a receipt called a bill of lading. You then need to keep the bill of lading on file just in case the Board of Equalization does an audit.

The second way you can prove the customer took delivery outside of California is to deliver the car yourself or have an employee deliver the car personally.

If you do this, then you need to get a hold of a special form called the bt-448. This is a form you get from the Board of Equalization that needs to be notarized by the customer outside of California. After you get it notarized , you need to keep it in your file cabinet in case you get audited.

**HOW TO TRANSPORT A VEHICLE TO BE REGISTERED OUT OF STATE**

COMMERCIAL TRANSPORT    OR    DEALER DELIVERY VIA BT-448

Requires a "Bill of Lading" from the transport company.

Requires a NOTARIZED BT-448 form available at [www.boe.ca.gov](http://www.boe.ca.gov)

**WHAT IF YOU SELL A CAR OUT OF THE COUNTRY?**

THE SAME RULE APPLIES. IN OTHER WORDS, THE CUSTOMER MUST TAKE DELIVERY OUTSIDE THE COUNTRY. IF IT'S A COUNTRY OVERSEAS, THEN THE CONTAINER COMPANY WILL GIVE YOU A SHIP BILL OF LADING.

### **One Trip Permits**

**What is a one-trip permit?**

A one trip permit is a “substitute” for vehicle registration in California. With a one-trip permit, a vehicle may be moved for one continuous trip. The vehicle may be driven from California to out of state, or out of state to inside California.

**How much does a one-trip permit cost?**

**\$20**

**Why would a dealer need a one-trip permit?**

A one-trip permit requirement will arise when a dealer performs a dealer delivery outside California using the BOE for BT-448 as discussed above. This is due to the fact that a dealer plate cannot be used for an out-of-state delivery. Hence, a one-trip permit must be obtained.

**Where is the proper placement of a one-trip permit?**

The proper placement must be on the inside corner of the windshield or other prominent place upon a vehicle such as the inside rear window in a lower corner. The law requires the permit to identify the vehicle to which it is affixed.

### **Rush Titles**

In certain circumstances, you can get a title from DMV within 72 hours for \$15. For example, a buyer may request quick registration. Note, “Rush” titles were formerly

referred to as “Quick” or 72-Hour Titles. This service is only available through the DMV headquarters in Sacramento.



### **Refund of excess fees**

By law, you must refund any and all excess fees collected from your customer. No exceptions. Even if excess is one penny!

### **Permanent trailer identification plate program**

- This law changed the way trailers are registered. It is called Permanent Trailer Identification (PTI). The concept is simple to understand. It only affects trailers being registered for the FIRST time.
- Camp trailers are subject to this law, but trailer coaches and park trailers are not.
- **PTI fees:** \$20 initially. **Renewal:** \$10 every five years.
- What to do with your current plate: You can keep it or request a new PTI plate.
- **TOW DOLLY LAW:** This is important because many used car dealers have tow dollies. Tow dollies do not have to be registered, but they can convert to PTI and get a plate!

### **ATTENTION DEALERS: MISCELLANEOUS LAWS**

Laws Regarding Definitions of salvage, remanufactured, and nonrepairable vehicles.

#### **Inspections of salvage vehicles**

Former law required inspection by the DMV of any salvage (total loss) vehicle when registering the vehicle and also stated that the DMV may request inspection of the vehicle by the CHP. These provisions were repealed.

The bill also says that an inspection by the DMV would not prevent referral to the CHP for an additional inspection.

#### **Air Bag System must be in good working order for reconstructed vehicles**

The bill also states that if the vehicle was originally manufactured with a "supplemental restraint system", the reconstructed vehicle would be required to be equipped with a supplemental restraint system in good working order.

**What is a nonrepairable vehicle under the law?**

A "nonrepairable vehicle" is a vehicle that has no resale value except as a source of parts or scrap metal, and which the owner irreversibly designates solely as a source of parts or scrap metal.

**What is a revived salvage vehicle?**

A "Revived salvage vehicle" means a total loss salvage vehicle, or a vehicle reported for dismantling, that has been rebuilt or restored to legal operating condition with new or used component parts.

**What is a salvage vehicle rebuilder?**

A "Salvage vehicle rebuilder" means any person who rebuilds a total loss salvage vehicle, or a vehicle reported for dismantling for a subsequent resale. A person who, for personal use, rebuilds a total loss salvage vehicle, or a vehicle reported for dismantling, and registers that vehicle in his or her name, is not a salvage vehicle rebuilder. In addition, it should be noted that nothing in this section exempts a salvage vehicle rebuilder from any applicable licensing requirements under the code.

**What is a supplemental restraint system?**

*A "Supplemental restraint system" means an automatic passive restraint system consisting of a bag that is designed to inflate upon collision, commonly referred to as an "airbag."*

**What is a vehicle frame?**

*A "vehicle frame" is defined as the main longitudinal structural members of the chassis of the vehicle, or for vehicles with unitized body construction, the lowest main longitudinal structural members of the body of the vehicle, used as the major support in the construction of the motor vehicle."*

**What is a vehicle registration number?**

Existing law defines "vehicle registration number" for purposes of vehicle registration:

*"A "vehicle identification number" is the motor number, serial number, or other distinguishing number, letter, mark, character, or datum, or any combination thereof, required or employed by the manufacturer or the department for the purpose of uniquely identifying a motor vehicle or motor vehicle part or for the purpose*

*of registration."*

**Salvage vehicle rebuilders must provide title or certificate of inspection or it's a misdemeanor crime.**

This new law also requires a salvage vehicle rebuilder who has not applied for and received a title to provide the buyer of a salvaged vehicle with a certificate of inspection or certain other documentation, upon the sale or transfer. In fact, if a dealer violates this law, it's a misdemeanor. Here, the state created a new crime.

**EXTRA CONTINUING EDUCATION TIP!**

Hire an independent registration company to come to your dealership and process transactions for you. They will double check the paperwork and figure out the messy registration fees for you. It's well worth the money.

## **Electronic Processing Business Partners Automation Program (BPA)**

### **What is BPA?**

The Business Partners Automation Program is a DMV program for the administration of electronic registration.

### **What are the Types of Partners?**

There are “First Line Business Partners” (FLBP) who directly interface with the DMV (not recommended for vehicle dealers to the complexity and cost).

There are also “First Line Business Partner Service Providers” (FLBPSP). (not recommended for vehicle dealers to the complexity and cost).

If your dealership processes a great volume of transactions, consider becoming a “2<sup>nd</sup> line business partner”. (this level of partnership is ideal for high-volume dealers).

### **Type of Transactions Allowed:**

- New vehicle reports of sale for franchise dealers (autos, motorcycle, trailer, and commercial vehicles)
- Posting fees on new vehicles
- Full registration renewals
- Registered owner transfers
- Salvage
- Non-repairable
- Junks
- Vehicle license refunds (salvage pools only)

- Legal owner transfers
- Non-resident
- Miscellaneous originals
- Duplicate titles
- Vessels

**What you will be allowed to issue:**

- Auto, commercial, trailer, motorcycle plates
- Full year stickers
- Month stickers
- Commercial vehicle registration act (CVRA) month / year stickers
- Vessel stickers

**Requirements to participate:**

- Complete application
- \$324 application fee and \$130 for each branch
- Fingerprints
- Floor plans
- Security narrative
- Contract
- Surety bond
- Million dollar general liability insurance

**Customer Fees:**

- Dealers / dismantlers \$29
- Registration services: \$29 renewals, new vehicle reports of sale and \$79 for all other transactions

**Transaction Fees:**

- \$4 completed transactions (billed monthly)

**Where to Get More Information about BPA:**

DMV.CA.GOV



## Lesson 10: Branch Locations



## When Required

A branch location is required for the following purposes:

1. If you are a wholesaler and you plan to conduct business other than your initial licensed location permanently
2. If you are a retailer and plan on selling and displaying vehicles at a separate permanent location.
3. If you generally want an additional permanent location.

A branch location is a location other than your main office. You can have several locations if you wish, and all you need is one dealers license. However, you need to apply for each branch location. How you apply for a branch location? It's easy – all you need is an application called an **APPLICATION FOR MODIFICATION**, which is the "OL21" form. You can download this form from the DMV website. The fee to open up each branch location is only \$70 and the DMV will charge you \$70 each year as well.

#### BRANCH LOCATION TIP:

YOUR APPLICATION FOR MODIFICATION MUST BE APPROVED BY YOUR INSPECTOR BEFORE YOU CONDUCT BUSINESS IN YOUR NEW BRANCH.

### SAMPLE Q1.21

**ADDITIONAL FORM REQUIRED WHEN ADDING A BRANCH:**

When adding a branch location, don't forget to obtain a lease agreement for the new location if you will be leasing.

Also, don't forget to also submit the "PROPERTY USE VERIFICATION FORM" and complete section I as indicated below:

**I. PROPERTY USE APPROVAL:**

*(Must be completed by applicant. Excludes out-of-state Manufacturers and Distributors.)*

Does location meet all city and county property use requirements? .....  YES  NO

*If yes, attach the appropriate property use form completed by an official of the agency responsible for this location.*

In addition, your branch location must comply with all the posting requirements as your initial location, such as the No Cooling Off sign, Inspection Sign, posting of your city business license, etc.

**WHEN BRANCH NAME IS DIFFERENT FROM MAIN LOCATION**

The intent of a branch location is to be an "extension" of your current business name. If you want a different business under a different entity and legal form, then the new business must re-apply for a dealer license in the name of the new entity. However, if you will be using a different firm name, but still maintaining your current business entity, you must "add a firm name" using the same OL21 document:

SAMPLE BOX TO CHECK:

<input type="checkbox"/>	Add Firm Name	
--------------------------	---------------	--

FIRM NAME (IF CHANGING OR ADDING NAME, LIST NEW NAME)

**IMPORTANT BOND ISSUE:** In the event you add a firm name, you must contact your bond company to have a bond "rider" issued to reflect your additional firm name. Remember... the business name on your bond must match DMV records exactly!

**When Not Required:**

**Displays without needing a branch license**

( UNDER THE CODE OF REGULATIONS SECTION 270.08)

A dealer may display a vehicle, regardless of make, model or age at a without needing a branch license. For example, dealers may display vehicles at public shopping areas, public shopping centers, and other similar events open to the public. The intent of this law is to simply draw attention to the dealer's identity, or "advertise" the dealer's name.

Any sales or negotiations including acceptance of cash deposits or trade-ins for the purpose of binding a sale will result in administrative action by the DMV.

**POSTED SIGN REQUIREMENTS:**

The law specifies that a sign be displayed with certain wording. In addition, the sign must have letters at least 3 inches in size, and the sign must include the dealers name, location and address. Under the law, the sign must read:

**No sales permitted, or deposits accepted at this location.**

**Time Limit:** 30 days at a time.

- If a public area, the display must be available to all state licensed dealers
- At the end of the 30<sup>th</sup> day, the vehicle must be removed for one day. After that one day, the display must be available to all licensed dealers

**Application and Fees Required**

- For permanent branch location \$70, use OL21. You must meet same requirements as first location + inspection
- For temporary branch location \$70, use OL73.

## **Temporary Branch Locations – Offsite Sales**

An offsite sale is a temporary sales event. Some people call this a tent sale. I'm sure you've seen them before – just drive around town on a weekend and you'll find these temporary sales events in target, K-mart or wal-mart parking lots.

You can sell cars at these temporary sales events if you apply for a permit from the DMV Inspector. The name of the permit is temporary branch permit, OL73. The fee is \$70 and each event may last up to 30 days. Also be sure to get permission from the city that the event will be held.

Due to AB68, your dealership must remain at the temporary sales location for 2 additional days after the tent event closes. For example, if the last day of the tent sale was Sunday at 8pm, then you must remain there during normal business hours until 8pm on Tuesday for possible 2-day Cooling Off returns.

**10 Day Rule:** Your application must be submitted to the DMV not less than 10 days prior to the event.



## Lesson 11: Unlawful Dealer Activities



Unlawful dealer activities are things you can do that can get your license taken away. The DMV takes all violations very seriously, so you should take these activities very seriously too. Let's discuss them.

### **Misusing special plates, or permitting their unlawful use**

A special plate is a dealer license plate. It is against the law to misuse your dealer plates. Later in the discussion, we will talk about dealer plate law in great detail, but for now, all you need to know is that is is against the law to misuse your dealer plates.

Lending dealer supplies, and permitting misuse of license or books. This means that is against the law to let other dealers use your reports of sales. Your reports of sales have unique serial numbers on them and they are only issued for your dealership, so please do not share them with other dealers.

Failure to pay Administrative Service fee (ASF). If you fail to pay an administrative service fee, the DMV can take action against your license, so please pay the fees when you get them.

### **Lending dealer supplies, and permitting misuse of license or books**

It is unlawful to lend your dealer supplies to other dealers, especially your report of sales, which have serial numbers on them. Also, do not permit misuse of your license. This can occur if you charge a fee for the use of your license.

### **Unlicensed location**

Your place of business must be one from which you were issued your license. If you move locations without notifying the Department, it is unlawful. Also, if you have a temporary branch location without notifying the Department and applying, it is unlawful. Remember, you can only sell vehicles from your place of business – no home sales or sales in parking lots!

### **Failure to pay Administrative Service fee (ASF)**

If you fail to pay your ASF fees, it is unlawful. The Department has "Civil" power, which means they can take action against you to recover their money. IN addition, your license is also at risk of being revoked. Pay your fines.



### Submission of dishonored check

It's not good to bounce a check, but if you bounce a check to the DMV it's very bad. Please make sure the funds are in your account before writing a check to the DMV.

Failure to transfer Title. What this means is that a dealer has a duty to get the title to the DMV after selling a car. Remember our deadlines? It's 30 days to submit the title and application copy, or you will get a \$5 fine, and if you wait longer than 50 days, you will get a \$25 fine. If you go beyond 50 days, the DMV can allege you are failing to transfer title and action can be taken against your license.

### Failure to transfer Title

You are required by law to transfer Title to the customer within 60 days from the date of sale. If you fail to do so, it is an unlawful dealer activity. The Department takes this very seriously.

### Employing unlicensed Salespersons

It is unlawful to hire a salesperson without first getting a salespersons license for them. First of all, the only people who need a sales license are people who talk to customers about cars and also people who assist in any of the paperwork involved in the sale of a car.

In other words, if you were asked "who needs a sales license", the answer is

Salespersons  
Finance Managers  
Sales Managers

Keep in mind that if you are the OWNER of the dealership, you do NOT need a sales license.

If you are the owner, you have something better – a DEALERS license. In other words, a doctor does not need a nursing license.

You also need to display your employee sales licenses visible to the public.

You also have 10 days to let the DMV know when you begin or end employment of a salesperson (form available on DMV website).

How does a salesperson get a sales license? First you need to send your salesperson to get their live scan fingerprinting done. Then, you will fill out a form called APPLICATION FOR VEHICLE SALESPERSON. Then, you can send the salesperson without you to any DMV office. So you don't have to bother your Inspector for a sales license – instead, you can go to ANY DMV.



**APPLICATION FOR OCCUPATIONAL LICENSE**

**ALL APPLICATION FEES ARE NON-REFUNDABLE**

All licensees are responsible for renewing their license prior to the expiration date shown on license.

<b>FIELD OFFICE USE ONLY</b>	
OL NUMBER ISSUED	
PHOTO SEQUENCE NUMBER	
TOTAL FEE COLLECTED	
DATE FEES PAID (DATE LINE STAMP)	
Temporary Permit Issued	
<input type="checkbox"/> Yes Date _____ <input type="checkbox"/> No If no, attach temporary permit.	
Attach DMV 8016	
<b>HEADQUARTERS USE ONLY</b>	
DATE OL LICENSE EXPIRES	

**A. APPLYING FOR: (Check one box)**

Vehicle Salespersons License

<input type="checkbox"/> Original (SPO)	<input type="checkbox"/> Other Licenses
<input type="checkbox"/> Renewal (SFR) (prior to expiration)	<input type="checkbox"/> Driver Instructor (20M)
<input type="checkbox"/> Reinstatement (SRX) (expired license)	<input type="checkbox"/> Additional License (20M) (Driver Instructor Only)
	<input type="checkbox"/> All-Terrain Vehicle Safety Instructor

**B. APPLICANT INFORMATION: (Type or Print) USE YOUR TRUE FULL NAME**

NAME (FIRST, MIDDLE, LAST) CITY STATE ZIP CODE

RESIDENCE ADDRESS (NUMBER AND STREET) CITY STATE ZIP CODE

OTHER ADDRESS, IF APPLICABLE (P. O. BOX OR PRIVATE MAIL BOX) CITY STATE ZIP CODE

DATE OF BIRTH SEX EYE COLOR HEIGHT WEIGHT

CA. CALIFORNIA DRIVER'S LICENSE IDENTIFICATION CARD NUMBER EXPIRATION DATE SOCIAL SECURITY NUMBER

Have you ever been known by or used any name other than the name appearing on this questionnaire? .....  Yes  No  
 IF YES, LIST NAME(S)

**C. EMPLOYED BY: (Information provided must be the same as Employer's License)**

FIRM NAME FIRM LICENSE NUMBER AREA CODE/TELEPHONE NUMBER

FIRM ADDRESS (NUMBER AND STREET) CITY STATE ZIP CODE

**D. EXPERIENCE AND EMPLOYMENT RECORD FOR PAST THREE YEARS: (List most recent first.)**

FROM MO YR	TO MO YR	EMPLOYER'S: NAME, ADDRESS, TYPE OF BUSINESS	DUTIES PERFORMED

(ATTACH SEPARATE SHEET IF ADDITIONAL SPACE IS NEEDED)

**E. ADDITIONAL BACKGROUND INFORMATION:**

1. Have you previously been or are you now licensed or have you ever applied in this state as a vehicle salesperson, representative, distributor, dealer, dismantler, manufacturer, remanufacturer, transporter, verifier, lessor-retailer, driving school owner, operator, instructor, all-terrain vehicle safety training organization or instructor? .....  Yes  No  
 IF YES, LIST LICENSE NUMBER

2. Have you ever had a business, occupational license, or application issued by the State of California, Department of Motor Vehicles, or by another state, which was refused, revoked, suspended or subject to other disciplinary action? .....  Yes  No  
 IF YES, LIST TYPE OF LICENSE, LICENSE NUMBER, ACTION BY DEPARTMENT, DATE OF ACTION, AND STATE LICENSE WAS ISSUED



## Bait and switch

What bait and switch means is you trick your customer to believe one thing and at the last minute, you switch them to something else. For example, you have a car advertised long after you sold it. When a customer calls, you say "Yes, we have that car – come on down". Then the customer drives all the way to your dealership and when they get there, you say "sorry, we don't have that car anymore, but we can show you others". That is bait and switch.

## Bird dog fees

A bird dog fee is commission you give to someone who brings you a customer, but the person who brought you the customer does NOT have a broker's license. The law is simple – you CAN give money or anything of value to someone who brings you a customer, but make sure they have a broker's license – otherwise it is an illegal bird dog fee.

### **Failure to Display Buyers Guide**

It is unlawful to fail to display a buyer's guide. Later in the discussion, we will discuss buyer's guides in great detail, but for now, all you need to know is that it's unlawful to fail to display a Buyer's Guide.

### **Other unlawful activities of importance**

- Lied on dealer license application
- Lie, commit fraud when transfer car (on REG 262 for example)
- Knowingly buy or sell stolen car
- Share or sublease office space after getting licensed
- Fraud / Deceit with any customer
- Breach a contract (violate terms for example)
- Improper consignment (requires certain procedure and forms)
- Bond expiration
- Close place of business without notifying DMV
- Operate without a sellers permit (if BOE revokes it)
- Violate Truth in Lending
- Advertising violations
- Odometer fraud
- Fail to disclose vehicle history
- Illegal smog checks
- Violate ANY provision – the “blanket violation”.

### **Suspension of Tax Debtors**

**Are you current with your state taxes? Your dealer license and /or driver license may be suspended...**

- If you are delinquent in your Board of Equalization or Franchise Tax Board taxes and your name or company appears on the top 500 list of delinquent tax cases, you may be subject to suspension of your driver license and any occupational license such as your dealer license.



## Lesson 12: Air Pollution Control



Air pollution control is another way of saying “SMOG CHECKS”.

### **Smog test required prior to a vehicle being offered for sale**

A dealer must obtain a smog test for a vehicle BEFORE a vehicle is offered for sale. Therefore, it is unlawful to even advertise a vehicle or display a vehicle on your lot unless it has first passed smog requirements. The smog certificate itself must be provided to the buyer prior to delivery.

### **Smog requirements when vehicle is sold at wholesale**

Well, there are NO smog requirements when a vehicle is sold wholesale. That means dealer to dealer sales require no smog whatsoever. It is only when you sell a car to the RETAIL public that you need a to get a smog check.

### **Dealer is allowed to charge \$50 for a smog test and \$8.25 for a certificate**

These are the MAXIMUM fees you can charge.

### **Smog is good for 2 years**

What this means is that dealer smog checks are good for two whole years while the vehicle stays in inventory. For private parties, it's 90 days, but dealer smogs are good for two years. How about an example: Let's say you buy a car today from the dealer auction and you smog it today. It can sit on your lot for up to two years and as long as you sell the car within 2 years from today, you don't have to smog it again when you sell it. Hopefully, it wont take you two years to sell a car!

#### **50- State vs. 49-State Vehicles**

50 State Vehicles & 49 State Vehicles. There are two different types of cars that the manufacturers make – 50-state and 49-state vehicles. 50-state vehicles are smog-certified in ALL 50 states, and 49-state cars are smog certified in all states, EXCEPT CALIFORNIA. The reason for this is because California has the strictest smog standards.

Due to the strict California smog standards, California understandably wants to prevent California residents from going across state lines, buying a 49-state car and re-registering it in California.

To prevent this, California came up with a law that says 49-state vehicles with less than 7,500 miles cannot be registered in California

In other words, let's say you are bidding on a truck at a dealer auction in Texas. Chances are, since the truck is in Texas, it's a 49-state truck. Well, don't bid on that truck if it has less than 7,500 miles on the odometer because remember... California will NOT register any 49-state vehicle that has less than 7,500 miles.

**HOW CAN YOU TELL IF A CAR IS 49 OR 50 STATE? IT'S EASY!** Just open the hood and look for a tiny white rectangular sticker. It's called an emissions label. If you see the word CALIFORNIA somewhere in the sticker, then it must be a 50 state vehicle. However, if you do not see the word CALIFORNIA somewhere in the emissions label, then it's a 49 state vehicle. If the sticker is missing, then you have to call the manufacturer and tell them the VIN number.

**VALUABLE TIP: YOU CAN GET FREE SMOG HISTORY REPORTS AT [WWW.SMOGCHECK.CA.GOV](http://WWW.SMOGCHECK.CA.GOV). LOOK AT THE SCREENSHOT BELOW!**

## **Other Smog Laws**

If a vehicle is 1976 or newer... A passing smog check is required for

1. Initial registration of a non-resident vehicle in California
2. A vehicle registered using a MSO (Manufacturer's Statement of Origin), NOT sold by a dealer.
3. The transfer of a California vehicle over 4 years old
4. The registration renewal of a vehicle more than 6 years old, located in a biennial area.

**SMOG ABATEMENT FEE**  
VS.  
**TRANSFER SMOG FEE**

- \$20 smog abatement fee: Collect this instead of a smog check fee if a vehicle is less than 6 or fewer years old in a biennial area
- \$8 transfer smog fee: Collect this for transfers of vehicles 4 or fewer years old.

## **EXTRA CONTINUING EDUCATION TIP!**

If you have a car on your lot that has not passed smog yet, put a notice on the dash that says "not offered for retail sale – does not comply with California smog regulations" – this will prevent action against you if an inspector visits you.



## Lesson 13: Regulations of Bureau of Automotive Repair



BAR stands for the bureau of automotive repair. If you own an auto repair shop, you need an auto repair shop license. Most dealers do not need a repair shop license because the average dealer only sells cars – they do not own a repair shop. The BAR website is [www.smogcheck.ca.gov](http://www.smogcheck.ca.gov).

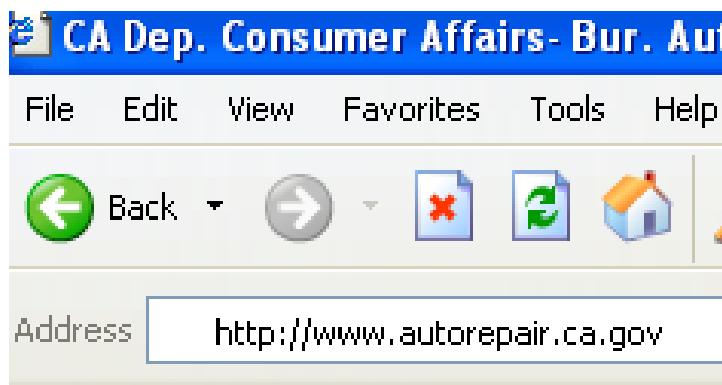
### When a dealer must register with the BAR

If you do auto repair as a business, you need a repair shop license.

What if you work on your own cars you are selling? Let's say for example, you buy a car from a dealer auction and it needs a tune-up, and you want to do the tune-up yourself before you sell the car. Can you do it without getting a repair shop license? Generally YES. As long as you do not separately bill the customer for the tune-up, you can do your own repairs before you sell the car and you don't need a repair shop license. Another name for this is called "reconditioning".

What about a service agreement or extended warranty? Do you need a repair shop license if you sell an extended warranty? The answer is no, as long as you do not do the repair work. Let's say for example you sell an extended warranty and the car breaks down. If the customer brings the car to you and you do the repair work, then you need a repair shop license.

PLEASE VISIT THE WEBSITE TO THE BUREAU OF AUTOMOTIVE REPAIR...





## Lesson 14: Handling, Completion and Disposition of Departmental Forms

### Report of Sale required - Wholesale

When you sell a vehicle retail or wholesale, a Report of Sale is required

#### Wholesale Report of Sale

To be used when selling a vehicle from dealer to dealer, wholesaler to wholesaler, wholesaler to dealer or dealer to wholesaler

The wholesale report of sale is very easy to fill out – it's just basic information of the selling and buying dealer. When you get the real forms from the DMV, you will find that each form has three sections, also called a three-part carbon form. The top original you need to MAIL TO THE DMV within 5 days. THE MIDDLE COPY- THE SELLING DEALER KEEPS. THE BOTTOM COPY- THE BUYING DEALER KEEPS.

Don't forget to fill out the 262 Form

You need to collect the buying dealer's Seller's Permit Info. This is done on a special form called the RESALE CERTIFICATE. You can download the form from the Board of Equalization website. [www.boe.ca.gov](http://www.boe.ca.gov)

BOE-200 (7-02)  
GENERAL RESALE CERTIFICATE  
STATE OF CALIFORNIA  
BOARD OF EQUALIZATION

#### California Resale Certificate

##### I HEREBY CERTIFY:

1. I hold valid seller's permit number: \_\_\_\_\_
2. I am engaged in the business of selling the following type of tangible personal property: \_\_\_\_\_

3. This certificate is for the purchase from \_\_\_\_\_ of the item(s) I have listed in paragraph 5 below. \_\_\_\_\_ [Vendor's name]

4. I will resell the item(s) listed in paragraph 5, when I can, under the resale conditions in the terms of tangible personal property in the regular course of my business operations, and I will do so prior to making any use of the item(s) other than demonstration and display while holding the item(s) for sale in the regular course of my business. I understand that if I use the item(s) purchased under this certificate in any manner other than as just described, I will owe use tax based on each item's purchase price or as otherwise provided by law.

5. Description of property to be purchased for resale:

**SAMPLE ONLY. DO NOT USE THIS FORM. VISIT  
WWW.BOE.CA.GOV FOR ACTUAL FORM.**

6. I have read and understand the following:

For Your Information: A person may be guilty of a misdemeanor under Revenue and Taxation Code section 6064.5 if a purchaser knows at the time of purchase that he or she will not resell the purchased item prior to any due date for the payment of tax. Additionally, a person may be liable for a civil fine of up to \$500 for failing to use a resale certificate to avoid payment to the seller of an amount as tax. Additionally, a person misusing a resale certificate for personal gain or to evade the payment of tax is liable, for each purchase, for the tax that would have been due, plus a penalty of 10 percent of the tax or \$500, whichever is more.

NAME OF PURCHASER	ADDRESS OF PURCHASER
SELLER'S NAME OR FIRM'S NAME	SELLER'S ADDRESS
SELLER'S PHONE NUMBER	SELLER'S ZIP CODE

**0000000 ODOMETER DISCLOSURE**

Federal and State law requires that you state the mileage upon initial registration or transfer of ownership. Failure to complete or making a false statement may result in fines and/or imprisonment.

Odometer mileage reading disclosure is encouraged for all vehicles, but is required if the:

- type vehicle is an auto, commercial, or motorcycle,
- transaction is an application for original registration or registered owner transfer, and
- vehicle is less than 10 years old, and
- in the case of a commercial motor vehicle, the unladen weight is 8,500 lbs. or less (16,000 lbs. gross weight or less.)

For further information, you may contact the nearest DMV office to obtain the following informational brochures:

- New Requirements regarding Odometer Mileage Reporting (FFVR 14)
- How to Report Odometer Mileage Readings (HTVR 12).

**SAMPLE**

**0000000 WHOLESALE REPORT OF SALE DMV**

VEHICLE IDENTIFICATION NO.  VEHICLE LICENSE NO.

YEAR	MODEL	BODY TYPE	UPON WHOLESALING VEHICLE SELLER MUST ENTER ODOMETER READING HERE	THOUSANDS	HUNDREDS	TENS
------	-------	-----------	--	-----------	----------	------

On , 19 , I as selling party of the vehicle described above, sold and delivered possession of said vehicle to:  BUYER'S DLR NO.

BUYER (Dealer's Name) (print)

Buyer's Address

City  State  ZIP Code

SELLER (Dealer's Name) (print)

Address  ZIP Code

City  Seller's Signature  DLR NO.

DMV COPY  95 86530

Reg. 396 (Rev. 4/95)

### Report of Sale required - Retail

Retail Report of Sale 4 parts (use when selling a vehicle to the PUBLIC / not for resale).

Application Copy “top original” (send to DMV within 30 calendar days)

Temporary Identification (window permit) “bottom original” Exceptions – 1) Customer demands title but tags are expired (DMV frowns upon “demand of title”, so only use if necessary and justified. 2) Vehicle to be registered out of state

Book Copy “top carbon” (save 4 years)

5-day Dealer Notice “bottom carbon” (5 calendar days) “The only document you mail to DMV in SEPARATE envelope from rest of paperwork.”

**APPLICATION COPY - SUBMIT TO DMV - 30 DAYS**

**REPORT OF SALE—USED VEHICLE**

**00000000**

DATE SOLD (MO./DAY/YR.)	DATE OPERATED (MO./DAY/YR.)	NFM/IND		
MAKE	YEAR MODEL	BODY TYPE	MOTIVE POWER	
NUMBER OF AXLES		UNLADEN WEIGHT		
VEHICLE IDENTIFICATION NUMBER				
M/C ENGINE NUMBER OR ADDITIONAL IDENTIFICATION NUMBER				
LAST REGISTERED IN STATE OF		YEAR REGISTERED	LICENSE NUMBER	
		COUNTY OF RESIDENCE		
IF REVIVED JUNK OR SALVAGE—DISMANTLER NOTICE OF ACQUISITION NUMBER				
SOLD TO: PRINT TRUE FULL NAME AS IT APPEARS ON THE DRIVER LICENSE OR ID CARD IN THE ORDER SHOWN BELOW				DRIVER LICENSE/ID CARD NO.
(1) <input type="checkbox"/> AND <input type="checkbox"/> LAST		FIRST	MIDDLE	DRIVER LICENSE/ID CARD NO.
<input type="checkbox"/> OR (2) BUSINESS OR RESIDENCE ADDRESS		APT. NUMBER	CITY	STATE ZIP CODE
MAILING ADDRESS—IF DIFFERENT FROM ABOVE OR LOCATION (FOR TRAILER COACH/VESSEL)		APT. NUMBER	CITY	STATE ZIP CODE
DEALER'S NAME	BY			
ADDRESS				CITY
DEALER'S NUMBER				SALESPERSON'S NUMBER
SIGNATURE OF PURCHASER(S)				
(1) <input checked="" type="checkbox"/> X		(2) <input type="checkbox"/> X		

**REMINDERS TO PERSONS PREPARING THIS REPORT**

1. Use these reports in numerical sequence.
2. Do not forget to have purchaser sign Report of Sale.
3. Make sure Temporary Identification copy is affixed to vehicle before delivery.
4. When necessary to void a report, refer to instructions enclosed in the Report of Sale package.

REG 51 (REV. 4/94) **— DMV copy —**

**USED VEHICLE DEALER NOTICE/TEMPORARY IDENTIFICATION**  
(Must be affixed to the vehicle before delivery to the purchaser)

**00000000**

MAKE	YEAR MODEL	BODY TYPE	VEHICLE IDENTIFICATION NUMBER
DATE SOLD (MO./DAY/YR.)	DEALER'S NUMBER		SALESPERSON'S NUMBER
SOLD TO: PRINT TRUE FULL NAME(S)			
(1) BUSINESS OR RESIDENCE ADDRESS		(2) APT. NUMBER CITY STATE ZIP CODE	
NOTE: UPON TRANSFER OR SALE, DEALER <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> , <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> MUST ENTER ODOMETER READING HERE			
IMPORTANT! ENTER BOTH DEALER'S AND SALESPERSON'S NUMBERS. This is a notice of purchase of vehicle. Do not use as an application for registration or title.			

REG 51 (REV. 4/94)

<b>DMV</b> A Public Service Agency		THIS IS THE "BOOK COPY" - KEEP 4 YEARS MINIMUM			00000000	
<b>REPORT OF SALE—USED VEHICLE</b>						
DATE SOLD (MO./DAY/YR.)		DATE OPERATED (MO./DAY/YR.)		N.R.M.I.D.		
MAKE	YEAR MODEL	BODY TYPE	MOTIVE POWER	NUMBER OF AXLES	UNLADEN WEIGHT	
VEHICLE IDENTIFICATION NUMBER			MIC ENGINE NUMBER OR ADDITIONAL IDENTIFICATION NUMBER			
LAST REGISTERED IN STATE OF		YEAR REGISTERED		LICENSE NUMBER		COUNTY OF RESIDENCE
IF REVIVED JUNK OR SALVAGE—DISMANTLER NOTICE OF ACQUISITION NUMBER						
SOLD TO: PRINT TRUE FULL NAME AS IT APPEARS ON THE DRIVER LICENSE OR ID CARD IN THE ORDER SHOWN BELOW				DRIVER LICENSE/ID CARD NO.		
(1) <input type="checkbox"/> LAST		FIRST <input type="checkbox"/> MIDDLE		DRIVER LICENSE/ID CARD NO.		
<input type="checkbox"/> AND <input type="checkbox"/> OR (2)						
BUSINESS OR RESIDENCE ADDRESS		APT. NUMBER	CITY	STATE	ZIP CODE	
MAILING ADDRESS—IF DIFFERENT FROM ABOVE OR LOCATION (FOR TRAILER/COACH/VESSEL)		APT. NUMBER	CITY	STATE	ZIP CODE	
DEALER'S NAME		BY				
ADDRESS		CITY				
DEALER'S NUMBER		SALESPERSON'S NUMBER				
SIGNATURE OF PURCHASER(S)						
(1) <input checked="" type="checkbox"/> X		(2) <input type="checkbox"/> X				
<b>REMINDERS TO PERSONS PREPARING THIS REPORT</b>						
<ol style="list-style-type: none"> <li>1. Use these reports in numerical sequence.</li> <li>2. Do not forget to have purchaser sign Report of Sale.</li> <li>3. Make sure Temporary Identification copy is affixed to vehicle before delivery.</li> <li>4. When necessary to void a report, refer to instructions enclosed in the Report of Sale package.</li> </ol>						
— Dealer copy —						
<b>DMV</b> A Public Service Agency		USED VEHICLE DEALER NOTICE After completion, detach this stub copy and mail direct to Department of Motor Vehicles, P.O. Box 944292-2920, Sacramento, CA 94244-2920, no later than the period of time specified in Section 5901 VC.			00000000	
MAKE	YEAR MODEL	BODY TYPE	VEHICLE IDENTIFICATION NUMBER			
DATE SOLD (MO./DAY/YR.)	DEALER'S NUMBER		SALESPERSON'S NUMBER			
SOLD TO: PRINT TRUE FULL NAME(S)				DRIVER LICENSE/ID CARD NO.		
(1) BUSINESS OR RESIDENCE ADDRESS		APT. NUMBER	CITY	STATE	ZIP CODE	
NOTE: UPON TRANSFER OR SALE, DEALER		<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> , <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>				
MUST ENTER ODOMETER READING HERE		IMPORTANT! ENTER BOTH DEALER'S AND SALESPERSON'S NUMBERS. This is a notice of purchase of vehicle. Do not use as an application for registration or title.				
REG 51 (REV. 4/94) THIS IS A DEALER'S "RELEASE OF LIABILITY" MAIL TO SAC DMV - 5 DAYS						

## Storage and security of Reports of Sale

State law requires that you store your reports of sales at your place of business. Moreover, DMV policy states you must keep your reports in a safe place / secure area, under lock and key.



If you don't keep reports of sale safe and some turn up missing, you may be liable for sales tax according to the Board of Equalization!

## Completion of Report of Sale (wholesale)

A PROPERLY COMPLETED WHOLESALE REPORT OF SALE MUST INCLUDE...

Vehicle license number

Vehicle identification number (VIN)

Make of vehicle

Year, model, body type

Mileage

Date of sale

Buyer's dealer number and name

Buyer's address

Seller's dealer name, address

Seller's signature and dealer number

### **Completion of Report of Sale (Retail)**

A PROPERLY COMPLETED RETAIL REPORT OF SALE MUST INCLUDE...

Date sold, date operated, NRM/IND

Make, year, body type, motive power, number of axles, unladen weight

VIN, motorcycle engine number

Last registered in state of..., year registered, license number, county of residence

If revived, junk or salvage, acquisition number

Name, driver license number, address of buyer

Dealer name, by..., address, dealer number, salesperson number

Buyer's signature

FOR LOWER PORTION OF RETAIL REPORT OF SALE, complete make, year, body type, VIN, date sold, dealer number, salesperson number, name and address of buyer, odometer disclosure.

### **Five day dealer notice**

5-day Dealer Notice "bottom carbon" (5 calendar days) "The only document you mail to DMV in SEPARATE envelope from rest of paperwork." This is your "release of liability".

If you are late, you will be fined an ASF fee.

### **Window copy of Report of Sale**

Affix to the window of the vehicle prior to delivery. The rear window, lower passenger corner is best, but use the front passenger lower corner of windshield if rear window has dark tint or is otherwise obstructed. Temporary Identification (window permit) is the "bottom original" Exceptions – 1) Customer demands title but tags are expired 2) Vehicle to be registered out of state.

### **90 Day Temporary Permit - Window Copy**

The window copy is valid for 90 days (formerly 6 months). Drivers may be cited for operating a vehicle after the permit expires.

### **Submission of Report of Sale and other documents to the Department**

As a dealer, you are responsible to process car registration – This is OPPOSITE of private party sale – As a dealer, you DO NOT send your customers to DMV, you will mail all the paperwork to DMV. Some local DMV's will allow dealers to “walk in” paperwork – others will not. Thus, be sure to check with your local DMV if you choose to “walk in” paperwork.

### **Revisions to Report of Sale OLIN 2008-7**

Where the Report of Sale says “Reminders to persons preparing this report”, a note will be added which states that vehicles must have 2 license plates affixed.

### **Ordering Report of Sales and using the appropriate Inventory Order Post Card**

#### **WARNING TO DEALERS**

MANY DEALERS OPERATE PARTIAL HOURS AND MAINTAIN THE DEALER'S LICENSE AS A PART-TIME SIDE BUSINESS. THIS IS ACCEPTABLE, BUT BE SURE TO NOT "ABANDON" YOUR LOCATION OR ACTION WILL BE TAKEN AGAINST YOUR LICENSE.

FOR EXAMPLE, IF YOU ORDER FORMS AND NOBODY IS AT YOUR LICENSED LOCATION TO ACCEPT THOSE FORMS, THE FORMS WILL BE SENT BACK TO THE DMV AS "UNDELIVERABLE", CREATING A PRESUMPTION OF LOCATION ABANDONMENT!

It is important to know that the method of ordering reports of sales is different than ordering general bulk forms.

### **How to Order Report of Sales**

To order reports of sales, the traditional method was to use the following inventory order card. These cards are generally found in the back of the wholesale report of sale books.

POSTAL ORDER BLANK <i>For</i> REPORT OF SALE BOOKS	
Please send _____ QUANTITY	
New <input type="checkbox"/> Used <input type="checkbox"/> Wholesale <input type="checkbox"/> Report of Sale Books to	
Firm Name <b>SAMPLE SAMPLE SAMPLE SAMPLE</b>	Dealer No.
Address	
City _____ ZIP Code _____	
Signature	Date
NOTE: Your Order will be delayed without the ZIP Code. (Allow 4-6 Weeks for Delivery)	

## Current Procedure:

When ordering Reports of Sales, you must download, complete, and mail the following applicable forms from [www.dmv.ca.gov](http://www.dmv.ca.gov):

**OL 395U, Used Report of Sale, Reg.51, Order Form or**

**OL 395W, Wholesale Report of Sale, Reg. 396, Order Form (PDF)**

## How to Order Bulk Forms

In order to order forms in general, you must submit your request on letterhead, indicate form(s) by form number or form title, quantity needed, street address for delivery and telephone number. PO Boxes are NOT allowed.

Here is the address to request forms:

**Department of Motor Vehicles  
Materials Management Section  
Inventory Control Operations  
4201 Sierra Point Drive, Suite 112  
Sacramento, CA 95834-1998**

Their FAX Number is: (916) 928-6817

The DMV will process your request provided that the forms you request are currently in stock. If the forms are not available they will notify you.

If you have questions on your order of forms, please call (916) 928-7901.

- Please visit [www.dmv.ca.gov](http://www.dmv.ca.gov) as phone numbers and procedures may change

## Bulk Forms and Licensing Info

Please see [http://www.dmv.ca.gov/vehindustry/ol/olbranch\\_top.htm](http://www.dmv.ca.gov/vehindustry/ol/olbranch_top.htm) for forms and license requirements.

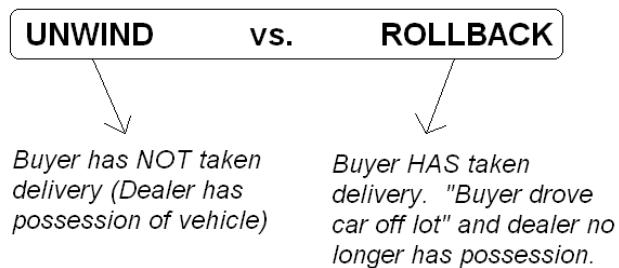
### **EXTRA CONTINUING EDUCATION TIP!**

Don't sell a car without a title – if for some reason the title is late, then the customer will complain to the DMV for your “failure to transfer title”. The DMV can then take administrative action against you.

## Unwinds and Rollbacks

Due to AB 68, it is important that you understand the difference between an unwind and a rollback and the appropriate procedures.

First, study this diagram:



### Unwind Procedure:

Buyer has NOT taken delivery

Mark all Report of Sale parts “VOID”

Complete Statement of Facts indicating reason for error, a statement that vehicle did NOT leave your possession and statement that vehicle was NOT operated with the temporary operating permit

### Rollback Procedure:

Buyer HAS taken delivery

Fees still must be paid to DMV if operation caused fees to become due

Fees must be paid within 30 days

If vehicle is sold to another buyer...

First and second buyer must endorse title

Reg 101 (Statement to Record Ownership) must be completed in second owners name

Any lienholder on title from first buyer must be satisfied (signed off by bank)

Bill of Sale from first buyer to the dealer

Smog certificate (original smog for first buyer acceptable)

Odometer disclosure for both buyers (REG 262 is acceptable)

Two reports of sale (one for first buyer, another for second buyer)

Two transfer fees and any other fees due.

Statement of Facts indicating...

The reason the vehicle was returned (for example, credit unavailable).

Name of buyer who returned the vehicle and the date returned.

If the vehicle was voluntarily returned by the buyer.

How the vehicle was sold (under conditional contract, etc.).

If a trade-in was returned to buyer.

If a down payment was returned and whether it was a cash down payment or cash in addition to a trade-in.

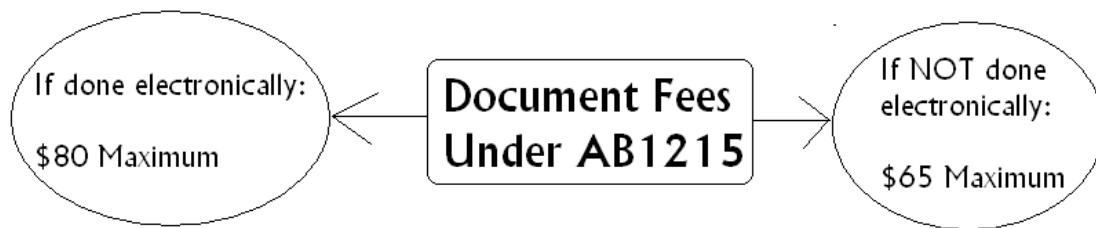
## Electronic Registration Processing System

Vehicles may be registered electronically (EVR)

**New Vehicle Dealers** (franchise only): Mandatory participation – applies to sales AND leases *(does not apply to off-road, recreational, or motorcycles)*

## Used Vehicle Dealers:

## Optional participation



- The EVR charge may NOT exceed the actual amount dealer is charged
- No fee shall be represented as a governmental fee!



## Lesson 15: Basic License Requirements

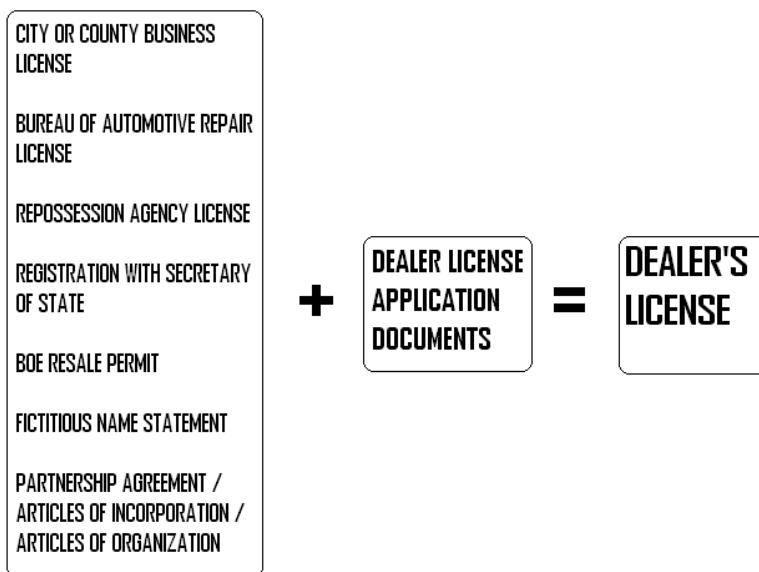


### Form Requirements

- OL 12: This is the application for original occupational license, part C.
- OL21A: This is the application for original occupational license, part A.
- OL25: This is the surety bond (usually supplied by the bond company). OL25B is for motorcycle only or wholesale-only dealers.
- OL29: This is part B, the personal history questionnaire. Please be honest or the application will be denied.
- OL53: This is the authorization to release financial information
- OL902: This is the Property Use Verification to indicate the city or county allows the intended use.
- DMV 8016: This is the live scan fingerprint form.
- ADM 9050: This is the form where you appoint an agent for service of process.

### Additional Documents/ Permits required as part of the application package

In addition to the forms required as part of the application package, the DMV also requires the following other permits / documents:



*Let's review the types of dealer licenses.*

### **3 Most Common Types of Licenses:**

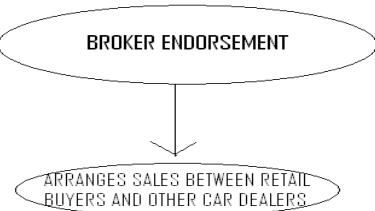
**1. Retail dealer license** - A retail license means you can sell cars to the public and/or to dealers. – even if you want to sell cars to yourself or your friends and family members, you still need a retail license.



**2. Wholesale dealer license** – a wholesale dealers license only lets you sell cars to other dealers, so a wholesale license is a dealer – to – dealer license.



**3. Broker Endorsement** – a brokers endorsement means you can add brokering for \$100 more to your dealers license . An auto broker finds cars for people at other car dealerships and earns money for doing the car finding. The fee is called a brokers commission.



**CRITICAL ZONING ISSUES:** Do you want to change your address or open up a branch location? If yes, keep in mind that the new location requires a completed Property Use Verification Form.

**PROPERTY USE VERIFICATION FORM** - you can get it on the DMV website. You need to take this form to the CITY PLANNING DEPARTMENT. All cities have a different planning department. If you are in county limits, outside of the city, you need to go to the COUNTY PLANNING department instead.

The form has a place where you will write your address and the city will fill out the form to let the DMV know whether you can do business from that address.

IT'S THAT EASY! STUDY THIS SAMPLE PLEASE...

 A Public Service Agency

NAME
CL NUMBER

**SAMPLE ONLY**      OCCUPATIONAL LICENSING SECTION

**PROPERTY USE VERIFICATION FOR VEHICLE DEALER'S LICENSE**      **SAMPLE ONLY**

*Instructions:* This form is to be completed (in ink) by an official of the agency responsible for property use in your area, pursuant to Government Code Section 65850, and submitted with your application for license to a department Inspector.

In connection with an application for a Vehicle Dealer's License to be submitted to the Department of Motor Vehicles by:

APPLICANT'S NAME	PRESENTLY ZONED
BUSINESS NAME	
BUSINESS ADDRESS	CITY      STATE      ZIP CODE

I hereby certify that the property located above is (check one of the following):

Approved for the operation of Vehicle Retail Sales (office, sign, and display area mandatory).  
 Approved for the operation of a Vehicle Dealer-Wholesale Only, no retail sales (office mandatory).  
 Approved for the operation of a Vehicle Autobroker, no retail sales (office and sign mandatory).  
 Not approved for the operation of a vehicle dealer business.

**SAMPLE ONLY**

SIGNATURE <b>X</b>	TITLE
AGENCY	CITY, COUNTY, OR CITY AND COUNTY
DATE	AREA CODE/TELEPHONE NUMBER (      )

**SAMPLE ONLY**

CL 902 (REV. 5/2003) WWW



**WHAT WILL HAPPEN IF A DEALER IGNORES THE PROPERTY USE VERIFICATION FORM?**

**READ THIS EXAMPLE TO FIND OUT:**

John, the owner of John's Auto Sales planned to move to a larger location. He found what he thought was the perfect piece of land on a busy street. He bought the land. His DMV Inspector then requested a PROPERTY USE VERIFICATION form to complete the address change process. When John went to the City Planning Department, they refused to sign the form, stating that the land he bought is zoned "Office Professional" and not suitable for retail auto sales! John's mistake was to not check with the City Planning Department FIRST. Hopefully, John can re-sell the land without losing money.

## Office requirements

**OFFICE OF PRINCIPAL PLACE OF BUSINESS IS REQUIRED.** In other words, you must obtain a commercial location – generally no homes!

Make sure the city or county allows auto sales there – prove it to your inspector by having the PROPERTY USE VERIFICATION signed and submitted with your application.

No minimum size for office itself. However, any city can add restrictions beyond the minimum State DMV requirements!

Your Inspector will expect to find basic office amenities such as a desk, phone, file cabinet, electricity, etc.

Your office must have a clear and physical separation from other businesses.

Your office must not be temporary. However, it can be a "commercial coach" provided that it is not part of your inventory.

### **LET'S REVIEW THE DISPLAY AREA:**

OK, IF YOU WANT A RETAIL LICENSE, the DMV requires at minimum, a small display area.

The law actually says, your display needs to be sufficiently large enough to display the types of cars you are selling, which basically means that the size of your display area depends on how many cars you're going to sell at a time.

BY LAW, YOUR DISPLAY CAN BE UP TO 1000 FEET AWAY FROM YOUR OFFICE!

**TIP:** Even though the law says your display can be up to 1000 feet from your office, it's preferable to have your display as close to your office as possible!

**PLEASE NOTE BELOW THAT A WHOLESALE LICENSE DOES NOT REQUIRE A DISPLAY!**



## **OFFICE POSTINGS**

YOU NEED TO MAINTAIN SEVERAL REQUIRED SIGNS ON THE WALL.

**WARNING: FAILURE TO MAINTAIN THESE "SIGNS" ON YOUR WALL MAY RESULT IN ACTION AGAINST YOUR DEALER LICENSE.**

## **NO COOLING OFF SIGN...**

No cooling off means "no refunds if the customer changes their mind".

In other words, if someone buys a car from you and goes home and decides they don't want the car anymore, then they can't bring it back for a refund.

Note the additional information regarding AB 68 (we will discuss this later).

**SAMPLE SIGNS (NOTE: THE FOLLOWING SIGNS ARE SAMPLES. ALTHOUGH OUR SIGNS MAY CONFORM TO LEGAL REQUIREMENTS, WE STILL RECOMMEND THAT YOU PURCHASE SIGNS FROM A DEALER SUPPLY COMPANY.)**

## **INSPECTION SIGN...**

THE INSPECTION SIGN MEANS THE CUSTOMER CAN INSPECT A CAR WITH YOUR APPROVAL.

**THE NEXT TWO PAGES CONTAIN SAMPLE SIGNS OF INSPECTION SIGN AND NO COOLING OFF SIGN, RESPECTIVELY**

**Notice to Public:  
Inspection of Vehicle  
CVC 11709.1**

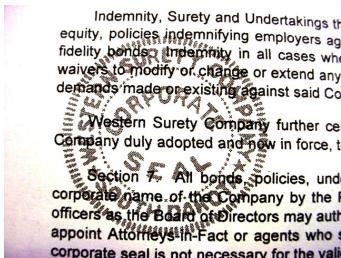
**The prospective purchaser of a vehicle may, at his or her own expense and with the approval of the dealer, have the vehicle inspected by an independent third party either on or off these premises.**

**THERE IS NO COOLING OFF PERIOD UNLESS YOU  
OBTAIN A CONTRACT CANCELLATION OPTION.**

California law does not provide for a "cooling-off" or other cancellation period for vehicle sales. Therefore, you cannot later cancel this contract simply because you change your mind, decide the vehicle costs too much, or wish you had acquired a different vehicle. After you sign below, you may only cancel this contract with the agreement of the seller or for legal cause, such as fraud.

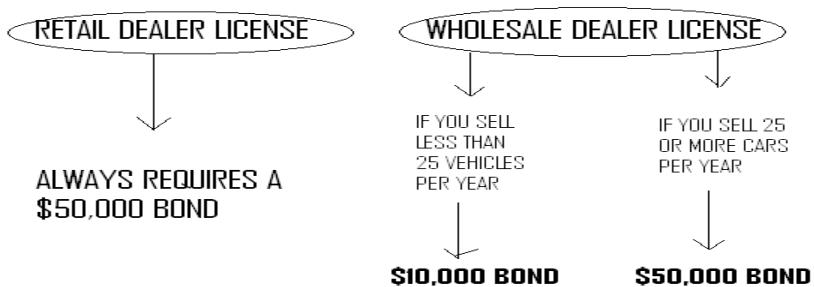
However, California law does require a seller to offer a 2-day contract cancellation option on used vehicles with a purchase price of less than \$40,000, subject to certain statutory conditions. This contract cancellation option requirement does not apply to the sale of a recreational vehicle, a motorcycle, or an off-highway motor vehicle subject to identification under California law. See the vehicle contract cancellation option agreement for details.

## Bond Requirements



To be a dealer, you need \$50,000 bond coverage for a Retail dealers license and \$10,000 coverage for wholesalers who sell less than 25 cars a year.

### **PLEASE STUDY THIS DIAGRAM:**



### **Why do you need a bond?**

Dealers generally need bonds in case they cheat people and get sued. If someone sues you and they win in court, they may be able to pull money from your bond. Also, in the event you owe the dmv money such as failure to pay an a.s.f. fee, the dmv can collect such amount from your bond.

### **How DO BONDS WORK?**

It's easy – you simply pay your bond company the bond premium every year.

### **ARE YOU AWARE OF Bond Reductions AND BOND Lapses?**

A bond **reduction** means your bond is reduced below the required amount. This can happen many different ways.

HOW A BOND MAY BE REDUCED

1. You get sued and the bond company pays money out.
2. You fail to pay an A.S.F. fee and the DMV collects the unpaid A.S.F. fee from your bond company.
2. Business transactions, such as failing to pay an auction for a vehicle - the auction can collect from your bond.



A **LAPSE** MEANS YOUR BOND **EXPIRES**. IN OTHER WORDS, YOU DON'T PAY YOUR BOND COMPANY ON TIME.

There is a law that says if your bond is reduced or lapses, it results in automatic cancellation of your license. – in other words, it may put you out of business, so be sure to not cheat anybody and always pay your bond company on time.

## Required Fees



**FEES REQUIRED:**

\$175 application fee. This is NOT refundable.

\$1 Family Support Program fee (to aid in the collection of delinquent child support)

\$70 for each branch location (if you decide to get more than one location)

\$71 for each dealer plate (\$73 for motorcycles) and (plus county fees, if applicable). The amount will vary depending on the county where your business is located, but generally around \$10.

\$100 for autobroker endorsement

## Renewal Requirements

Every TWO YEARS you will need to renew your dealer license. The DMV will mail you a renewal notice, but it is still your responsibility to make sure you renew your license on time, regardless of notice sent to you.

You must submit your renewal fees prior to expiration date. The current renewal fee is \$125 per year. You must also submit fees to renew your dealer plates, which varies by county. There will also be a \$1 surcharge to enable collection of delinquent child support.

If the DMV does not receive fees by the expiration date, you have 30 days for the DMV to receive your renewal plus penalty. If the DMV does not receive your renewal within 30 days after your license expires, your license will be cancelled.

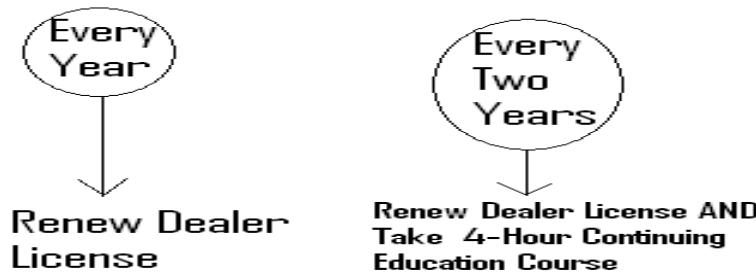
Let's translate that in plain English. In other words, if you pay within the 30-day period, you still have to pay your renewal fees for the dealer license and dealer plates. In addition, you have to pay the penalty of the original application fee (currently \$150), plus a penalty for each dealer plate. The penalty is measured as follows: 10% of the dealer plate fee if your application is received 1-10 days after license expiration, or 20% if received 11-30 days after license expiration.



### Now let's talk about Continuing Education

That just means that every two years, you need to take a 4 hour course just like this one. As you know... the renewal class can be done at home with a home-study course. Therefore, you do not physically need to come to a class to take continuing education.

Helpful Diagram:



## Name and address change requirements

Form OL21 is available if a name and/or address change is required for a dealer. The completed form is submitted to your local Inspector. Please see sample form below:

<b>SAMPLE SAMPLE SAMPLE SAMPLE SAMPLE</b>		<b>FOR DMV USE ONLY</b>	
		FIRM NUMBER	DATE APP RECEIVED
		ADM NUMBER	DATE PERMIT ISSUED
		NAWIC FEE	DATE PERMIT EXPIRES
		OTHER FEE	REGION
		TOTAL FEE	INSPECTOR NAME/ID NUMBER
		SR NUMBER	
<b>APPLICATION FOR MODIFICATIONS TO AN OCCUPATIONAL LICENSE</b>			
<i>(Submit a separate form for each business location)</i>			
<b>A. CURRENTLY LICENSED AS:</b> (Check one box.)			
<input type="checkbox"/> Dealer New <input type="checkbox"/> Dealer-Wholesale Only <input type="checkbox"/> Dismantler <input type="checkbox"/> Transporter <input type="checkbox"/> Distributor <input type="checkbox"/> Dealer Used <input type="checkbox"/> Dealer Autobroker <input type="checkbox"/> Lessor-Retailer <input type="checkbox"/> Manufacturer <input type="checkbox"/> Remanufacturer			
<b>B. REASON FOR SUBMISSION:</b> (Check all that apply and complete the sections indicated.)			
<input type="checkbox"/> Add Branch Location <input type="checkbox"/> C <input type="checkbox"/> E <input type="checkbox"/> I <input type="checkbox"/> J <input type="checkbox"/> K <input type="checkbox"/> Change Branch Location <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E <input type="checkbox"/> I <input type="checkbox"/> J <input type="checkbox"/> K <input type="checkbox"/> Add Dismantler Branch <input type="checkbox"/> C <input type="checkbox"/> H <input type="checkbox"/> J <input type="checkbox"/> K <input type="checkbox"/> Change Corporate Name <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E <input type="checkbox"/> I <input type="checkbox"/> K <input type="checkbox"/> Add Firm Name <input type="checkbox"/> C <input type="checkbox"/> K <input type="checkbox"/> Change Firm Address <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> E <input type="checkbox"/> I <input type="checkbox"/> J <input type="checkbox"/> K <input type="checkbox"/> Add or Delete Make or Line <input type="checkbox"/> C <input type="checkbox"/> G <input type="checkbox"/> Change Firm Name <input type="checkbox"/> C <input type="checkbox"/> D <input type="checkbox"/> K <input type="checkbox"/> Add or Delete Category <input type="checkbox"/> C <input type="checkbox"/> G <input type="checkbox"/> Dealer Type License Change <input type="checkbox"/> C <input type="checkbox"/> E <input type="checkbox"/> F <input type="checkbox"/> K <input type="checkbox"/> Add Autobroker <input type="checkbox"/> C <input type="checkbox"/> K <input type="checkbox"/> Delete Autobroker <input type="checkbox"/> C <input type="checkbox"/> K			
<b>C. FIRM INFORMATION:</b>			
TRUE FULL NAME OF SOLE OWNER, ALL PARTNERS, CORPORATION, LIMITED LIABILITY COMPANY OR ASSOCIATION		FIRM NUMBER	
FIRM NAME (IF CHANGING OR ADDING NAME, LIST NEW NAME)		AREA CODE/TELEPHONE NUMBER	
FIRM ADDRESS (IF CHANGING ADDRESS OR ADDING BRANCH, LIST NEW ADDRESS)		CITY	STATE ZIP CODE
<b>D. FORMER NAME OR ADDRESS:</b>			
FORMER NAME <b>SAMPLE SAMPLE SAMPLE SAMPLE SAMPLE</b>			
FORMER ADDRESS <b>SAMPLE SAMPLE SAMPLE SAMPLE SAMPLE</b>			
<b>E. CHECK THE VEHICLES TO BE SOLD, MANUFACTURED OR DISTRIBUTED AT THIS LOCATION:</b>			
<b>NEW</b> <input type="checkbox"/> Automobile/Commercial* <input type="checkbox"/> Motorcycle* (Including Off-Highway) <input type="checkbox"/> All-Terrain Vehicle* <input type="checkbox"/> Motorhome* <input type="checkbox"/> Recreational Trailer* <input type="checkbox"/> Trailer* <input type="checkbox"/> Snowmobile* <small>*OL 124 required +Letter of Authorization required</small>			
<b>USED</b> <input type="checkbox"/> Automobile/Commercial <input type="checkbox"/> Motorcycle (Including Off-Highway) <input type="checkbox"/> All-Terrain Vehicle <input type="checkbox"/> Motorhome <input type="checkbox"/> Recreational Trailer <input type="checkbox"/> Trailer <input type="checkbox"/> Snowmobile			
<b>F. DEALER ONLY: (Type license change.)</b>			
CHANGING FROM <input type="checkbox"/> Dealer New <input type="checkbox"/> Dealer Used <input type="checkbox"/> Dealer-Wholesale Only		CHANGING TO <input type="checkbox"/> Dealer New <input type="checkbox"/> Dealer Used <input type="checkbox"/> Dealer-Wholesale Only	
<b>SAMPLE SAMPLE SAMPLE SAMPLE SAMPLE</b>			
DL21-REV 11/2004 www			

## 10 Day Notice Requirement For Changes To Dealer License

IF you make any of the following changes, you must notify the DMV Inspector in writing within 10 days:

- Business address, suite number, zip code
- Business name
- Addition or deletion of business location
- Ownership changes
- Addition or removal of corporate officers, LLC members, or association administrators
- Any license changes such as adding or deleting makes (for franchise dealers) or training curriculums

### Office requirements

- Commercial locations work best
- Make sure the city or county allows auto sales there – prove it to your inspector by having the PROPERTY USE VERIFICATION signed and submitted with your application. (no home office unless permitted by city planning dept.)
- No minimum size for office itself, but check with city since cities can add their own requirements
- Desk, phone, file cabinet, electricity
- Must have a clear and physical separation from other businesses

## Posting of business hours and days of operation



Any business should post days of operation and hours for customers. Many small dealerships fail to post hours and days of operation.

Due to the critical return time requirements of AB68's option period, to protect the dealer, it is imperative to post regular business hours and days of operation.

### Display Requirements

Tip: most inspectors like to see a display area sign, especially if your display is near other parking. Here is a sample:

**SUPERB MOTORS DISPLAY AREA**  
**NO CUSTOMER PARKING**

NOTE: Your display area must be sufficiently large enough to display the types of cars you are selling!

WARNING: Removing your display area is grounds for action against your license.

### Sign Requirements

You also need a **Main Sign**. The minimum size of the main sign needs to be at least **two square feet** in size and it simply needs to have your business name.

Tip: we recommend you also put your address on your sign, especially if your office is in a multiple office complex. This is to make it easier to identify your place of business. It avoids confusion.

Sample sign which includes address:

**SUPERB**  
**AUTO SALES**

1235 First Street, Suite 5

### Notices required to be posted at the dealer's place of business

- **Postings** 1) Inspection sign – for telling buyers your inspection terms 2) No Cooling Off (8"X10" and conspicuous) – for disclosing the NO Cooling Off (AB 68) 3) Resale permit 4)Business license 5) Dealer license 6) Salerpson's Licenses



FACT: IT IS AGAINST THE LAW TO NOT POST YOUR REQUIRED POSTINGS INCLUDING YOUR DEALER LICENSE. YOU CAN LOSE YOUR LICENSE. THE LICENSE MUST BE POSTED IN A CONSPICUOUS AREA, WHICH MEANS IN PUBLIC, PLAIN VIEW.

## Automatic Cancellations

The following will result in automatic cancellation of your special plates and dealer's license:

- Abandoning your established place of business
- Changing your business location without notice
- Failure to maintain full bond amount
- Failure to replace a terminated bond with a replacement bond prior to bond expiration date
- Voluntary surrender of your dealer license for cause
- The person designated as the licensee has changed (example: you sell your business)
- Suspension or revocation of corporate status
- Suspension or revocation of Board of Equalization seller's permit.

### BONUS TIPS:

**If you hire any sales persons, you need to post their Salesperson's licenses on the wall.**  
Later in this lesson, I will go into detail to let you know more about hiring salespersons.

**Also, it's a great idea to post a Proposition 65 Notice on the wall.**

A proposition 65 notice is a warning sign that warns people of dangerous chemicals or fumes coming from vehicles.

(Note: this sign is a sample. It may not conform to legal requirements. Please purchase a sign from a dealer supply company, or have an attorney draft a custom sign for you.

### WARNING

VEHICLES, AND THE COMPONENTS, REPLACEMENT PARTS AND MAINTENANCE THEREOF, CONTAIN CHEMICALS KNOWN TO THE STATE OF CALIFORNIA TO CAUSE CANCER, BIRTH DEFECTS AND OTHER REPRODUCTIVE HARM. THE EXHAUST EMITTED FROM AUTOMOBILES ALSO CONTAINS CHEMICALS KNOWN TO THE STATE OF CALIFORNIA TO CAUSE CANCER, BIRTH DEFECTS AND OTHER REPRODUCTIVE HARM. POSTED UNDER CALIFORNIA PROP 65 HEALTH AND SAFETY CODE SECTION 25249.5. ADDITIONAL INFORMATION MAY BE FOUND AT [WWW.CALPROP65.COM](http://WWW.CALPROP65.COM).



## Lesson 16: Special Plates



A special plate is a dealer plate. It is the same size as a regular license plate, except it says DLR for dealer and it displays your dealer number on the plate.

The main purpose of when to use a dealer plate is when you drive around the cars in your inventory. This is what dealer plates are for. See, when you buy a car at the dealer auction, it may not have current tags. When you put a dealer plate on, it allows you to drive around those cars.

Remember, dealer plates are only for the cars you are selling, in inventory. Therefore, you CANNOT use a dealer plate on your personal cars, or your friend's cars.

### Who can/cannot use dealer plates

OWNERS AND MANAGERS  
- ANY PURPOSE (BUSINESS OR PLEASURE)

EMPLOYEES - BUSINESS USE ONLY

We will now discuss who can and cannot use dealer plates. I will break down the law into two major categories: OWNERS and EMPLOYEES

WHEN CAN OWNERS AND MANAGERS USE DEALER PLATES? Owners and managers can use dealer plates for any purpose. Any purpose means for business and pleasure. There are no limits. You can use the car in the daytime or nighttime, on weekends or week days. In other words, if you are the owner, you can use the dealer plate for work, or for fun. If you want to take a car to the smog shop, it's ok, it's for work... If you want to take a car to the mall with your kids to go shopping, you can do that too.

WHEN CAN EMPLOYEES AND OTHERS USE DEALER PLATES? Employees and "others", such as friends and family members can only use dealer plates for business. Therefore, an employee can take a car to the smog shop, the detailer, the auto parts store... but the employee cannot use the dealer plate for fun, such as going to the mall or out on the town for fun.

Owner or partner may use dealer plate for any purpose, business or pleasure

Anybody may use dealer plate for any purpose if owner or partner is in car

What if a person is NOT an owner and NOT an employee? The can only use plate if:

1. Reside at owner's home and
2. Family member uses plate on car to pick up or drop off dealer.

Can employees of dealers use dealer plates? Only if RELATED TO EMPLOYMENT, such as test drive or getting gas or servicing car.

### **When to use dealer plates**

Dealer plates are typically used when a dealer or wholesaler purchases a vehicle and the vehicle is in transport to the dealership. If the vehicle's tags are expired or there is no license plate, the dealer can affix a dealer plate to the vehicle and the vehicle may be operated on a California road.

### **Proper placement of dealer plates**

You must put the dealer plate on the rear of the car where the normal license plate would go (rear license plate bracket). Also keep in mind that you only need one dealer plate on the back of the car – you do NOT need a dealer plate in the front. Remember... don't be lazy and put the dealer plate in the back window or on the dash board. You must put the dealer plate where on the back of the car where the license plate goes or you can get a ticket.

### **Miscellaneous Dealer Plate Laws**

What is the rule with using dealer plate for SPECIAL EVENTS? Need authorization letter that has:

1. Identify vehicle
2. Duration of event
3. Persons authorized to operate vehicle
4. Location of operation

Test Driver Rule: Anybody may use dealer plate if:

1. Prospective buyer
2. No more than 7 days
3. If salesperson not present, carry authorization letter

Dealer plates may be used on trailers as well as cars

NO dealer plates may be used on company cars such as courtesy shuttles!



## Lesson 17: Federal Buyer's Guide

**Warning:** The fine for Buyer's Guide Violations is now \$16,000 per violation!!! See [www.ftc.gov](http://www.ftc.gov)

The **federal buyers guide** is an as-is sign that you need to put on the cars you are selling. The sign also says "warranty". You simply check the box that says "as-is" or check the box that says "warranty". If you check the warranty box, you need to fill in the section that describes in detail what the warranty covers.



### Federally mandated program

This means that the Buyer's Guide law is a Federal law, to be followed by dealers in ALL 50 STATES. Thus, it's NOT a California State-Mandated Program (although it is ENFORCED in California).

How do you complete the form? You simply fill in the blanks. It's easy to fill out.

### Requirements for display

The law says that you need to display the buyer's guide on all cars offered for sale while they are in your designated display area. Simply tape the buyer's guide on the driver's side window or the window behind the drivers window. Keep in mind that on test drives, you are required to remove the buyer's guide for safety reasons. The buyer's guide is for cars in your display area, NOT for cars while they are on the road.



### Buyer must sign the buyer's guide

When you purchase buyer's guides from forms companies, they contain a special area for the customer to sign.



### Buyer receives a copy

Make sure to give your customer a copy of the signed buyer's guide

## Miscellaneous Buyer's Guide Laws and Tips



The DMV and the Federal Trade Commission take buyer's guide violations seriously. If you do not display buyer's guides like you should, you may be fined up to \$16,000 for each violation – that's \$16,000 per car!

If car is sold "AS-IS", check the AS-IS box. If sold with Warranty, check Warranty box and describe warranty in detail, making sure to note if warranty is limited or not. Most cars sold AS-IS. If see Warranty, most dealerships give Warranties because lenders they work with require a Warranty if a car is financed.

Spanish rules (This will come up again, so write it down now so you won't have to write it again later). If you negotiate primarily in Spanish with the customer, you need a Spanish buyer's guide and a posted notice that explains that you are required to have Spanish contracts. However, if the customer has his OWN translator, you can use English buyer's guides and you don't need a posted notice. Also, make sure you have a Spanish acknowledgment form – this is what your Spanish-speaking customer will sign to prove that they say an unexecuted copy of the English contract.

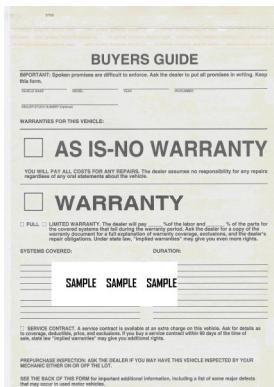
**RULE OF THUMB:** If encounter Spanish speaking customer it's always a safe bet to have Spanish Buyer's guides handy just in case they don't have a translator.

**WHERE CAN YOU GET BUYER'S GUIDES? AT AUCTIONS OR FORMS COMPANIES. YOU CAN'T GET BUYER'S GUIDES FROM THE DMV.**

### **EXTRA CONTINUING EDUCATION TIP!**

Don't forget to display the buyer's guides – if a DMV inspector visits your lot and you don't have the buyer's guides displayed on cars offered for sale, there will be possible action against your license, plus criminal prosecution by the City Attorney.

SAMPLE:





## Lesson 18: Stolen Vehicle Prevention



There are many stolen vehicles out there and if you're in the business of buying and selling cars, you need to know how to prevent coming across stolen vehicles. First, understand that if you buy a car from a dealer auction, the auction guarantees that the car is not stolen or you get your money back. Therefore, you don't have to worry about buying a stolen car from the dealer auction. However, if you buy a car from a private party, there is much more risk. How do you protect yourself?

### Indicia Verification

Indicia verification means you can have the VIN numbers checked out by the CALIFORNIA HIGHWAY PATROL. Certain CHP offices will do an VIN number inspection to determine if the car is stolen and has fake VIN numbers.

### Miscellaneous Tips

**What happens if a dealer unknowingly buys a stolen car?** If you buy a car from a stranger and later you find out that the car you bought was stolen, the money you gave the thief will be forever gone, and the car will go back to the real owner. In other words, you'll be out the car and out the money, so please be careful when buying cars from strangers. If you stick with the dealer auctions, you'll be fine.

How do we prevent this?

There are many precautions you can take to avoid a stolen car. Here is what we recommend if you are buying a car from a stranger off the street:

- Make a copy of their driver's license
- Ask to see their registration and insurance card
- Make sure they have the title
- Make sure they fill out and sign a bill of sale (form number 262).



It's also a great idea to get their **thumb print**. This is perhaps one of the best precautions you can take. Chances are, a car thief will not let you take their thumb print. All you need to do is go to any office supply store. They sell a special ink pad just for fingerprints. It costs about four dollars. Buy it!



## **COUNTERFEIT CASHIER'S CHECK & MONEY TRANSFER SCAMS ARE ON THE RISE. HERE'S SOME HELPFUL INFORMATION.**

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### **1. Distant buyer offers a high-value (but fake) cashier's check for your car.**

You receive an odd email offering to buy your car site unseen.

Cashier's check is offered for your car.

Value of cashier's check often far exceeds your car - buyer asks you to wire the balance via money transfer service

Banks will often cash these fake checks and then hold you responsible when the check fails to clear

Scam often involves a 3rd party (shipping agent, business associate owing buyer money, etc)

### **2. Distant seller requests payment via western union or moneygram:**

Seller often claims that a confirmation code is needed before he can withdraw your money - this is false, once you've wired money, it is gone.

Deal often seems too good to be true

### **3. Distant seller offers to send you a cashier's check and then have you wire money:**

This is always a scam - the cashier's check is fake

Sometimes accompanies an offer of merchandise, sometimes not

Scammer often asks for your name, address, etc for printing on the fake check

Deal often seems too good to be true

### **4. Distant seller suggests use of an online escrow service.**

Most online escrow sites are fraudulent, operated by scammers

For more info, do a google search on "fake escrow" or "escrow fraud"

If you must do business with a distant seller, insist on a legitimate service, such as

[www.escrow.com](http://www.escrow.com)

### **5. Distant seller asks for a partial payment upfront, after which he will ship car**

He says he trusts you with the partial payment

He may say he has already shipped the car

Deal often sounds too good to be true

For local police help, call the non-emergency police number in your local phone book.

For governmental assistance, you can contact [your local secret service field office](#), or call the ftc toll-free at 1-877-ftc-help (1-877-382-4357) or use the complaint form at [www.ftc.gov](http://www.ftc.gov), or call the canadian phonebusters hotline toll-free at 1-888-495-8501.

Other resources include [www.ustreas.gov/usss/](http://www.ustreas.gov/usss/) (secret service) and [www.fbi.gov](http://www.fbi.gov) (FBI)

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### **Actual example of scam emails sent various people:**

Hello ,

Thanks for your mail back concerning the inquiry mail i sent to you.the price,condition also The pics i viewed is okay by me .and my client confirm there is no problem about the Price(\$975 ) ,my client do pays with a {usa}cashier check,he has agreed to mail out

as bank Cashiers check of \$3500 . To you on my behalf to cover the shippment fees.about the shippment

,that we be taken care by my me & my personal assistant,my personal assistant will be using His shipper to do the quick processing of the shipping of the(1987 toyota celica) to my Client. So all you are to do after you will received the check in your mail,just take out your sale Amount and refer the remaining money to my shipper immediately through the westernunion or the Money gramm outlet so to get the money fast and start the fast arrangement for the pickup of The(1987 toyota celica).since you are the original owner of this item, and i am buying The item directly from you i will like you to write your full name to be on the check,with The mailing address which my client will be using to issued out the check to you.i do wish to Trust you by refering the rest balance back to my shipper and also your fast doing to this

Transaction. I will like to hear fromyou if this is okay by you and you are ready to process ,if you already To sale your item and promise refering the rest balance to my shipper immediately you received The check so can start the quick arrangement for the pickup. Any body that want to buy this item this item just tell therm that it as been sold. I will like to copmplete this transaction befor the new year. I be at my computer waiting to see your epky to my payment method mailed. Thanks and mail me back with your detail as soon

As possible.



## Lesson 19: DMV Enforcement Actions



### Administrative

These are the things that can happen to you if you break a law. The most popular thing that will happen is called an ADMINISTRATIVE HEARING. An administrative hearing is DMV COURT. If you violate a law and the DMV wants to hear your side of the story, then you may be called into one of these hearings to defend yourself. Make sure you to bring a lawyer with you because the DMV has lawyers on their side.

In the case of discipline against an existing dealer license, legal counsel prepares a document called an Accusation. An Accusation is a formal document that sets forth the alleged misconduct, the laws that were violated, and the discipline sought, e.g. suspension or revocation. In the case of the denial of a new license application, a Statement of Issues sets forth the reasons for the license denial. The Accusation or Statement of Issues is normally accompanied by a Statement to Respondent, which provides information about the legal process, and a blank Notice of Defense Form. The licensee is entitled to a hearing if he or she returns the completed Notice of Defense within 15 days of the mailing date.

COMMON ACTIONS AGAINST YOUR  
DEALER LICENSE AT AN ADMINISTRATIVE  
HEARING:

1. PROBATION
2. SUSPENSION
3. REVOCATION OR CANCELLATION



### Criminal

If you break a law which is also a crime, then you may find yourself in criminal court facing jail time. The criminal process will vary, depending upon whether you are charged with a misdemeanor or a felony. A misdemeanor case is one where the

maximum punishment is one year in county jail, a fine, or a combination of jail and a fine. In a felony case, the punishment is much more severe, and can include confinement in state prison, or in some extremely serious cases, death!

In a misdemeanor case, the first appearance is called the arraignment. The main purpose of the arraignment is for the accused to enter a plea. If the accused pleads not guilty, the case is scheduled for pre-trial conferences and then trial. A conviction requires 12 jurors to agree that the accused is guilty beyond a reasonable doubt. In felony cases, the first appearance is the arraignment. Next, the case is set for a preliminary hearing. A preliminary hearing is a hearing in front of a judge (not a jury), where the judge listens to the testimony of witnesses and determines whether there is sufficient evidence to make the defendant stand trial.

If the judge decides that there is enough evidence for the accused to be brought to trial, the defendant has another arraignment, pre-trial conferences, and then trial. A conviction requires 12 jurors to agree that the accused is guilty beyond a reasonable doubt.



## Civil

In the broadest terms, civil court cases are all court cases that do not involve a violation of criminal law. When one has been injured, financially or physically by a car dealer, he files his lawsuit, or "action," in civil court. One can bring any such type of claim in a civil court, including, for example, claims for injuries stemming from breach of an agreement, such as a conditional sales contract, dishonesty, fraud, unlawful acts, deceptive advertising, wrongful termination, etc. A civil case plaintiff may obtain both compensatory and punitive damages.

Civil court cases are brought in either the Small Claims, Limited, or Unlimited division of a California Superior Court. Some civil cases can also be brought in federal courts. If his damages are less than \$5,000.00, the injured person may file his lawsuit in Small Claims Court, in which case he cannot use an attorney. And, costs in Small Claims Court are much lower than they are in the other divisions of the Superior Court. If the damages are between \$5,000.00 and \$25,000.00, the injured person is required to file his action in the Limited Jurisdiction division of the Superior Court. Cases worth more than \$25,000.00 are filed in either the Unlimited Jurisdiction division of the Superior Court or in federal court.



## THE ROLE OF THE PUBLIC AND LAW ENFORCEMENT IN CRIMINAL CASES:

The public plays a critical role in enforcement of criminal cases against car dealers. For example, when a dealer commits a crime, it is at the expense of an individual from the general public. Therefore, in order for a criminal prosecution, the public will most likely be a witness for the State against the car dealer. Therefore, the public plays a vital role in criminal cases.

Law enforcement also plays a critical role in the enforcement of criminal cases. When a dealer commits a crime, law enforcement agencies enforce the laws. For example in the case of not displaying Federal Buyer's Guides, often the City Attorney is responsible for enforcing such laws. With more serious federal crimes such as odometer tampering, the F.B.I. may get involved in the enforcement. With some crimes, the local District Attorney will enforce such laws.



### **THE ROLE OF THE PUBLIC AND LAW ENFORCEMENT IN CIVIL CASES:**

In civil cases, the public plays a vital role. Many times, a dealer may not be prosecuted criminally, yet a consumer is still aggrieved. Such a "civil matter" will then most likely be pursued in civil court – Small claims or Superior court, depending on the amount the plaintiff seeks. Law enforcement also plays a role in many civil cases. For example, the success of a plaintiff's action against a dealer may hinge upon a police report or documents from a DMV Investigator.

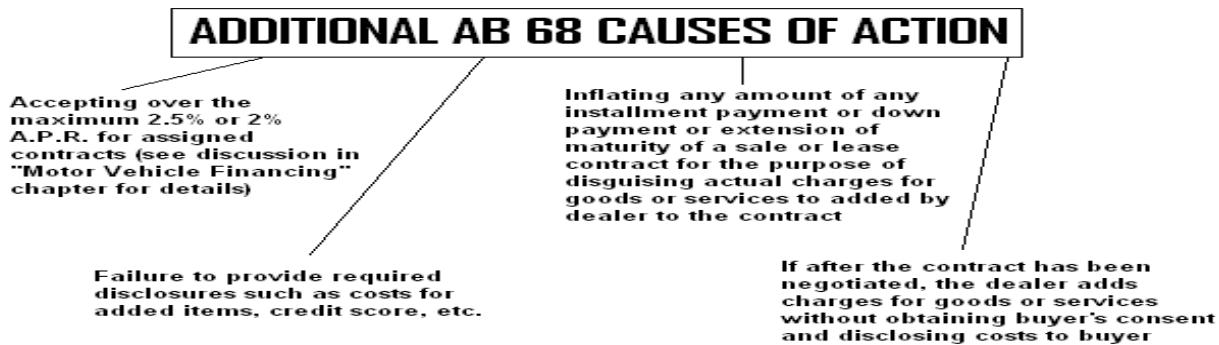
### **AB 68, additional misdemeanor violations**

Violation of AB 68 is a misdemeanor. Therefore, the AB 68 bill created an entirely new crime.

#### **AB 68 VIOLATION = MISDEMEANOR!**

NOTE: It is a misdemeanor crime and a cause of action against a dealer's license if a dealer fails to provide written disclosures regarding aftermarket add-on items (see discussion in chapter 1)

**ADDITIONAL CAUSES OF ACTION AGAINST A DEALER LICENSE:**  
AB 68 will create additional causes of action:



### **DMV E-mail Alerts**

Please go to <http://www.emailalert.dmv.ca.gov/subscriptions.asp>

You are encouraged to submit your email in order to receive the latest industry alerts.

If you are not fully informed about updates, it is possible that it may result in action against your license or criminal or civil violations, since "ignorance of the law is no excuse!"



## Lesson 20: Warranties

There is no law that says you must give a warranty. It is your choice. Some dealers will automatically give free warranties with all their cars, but you don't have to – instead, you can sell cars "AS-IS" all day long.

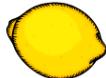
### **Lemon Law**

Lemon Laws apply to used cars still under manufacturer's warranty. Therefore, if you buy a car at the auction still under warranty, the lemon law still applies. If you want to learn more about lemon laws, simply go on the Internet and search for California Lemon Law and you'll find tons of information.

A lemon law is a law that entitles customers to have a new vehicle repurchased by the manufacturer due to the same problem that could not be repaired in 3 attempts.

A new law gives customers the right to have the manufacturer repurchase the new vehicle if same life-threatening problems cannot be repaired in 2 attempts

Disclosure of Lemon Law Buyback (you must obtain specific language in writing signed by customer that states the car is a lemon law buyback and is a permanent brand on the title)



WHERE TO FIND OUT MORE INFO ABOUT LEMON LAWS:

The Better Business Bureau handles most Lemon Law Complaints and dispute resolutions in California. Their website provides valuable FREE INFORMATION regarding the California Lemon Law.

**<http://www.lemonlaw.bbb.org/>**

### **Service Agreements**

A service agreement is basically a contract with a buyer providing for repair services for a certain duration. The law requires that several aspects of service agreements are complied with:

1. Use standard industry forms (do not make up your own ones)
2. Must be available for inspection (keep in your place of business)
3. Cancellation fee not to exceed \$25 during first 30 days.
4. You must disclose all terms. (*Examples of terms: must describe covered product, duration of contract, whether there is right to cancel contract, etc.*)



## Lesson 21: Consignment



### Consignment Issues

What is consignment? Consignment means a retail dealer sells a car for a private party. You can do this if you have a retail dealers license. You can make money doing it too. Let's say for example your fee is 10% of what the car sells for. Therefore, if the customer's car sells for \$10,000, then you get a \$1,000 pay check in your pocket!

California State Law has strict rules when it comes to consignment. Here are the rules:

CONSIGNMENT AND SALE AGREEMENT			
DATE: _____			
I, the undersigned consignor, release consignee of my auto which is as follows: _____			
Model: _____	Year: _____	Exterior: _____	Interior: _____
Plates: _____ To: _____ Dealer: _____			
Plates: _____ To: _____ Dealer: _____			
For the purpose of selling the vehicle and getting as the consignor as far as possible from the process of the sale of the vehicle, the parties agree that _____ shall be the agent for all purposes of this agreement. The agreement shall not bind only the parties of and _____ City, State, Zip.			

**You need a written agreement.** In other words, you need to purchase written consignment agreements from a dealer forms company. When you purchase consignment agreements, ensure they contain the following:

WHAT IS NEEDED IN THE WRITTEN CONSIGNMENT AGREEMENT?

1. The date the agreement is executed.
2. **The following statement:** "*I (We), the undersigned consigner(s), hereby consign and deliver possession of my(our) vehicle, which is a (Year) \_\_\_\_ (Make) \_\_\_\_ (ID#) \_\_\_\_ (License) \_\_\_\_ (State) \_\_\_\_ (Mileage) \_\_\_\_, to (Consignee) \_\_\_\_ (Dealer #) \_\_\_\_ for the sole purpose of selling the vehicle and paying, to the consignor or his or her designee from the proceeds of the sale of the vehicle, the amount agreed upon under terms of this agreement. This agreement is effective and valid only for a period of\_\_\_\_ days from this date.*"
3. **The following statement:** "*At the termination of this agreement, the consignee shall return the vehicle to the consignor, or, at the option of both the consignor and consignee, enter into a new agreement.*"
4. **The following statement:** "*If the vehicle is sold by the consignee during the term of this agreement, the money due the consignor shall be disbursed within 20 days after the date of sale in accordance with the terms of this agreement. As used in this agreement, a "sale" occurs when the consignee either (A) receives the purchase price or its equivalent or executes a conditional sales contract for the vehicle, or (B) when the purchaser takes delivery of the vehicle, whichever occurs first.*"
5. **The following statement:**  
*"The following information shall be completed prior to the signing of this agreement:*  
Current market value: \$\_\_\_\_ Source: \_\_\_\_.  
Outstanding liens: \$\_\_\_\_ Lienholder: \_\_\_\_.  
(Any difference between the outstanding amount shown and the actual payoff to the lienholder will be credited to the consignor.)  
Repairs to be made: \$\_\_\_\_ Work Order #\_\_\_\_.  
Moneys to the consignor: \_\_\_\_ percent of sale price, flat fee of \$\_\_\_\_ or the following specific formula: \_\_\_\_."
6. **The following statement:** "*Within 20 days after sale, the consignee shall make an accounting to the consignor of all of the following: date of sale, repairs authorized by consignor (supported by work records), exact amount of any liens payable to lienholders, evidence of payment of any liens, and the total sales price.*"
7. **The following statement:** "*The consigned vehicle is delivered to the consignee in trust for the exact terms set forth in this agreement. The consignee agrees to receive this vehicle in trust and not to permit its use for any other purpose other than contained in this agreement without the express written consent of the consignor.*"
8. **The following statement:** "*Upon payment of the moneys due the consignor, the consignor agrees to furnish the consignee those documents necessary to transfer the ownership of the vehicle to the purchaser.*  
Signatures:

Consignor Date

Address

Consignee Date

Address"

9. **The following statement:** "**NOTICE TO CONSIGNOR:** Failure of the consignee to comply with the terms of this agreement may be a violation of statute which could result in criminal or administrative sanctions, or both. If you feel the consignee has not complied with the terms of this agreement, please contact an investigator of the Department of Motor Vehicles."



## Lesson 22: Red Flag Laws



### What is the Red Flag Law?

- . Requires dealers to protect personal information from customers such as driver licenses, credit applications, etc.

Also requires dealers to be aware of, make written note of, and take action against suspicious transactions. The purpose of the law is to help protect against IDENTITY THEFT.

If you violate the law, severe penalties apply.

See [www.ftc.gov](http://www.ftc.gov) for more info:



### Why do dealers need to comply?

A creditor is any entity that regularly extends, renews, or continues credit; any entity that regularly arranges for the extension, renewal, or continuation of credit; or any assignee of an original creditor who is involved in the decision to extend, renew, or continue credit. Accepting credit cards as a form of payment does not in and of itself make an entity a creditor. Creditors include finance companies, automobile dealers, mortgage brokers, utility companies, and telecommunications companies. Where non-profit and government entities defer payment for goods or services, they, too, are to be considered creditors. Most creditors, except for those regulated by the Federal bank regulatory agencies and the NCUA, come under the jurisdiction of the FTC.

A covered account is an account used mostly for personal, family, or household purposes, and that involves multiple payments or transactions, such as automobile loans. Covered accounts also include credit card

accounts, mortgage loans, margin accounts, cell phone accounts, utility accounts, checking accounts, and savings accounts. A covered account is also an account for which there is a foreseeable risk of identity theft – for example, small business or sole proprietorship accounts.

**5 FTC Guidelines to follow:**

1. Alerts, notifications, or warnings from a consumer reporting agency;
2. Suspicious documents;
3. Suspicious personally identifying information, such as a suspicious address;
4. Unusual use of – or suspicious activity relating to – a covered account; and
5. Notices from customers, victims of identity theft, law enforcement authorities, or other businesses about possible identity theft in connection with covered accounts.

**Can a dealer buy forms to comply?** Not yet!

According to the FTC website, “More detailed compliance guidance on the Red Flag Rules will be forthcoming.” For questions about compliance with the Rules, you may contact RedFlags@ftc.gov. In other words, because the law is new, you need to wait for more detailed guidelines.

**Common sense tips to comply with Red Flag laws and fight identity theft:**

Compare customer addresses on credit reports with addresses on driver licenses. Report suspicions, if any, and keep your notes on file.

Analyze recent credit inquiries and use your common sense. (Example, if you find 3 auto loan inquiries, it’s normal. If you find 25 inquiries for auto loans, it should raise a “red flag”.) Report suspicions, if any, and keep your notes on file.

Compare zip codes and area codes of phone numbers to see if they match. Report suspicions, if any, and keep your notes on file.

Look for fraud alerts on the credit report.

Enlarge photo ID on copier to make it easier to read the information on the copy.

It’s best for all dealers to comply, but you must comply if you engage in financing activities of any kind.

You can view the FTC law at:

Ftc.gov (search for “red flag” in search box for free compliance info guides)

Note: To comply, you need to implement a written identity theft detection program!

We recommend you contact an attorney or compliance company to help you develop a program.

According to the FTC, there are 4 basic elements that must be in your compliance program:

1. You need to identify relevant red flags for a covered account and incorporate such red flags into your compliance program.
2. You need to detect red flags that have been incorporated into your program
3. You need to respond appropriately to any red flags that are detected to help protect identity theft (ie, you can't just sit and watch it happen and do nothing).
4. You need to ensure that the program is updated periodically to reflect changes in customer risks and the safety and soundness of the dealer from identity theft.

You also need to follow the FTC steps to implement the program, such as getting approval from your board of directors (if you are incorporated) or senior management to ensure oversight.



### ***Lesson 23: New DMV E-mail Alerts***

Please go to <http://www.emailalert.dmv.ca.gov/subscriptions.asp>

You are encouraged to submit your email in order to receive the latest industry alerts.

If you are not fully informed about updates, it is possible that it may result in action against your license or criminal or civil violations, since “ignorance of the law is no excuse!

# 40 QUESTION TEST (Version 27E)

You can miss up to 12 questions - PASS first time or re-take free!

**NOTE: YOU MUST STUDY OUR COURSE BEFORE YOU ANSWER THESE QUESTIONS.**

**1. Which of the following examples make it ILLEGAL to advertise a vehicle as “Certified” under the Car Buyer’s Bill of Rights?**

- A. The Vehicle is sold on the Internet
- B. The vehicle is sold “AS-IS”, without a warranty
- C. The vehicle was repainted
- D. The vehicle has a duplicate title

**2. What is the best way to prove vehicle was safe at the time you sold it to the public?**

- A. Get a witness
- B. Get a written safety inspection
- C. Buy from a licensed dealer auction
- D. Allow the customer to inspect the car themselves

**3. California Civil Code section 1632 requires a dealer to deliver to the buyer a translation of the conditional sales contract when negotiating in which languages?**

- A. Spanish, Chinese, Tagalog, Vietnamese, Korean
- B. Spanish, Chinese, Vietnamese, Arabic, Korean
- C. Spanish, Russian, Chinese, Arabic, Korean
- D. Spanish, Armenian, French, Chinese, Tagalog

**4. If a car has only one plate, the DMV wants you to bring that one plate to the DMV when you bring the paperwork. It’s called “\_\_\_\_\_” the existing plate.**

- A. Surrendering
- B. Displacing
- C. Destroying
- D. Submitting

**5. Take the \_\_\_\_\_ to the DMV within 30 days after selling a car, with other necessary paperwork.**

- A. Application Copy
- B. Book Copy
- C. Window Permit
- D. Dealer Notice

**6. If you overlook a history problem, what happens?**

- A. You are not responsible
- B. You may still be responsible
- C. Your dealer license is automatically cancelled
- D. You can be fined up to \$11,000 for each violation

**7. Wholesale-only dealers need a \$10,000 bond if they sell less than \_\_\_\_\_ cars a year.**

- A. Zero
- B. 15
- C. 25
- D. 50

**8. The odometer disclosure is found on a form called form number \_\_\_\_\_**

- A. 262
- B. 252
- C. 552
- D. 553

**9. What is one of the forms you need to change your dealership address?**

- A. Change of address form
- B. Temporary branch permit form
- C. Application for Modification
- D. Statement of Facts

**10. A pre-computed interest contract is generally for people with \_\_\_\_\_ credit.**

- A. Bad
- B. Good
- C. Average
- D. Exceptional

**11. On July 1, 2006, the Car Buyer's Bill of Rights went into effect to protect consumers. What was the Assembly Bill number?**

- A. AB99
- B. AB23
- C. AB47
- D. AB68

**12. The TRANSFER FEE is what the DMV charges every time you transfer \_\_\_\_\_.**

- A. A commercial vehicle only
- B. A motorcycle only
- C. Ownership
- D. A smog certificate of compliance

**13. When may a dealer “waive” Division 12 safety requirements?**

- A. If the buyer consents in a signed writing
- B. If the dealer is represented by a lawyer
- C. If the vehicle complied with Division 12 within the past year
- D. Safety requirements may never be waived

**14. Truth in lending is a nation-wide federal law that says certain disclosures need to be in \_\_\_\_\_ contracts.**

- A. Sales
- B. Financing
- C. In-State
- D. Borrowed Car Agreement

**15. Which of the following is NOT a Federal Truth-in-Lending term?**

- A. APR
- B. Total Sale Price
- C. Statement of Insurance
- D. Amount Financed

**16. When a dealer carries the contract, it simply means that they \_\_\_\_\_.**

- A. Carry an emergency supply of contracts
- B. Made their own custom forms
- C. Offer in-house financing
- D. Offer cash-only sales

**17. The Gramm Leach Bliley act is a federal law that says you need to give your customer a copy of your privacy policy if you collect personal information.**

- A. Place of residence
- B. Financial
- C. Sensitive
- D. DMV

**18. There is a law that says if your bond is reduced or lapses, it results in automatic \_\_\_\_\_ of your license.**

- A. Probation
- B. Suspension
- C. Cancellation
- D. Fines

**19. . If you violate a law and the DMV wants to hear your side of the story, then you may be called into:**

- A. Criminal Court
- B. Administrative Hearing
- C. Civil Court
- D. Federal Court

**20. If the customer is \_\_\_\_\_ in Spanish, then you must provide a Spanish contract.**

- A. Negotiating
- B. Using a few words
- C. Writing
- D. Speaking

**21. It's important to point out that when a car dealer sells a car, the dealer must charge the tax rate where the customer \_\_\_\_\_.**

- A. Buys the car
- B. Drives the car
- C. Lives
- D. Wants to live

**22. What is an exception to collecting sales tax?**

- A. Out of state sale
- B. Out of the country sale
- C. Sales to licensed dealers
- D. All of the above

**23. The more expensive the car, the more the customer will pay on the \_\_\_\_\_.**

- A. Smog fee
- B. Document preparation fee
- C. Transfer fee
- D. License fee

**24. Who can use a dealer plate for business AND pleasure?**

- A. Owners and managers
- B. Employees
- C. Employees during business hours
- D. Immediate family members of owners

**25. If you get audited and you don't have a \_\_\_\_\_, then the state may charge you use tax.**

- A. Personal car
- B. Car for sale
- C. Registration service
- D. Certified public accountant

**26. The law requires that All safety equipment must be in compliance with Division \_\_\_\_\_ at time of retail sale.**

- A. 10
- B. 11
- C. 12
- D. 13

**27. When a customer is late with even \_\_\_\_\_ it is called a default.**

- A. One payment
- B. Two payments
- C. Three payments
- D. Four payments

**28. A misleading ad is an ad that is designed to divert attention away from the \_\_\_\_\_.**

- A. Truth
- B. Customer
- C. Salesperson
- D. Auto Trader

**29. How much is the Administrative Service Fee if you fail to submit the application along with all fees to the DMV within 30 days of the sale?**

- A. \$5
- B. \$25
- C. \$15
- D. \$0

**30. Older California titles did not conform to federal \_\_\_\_\_ laws.**

- A. Privacy
- B. Odometer
- C. Truth-in-Lending
- D. California

**31. What is Section 5 of the REG 262 form called?**

- A. Bill of sale
- B. Power of Attorney
- C. Odometer Disclosure
- D. Statement of Facts

**32. The DMV allows you to put the window copy on the FRONT windshield if the BACK window has \_\_\_\_\_.**

- A. Heating elements
- B. Rear windshield wipers
- C. Bumper sticker greater than 4 inches around
- D. Dark window tint

**33. Keep your book copy of your report of sale for \_\_\_\_\_ years.**

- A. 2
- B. 3
- C. 4
- D. 5

**34. If it costs you \$80 to get the car to pass smog, the most you can charge your customer is \_\_\_\_\_.**

- A. \$80
- B. \$50
- C. \$8.25
- D. \$58.25

**35. What is the purpose of Federal Red Flag laws?**

- A. To help fight against false advertising
- B. To help fight identity theft
- C. To help fight against special plate violations
- D. None of these

**36. Which of the following is considered a commercial vehicle?**

- A. Mini Cooper
- B. Pick-up truck
- C. 4 Wheel Drive Jeep
- D. Mini Van

**37. Which form is used if you make a mistake on a Title?**

- A. Statement of Facts
- B. Statement of mistake
- C. Error / Erasure form
- D. Transfer error form

**38. Where do you submit a permit for a temporary sales event?**

- A. The DMV website
- B. Any DMV clerk
- C. Your DMV Inspector
- D. The DMV Acting Chief

**39. P.O.A. stands for?**

- A. Purchase of Auto
- B. Point of Authority
- C. Power of Attorney
- D. Pending our availability

**40. NO COOLING OFF means “no refunds if the \_\_\_\_\_ changes their mind”.**

- A. Customer
- B. Dealer
- C. DMV
- D. FTC