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BULLETIN TO:

ALL DEALERS, TITLE SERVICES

1. "Spot Delivery"- "Fronting" -"Macarthur Statement"
2. Proper recording of "Delivery Date"
3. ERT Sticker Accountability
4. Salesman Licenses
5. Class "E" Vehicles
6. Proper recording of Lien Codes

1. "Spot Delivery" – "Fronting" – "Macarthur Statement" etc.

Temporary registration permits, or certificates and plates, may not be used by dealers in cases where vehicles are released to potential purchasers prior to consummation of a vehicle sales transaction. These types of transactions are commonly referred to by the industry as "Spot delivery," "Fronting" "Macarthur Statement," etc.

Maryland Vehicle Law and Agency Regulations provide for the issuance of types of temporary registrations only in case of bona fide sales. As this Administration has advised in previous Bulletins, a bona fide sale exists only after all financial arrangements and any other prerequisite conditions have been met. Until such time, there has been no sale and temporary registrations may not be issued. Moreover, any deposit or trade-in received in such a transaction must be immediately returned to the prospective purchaser if he is unable to secure the necessary financing or meet any other prerequisite of the contract. Dealers should make sure that all personnel who handle trade-ins are aware of the importance of ascertaining whether the sale has been finalized before disposing of the traded-in vehicle.

I wish to remind all dealers that Maryland Vehicle Law does allow a dealer to permit a prospective buyer to drive a vehicle under a dealer plate for a period of not more than 10 days from the date of delivery of the vehicle to the prospective buyer.

Complaints about the spot delivery have been the result of "Supplemental Contracts" that are added to finance contracts stating financing has not been finalized contrary to agency regulation. Dealers are advised not to use these "Supplemental Contracts", which have resulted in financing at higher rates than originally contracted, and failure to return deposits, and failure to return trade -in vehicles.

2. **Proper recording of "Delivery Date"**

"Delivery Date" is the date that a temporary tag or transferred or "hard tag" is put on the vehicle and the vehicle is driven off the lot by the consumer. This is the day that determines the beginning of the thirty (30) days the dealer is allowed for titling the vehicle. It is of the utmost importance that the delivery date as defined above is accurately recorded on the "Application for Certificate of Title" "Form VR-5", Temporary Tag or Tag Transfer Certificate and on the ERT Title and Registration Screens. The MVA Internal Auditing Division will be reviewing transactions for dealership accuracy and compliance.

3. **ERT Sticker Accountability**

All dealers should account for registration stickers and tags by maintaining perpetual records and conducting regular physical audits of all state properties. Dealers should immediately report missing or stolen stickers to local law enforcement, the Administration's ERT Unit, and Business Licensing & Consumer Services. Dealers should follow the same procedure for any other state properties that are missing or stolen. The lost or stolen properties should be immediately reported to local law enforcement and to Business Licensing & Consumer Services.

\*Registration stickers should be kept secure and separate from other office supplies.

\*The three key functions: access, record keeping and independent review should be properly segregated.

4. **Salesman Licenses**

All persons who, for any form of compensation, under any form of agreement or arrangement with a dealer, buys, sells, exchanges, negotiates or attempts to buy, sell, exchange or negotiate the purchase, sale, or exchange of a vehicle must be licensed as a salesman. This includes finance and Internet sales employees. Employees who are required to be licensed may not engage in sales activity until their license has been authorized, paid, and issued by this Administration. **There is no grace period.** Incomplete applications will be returned.

5. **Class "E" Vehicles**

Effective on July 1, 2005 (3<sup>rd</sup> Quarter of 2005), title transactions involving Class "E" Vehicles will be included with Class A, Class D and Class M vehicles as transactions that can be identified as late and receive a fine for late titling. Fines for "Class E" transactions will be addressed in the same fashion as the other classes listed above, as stated in the policy that governs the Late Titling Fine Assessment Process.

## 6. Proper recording of Lien Codes

The MVA assigns a unique 4-digit lien code to all banks, financial institutions, credit unions, etc. If a lien is being recorded, this number should be entered into TARIS at the time of titling. The lien code will become critical to the One-Part-Title Project because we will no longer be mailing a Security Interest Filing (SIF) to the Secured Party. Instead, we will send an electronic file of liens placed on their behalf. When using a 0000 code, the lien would be updated on our database, but the Secured Party would not receive confirmation of the lien placement. To address this issue, the following steps will be taken:

- Modify the title and the VR-5 to include Lien Code as a required field.
- Modify the TARIS screen to prohibit an all zero (0000) lien code.
- Add lien code look up to the Intranet.
- Notify ERT vendors that we will not accept 0000 lien codes.
- Assign a lien code to all secure parties including individual lien holders. If a lien holder does not have a code at the time paperwork is submitted, one will be created for them. This code will be given to them with instructions that all future transactions must include the code or the transactions will be rejected.



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