



**NATIONAL INDEPENDENT AUTOMOBILE DEALERS ASSOCIATION**

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Submitted electronically via [regulations.gov](http://regulations.gov)

Jonathan Charles  
Chief Counsel  
National Highway Traffic Safety Administration  
U.S. Department of Transportation  
1200 New Jersey Avenue, SE  
Washington, D.C. 20590

Re: Electronic Motor Vehicle Transaction Systems  
Docket No. NHTSA-2019-0092  
Request for Comment

Dear Mr. Morrison,

The National Independent Automobile Dealers Association (“NIADA”) submits comments to the National Highway Traffic Safety Administration (“NHTSA”) regarding NHTSA’s request for information on the benefits of having an entirely paperless motor vehicle transaction. This request for comment comes as NHTSA recently issued a final rule that will allow States to adopt electronic odometer disclosure systems without having to petition NHTSA for authority. NIADA appreciates the opportunity to comment.

NIADA is the national trade association representing the interests of the used motor vehicle industry comprised of more than 38,000 licensed used car dealers. NIADA's members – totaling more than 16,000 – include independent automobile dealers unaffiliated with any franchise that sell used vehicles to retail customers and will often finance those vehicles – commonly referred to as and buy here pay here (“BHPH”). NIADA dealer members are also engaged in wholesale transactions both as buyers and sellers.

Since 1946, NIADA has been the voice of independent, used car dealers in Washington, D.C. Coupled with its state association network across the country, NIADA's grass-roots framework provides a dual layer of advocacy unmatched in the used motor vehicle industry.

For 73 years, NIADA has engineered programs and leveraged technology to fulfill its mission to advance, educate, and promote the independent, used car dealer. NIADA stands tall for its members who subscribe to a strict Code of Ethics of duty, honor and integrity and who believe in the advancement of small business in support of the free-market system.

NIADA members embody the spirit of American entrepreneurship, and as a result NIADA is dedicated to ensuring the success of small businesses. More than 40 percent of NIADA's dealer members have been in business for more than 20 years, and almost 50 percent have five or fewer employees. The overwhelming majority of NIADA dealer members are, by every criteria of the Small Business Administration, small businesses looking to survive.

As small businesses, NIADA dealer members need to control costs in order to thrive in an ever-changing used car industry landscape. Although certain costs such as vehicle prices, parts prices, and the cost of credit will vary with the shift in economic winds, motor vehicle dealers are always looking to lower fixed costs as possible. Some of those fixed costs include property rents, equipment leases, labor, etc. Dealers also have significant costs associated with providing and maintaining the paperwork associated with a motor vehicle transaction.

In response to this request for comments, NIADA surveyed some of its members for information on a variety of fixed costs in an entirely paper driven transaction. This is what we were given:

- Costs to print the necessary paperwork – approximately \$10 per transaction
- Costs to store paper files – approximately \$60 per transaction
- Postage costs – approximately \$1,200 per month

These dealers indicated that a paperless transaction would eliminate virtually all of these costs. These particular dealers are selling on average 300 motor vehicles monthly between their retail and wholesale transactions. At 300 transactions per month, they would be saving an average of \$266,400 annually by eliminating these costs and going to an entirely paperless transaction.

The dealers also mentioned that they have certain labor costs associated with paper-based transactions, primarily in the form of title clerks. These dealers told us the annual salary for their title clerks averaged \$42,000. They said a paperless transaction would allow them to shift these labor resources away from a full-time focus on paperwork to assist with other labor needs in the dealership. The end result would be a reduction in labor costs.

Having an electronic transaction, particularly if it is standardized, will create efficiencies in delivery of titles that will prevent loss in other ways. Consider the situation where a dealer purchases vehicles at a wholesale auction and must wait on the selling dealer to deliver the titles before they can be placed on the lot for retail sale. Often, the buying dealer must wait several weeks for the titles to arrive, but some of the dealers we spoke to said they have had to wait for months for titles to arrive.

Title delays can also occur in the trade-in process. A Colorado dealer told NIADA that the average time to receive a clean title when he takes in a consumer trade is 33 days.

When titles are delayed and dealers cannot place vehicles on the lot for sale, they incur additional costs including vehicle depreciation, interest charges and finance fees. Vehicles depreciate at a rate of about \$200-\$250 per month. Most dealers are borrowing money to acquire their inventory at a rate on average of 5½% annually. There are also curtailment and other fees that their finance companies will often charge when vehicles do not sell in a timely manner.

NIADA believes that an electronic transaction process will diminish, if not entirely eliminate, the delay in getting titles and thus eliminate some of these unnecessary costs. Title transfer, satisfaction and release of liens, and other steps necessary to deliver a clean title can happen much faster, and in many instances, we believe, instantly.

Not only will an electronic transaction benefit dealers, NIADA believes consumers will reap significant benefits. Consumers have often complained to dealers about the length of time it takes to close the transaction. Much of the time at closing involves signing the appropriate paper documents and then making copies of the entire deal jacket, which frequently runs an inch thick. The consumer gets a copy, the dealer gets a copy, and sometimes the state or a finance company needs a copy of certain document. The dealers we surveyed suggested that an electronic transaction could cut the closing by as much as 30 minutes.

NIADA also believes that an electronic transaction process that eliminated paper titles will assist law enforcement's efforts to combat fraud in motor vehicle transactions including curbstoning. Curbstoning is the sale of motor vehicles by entities that should be licensed as a motor vehicle dealer but are not. Unsuspecting consumers often fall victim to buying from a curbstoner and missing out on the consumer protections required by law of licensed motor vehicle dealers.

Curbstoners often sell vehicle with open titles – a practice where the seller signs a paper title but does not fully complete it including the odometer disclosure statement. This practice allows the curbstoner to become undetectable as a prior owner in the chain of ownership. This allows the curbstoner to often sell vehicles for cash and in turn avoid payment of sales and perhaps income tax. And, selling with an open title makes it far easier for the curbstoner to engage in odometer fraud.

An electronic transaction process will make selling with open titles a virtual impossibility. Presumably, systems will be developed that will require completion of all components of the odometer disclosure statement and title transfer before it can be submitted to the State. This will provide buyers will assurance that they will required eliminate opportunities to sell with open titles. Buyers will have more confidence that they will have legitimate title to the vehicle just purchased.

NIADA applauds NHTSA's efforts to modernize the motor vehicle transaction process and gather information on the benefits to all stakeholders in motor vehicle transactions. We believe electronic transactions are the way of the future and look forward to assisting NHTSA

further study how electronic transactions, including electronic titling, will benefit all parties. Likewise, we look forward to working with State governments to develop and implement their electronic odometer and titling processes.

Please do not hesitate to contact us if we can be of further assistance or if you wish to discuss our comments in greater detail.

Sincerely,

A handwritten signature in blue ink that reads "Shaun K. Petersen". The signature is written in a cursive style with a large initial 'S'.

Shaun K. Petersen  
Senior Vice President, Legal & Government Affairs