

HOUSE BILL REPORT

HB 1581

As Passed Legislature

Title: An act relating to licensing of motor vehicle dealers and manufacturers.

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

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

Brief History:

Committee Activity:

Transportation: 2/14/01, 2/19/01 [DP].

Floor Activity:

Passed House: 3/9/01, 93-0.

Senate Amended.

Passed Senate: 4/9/01, 47-0.

House Concurred.

Passed House: 4/18/01, 73-18.

Passed Legislature.

Brief Summary of Bill

- Authorizes the Department of Licensing to monitor and regulate the lease practices of vehicle dealers and manufacturers.
- Requires applicants for a vehicle dealer license to have successfully completed eight hours of educational training on state and federal laws regulating dealer business practices, prior to submitting their application.
- For licensed vehicle dealers who are renewing their dealer license, five hours per year of continuing educational training on state and federal laws is required.
- Those individuals who are franchise dealers selling new vehicles, franchise dealers selling new recreational vehicles, franchise car rental companies, manufactured housing dealers, wholesale auto auction companies, or national auction companies disposing of totaled vehicles, are each exempt from the education training requirements.
- The amount of the surety bond required to be filed with the Department of Licensing prior to licensing the dealer is increased from \$15,000 to \$30,000.

HOUSE COMMITTEE ON TRANSPORTATION

Majority Report: Do pass. Signed by 28 members: Representatives Fisher, Democratic Co-Chair; Mitchell, Republican Co-Chair; Cooper, Democratic Vice Chair; Ericksen, Republican Vice Chair; Hankins, Republican Vice Chair; Lovick, Democratic Vice Chair; Ahern, Anderson, Armstrong, G. Chandler, Edmonds, Haigh, Hatfield, Hurst, Jackley, Jarrett, Marine, Mielke, Morell, Ogden, Reardon, Rockefeller, Romero, Schindler, Simpson, Sump, Wood and Woods.

Staff: Reema Griffith (786-7301).

Background:

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

Once the license has been issued, the DOL provides the dealer with a copy of the Vehicle Dealer Manual which contains information on the various state laws and rules related to

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

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

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

Summary of Bill:

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

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

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

To strengthen consumer protection, the amount of the surety bond required to be filed

with the department prior to the issuance of the vehicle dealer license, is increased from \$15,000 to \$30,000.

In order to clarify the DOL's authority as it relates to regulating and monitoring vehicle lease practices of auto dealers, the word "lease" is added throughout Chapter 46.70 (Dealers and Manufacturers) to be included with current authority over vehicle sales.

In order to save time and money, language is added authorizing the DOL to electronically transmit the vehicle dealer manual, which is provided to dealers when they initially license their business and when they renew their license, if any revisions or updates have occurred.

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

Technical amendments are made to gender neutralize current language.

Appropriation: None.

Fiscal Note: Available on original bill. Not requested for amended bill.

Effective Date: The bill takes effect July 1, 2002.

Testimony For: This will clarify the DOL's responsibility over lease agreements.

Testimony Against: None.

Testified: Evelyn Parker, Department of Licensing.