



CATA Bulletin



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New law raises Illinois DOC fee limit to \$150 beginning in '08

Illinois dealers can charge up to \$150 for document preparation fees beginning Jan. 1, under legislation signed Aug. 17 by Gov. Rod Blagojevich. This year's maximum fee is \$58.48.

"We're very pleased the governor agreed that dealers need more compensation to process a growing list of paperwork necessary with vehicle sales," said Mark Scarpelli, chairman of the Chicago Automobile Trade Association.

"For low-gross businesses, like ours, this makes a huge difference," he said.

"We also thank our friends at the Illinois Automobile

Dealers Association for their help in gathering support for House Bill 1657."

The new maximum DOC fee, like the existing fee, is indexed for inflation and will be adjusted each Jan. 1.

The DOC fee covers expenses related to compliance with federal and state laws which provide for safety, consumer protection, anti-theft measures, vehicle history checks, notification, certifications and official filings.

Since 2004, the Illinois Secretary of State's office allows dealers to charge up to \$25 to provide title and registration renewal services to

their customers electronically, at their dealerships. That cost is separate from the DOC fee.

The base DOC was \$40 when it was established in 1992. Annual adjustments tied to the Consumer Price Index have increased to \$58.48 the maximum fee that can be charged this year.

The array of federal and state regulations with which dealers must comply when selling vehicles is mounting, and dealers in at least 30 states reportedly are permitted to charge \$400 to \$900 in DOC fees.

Indiana dealers are not limited to a maximum fee but

must not charge more than what they actually incur in expenses to prepare necessary documents. Auditors monitor the charges.

Since 2001, for instance, new federal regulations dealers must adhere to include the Privacy Act and the related Safeguards Rule, the Patriot Act, and the Federal C o m m u n i c a t i o n Commission's National Do-Not-Call or -Fax Registries.

To comply with those and other laws, dealers must pay monthly or annual licensing fees for software or engage third-party vendors, and pay to train their employees about compliance.

Governor kills tax exemption for rental cars

Sales tax is due on the gross receipts from a sale of a vehicle that will be rented for one year or less, under a law signed Aug. 16 by Illinois Gov. Rod Blagojevich. The change is in Public Act 095-0233.

The tax exemption had existed on Form ST-556 as Line 5 Box E "Sold for Rental Use." The Illinois Revenue Department is expected to revise the form to eliminate Box E.

The department will continue to benefit from use tax paid by persons who

rent the vehicles from the rental companies, like Hertz and Avis.

Blagojevich struck the provision that had exempted from sales tax "a motor vehicle of first division, a motor vehicle of the second division that is a self-contained motor vehicle designed or permanently converted to provide living quarters for recreational, camping or travel use, with direct walk-through access to the living quarters from the driver's seat, or a motor vehicle of the

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Flood vehicle watch

Drenching Midwest rains in August likely means flood-damaged vehicles will be headed to the marketplace. Dealership personnel should guard against accepting flood-damaged vehicles.

Meanwhile, identical bills in the U.S. House and Senate that address total-loss disclosures have gone nowhere since they were introduced in February. The bills call for the VINs of wrecked, flooded or stolen vehicles to

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AYES students start school anew **Flood**

By **Jim Butcher**

ILLINOIS AYES MANAGER

Students are being harked back for another school year, and the AYES program has all new and returning automotive students training in orientation and safety.

Safety training consists of OSHA regulations, MSDS safety materials, and Hazmat and EPA environmental training. Many of our AYES schools also provide update training on mechanical systems such as metrics, American standard, thread pitch and diameter, mechanical reasoning, and mathematics for technicians, (volts, ohms, amps, bolt circle diameter, pressure and temperature relationships, etc.).

At many schools, we see the returning senior students assist in training the younger students in safety issues and industry orientation.

We placed 11 students in your dealerships over the summer. These students now are seniors and will continue working with you on a part-time basis for the school year. Our AYES schools work hard to instill in their students the values and work ethics your service departments require.

The AYES students are handpicked by their instructors to work within the AYES model. Those students who qualify are held to an extremely strict set of requirements for the remainder of their junior year in high school.

Some of these requirements include an unblemished driving record, "A" grades in automotive and "B" grades in general studies, excellent attendance, initiative, cooperation, dependability, job-shadowing activities at area dealerships, parental support for an automotive career for their child, proper work attitude and ethic, no dean/discipline referrals at school, etc.

Your local AYES schools include **Hammond (Ind.) Area Career Center; Joliet Township High School-Central Campus; Lake County High Schools Technology Campus**, Grayslake; **Parkland College**, Champaign; **Streamwood High School**; and **Technology Center of DuPage**, Addison

Should you have any questions or need to employ a student intern, please call me at 630-424-6020.

Rentals

CONTINUED FROM PAGE 1

second division that is of the van configuration designed for the transportation of not less than 7 nor more than 16 passengers, as defined in Section 1-146 of the Illinois Vehicle Code, that is used for automobile renting, as defined in the Automobile Renting Occupation and Use Tax Act."

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be made publicly available before the cars are resold.

Sen. Trent Lott (R-Miss.), whose home was destroyed by Hurricane Katrina, introduced Senate Bill 545. But only six other senators have joined as cosponsors. Rep. Cliff Stearns (R-Fla.) introduced H.R. 1029 and has secured 42 cosponsors, none from Illinois.

David Regan of the NADA said that without total-loss data for vehicles, used-car buyers—consumers and dealers—can unknowingly purchase a rebuilt vehicle. He said the problem exists because of confusing, incomplete and contradictory state titling systems and because insurance companies underreport total-loss declarations.

Telltale signs of flood damage

- Check all dashboard gauges for signs of water and to make sure they're accurate.
- Test the lights, windshield wipers, turn signals, cigarette lighter, radio, heater and air conditioner several times to make sure they work.
- Flex wires under the dashboard to see if they bend or crack. Wet wires become brittle upon drying and can crack or fail at any time.
- Check the trunk and glove compartment and beneath the seats and dash for signs of mud, rust or water damage.
- Look for discolored, faded or stained upholstery and carpeting.
- Look for carpeting that has been replaced. It may fit too loosely or may not match the interior color.
- Check for a well-defined line, or watermark, and for musty odors resulting from mildew.
- Examine the engine compartment for evidence of water and grit from suspected submission in water.

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 630-495-CATA [2282] phone 630-495-2260 fax

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Listings of items for sale are subject to the approval of the CATA. Candidates for employment must submit a full résumé to the Editor.

Review past editions dating to 1998 or search by subject at <http://cata.drivechicago.com/>

Jerry H. Cizek III President, Publisher
Erik K. Higgins Editor, Director of Dealer Affairs

NADA to host seminar on adverse-action notices, Aug. 29 and Oct. 23

It's the law.

The Equal Credit Opportunity Act requires "participating creditors" to issue adverse action notices when they deny a request for credit. Another federal law, the Fair Credit Reporting Act, requires adverse action notices when such action is taken based on information from a credit-reporting agency or other third party.

How do the requirements apply to dealers? When must the dealer issue an adverse action notice? What information has to be included? What is the specified manner of delivery? When can a dealer rely on a finance source's notice?

All NADA members in June received an NADA Management Educa-

tion publication, "A Dealer Guide to Adverse Action Notices."

The guide uses examples, scenarios, and a flow chart to examine the requirements and explore the many questions surrounding dealers' compliance obligations. The guide also contains sample notices and forms that can be used as templates to create business documents.

Now, **from your own computer**, you can take advantage of a **Web-based, real-time seminar** that will provide up-to-the-minute information on your compliance obligations in this evolving area of the law. Plus, you'll have the opportunity to submit your own questions to the experts.

"Adverse Action Notices: What You Need to Know," will be presented

twice—12-2 p.m. CDT on Wednesday, August 29, and on Tuesday, October 23.

Presenters will include the authors of the Management Education guide, NADA attorneys Anne Fortney and Lisa DeLessio (8/29 only), and the NADA's director of regulatory affairs, attorney Paul Metrey. Lead author Fortney is recognized as one of the leading experts in the nation in this legal area.

The fee for one Web-based seminar is \$199 per computer connection.

Register for "Adverse Action Notices: What You Need to Know" at www.nada.org/seminars. Email any questions to seminars@nada.org or call 703-821-7273.

Loan maturities stretching, delinquencies increasing: survey

Loan maturities stretched in 2006, but so did delinquency rates, according to results of a National Automotive Finance Association annual survey released Aug. 21.

The study revealed that 76 percent of new-car contracts written by finance companies, and 65 percent of contracts booked by banks and holding companies, were for longer than 60 months. That percentage dropped to 27 percent for contracts booked by independent financing companies.

Also, year-over-year delinquency rates were significantly higher across the board in 2006, which NAF officials attributed to new respondents to this year's survey.

However, account delinquency rates for small and

medium respondents jumped from 6.2 percent in 2005 to 14.6 percent last year. Larger respondents saw account delinquency rates go from 6.8 percent in 2005 to 8 percent last year.

Weighted average origination ratios were down across the board, the study also showed, indicating increased competition in the nonprime segment. However, data from 2005 and 2006 revealed a cumulative increase in originations of 13 percent in dollars and 12 percent in accounts. Despite the growth, nearly 75 percent of nonprime originations cluster in a credit score of 500 to 679.

For originations, one-third of booked deals fell in the nonprime 550-619 FICO range, while 125 percent fell in the prime and super-prime

range of 620 and above. Fifty-two percent fell in the high-risk and super high-risk categories of below 550.

Independent financing companies, which the study called small or medium respondents, also bought deeper than banks and holding company subsidiaries, with the average credit score for the independents being 485, up from 479 reported in 2005. The average credit score for banks and holding company subsidiaries, or what the study deemed larger respondents, was 591, an increase from the 589 average reported last year.

Origination dollars and accounts financed also showed year-over-year increases, as did portfolio dollars and accounts, which increased only slightly. Bankruptcy dollars and charge-

offs based on bankruptcy decreased, which could be attributed to the changes in bankruptcy laws instituted at the end of 2005. Average monthly repossessions and dollar loss per repossessed unit increased 8 percent compared to 2005.

Despite participation being at a record high, the response rate for the survey has decreased over the last few years. Divided into categories based on size, independent finance companies made up 64 percent of the respondents this year.

Banks or holding company subsidiaries made up the second largest group with 25 percent. Seven percent of respondents were manufacturers captive finance companies and 4 percent were dealer captive finance companies.

Northwood University auto show Sept. 28-30

MIDLAND, Mich.—Billed as North America's largest outdoor new-car show and produced by university students, Northwood University's 44th annual international auto show is Sept. 28-30 at the university's flagship campus. Admission and parking is free.

This year's show, to be held during the peak autumn color season on a heavily wooded campus, will feature 450 new domestic and imported cars, trucks, recreational vehicles, vans, and experimental and specialty vehicles; and an extensive aftermarket exhibit.

The show attracts 30,000 visitors a year. Besides indulging in the vehicles

of the future, attendees on Sept. 30 can reminisce with bygone vehicles during Sunday's Classic Car Show.

The theme, "The Desire, The Drive, The Destination," allows show-goers to "choose where you are going in life and how the automobile helps you get there," said Charlene Rosin, Northwood's public relations director. She said the student producers will implement the theme in the displays.

Show hours are 1-6 p.m. Sept. 28, 9 a.m.-6 p.m. Sept. 29, and 10 a.m.-5 p.m. Sept. 30. For more information, see www.northwood.edu or call 989-837-4823.

DriveChicago Web portal to post job openings

The CATA's Web portal, www.DriveChicago.com, soon could be a source for dealerships to fill vacancies.

As part of an imminent redesign, the portal will feature openings for job candidates to pursue. Dealers who want to post an opening should send details to Mark Bilek, the CATA's Internet direc-

tor, at mbilek@drivechicago.com or at 630-495-2260 fax.

The CATA, in turn, will help attract job-seekers to the listings in advertising and in discussion on "Drive Chicago," the radio show that airs at 8 a.m. Saturdays on WLS-AM 890. The show is hosted by Paul Brian, the CATA's communications director.

EPA ozone hearing in Chicago Sept. 5

Proposed Environmental Protection Agency revisions to the primary and secondary national ambient air quality standards (NAAQS) for ground-level ozone, the primary component of smog, will be debated at a public hearing in Chicago, Atlanta and Houston Sept. 5.

The proposed revisions reflect new science about ozone and its effects on people and public welfare. A complete set of documents related to the proposal is at www.epa.gov/air/ozonepollution/actions.html.

The proposal would revise both of the EPA's ozone standards—the primary standard, designed to protect human health; and the secondary standard, designed to protect welfare, like vegetation and crops. The existing primary and secondary standards, set in 1997, are identical.

The Clean Air Act requires the EPA to set NAAQS for pollutants considered harmful to public health and the environment. The agency seeks to incrementally reduce permissible ozone levels "to provide increased protection for children and other 'at risk' populations against an array of ozone-related adverse health effects that range from decreased lung function and increased respiratory symptoms to serious indicators of respiratory morbidity."

"Good" ozone occurs naturally in the stratosphere approximately 10 to 30 miles above the earth's surface and forms a layer that protects life on earth from the sun's harmful rays. In the earth's lower atmosphere, ground-level ozone is considered "bad."

Manmade and natural sources help create ozone by a chemical reaction between oxides of nitrogen and volatile organic compounds in the presence of sunlight. The Sept. 5 hearing is at the Westin Michigan Avenue Chicago, 909 N. Michigan Ave. Commenters can speak for five minutes each.

Next fixed ops Bootcamp Oct. 1-4

Limited openings remain for the next Service Management Bootcamp at the CATA, Oct. 1-4. The subsequent four-day Bootcamp is in January.

Those who complete the Bootcamp advance to a Service Manager 20 Group that will meet three times annually over the next three years.

The CATA significantly underwrites tuition for the fixed ops personnel instruction. For more information and to register, call Jim Butcher at the CATA at 630-424-6020.

Marketplace

Used-Car Manager Thirty-six years' car sales experience, 25 years as used-car manager. Skilled in buying and selling at auction, establishing wholesaler relationships. Anonymous, 708-707-5195.

Résumé on file at the CATA.