



Colorado Automobile Dealers Association

*** * * IMPORTANT DEALER ALERT * * ***

Car Allowance Rebate System (CARS) Program Update

TO: CADA Members
FROM: Tim Jackson
RE: Car Allowance Rebate System (CARS), aka “Cash for Clunkers”:
**** IMPORTANT PROGRAM UPDATES ****
DATE: August 13, 2009

CADA participated in two several recent sessions regarding the CARs program. Yesterday, NADA and new car state automotive association executives held a conference call with National Highway Traffic Safety Administration (NHTSA) officials regarding the "Cash for Clunkers" (CARS) program. NADA and the ATAEs reiterated a number of dealer concerns about the program, its implementation, and the financial burden it has placed on many dealers. NHTSA acknowledges that the CARS program has had a number of technical problems due to the short timeframe to launch—they are working night and day to address the technical issues. Highlights of the latest updates are below:

Key statistics / Highlights:

- Over 300,000 invoices/submissions received to-date
- A very small percentage have been paid (primarily based on informal surveys from dealers and other associations)
- Many dealers are experiencing transactions that have had a status of “ready for payment” for well over 10 days (the statutory requirement for payment) – you are not alone!
 - Expect payments to speed up soon.

Slow response times, slow payment and performance issues:

- NHTSA acknowledges and confirms that processing is very, very slow; they are “working diligently” on speeding up all aspects of the program
- NHTSA currently has 225 employees processing reimbursement claims. They are working to increase staffing, with the goal of eventually having 1,000 people reviewing claims by next week. These additional staff are already in-training
- They have established escalation procedures and are adding more staff to resolve issues/questions for dealers

Confusion over Consumer Addendums / Contingency Agreements

- Several recent entries on the CARS.gov web site, including issues relating to transaction contingency agreements and the timing of vehicle delivery, have created confusion. These issues and the key challenges facing dealers were raised with NHTSA and are under further review.
- The latest information posted on the CARs site (modified yesterday to provide some clarification from their original posting) is below:

Old Language

CONSUMERS SHOULD NOT SIGN CONTINGENCY AGREEMENTS TO PAY BACK THE DEALER SHOULD THE CARS CREDIT BE REJECTED.

Revised / New Language

CONSUMERS ARE NOT REQUIRED TO SIGN CONTINGENCY AGREEMENTS TO PAY BACK THE DEALER SHOULD THE CARS CREDIT BE REJECTED.

IF THE DEALER HAS THE NEW CAR IN STOCK, THE DEALER MUST ALLOW YOU TO TAKE POSSESSION OF THE NEW CAR BEFORE THE DEALER MAY SUBMIT THE CREDIT APPLICATION TO THE GOVERNMENT. PLEASE REPORT ANY DEALER TO NHTSA THAT DOES NOT ALLOW YOU TO TAKE POSSESSION OF A NEW CAR PURCHASED UNDER THE CARS PROGRAM. PLEASE CALL THE CARS HOTLINE AT (866) CAR-7861.

- NHTSA clarified on yesterday’s phone call that dealers are not precluded from declining to participate in the program when a consumer will not sign an addendum that allows for a deal unwind in the event the transaction ultimately does not meet the CARs requirements, or the dealers is not reimbursed for one reason or another.
- However, they were very clear that the consumer must take possession of the new car at the time of the deal.
 - NHTSA officials are reviewing the statues and regulations for any flexibility on this issue in light of the risk borne by dealers.

Engine Disablement – Can be Done After Reimbursement

- The original program requirement was changed so that dealers can now disable the vehicle engine within seven days after being reimbursed by the CARs program.
- Vehicle must be disabled at a location that is “under the control of the dealership”
 - NHTSA has indicated this is broadly interpreted; some dealers have signed contracts with salvage companies for a designated space that is under their control for this purpose (to avoid transportation charges)
 - Engine must still be disabled BY dealership employee

Error Rates and Top Ten Most Common Errors

- The rejection rate of submissions has been around 80 percent! NHTSA has now posted the most common errors on their site at www.cars.gov/dealersupport, the top errors are listed below:

Code	Explanation	Reject %	Quick Guide to Transaction Submission Page
201	“Junk Automobile, Cars.gov” not written on Page 1 and 2 of Title (must be on BOTH SIDES OF TITLE)	13.58%	<u>16-17</u>
999	3 or More Errors Found***Recheck Entire Transaction	10.42%	
302	Proof of Insurance not current and in force for previous 12 months	9.06%	<u>18</u>
701	Missing signature(s) on Summary of Sale	8.62%	<u>21</u>
703	Trade-In VIN Mismatch on Summary of Sale	5.37%	<u>21 & 29</u>
116	Missing Summary of Sale/Lease (Deal Sheet and Buyer’s Certification Form (NOTE – ENSURE YOU ARE USING THE <u>LATEST VERSION THAT ALLOWS FOR ENGINE TO BE DISABLED AFTER SUBMISSION</u>)	4.92%	<u>21</u>

Dealers should note that there are three major categories of errors in these leading reasons for rejections: (1) missing documents, (2) missing Junk Auto brands and signatures; and (3) mismatches between VINs on the various documents. **The leading cause is the absence of the required CARS brand ("Junk Automobile, CARS.gov") on the trade-in title.** Dealers who follow the guidance available on the website should be able to avoid such errors easily. Dealers who receive rejections should review the invoice and all attachments before resubmitting to avoid even further delay in receiving reimbursement. NHTSA is increasing its capacity to deal with dealers' questions about how to submit a proper invoice, but the most important thing dealers can do is use the guidance on the website and review their submissions carefully before submitting them."

Mass Rejections on 8-12-09

- NHTSA stated that its computer system would be conducting an automatic review of CARS reimbursement submissions last night (August 12) for basic qualification criteria. They expected this would result in thousands of transactions being rejected: these will be transactions where one of the cars does not qualify on the MPG or allowable make/models, there was an incorrect rebate amount requested (\$3,500 or \$4,500), or where there was a mismatch in the type of vehicles that can be traded for the other.
 - These will all come back with error code "0999 – Multiple errors found."
 - Dealers should not be surprised to see a larger than normal number of rejections today, and are encouraged to closely review all of those rejected transactions, identify the errors or omissions, and re-submit them once they have been properly completed

Technical Support Email for Dealers

NHTSA provided a contact e-mail for dealers to submit questions about specific reimbursement problems, and other *technical* assistance. The e-mail address is:

9-AMC-NHTSA-CARS-AP-SUPPLIER@FAA.GOV

(NHTSA stressed that this address should not be used for general concerns or questions).

- Examples of problems to direct to this email include:
 1. To CANCEL a transaction that is submitted but not yet rejected when it is realized there was something wrong. Include "CANCEL" plus the Invoice# in the subject line. It still may not be done immediately – but they said that would be the quickest way.
 - Right now, via the main data entry screens, a rejected transaction or a saved one can be canceled, but not one that is submitted but not yet rejected. NHTSA has indicated they are working on a 'cancel' option for these transactions.
 2. Some dealerships reported receiving rejects, without the corresponding email with the reject codes; additionally there was a system glitch for a period that resulted in a bunch of transactions with only a reason of "&XXCARS_REASON". This has now been fixed.
 - Use the technical support email above to request missing codes [include "MISSING REJECT CODES" + Invoice# in the subject line].

Make/Model Search Time-Outs

- Need to limit searches for make/models to avoid time-out because the search results are too large; you should use wildcards: %MAKE%MODEL%YEAR (filling in the appropriate values that you know to find your car in the list). Dealerships have reported time-outs when trying to find the proper make/model.

Reconciliation Issue on Payments

- For the limited number of payments that have actually been made, apparently the ACH deposits do not contain any identifying information of which deal/invoice has been paid. NHTSA is now aware of this, and will hopefully modify this.

Other Hints & Tips

- The user guide and the Summary of Sale/Lease & Certifications Form have both been updated since the start of the program. You should consider downloading new copies and reviewing the user guide on a regular basis.
 - If you transfer the clunker to a salvage auction (instead of a participating Disposal Facility), enter 99999 for the Disposal Facility ID.
 - If no Disposal Facility has been identified at the time of the transaction, enter your Franchise ID and business name.
- Use the “Invoice Description” field to communicate any nuances of your issue to NHTSA reviewers; the more you explain upfront, the more likely it will get through.
- When you receive rejects, you need to really go back and review the ENTIRE set of documents; above three errors, review staff will stop checking the remaining files.
- If the odometer mileage is “True Mileage Unknown”, enter all 9’s in the mileage field (per NHTSA)
- Trade-in Flagged Date is an optional field, and NOT needed.
- NHTSA has indicated they would *prefer* to receive all documents in one PDF, if at all possible; if you have Adobe Professional, you can merge all files into one, name the file to indicate that “ALL” files in are one. If that is what reviewers prefer, just could increase your acceptance rates and speed.
 - Some have strongly recommended using Adobe PDFs instead of .JPEG or .TIF scans – for better image quality, to reduce file sizes since scanned images can be large, and to improve response times in the file upload process.
- When re-submit files/attachments – re-send with a new name, such as adding “v2” so reviewers easily see what changed, and so that it does not over-write the other file.
- Put transactions in the system right away – with basic information – you can then SAVE the invoice and add-in attachments later.
 - This will also help the government track pending transactions, and if you enter the purchaser’s state ID number at that time, this could identify anyone who has already participating in the program and is therefore ineligible.

Visit www.coloradodealers.org – and look under the CARS program quick-link (contains links to both the CARs dealer support site and to NADA’s support site); we will continue to post updates as available.

CADA Contacts:

Please be advised, we are out of the office today at our annual dealer summit; we will return tomorrow.

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