

FLOOD VEHICLE TITLES

House Bill 5804 (Substitute H-2) First Analysis (4-10-02)

Sponsor: Rep. Clarence E. Phillips
Committee: Commerce

THE APPARENT PROBLEM:

Under the Michigan Vehicle Code, the secretary of state can issue special certificates of title to rebuilt, salvage, and scrap vehicles, but no provisions currently exist allowing the issuance of "flood" titles. The Department of State's concern is that a car that has been submerged in water or otherwise subject to water damage could be brought into the state and issued a regular certificate of title so that future owners of the vehicle would not be aware of its history. According to the department, Michigan dealers worry about vehicles damaged in hurricanes and floods elsewhere in the United States, including vehicles flooded on the lots of out-of-state dealers, ending up at dealer auctions in Michigan. Such vehicles may be "reacquired" by the manufacturer, titled in Michigan in the manufacturer's name, and then sold with a normal certificate of title, according to the department. The introduction of a "flood" title would address this problem.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Vehicle Code to allow a vehicle to be designated as a flood vehicle on a certificate of title. The term "flood vehicle" would refer to a vehicle that had been submerged in water to the point that water entered the passenger compartment or trunk over the sill of the trunk floor pan or door sill or a vehicle acquired by an insurance company as part of the settlement of a water damage claim.

Currently, a vehicle brought into the state from another state or jurisdiction that has a rebuilt, salvage, scrap, or comparable certificate of title issued by that other state or jurisdiction would be issued a rebuilt, salvage, or scrap certificate of title in this state. The bill would add to that list a "flood" certificate of title.

The bill would take effect October 1, 2002.

MCL 257.17c et al.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would result in set-up costs to modify computer coding to include "flood vehicle" information for the generation of a flood certificate of title. Costs are projected at \$35,000, with \$27,000 for computer reprogramming and the remainder for branch staff training, revision of branch reports and IT manuals. The bill would have no fiscal impact on local units of government. (HFA analysis dated 3-25-02)

ARGUMENTS:

For:

Allowing a vehicle to be designated on its title as a "flood" vehicle would provide useful information to future owners of the vehicle. The Department of State says that Michigan's reputation as a state with a quick and efficient system for issuing titles makes it vulnerable to flood-damaged and water-damaged cars being brought in from out of state for retitling and sale. The department says 14 other states brand vehicles as flood vehicles. Vehicles damaged by water may not have easily detectable damage but water-damaged vehicles can later need repairs due to the corrosion of major engine components, according to the department. At present, the Michigan Vehicle Code does not define when a vehicle should be branded as a flood vehicle and does not permit the state to recognize flood titles from other states. The bill would remedy this and provide greater protection for consumers.

Response:

To the extent that manufacturers already require disclosure to customers in their reacquired vehicle programs, they might see the bill as unnecessary.

POSITIONS:

The Department of State supports the bill. (4-9-02)

Auto Dealers of Michigan, LLC, supports the bill. (4-9-02)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.