



Beware of Flooded or Salvaged Used Cars

From the Office of Minnesota Attorney General Lori Swanson

Consumer Alert: State Farm Settlement and Restitution

State Farm Insurance reached a settlement with the Minnesota Attorney General's Office and 48 other state Attorneys General. As part of that settlement, State Farm will send out written claim notices to all Minnesotans who are registered owners of a vehicle with a mislabeled title. Minnesota consumers have until **November 18, 2005** to submit their claim forms for compensation. According to company records, approximately 2,800 vehicles with questionable titles were sold in Minnesota.

As part of the settlement agreement, registered owners of these vehicles will receive corrected salvage titles for their vehicles from the Minnesota Department of Public Safety. Questions concerning the application process for compensation from State Farm may be directed to the settlement claims administrator, Rust Consulting, Inc., at 1-877-491-9339 or Minnesotans can call the Attorney General's Consumer Assistance Line at (651) 296-3353 or (800) 657-3787. The Department of Public Safety has also set up a resource line to assist registered owners at (651) 205-4151.

Buying a used vehicle has certain risks. According to experts, however, buying a flood damaged car or truck can be especially risky and potentially very expensive. For one thing, many newer vehicle models have sensitive electronic wiring and computer components under the seats and in the dash. Although damage from small amounts of water may not be irreparable, serious flooding in the vehicle compartment often permanently impairs essential onboard computer systems. Furthermore, the water may damage not only electrical components, but also the structural frame and vehicle interior. Worst of all, such water damage may not appear for months or even years.

Although in any given year, thousands of badly damaged vehicles are cleaned, repaired and shipped from state to state, the sheer volume of flood damaged vehicles from the recent hurricanes will likely increase the number of previously damaged vehicles on the used car market. As the thousands of cars and trucks are shipped from state to state, some sellers may try to hide the vehicle's tumultuous history. The Attorney General's Office urges Minnesota consumers and businesses to beware of flood damaged vehicles and unscrupulous sellers who may try to hide its history.

How Car Titles are Hidden

Sellers, with intent to hide a vehicle's past, often use different schemes to deceive potential buyers. The most common scheme is known as title 'washing' or 'laundering'. Different states have different vehicle title laws. Some states even lack salvaged vehicle 'branding' requirements. Unscrupulous dealers often move previously totaled cars and trucks through several states until the vehicle obtains a clear title. Minnesota titles do not reveal the original owner of a vehicle that has been sold numerous times; it only lists the current owner. For example, if a flood damaged car in Louisiana gets run through Kansas before finally being sold in Minnesota, the title will not reveal that the car was originally from Louisiana.

Tips on how to avoid flooded cars

■ Check the vehicle's title.

Make sure the vehicle you are eyeing has a clean title. Doing so can help you avoid numerous headaches in the future. You can obtain title information by contacting the Department of Public Safety, Driver and Vehicle Services Division at (651) 296-6911. If you are buying from a dealership, you can also demand this information from the dealer. If the dealer refuses your demand, go elsewhere.

■ Obtain a CarFax report.

A CarFax report can be purchased for \$19.99 or 30 days of unlimited reports for \$24.99 by accessing their website (www.carfax.com). While state-based title searches can be useful, they may be limited by government data practices laws or unscrupulous means of title 'washing' (shuffling the vehicle through several states). CarFax reports may contain certain information regarding the vehicle's past whereabouts and the vehicle's accident history missed by state-based title searches. Additionally, CarFax has access to information regarding the vehicle's repairs, which can be extremely helpful.

■ Conduct a physical inspection.

A good auto detail can do wonders in concealing evidence of flooding. Take your time and conduct a thorough inspection. Here are a few suggestions:

- 1) Look under the carpet in the trunk and under the seats. Evidence of dampness may indicate flooding.
- 2) Inspect the door speakers. They often won't work if there has been water damage.
- 3) Beware of new electrical components in an older car.
- 4) Check for rust in springs under the seats and excessive flaking metal on the undercarriage.
- 5) See if there is any obvious paint overspray indicating recent body damage.

■ Go on a test drive.

Don't let the owner take you for a ride! Insist on getting behind the wheel yourself. Drive over hills, on city streets and on the freeways. Be sure to test the brakes and check to see that the brakes don't lose pressure when you press hard on them. Don't accept a salesperson's word that the damage was minor, demand proof.

■ Use extreme caution when buying online.

Online care sales are becoming increasingly popular. You can go online to narrow down your search for local cars

and then go inspect/drive the car before making a purchase. Many people, however, are buying cars from far away un-inspected and unseen. Remember, just because you are buying a car from Madison or Chicago, doesn't mean the car wasn't originally flood damaged in New Orleans or Biloxi. If the delivered car is not as represented online, it may be very difficult to resolve the problem. If you do buy a car online, make sure you use a secure escrow service such as Paypal.

For more information concerning salvaged cars or to file a complaint, contact the Minnesota Attorney General's Office as follows:

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