



**National Motor Vehicle Title Information System (NMVTIS)
ADVISORY BOARD MEETING
Bureau of Justice Assistance
Office of Justice Programs**

Washington, DC
September 11, 2012

The NMVTIS Advisory Board convened its seventh meeting on September 11, 2012, at the Bureau of Justice Assistance, 810 7th Street N.W., Washington, D.C. The following individuals were in attendance:

Designated Federal Official (DFO)

Todd Brighton
Bureau of Justice Assistance

Advisory Board Members

Don Armstrong
Motor Vehicle Software Corp.

Levon Baghdassarian
NOBEL Systems

Mark Binder
Farmers Insurance

William Brauch, **Board Vice Chair**
Iowa Attorney General Office

Bernard Brown
The Brown Law Firm

Joseph Farrow, **Board Chair**
California Highway Patrol

Judith Fitzgerald
National Insurance Crime Bureau

Brian Hildreth
Insurance Auto Auctions

Tom Lawler
Mississippi Department of Revenue

George March
*Regional Information Sharing
Systems*

Christopher T. McDonold
*Maryland Vehicle Theft Prevention
Council, Department of State Police*

Kurt Myers
*Pennsylvania Department of
Transportation Safety Administration*

Howard Nusbaum
*National Salvage Vehicle Reporting
Program*

Joe Pedigo
Towing and Recovery Association of America

Shaun Petersen
National Independent Automobile Dealers Association

Neil Schuster
American Association of Motor Vehicle Administrators

James Spiller
National Vehicle Service

Stacey K. Stanton
Arizona Department of Transportation

Jim Taylor
Auto Data Direct, Inc.

James Vogel
RigDig

Mark Warner
International Association of Financial Crimes Investigators

Michael Wilson
Automotive Recyclers Association

Guest Observers (Including Presenters)

Richard Ashton
International Association of Chiefs of Police

Betsy Beckwith
Automotive Recyclers Association

Barbara Beninati
ISO Claim Services, Inc.

Delanne Bernier
Automotive Recyclers Association

Bob Cox
Auto Data Direct, Inc.

Robin Elkins
National White Collar Crime Center

Peter Foley
American Insurance Association

Lorraine Friel
NOBEL Systems, Inc.

John Giknis
Insurance Services Office

Travis Grodski
National White Collar Crime Center

Faisal Hasan
Carfax, Inc.

Jim Irish
MobileTrac

Paul Kanitra
Carfax, Inc.

Diane Klund
Audatex

Steve Levetan
Pull-A-Part, LLC

J.P. Meade
National White Collar Crime Center

Patricia Rimo
Consultant/Writer

Jessica Thomas
Automotive Recyclers Association

Ryan Toole
NSVRP

Peter Welch
*California New Car Dealers
Association*

Sean Wheatley
Experian Information Solutions, Inc.

Danielle Waterfield
*Institute of Scrap Recycling
Industries*

**Bureau of Justice Assistance
(BJA)**

Kim Bright
Todd Brighton

David Lewis
Kristen Mahoney
Patrick McCreary

**American Association of Motor
Vehicle Administrators (AAMVA)**

Patrice Aasmo
Vivienne Cameron
Catherine Curtis
Philippe Guiot
Mekala Joy
Kathy King
Marney Michalowski
Philip Quinlan
Marc Saitta

Note: All presentations made at this meeting are available upon request. Please contact Todd Brighton, DFO.

Opening Remarks

Mr. Brighton called the meeting to order at 8:30 a.m. and welcomed participants. Patrick McCreary also greeted the group and noted that approximately half the Board consisted of new members. After calling for a moment of silence in commemoration of the victims of 9/11, Mr. McCreary introduced BJA's Deputy Director for Policy Kristen Mahoney, who thanked Board members and noted she looked forward to supporting their efforts on state compliance.

Mr. Brighton introduced the new Board Chair, Joseph Farrow, and the new Vice Chair, William Brauch. Both welcomed the new Board members and expressed their enthusiasm for the tasks at hand.

NMVTIS Status Updates

Bureau of Justice Assistance Enforcement

Mr. Brighton reviewed BJA's outreach and education efforts, including direct mail (about 40,000 letters from 2010 to present), three webinars, participation in national conferences, and multiple site visits. BJA's office-based monitoring capabilities have increased, and they have been working with AAMVA to develop data mining tools to monitor junk, salvage, and insurance industry reporting. Going forward BJA will be looking more closely at the insurance industry as well.

Mr. Brighton reviewed the process BJA established for reviewing cases of potential non-reporting. He reported that between July 2010 and July 2012 the process generated 224 non-reporting warning letters in approximately 33 states. Of those businesses receiving the letters, 150 businesses registered to report, with 114 remaining in compliance and 36 either having failed to register at all or having reported only once. All together the enforcement efforts generated an additional 960,000 VINS that otherwise may never have been submitted to NMVTIS. However, even with these focused efforts to reach out and work with individual businesses, approximately 50% of the sample is not currently in compliance. BJA would like to discuss the best approaches to monitor compliance given limited program resources and is open to any suggestions in this area by the Compliance and Awareness Subcommittee.

During this same period, seven businesses received notice of penalty letters. Of those, four went out of business, two came into full compliance, and one is at the final determination stage. Mr. Brighton explained BJA's penalty decision considerations – a process mandated by statute – and provided a hypothetical

example of a small business that did not comply. Mr. Brighton emphasized the importance of industry awareness of the reporting requirements.

NMVTIS System Operator Update - AAMVA

For the benefit of new Board members, Vivienne Cameron provided a broad-based overview of the NMVTIS program areas, including: the information states must report; methods states can use to report; how states can use NMVTIS; the role of data consolidators and consumer access providers; and law enforcement access to NMVTIS.

Philippe Guiot provided an information technology overview, explaining that AAMVA currently runs the NMVTIS application on a mainframe platform but is transitioning to a “.net” environment.

Strategic Update

Patrice Aasmo discussed operating costs, program revenue, and the upcoming operator agreement between AAMVA and BJA. System re-engineering will reduce operating costs. She also addressed the work underway to explore the issues raised by the Board in previous meetings regarding duplicate reporting, lack of reporting, and costs of reporting for the junk, salvage and insurance (JSI) industries. Having consulted stakeholders and gathered requirements, AAMVA is preparing a whitepaper for review and discussion.

BJA's final grant to AAMVA ends on December 31, 2012. Going forward, a combination of consumer access revenue, state user fees and AAMVA association funds will pay for NMVTIS system operating costs. There are currently 10 authorized consumer access providers, now including Carfax and Experian, and the market is competitive and creative. State user fees will be reinstated in 2013 and will cover a maximum of 50% of operating costs. State fees will be determined by an equitable 51-tier structure, and states will receive a 50% credit of each consumer access transaction resulting in data returned for a VIN pointing to that state as the current state of title. AAMVA has submitted a working draft of an operator agreement and DOJ is currently reviewing it, with both parties acknowledging it as a priority.

Operational Update

Ms. Cameron provided an update on state development efforts. There are 32 states fully participating in NMVTIS. Additional program highlights include the following:

- AAMVA supported BJA by expanding the reports available and presenting a plan for stakeholder management
- The system processed over 26 million inquiries, including about 1.2 million consumer access inquiries, from March – July 2012

- AAMVA maintained system availability at 99.9%
- As of July 2012 NMVTIS holds over 390 million current title records, over 360 million title history records, over 75 million brand records, and over 45 million JSI records.

Don Armstrong asked about the cost of adding more data consolidators, and Ms. Cameron replied that the cost entails working to bring them up to speed and supporting them from a technology perspective, adding that consolidators do not use the help desk much.

Regarding the stakeholder management plan, Judith Fitzgerald asked how AAMVA plans to convene participants for the JSI sector. Ms. Cameron responded that AAMVA would like input on that area, and Ms. Fitzgerald said the National Insurance Crime Bureau (NICB) would like to participate.

Financial Update

Marc Saitta presented a detailed financial report and explained, for the benefit of new Board members, that NMVTIS program activities are categorized into three pillars: base system operations, base system implementation, and enhancements. The majority of the operating costs fall into base system operations. From 2010 to date, AAMVA has spent \$8 million on NMVTIS at a rate of about \$450,000 per month, and the system has employed a total of 27 full time equivalents, with 22 of those working in base system operations. Mr. Saitta also reviewed the specifics of the grant funding, reiterating that once grant funding has expired AAMVA will be responsible for any costs not covered by consumer access-related revenue and state fees. He added that AAMVA had invested \$2.4 million in an executive support team for NMVTIS.

Questions/comments

Mr. Saitta along with Mr. Guiot responded to questions regarding the potential cost savings to be realized from moving to a new platform; the future costs to support NMVTIS going forward. They responded indicating that the cost benefits from moving the system to the new Microsoft platform, particularly in data hosting, adding that AAMVA would save about \$800,000. Brian Hildreth asked how much it would cost to support NMVTIS going forward, and was told it is estimated an annual cost of about \$5.7 million. It was noted that of that, state fees would account for \$2.5 million and consumer access revenue for about \$500,000, leaving a shortfall of about \$3 million.

In a follow-up, Mr. Saitta explained that AAMVA has retained \$1.284 million of program income generated over three years, principally from the consumer access and CARS programs. Levon Baghdassarian suggested that there could be a tariff on the volume discount for consumer access. Mr. Brauch asked about the projected revenue from consumer access revenue, and Mr. Saitta replied that

about \$1 million is projected for 2013, with half of that going back to the states.

There was also a discussion among board members regarding NMVTIS marketing and the amount spent by AAMVA. It was explained that quite a bit of marketing goes into promoting the NMVTIS consumer access partner sites and those funds come from the authorized consumer access providers. A suggestion was made by Mr. Baghdassarian that authorized consumer access providers contribute to a marketing initiative.

Mr. McCreary commented on NMVTIS's uniqueness because of the partnership between BJA and the system operator (AAMVA). He noted that the operator agreement would most likely be in place by the next Board meeting, adding that BJA would provide more historical data of its contribution to NMVTIS development at that time. He reported that BJA has invested about \$33 million in NMVTIS to date.

Education and Awareness

Update on California Bill AB 1215

Peter Welch, President, California New Car Dealers Association, reviewed AB 1215, which requires all dealers in the state to electronically register their vehicles. As of July 2012, the bill also requires them to run a NMVTIS report on every used vehicle they sell. California has about 32 million registered vehicles and about 12% of the vehicles sold in the country. He noted that his board fully supports NMVTIS and that the association charges its members under 50 cents for the NMVTIS report, with dealers absorbing that charge rather than passing it onto consumers. Because of AB 1215, consumer awareness of NMVTIS will build, adding that dealers do have some concern about false reliance on NMVTIS, as no one of the databases is perfect.

Mr. Armstrong asked about the California law extending beyond new car dealers, and Mr. Welch responded that his members sell annually between 800,000 and 900,000 used vehicles; independent used car dealers sell about 400,000. Asked how many vehicles have been branded because of the new law, Mr. Welch did not have the statistics; however, Jim Taylor said his analysis shows the number is about 3% of California vehicles.

Bernard Brown asked what consumers are told about relying on the databases. Mr. Welch pointed to a prescribed disclosure notice on NMVTIS reports and explained that his members are quite careful. In addition to the major providers having robust disclosure notices, he noted. Nevertheless, Mr. Brown said he is gravely concerned that the disclosures are inadequate for most consumers.

Update on Proposed Legislation for the Rental Car Industry

Rosemary Shahan, President, Consumers for Auto Reliability and Safety (CARS), reported that she has been working with the U.S. Senate on legislation to require rental car companies to ground cars when they are on a safety recall, closing a current loophole in federal law. There is also a companion bill in the House of Representatives. The impetus for the bill came from a crash in California in which two sisters were killed after renting a car from Enterprise that was under a safety recall, and investigation showed that renting cars under safety recalls was common practice at Enterprise. Ms. Shahan noted that because Enterprise and others wanted an exception for salvage recalls, a compromise was proposed whereby companies could send in those vehicles as non-reparable and be able to sell them as scrap – an exception that would apply to only a small pool of vehicles. Ms. Shahan also reported that rental car companies do not seem to be reporting totaled vehicles into NMVTIS, adding that indications point to totaled vehicles being sold that have not been reported. She noted that the CARS Program, administered by the U.S. Department of Transportation (DOT) from 2009-2011, put this issue on the Senate’s radar screen as well.

In response to a question, Mr. McCreary noted that BJA has prepared a letter specifically to rental car companies. Ms. Shahan was asked if requirements exist for rental companies to have their vehicles inspected regularly, and she was not aware of any requirements on the federal level.

Recent Trends in Metal Theft

J.P. Meade, Investigative Support Manager, National White Collar Crime Center (NWC3), reported on the VIN Cloning Training Program. He noted that the focus of this training was auto theft investigators, those law enforcement officers who were the “boots on the ground,” and that the goal of the training was to provide these investigators with hands-on, useful tips and information that they could use in their investigations. The training was conducted in 33 cities in 19 states, and it reached 2250 law enforcement officers who could now be program ambassadors, Mr. Meade noted. He reported that many participants wanted further training, and he thanked BJA for sponsoring the training and NICB for providing additional training materials. Asked if the program is still available, Mr. Meade responded that it is available for law enforcement personnel on CD.

Travis Grodski (NWC3) then provided a brief overview of the next planned training course entitled the “Online Salvage Vehicle Auction Fraud” program. This course would focus on the process and players involved in the online bidding world for salvage vehicles (for both legitimate and fraudulent purposes). Examples of fraudulent activities cited by Mr. Grodski include title washing, where after a few upgrades, the vehicle is taken to several states until the brand

falls off the title, at which point the vehicle is sold for a premium price and VIN cloning. He noted that this is an area where NWC3 is seeking input from the field on curriculum development and will be convening a working group in Richmond in October. Asked by Mr. Brauch if he is seeing situations where a vehicle does have a prior brand, but is using the online purchase process to “wash” the title of any brands, Mr. Grodski said it is early in the research and that NWC3 would be turning to subject matter experts, including NMVTIS Board members, to gain their input. Howard Nusbaum noted that research in 2008 found there were 370,000 titles that had been washed, representing a large number of vehicles that were substantially damaged, but did not have a brand and were not reported in NMVTIS.

ISRI’s Scrap Theft Alert System

Danielle F. Waterfield, Esq., Assistant Counsel/Director, Government Relations, Institute for Scrap Recycling Industries (ISRI), noted there is an increasing metal theft trend occurring across the country. She noted that the scrap recycling industry is working to be a part of the solution to material theft by introducing ScrapTheftAlert.com, a tool for law enforcement that allows officers to alert the scrap industry of significant thefts of materials in the United States and Canada. The tool has been active since 2008 and is available to any scrap processor at no charge. Law enforcement officers, who must register to report a theft, but not to view thefts, can view additional information. ISRI is working on an update and creating a searchable VIN category.

Ms. Waterfield informed the group that ISRI talked with BJA and others about partnering and integrating their system with others. Mr. Nusbaum asserted that NMVTIS is designed to protect the public regarding something that was a vehicle, adding that until the VIN is out of circulation there is a problem. He said the question is whether or not this scrap metal is no longer a vehicle. Ms. Waterfield responded that it would be good to get consistent terminology.

Overview of the NMVTIS Law Enforcement Access Tool

David Lewis, Senior Policy Advisor, BJA, provided a demonstration of the Law Enforcement Tool, noting that there are 1,584 users accessing the site from three different access methods through the following secure but unclassified networks: the FBI’s Law Enforcement Online (LEO), the Regional Information Sharing Systems (RISS) and most recently, the High Intensity Drug Trafficking Area (HIDTA), which is coming in through the RISS network. Use of the tool is growing rapidly, he reported, and the type of officer accessing the tool is expanding beyond auto theft investigators. Current capability is limited to a VIN-based search only. However, BJA is working with AAMVA on ways to expand the search. The next steps are to provide law enforcement access to the NCIC auto file and INTERPOL auto theft data. They also hope to be able to provide theft information to consumers, Mr. Lewis noted.

In response to a question from Mr. Farrow, Mr. Lewis responded that if a state identifies someone as a law enforcement official, then he or she could have access in a short amount of time.

Overview of RISS

George March, Chief Information Officer, Regional Information Sharing Systems (RISS) Office of Technology, provided an overview of the RISS program, which is funded by BJA, comprised of six intelligence centers, and has been in place since 1973. Its mission is to enhance the ability of all levels of law enforcement to share information about crimes. RISS provides the secure, controlled, unclassified network for secure information sharing. There is one public website accessible to people with a credential from a RISS center and also now accessible to the Department of Homeland Security, the National Security Agency and other organizations acting as service providers. Soon there will be a vehicle theft investigators collaboration site and also a link to NMVTIS.

Asked about the value of RISS to an investigator, Mr. March replied that the network provides the opportunity for any member agency to post information about trends, techniques, and other information, plus RISS focuses on all vehicles, including watercraft. McCreary noted that RISS helps with investigation and prosecution.

Subcommittee Break Outs

Board members selected one of two subcommittees, which then met for 45 minutes before reported to the full group, as follows:

NMVTIS Compliance and Awareness Subcommittee

Jim Spiller, Subcommittee chair, reported that the group had explored a number of issues, including how to promote state-level NMVTIS compliance and would present specific recommendations at the March meeting

NMVTIS Technological Capabilities Subcommittee

Mr. March, Subcommittee chair, reported specific recommendations from the subcommittee, as follows:

- That the IT functionality change control process be approved and sent to DOJ for final approval.
- That AAMVA continue to proceed with the re-engineering approach in progress and retain a redundancy period throughout the month of January.

- That AAMVA continue to provide the subcommittee with reports on a periodic basis.
- That the subcommittee be retained until it can be reconsidered at the next Board meeting.

Mr. Farrow posed the recommendations to the full Board, and all of the recommendations were unanimously approved.

Public Observer Comments

Mr. Farrow asked for comments from the public and two observers addressed the board:

R.J. Hopper, an auto recycler from Jacksonville, Arkansas, noted a loophole with online auctions, in that people can buy 5 cars without having a NMVTIS number, can data mine to learn if that car is registered anywhere, and then can engage in title cloning. While there used to be a requirement for a \$5 bidder's card, now people can register and buy cars online without showing anything, he observed. Criminals are running up his cost of doing business and he added that he hoped NMVTIS could help address the potential problems caused by out-of-state online auction purchases.

Mr. Brighton asked it would help address the issue, if BJA (in partnership with the auctions) would promote the idea that all buyers (that purchase 5 or more vehicles in a calendar year) must have an NMVTIS ID. Mr. Hopper said that he thought that would help. Mr. Hopper added that individuals need an easy way to get a NMVTIS number so it can be tracked to see if the business is legitimate.

Mr. Hildreth said he believed Mr. Hopper's point is that people can re-invent themselves time and again and skirt the 5-car rule and skirt who they really are. Mr. Hildreth noted that in his industry, at Insurance Auto Auctions, they do an excellent job of vetting people, but that it is difficult to do when the process is open to the public. Mr. Hopper said that was exactly his point. Mr. Farrow thanked Mr. Hopper for his very enlightening presentation.

Steve Levetan of Pull-A-Part, Inc. noted he has spoken to several law enforcement groups about working together and has noted general confusion among many in law enforcement about how to access NMVTIS information. The portals are not being used as often as they should, he observed, adding that he has heard law enforcement officials ask if there were an easier way to access the tool – particularly to see who is not complying. He also noted that a number of states have incorporated NMVTIS that through legislation, requiring ID numbers

to purchase vehicles or be licensed in the industry. He noted that anything the Board could do to help drive enforceability to the local level would be excellent.

Final Questions/Comments from Board Members

Mr. Nusbaum inquired whether states could enact stricter laws, mandating NMVTIS reporting for the purchase of any number of vehicles – not just the five required by federal statute. Mr. McCreary responded that he would research the issue.

Mr. Baghdassarian asked if consumer access providers could offer law enforcement NMVTIS access through existing data consolidator tools, saying his company could easily do so through existing technologies and products. He noted the benefits of doing so, as so much is dependent on law enforcement.

Mr. Farrow agreed that awareness is key, adding that law enforcement is still in an evolutionary stage in terms of NMVTIS. He observed that rolling out the awareness campaign through the Compliance and Awareness Subcommittee would be essential.

Mr. McCreary noted the validity of Mr. Baghdassarian's suggestion and said Mr. Brighton would follow up with the appropriate technology experts. Mr. McCreary also noted that some providers had already offered free access to law enforcement, adding that this was a solution the Board could explore.

Closing Remarks

Mr. Farrow thanked Board members for their hard work and enthusiasm and adjourned the meeting at approximately 4:30 p.m. The next meeting will take place in Washington, DC on March 5-6, 2013.