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MEMO LETTER

From: R. J. Jim Sewell, Jr., MADA General Counsel
To: Members of the Montana Auto Dealers Association
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CASH FOR CLUNKERS UPDATE

NADA and the ATAEs had another conference call yesterday with the National Highway Traffic Safety Administration (NHTSA) regarding the "Cash for Clunkers" (CARS) program. NADA and the ATAEs had 4 participants on the call, including the director and in-house counsel. They reiterated a number of dealer concerns about the program, its implementation, and the financial burden it has placed on many dealers across the country. NHTSA recognizes that the CARS program has had a number of technical problems, and indicated that it is working hard to address those technical issues.

To date, only about 2% of the claims nation-wide have been paid. Most of the ATAEs expressed in detail the consternation of their dealers that the 10 day limit in the authorizing statute was not being complied with.

NHTSA indicated the following during the call:

- The 10 day clock does not start to run until the submitted claim is approved. The funds transfer will come from Treasury when it comes - without any reference to which claim is being paid. An email will be sent to the dealer identifying the claims being paid by invoice number at the time notice is sent to Treasury to pay.
- The rules will likely be modified from what was posted on the WEB yesterday that appeared to require delivery before approval from CARS. Delivery will likely be required when CARS approval is obtained.
- The rules will likely be modified to make it clear that the customer and the dealer can negotiate as part of the deal that the customer will reimburse the dealer if the CARS payment is not received. The dealer CANNOT require such an agreement however. If the customer refuses, the dealer can simply choose not to do the deal.

- NHTSA has 300 employees processing reimbursement claims. They are working to increase staffing, with the goal of eventually having 1,000 people reviewing claims within two weeks.
- A list of the Top 10 reasons that dealer reimbursement submissions have been rejected to date will be posted on the CARS website. The most common reasons for rejected deals:
 - Absence of a brand, written or stamped on the front and back of the trade-in vehicle's title that states "Junk Automobile, CARS.gov." The problem apparently is that many dealers are using a sticker of some sort that is removable instead of an indelible stamp or writing. (14%)
 - Lack of proof of continuous insurance. (9%)
 - Summary of Sales Agreement has missing signatures. (9%)
 - VIN mismatches. (9%)
- E-mail contact for dealers to submit questions about reimbursements and other technical assistance is: 9-amc-nhtsa-cars-ap-supplier@faa.gov This address is **not** be used for general concerns or questions NHTSA stressed.
- The NHTSA computer system will be conducting an automatic review of the CARS reimbursement submissions the night of August 12, which will likely result in a large number of rejections. Submissions will be rejected for more obvious errors, such as a failure to include any attachments. Dealers should not be surprised to see a larger than normal number of rejections sometime 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. You must re-submit. There is no process to simply amend or correct the original submission.

9 Tips for a Trouble-Free CARS Transaction*

1. Pay attention to detail. NHTSA reports that a number of deals are being submitted with incomplete paperwork and missing attachments and signatures. Assign someone at the dealership to be the quality checker before you hit submit.
2. Remember to write "Junk Automobile/CARS.gov" on the front AND back of the car title. Write it big and legible and use black, indelible ink or a custom made stamp. DO NOT use stickers.
3. Don't submit PDFs in color. Sure, they look pretty, but the time they take to load isn't worth it.
4. Keep PDFs under 8 MB. Anything larger than 8 mega bytes will clog NHTSA's system. Resolution should be set for 200-300 dpi (per NHTSA's recommendation) to help the system run

more smoothly. If possible, just send one PDF. There's no need to create a separate PDF for each document, just label each sheet (e.g. title, proof of insurance, etc.) and keep them in order.

5. Don't leave transactions on hold for too long. You can hit "Save for Later" and come back to the transaction to complete it at a later time. But don't wait too long. Submit it at your first opportunity so there is not a backlog of deals in "draft mode."

6. Make sure the summary of sale and lease documents are signed by the dealer AND purchaser. Get the purchaser's signature while you have them at your store.

7. Submit Insurance Documentation. While NHTSA has made changes to the rules regarding proof of insurance for states that do not require insurance (WI and NH), ALL other states still must submit proof of insurance for one year.

8. Kill the engine before sending a car to the salvage yard. Failing to do so will result in fines and penalties, including removal from the CARS program as a registered dealer.

9. If you realize you made an error in your submission, don't wait for NHTSA to process and reject it. You can follow four simple steps to cancel your submission.

- o Send an email from your registered CARS email address from your dealership account
- o Send to 9-amc-nhtsa-cars-ap-supplier@faa.gov.
- o Subject line should read "REJECT {INVOICE NUMBER}" – enter in the invoice number for the deal you want stopped.
- o Include in the body of the email all of your dealer contact information and the deal invoice number again.

* American International Automobile Dealers Association