



NORTH CAROLINA COMMUNITY COLLEGE SYSTEM  
*H. Martin Lancaster, President*

February 20, 2007

**MEMORANDUM**

To: Senior Continuing Education Administrators

From: Barbara Boyce  
State Director, Continuing Education

Subject: AUT3001: Auto Dealer Renewal – 2007 Core Topics

Below are updates for the Course Guidelines for **AUT3001: Motor Vehicle Dealer Licenses – Renewal**.

1. See Attachment A for the 2007 Course Guidelines.
2. See Attachment B for the 2007 Core Topics.
3. In 2006 the Division of Motor Vehicles (DMV-License and Theft Bureau) reinstated the requirement that colleges must submit their AUT3001 course schedules to the System Office. Please fax or e-mail them to Joann Ingoglia, Continuing Education Program Assistant, at (919) 807-7169 or [ingogliaj@nccommunitycolleges.edu](mailto:ingogliaj@nccommunitycolleges.edu). Colleges have the option of submitting their schedules, monthly, per semester, or yearly.
4. In 2006 DMV eliminated the requirement that colleges must submit their course outlines to their office. Instead, colleges are required to submit a copy of the certificate that is given to students upon completion of the course. The System Office collects the certificates and then submits them to DMV. If you began offering the renewal course in 2006 and have not submitted a copy to the System Office or if you have updated/changed the design of your certificate, please fax or e-mail your certificate to Joann Ingoglia, Continuing Education Program Assistant, (919) 807-7169 or [ingogliaj@nccommunitycolleges.edu](mailto:ingogliaj@nccommunitycolleges.edu)

If you have questions, please call me at (919) 807-7158.

BAB/ji  
Attachments

c: Presidents  
DMV Contacts  
Joey I. Gardner, License and Theft Bureau, NC DMV

**CC07-046**  
**Email**

## Course Guidelines

### AUT3001: Motor Vehicle Dealer Licenses – Renewal

The North Carolina Community College System, in collaboration with the Division of Motor Vehicles (DMV), has established the following guidelines for offering **AUT3001: Motor Vehicle Dealer Licenses – Renewal**.

#### I. **Student Materials and Reference Documents**

**Instructors will use as reference and resource documents the materials listed below.**

- NC Dealers and Manufacturers Regulations Manual. This manual covers General Statute, Chapter 20 – Article 12 and Article 15. Colleges may download this document from DMV’s website at the link below or contact their Regional DMV office for a printed copy.  
[http://www.ncdot.org/dmv/other\\_services/licensetheft/about.html](http://www.ncdot.org/dmv/other_services/licensetheft/about.html)
- NC Division of Motor Vehicles Title Manual – Vehicle Registration Section. This is available on the DMV website at the following link:  
[http://www.ncdot.org/dmv/vehicle\\_services/registrationtitling/titlemanual/](http://www.ncdot.org/dmv/vehicle_services/registrationtitling/titlemanual/)

#### II. **Core Topics for 2007**

- See attached handout

#### III. **Additional Recommended Topics**

Colleges may also include additional topics that are directly related to the independent car dealer’s responsibilities. Topics may include, but are not limited to the following suggested topics.

- STARS – State Title and Registration System
- Safety/OSHA Requirements
- NC State Inspection Regulations
- Insurance and Liabilities Laws and Rates
- Requirements for Trailers according to pounds
- Tax Requirements and Exemptions
- Approaches to General Sales and Negotiating
- Surety Bonds
- Small Business Bookkeeping / Accounting and Management Practices

#### IV. **Additional Reference Resources**

Instructors are encouraged to utilize additional reference resources related to small business management, consumer rights, insurance and tax information. They may include but are not limited to the following resources listed below.

DMV New Fees	<a href="http://www.ncdot.org/dmv/hot_topics/feeincrease.html">http://www.ncdot.org/dmv/hot_topics/feeincrease.html</a>
DMV Vehicle Theft	<a href="http://www.ncdot.org/dmv/other_services/licensetheft/vehicleTheft.html">http://www.ncdot.org/dmv/other_services/licensetheft/vehicleTheft.html</a>
DMV Identity Theft	<a href="http://www.ncdot.org/dmv/other_services/licensetheft/identityTheft.html">http://www.ncdot.org/dmv/other_services/licensetheft/identityTheft.html</a>
Federal Trade Commission	<a href="http://www.ftc.gov/">http://www.ftc.gov/</a>
ID Theft	<a href="http://www.ftc.gov/idtheft">http://www.ftc.gov/idtheft</a>
ID Theft Affidavit	<a href="http://www.ftc.gov/idtheft">http://www.ftc.gov/idtheft</a>
Treasury Department	<a href="http://www.treas.gov">www.treas.gov</a>
Credit Reporting Pre-Screening	1-800-567-8688
ID Theft	1-202-326-2502

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**Instructors will cover the following core topics in their 2007 dealer's courses.**

**1. How does DMV define a Motor Vehicle Dealer or Dealer?**

- a) A person who does any of the following:
1. For commission, money, or other thing of value, buys, sells, or exchanges, whether outright or on conditional sale, bailment lease, chattel mortgage, or otherwise, five or more motor vehicles within any 12 consecutive months, regardless of who owns the motor vehicles.
  2. On behalf of another and for commission, money, or other thing of value, arranges, offers, attempts to solicit, or attempts to negotiate the sale, purchase, or exchange of an interest in five or more motor vehicles within any 12 consecutive months, regardless of who owns the motor vehicles.
  3. Engages, wholly or in part, in the business of selling new motor vehicles or new or used motor vehicles, or used motor vehicles only, whether or not the motor vehicles are owned by that person, and sells five or more motor vehicles within any 12 consecutive months.
  4. Offers to sell, displays, or permits the display for sale for any form of compensation five or more motor vehicles within any 12 consecutive months.
  5. Primarily engages in the leasing or renting of motor vehicles to others and sells or offers to sell those vehicles at retail.
- b) The term "motor vehicle dealer" or "dealer" does not include any of the following:
1. Receivers, trustees, administrators, executors, guardians, or other persons appointed by or acting under the judgment or order of any court.
  2. Public officers while performing their official duties.
  3. Persons disposing of motor vehicles acquired for their own use or the use of a family member, and actually so used, when the vehicles have been acquired and used in good faith and not for the purpose of avoiding the provisions of this Article.
  4. Persons who sell motor vehicles as an incident to their principal business but who are not engaged primarily in the selling of motor vehicles. This category includes financial institutions who sell repossessed motor vehicles and insurance companies who sell motor vehicles to which they have taken title as an incident of payments made under policies of insurance, and auctioneers who sell motor vehicles for the owners or the heirs of the owners of those vehicles as part of an auction of other personal or real property or for the purpose of settling an estate or closing a business or who sell motor vehicles on behalf of a governmental entity, and who do not maintain a used car lot or building with one or more employed motor vehicle sales representatives.
  5. Persons manufacturing, distributing or selling trailers and semitrailers weighing not more than 2,500 pounds unloaded weight.
  6. A licensed real estate broker or salesman who sells a mobile home for the owner as an incident to the sale of land upon which the mobile home is located.
  7. An employee of an organization arranging for the purchase or lease by the organization of vehicles for use in the organization's business.
  8. Any publication, broadcast, or other communications media when engaged in the business of advertising, but not otherwise arranging for the sale of motor vehicles owned by others.
  9. Any person dealing solely in the sale or lease of vehicles designed exclusively for off road use.
  10. Any real property owner who leases any interest in property for use by a dealer.
  11. Any person acquiring any interest in a motor vehicle for a family member.
  12. Any auctioneer licensed pursuant to Chapter 85B of the General Statutes employed to be an auctioneer of motor vehicles for a licensed motor vehicle dealer, while conducting an auction for that dealer.
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**2. What are the requirements to renew licenses?**

**G.S. 20-289 License fees**

The license fee for each fiscal year, or part thereof, shall be as follows:

For motor vehicle dealers, distributors, distributor branches, and wholesalers, seventy dollars (\$70.00) for each place of business. For motor vehicle sales representatives, fifteen dollars (\$15.00).

If the applicant is an individual, proof that the applicant is at least 18 years of age and proof that all salespersons employed by the dealer are at least 18 years of age.

The Division shall require in such application, or otherwise, information relating to matters set forth in G.S. 20-294 as grounds for the refusing of licenses, and to other pertinent matters commensurate with the safeguarding of the public interest, all of which shall be considered by the Division in determining the fitness of the applicant to engage in the business for which he seeks a license.

All licenses that are granted shall be for a period of one year unless sooner revoked or suspended. The Division shall vary the expiration dates of all licenses that are granted so that an equal number of licenses expire at the end of each month, quarter, or other period consisting of one or more months to coincide with G.S. 20-79(c).

**3. What are the Dealer Education Requirements?**

Proof that the applicant, within the last 12 months, has completed a 12-hour licensing course approved by the Division if the applicant is seeking an initial license and a six-hour course approved by the Division if the applicant is seeking a renewal license.

The requirements of this subdivision do not apply to a used motor vehicle dealer the primary business of which is the sale of salvage vehicles on behalf of insurers or to a manufactured home dealer licensed under G.S. 143-143.11 who complies with the continuing education requirements of G.S. 143-143.11B. The requirement of this subdivision does not apply to persons age 62 or older as of July 1, 2002, who are seeking a renewal license.

Effective January 1, 2007 Dealer Education requirements do not apply to an applicant who holds a license as a new motor vehicle dealer as defined in GS 20-286(13) and operates from an established showroom one mile or less from the established showroom for which the applicant seeks a used motor vehicle dealer license. An applicant who also holds a license as a new motor vehicle dealer may designate a representative to complete the licensing course that is required by GS 20-288.

**4. What is required for inspection and permanent files?**

**Manner of Operation**

Vehicles offered for sale owned by dealership

- No vehicle shall be sold or offered for sale or trade by any motor vehicle dealer, manufacturer, factory branch, distributor or wholesaler has in his possession a certificate of title or manufacturers certificate of origin, or same is immediately available to complete transfer of ownership to the consumer-purchaser.

Vehicles offered for sale on a floor plan lien

- Any dealer offering a vehicle for sale that has a "floor plan lien" on it shall at the time of sale, satisfy the floor plan lien and obtain the title from the "floor plan lien holder," execute the title documents and deliver them to the purchaser or the lienholder as required by G. S. 20-72 and G. S. 20-75 at the time the vehicle is delivered.
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*(Question 4, continued)*

- Manufacturers Certificate of Origin and titles may be retained by the floor plan lien holder so long as the Manufacturers Certificate of Origin and/or titles are located within the boundaries of North Carolina; provided the dealer has in possession, available for inspection, an invoice from the manufacturer or distributor and a floor plan disclosure form completed, dated and signed by both parties.

Mobile/Manufactured Home Dealers

Mobile/Manufactured home dealers shall be exempt from the requirement that the MCO and title be located within the boundaries of North Carolina. All other provisions of this Rule shall apply to mobile/manufactured home dealers.

**Odometer Disclosure Statement**

Must comply with Article 15 of Chapter 20 of the North Carolina General Statutes and copies must be retained for a period of five (5) years.

**Business Records**

- (1) All motor vehicle dealers, manufacturers, factory branches, distributors, distributor branches and wholesalers shall keep a record for at least four (4) years of all vehicles manufactured, received, sold, traded or junked. In addition to these records, a copy of a damage disclosure form, completed with the information required by law from the seller and a copy of a damage disclosure form, completed with the information required by law, given to the purchaser. An odometer disclosure form shall be retained for a period of 5 years in compliance with N.C. G. S. 20-347.1.
  - (2) Additional records required under this section shall include:
    - a. Make, body style, vehicle identification number, and year model.
    - b. Name of person, firm or corporation from whom acquired.
    - c. Date vehicle purchased or manufactured.
    - d. Name of person, firm or corporation to whom sold or traded. If vehicle junked, date, name and address of person, firm or corporation to whom frame, motor, transmission and body sold.
    - e. Date vehicle sold or traded.
    - f. Copy of bill of sale (written statement).
  - (3) All records required to be maintained in paragraphs B( 1) and (2) shall be kept and maintained for every vehicle purchased or sold and shall be kept so as to be readily available for inspection upon demand from an authorized agent of the North Carolina Division of Motor Vehicles in order that the ownership of any vehicle purchased or sold can be traced.
  - (4) Manufacturer's Certificates of Origin and title for all vehicles owned by a motor vehicle dealer, manufacturer, factory branch, distributor, distributor branch or wholesaler must be immediately available to assign to the purchaser.
  - (5) Retail installment sales must be made in accordance with G.S. 20-303. Cash sales may be made by proper endorsement and delivery of the title to the purchaser and any other receipt that the purchaser and seller agree upon.
  - (6) Pursuant to 16 CFR 455.2 a dealer shall not willfully remove the "Monroney Label" or sticker from a new automobile that is displayed for sale. The "Monroney Label" must be affixed to the automobile at the time of sale to the ultimate purchaser. "Ultimate Purchaser" means the first person, other than a dealer purchasing in his capacity as a dealer, who in good faith purchases a new automobile for purposes other than a resale.
  - (7) Pursuant to 15 USC Sec. 1231 every dealer offering used cars for sale shall post buyers guides with warranty information as required by the Federal Trade Commission and same shall be displayed at the time of sale.
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*(Question 4, continued)*

**Inspection and Investigation**

- A. The Division may make periodic inspections of premises and records of licensee.
- B. All bona fide complaints received in writing by the Commissioner about any person, firm or corporation licensed under Article 12 of Chapter 20 shall be investigated for the purpose of determining whether there has been a violation of that Article, Article 15 or these rules.
- C. The Division shall also conduct an investigation when it has reasonable grounds to believe there has been a violation of Chapter 20 or these rules.

**5. What are the requirements for displaying licenses at a business and/or in advertisements?**

G.S. 20-290. Licenses to specify places of business; display of license and list of salesmen; advertising.

- (a) The license of a motor vehicle dealer shall list each of the dealer's established salesrooms in this State. A license of a manufacturer, factory branch, distributor, distributor branch, or wholesaler shall list each of the license holder's places of business in this State. A license shall be conspicuously displayed at each place of business. In the event the location of a business changes, the Division shall endorse the change of location on the license, without charge.
- (b) Each dealer shall keep a current list of his licensed salesmen, showing the name of each licensed salesman, posted in a conspicuous place in each place of business.
- (c) Whenever any licensee places an advertisement in any newspaper or publication, the licensee's name shall appear in the advertisement

**6. What are the responsibilities of the employer and sales agents?**

Each licensee shall be responsible for the acts of his salesman while acting as his agent.

**7. How can a license be denied, suspended and revoked?**

G.S. 20-294. Grounds for denying, suspending or revoking licenses.

The Division may deny, suspend, or revoke a license issued under this Article for any one or more of the following grounds:

- (1) Making a material misstatement in an application for a license.
  - (2) Willfully and intentionally failing to comply with this Article, Article 15 of this Chapter, or G.S. 20-52.1, 20-75, 20-79.1, 20-108, 20-109, or a rule adopted by the Division under this Article.
  - (3) Failing to have an established salesroom, if the license holder is a motor vehicle dealer, or failing to have an established office, if the license holder is a wholesaler.
  - (4) Willfully defrauding any retail buyer, to the buyer's damage, or any other person in the conduct of the licensee's business.
  - (5) Employing fraudulent devices, methods or practices in connection with compliance with the requirements under the laws of this State with respect to the retaking of motor vehicles under retail installment contracts and the redemption and resale of such motor vehicles.
  - (6) Using unfair methods of competition or unfair deceptive acts or practices.
  - (7) Knowingly advertising by any means, any assertion, representation or statement of fact which is untrue, misleading or deceptive in any particular relating to the conduct of the business licensed or for which a license is sought.
  - (8) Knowingly advertising a used motor vehicle for sale as a new motor vehicle.
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- (9) Being convicted of an offense set forth under G.S. 20-106, 20-106.1, 20-107, or 20-112 while holding such a license or within five years next preceding the date of filing the application; or being convicted of a felony involving moral turpitude under the laws of this State, another state, or the United States.
- (10) Submitting a bad check to the Division of Motor Vehicles in payment of highway use taxes collected by the licensee.
- (11) Knowingly giving an incorrect certificate of title, or failing to give a certificate of title to a purchaser, a lien holder, or the Division, as appropriate, after a vehicle is sold.
- (12) Making a material misstatement in an application for a dealer license plate.
- (13) Failure to pay a civil penalty imposed under G.S. 20-287.

**8. What are the new laws and requirements for disclosing prior damage?**

G.S. 20-71.4. Failure to disclose damage to a vehicle shall be a misdemeanor.

- (a) It shall be unlawful for any transferor of a motor vehicle to do any of the following:
  - (1) Transfer a motor vehicle up to and including five model years old when the transferor has knowledge that the vehicle has been involved in a collision or other occurrence to the extent that the cost of repairing that vehicle, excluding the cost to replace the air bag restraint system, exceeds twenty-five percent (25%) of its fair market retail value at the time of the collision or other occurrence, without disclosing that fact in writing to the transferee prior to the transfer of the vehicle.
  - (2) Transfer a motor vehicle when the transferor has knowledge that the vehicle is, or was, a flood vehicle, a reconstructed vehicle, or a salvage motor vehicle, without disclosing that fact in writing to the transferee prior to the transfer of the vehicle.
    - (a1) For purposes of this section, the term "five model years" shall be calculated by counting the model year of the vehicle's manufacture as the first model year and the current calendar year as the final model year. Failure to disclose any of the information required under subsection (a) of this section that is within the knowledge of the transferor will also result in civil liability under G.S. 20-348. The Commissioner may prepare forms to carry out the provisions of this section.
    - (b) It shall be unlawful for any person to remove the title or supporting documents to any motor vehicle from the State of North Carolina with the intent to conceal damage (or damage which has been repaired) occurring as a result of a collision or other occurrence.
    - (c) It shall be unlawful for any person to remove, tamper with, alter, or conceal the "TOTAL LOSS CLAIM VEHICLE" tamperproof permanent marker that is affixed to the doorjamb of any total loss claim vehicle. It shall be unlawful for any person to reconstruct a total loss claim vehicle and not include or affix a "TOTAL LOSS CLAIM VEHICLE" tamperproof permanent marker to the doorjamb of the rebuilt vehicle. Violation of this subsection shall constitute a Class I felony, punishable by a fine of not less than five thousand dollars (\$5,000) for each offense.
    - (d) Violation of subsections (a) and (b) of this section shall constitute a Class 2 misdemeanor.

**Damage Disclosure**

Emphasis on full disclosure of damage, flood, theft recovery, etc. when the dealer knows or should know that prior damage is present. Discussion of the impact of Unfair and Deceptive Trade Practices laws on dealers who intentionally fail to disclose and the threat of treble damages and attorney fees. There should be an emphasis on honest and fair practices in dealing with the public and the instructor should continue to warn the dealer that intentional failure to disclose significantly exposes him to civil litigation.

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**9. What is required for use of disclosure documents and recent interpretations?**

**Mandatory use of FTC Buyer's Guides**

Surveys reveal that dealers are still not heeding the warning about use of these disclosure documents required under FTC rules and regulations. It is necessary to repeat the potential fines for non-compliance. There should be reminders of when the buyer's guide is required and when it is not. Remind dealers that the FTC buyer's guide is required if they are offering their vehicle for sale through an open to the public auto auction but the guide is not required at a dealer-only, wholesale auction.

**10. What are the laws and requirements for privacy notifications?**

**Privacy Notifications**

The Gramm Leach Bliley Act makes it clear that auto dealers engaged in a) obtaining necessary non-public personal financial information or b) conducting on-the-lot or buy here-pay here financing must provide a privacy notice at point of sale. Again, the trial bar uses the dealer's failure to use these notices as a fashion to void a deal. Furthermore, potential fines are a very real threat.

**11. What are 'implied warranties' and how can they affect a dealer?**

The largest majority of licensed dealers are unaware that providing "free" repairs to a vehicle sold "as-is" can create an implied warranty for any other repairs that become necessary. Such an implied warranty can attach and last for so long as that consumer has possession of the vehicle. The instructor needs to provide information on what constitutes an implied warranty, how to provide customer-friendly, after-the-sale services without creating such a warranty. Examples include using a "good will" repair with disclaimer language, modest charges for repairs that are documented and pre-sale agreements to make specified repairs to a used motor vehicle.

**12. How can vehicles be displayed for sale?**

There should be a re-emphasis on the requirement that vehicles cannot be displayed for sale at any other location other than the address which appears on the dealer's license. Exceptions are limited but include: 1) at a trade show, 2) at the home of a customer or employee. However, while they can be displayed at these locations, no selling or negotiating may take place. Such transactions must take place at the location noted on the dealer's license.

G.S. 20-292. Dealers may display motor vehicles for sale at retail only at established salesrooms.

A new or used motor vehicle dealer may display a motor vehicle for sale at retail only at the dealer's established salesroom, unless the display is of a motor vehicle that meets any of the following descriptions:

- (1) Contains the dealer's name or other sales information and is used by the dealer as a "demonstrator" for transportation purposes.
- (2) Is displayed at a trade show or exhibit at which no selling activities relating to the vehicle take place.
- (3) Is displayed at the home or place of business of a customer at the request of the customer.

This section does not apply to recreational vehicles, house trailers, or boat, animal, camping, or other utility trailers.

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**13. How to handle consignments with appropriate contracts and information?**

**Vehicles offered for sale on consignment.**

- a. Any dealer offering a vehicle for sale that is on consignment from a manufacturer, distributor, factory branch, distributor branch, wholesaler, or an individual shall have in his possession a consignment contract for each vehicle, executed by both parties.
- b. The consignment contract shall consist of the following:
  - (1) The effective dates of the contract.
  - (2) The complete name, address, and the telephone number, if available, of the owner.
  - (3) A complete description of the vehicle on consignment, including the make, model, body style, year, and vehicle identification number.
  - (4) The listing charges.
  - (5) The percentage of commission or the amount of the commission the dealer is to get if the vehicle is sold.
  - (6) The "after termination" clause shall not exceed 30 days.
- c. Any dealer offering a vehicle for sale on consignment must tell the prospective customer that the vehicle is on consignment unless the dealer is going to take ownership of the vehicle by completing a re-assignment on the title documents. Any dealer selling a vehicle on consignment from a wholesaler must take ownership of that vehicle prior to the retail sale.
- d. Dealer plates cannot be used to demonstrate a vehicle on consignment. The owner's plate may be used if liability insurance is effect.
- e. In addition to a consignment contract, the dealer shall have in his possession an equipment listing of the vehicle, consisting of, but not limited to, the following:
  - (1) Owners name and address.
  - (2) Complete description of the vehicle which shall include the year, make, model, body style, color, odometer reading, special or extra equipment, and the disclosure of known defects.
  - (3) The vehicle must display a current safety inspection certificate.
- f. The ownership documents of any vehicle on consignment must be made available to any authorized agent of the North Carolina Division of Motor Vehicles on request. The ownership documents must be readily available from the owner.
- g. The owner must execute the ownership documents and deliver them to the purchaser at the time the vehicle is delivered.

**Dealers may not offer for sale vehicles on consignment from other retail dealers.**

**14. What does NC law require for re-sale of vehicles?**

G.S. 20-183.4C. When a vehicle must be inspected; one-way trip permit.

- (a) Inspection. – A vehicle that is subject to a safety inspection, an emissions inspection, or both must be inspected as follows:
    - (1) A new vehicle must be inspected before it is sold at retail in this State.
    - (2) A used vehicle must be inspected before it is offered for sale at retail in this State by a dealer at a location other than a public auction.
    - (3) A used vehicle that is offered for sale at retail in this State by a dealer at a public auction must be inspected before it is offered for sale unless it has an inspection sticker that was put on the vehicle under this Part and does not expire until at least nine months after the date the vehicle is offered for sale at auction.
    - (4) A used vehicle acquired by a resident of this State from a person outside the State must be inspected within 10 days after the vehicle is registered with the Division.
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*(Question 4, continued)*

NC law requires that once a dealer has acquired a motor vehicle for the purpose of re-sale, he must have this vehicle inspected prior to offering it for sale. This must be done no matter if the acquired vehicle has a recent and valid inspection sticker affixed when acquired by the dealer. If the dealer is offering a vehicle from his inventory for sale at an open-to-the-public auction, there must be at least 9 months remaining on a valid inspection sticker.

**15. Bill of Sale – What does the law require for sale documents**

**BILL OF SALE-WRITTEN DOCUMENTATION**—Every motor vehicle dealer, manufacturer, factory branch, distributor, distributor branch or wholesaler at the time of sale or trade shall provide to the buyer in writing the applicable information listed below which may be on a bill of sale, buyer's order, financial statement or combination thereof. Each form must be completed in duplicate, signed by the buyer and seller, and the original or copy provided to the buyer and a copy of original retained by the dealer for four years. Such documents shall include:

- a. Name and address of person, firm or corporation to whom vehicle sold or traded.
- b. Date of sale or trade.
- c. Name and address of motor vehicle dealer, manufacturer, factory branch, distributor, distributor branch or wholesaler selling or trading vehicle.
- d. Make, body style, vehicle identification number and year model.
- e. Sale price of vehicle.
- f. Amount of cash down payment made by the buyer.
- g. Description of any vehicle used as a trade-in and the amount credited the buyer for said trade-in. [Description of trade-in shall be the same as outlined in (d) of this Rule.]
- h. Amount of finance charge, if any, and interest.
- i. The cost of insurance to the buyer, if any, and an explanation of the type and amount of coverage.
- j. Any investigation charges, service charges or any other charge or charges not included in previous items. The purpose of each charge must be specified.
- k. Net balance due from the buyer.
- l. The amount of each payment and the time and schedule of deferred payment and to whom payments are to be made.
- m. Bill of sale must be signed by both the seller and buyer.

**16. How should installment agreements be documented and what are the limitations on finance charges?**

Some dealers labor under the impression that a hand-written annotation on the bill of sale constitutes a legally-binding contract for payments to be made over time. First, this is a violation of the Federal Truth in Lending Act and of Chapter 20 of the NC General Statutes. Under the Chapter, the seller must deliver to the buyer a written statement describing clearly the vehicle, the cash sale price, cash down by the customer, amount credited to the trade-in, description of the vehicle traded, amount of finance charge, amount of any other charges, net balance due from the customer, terms of payment and insurance if required. Failure to have such an installment agreement not only violates state and federal law, but voids the transaction.

**Limits on Finance Charges:**

- a) With respect to a consumer credit installment sale contract, a seller may contract for and receive a finance charge not exceeding that permitted by this section. For the purposes of this section, the finance charge rates are the rates that are required to be disclosed by the Consumer Credit Protection Act.
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*(Question 16, continued)*

- (b) Except as hereinafter provided, the finance charge rate for a consumer credit installment sales contract may not exceed:
- (1) Twenty-four percent (24%) per annum where the amount financed is less than one thousand five hundred dollars (\$1,500);
  - (2) Twenty-two percent (22%) per annum where the amount financed is one thousand five hundred dollars (\$1,500) or greater, but less than two thousand dollars (\$2,000);
  - (3) Twenty percent (20%) where the amount financed is two thousand (\$2,000) or greater, but less than three thousand dollars (\$3,000);
  - (4) Eighteen percent (18%) per annum where the amount financed is three thousand dollars (\$3,000) or greater, except that a minimum finance charge of five dollars (\$5.00) may be imposed.
- (c) A finance charge rate not to exceed the higher of the rate established in subsection (b) or the rate set forth below may be imposed in a consumer credit installment sale contract repayable in not less than six installments for a self-propelled motor vehicle:
- (1) Eighteen percent (18%) per annum for vehicles one and two model years old;
  - (2) Twenty percent (20%) per annum for vehicles three model years old;
  - (3) Twenty-two percent (22%) per annum for vehicles four model years old; and
  - (4) Twenty-nine percent (29%) per annum for vehicles five model years old and older.
- A motor vehicle is one model year old on January 1 of the year following the designated year model of the vehicle.
- (d) Notwithstanding the provisions of subsections (b) and (c), above, in the event that the amount financed in a consumer credit sale contract is secured in whole or in part by a security interest in real property, the finance charge rate may not exceed sixteen percent (16%) per annum.
- (e) A seller may not divide a single credit sale transaction into two or more sales to avoid the limitations as to maximum finance charges imposed by this section.
- (f) Notwithstanding the provisions of subsections (b) or (d), the parties to a consumer credit installment sale contract for the sale of a residential manufactured home which is secured by a first lien on that home or on the land on which such home is located may contract in writing for the payment of a finance charge as agreed upon by the parties. Provided, this subsection shall only apply if the parties would have been entitled to so contract by the provisions of section 501 of United States Public Law 96-221, and have complied with the regulations promulgated thereto.

For the purposes of this subsection (f), a "residential manufactured home" means a mobile home as defined in G.S. 143-145(7) which is used as a dwelling.

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**17. What is required for Dealer tags/plates?**

Dealers may only use dealer tags/plates when: a) the vehicle to which it is affixed is a part of the dealer's inventory, b) is not consigned to the dealer, c) maintains liability insurance, d) is not used by the dealer in another business in which he is engaged, e) has a demonstration permit to test-drive the vehicle and the permit is with the tag and operator, f) is an officer or licensed sales representative while driving/operating for the business purposes of the dealer, g) is an employee of the dealer and is driving the vehicle in the course of his regular duties and employment. Dealers may not lend, lease, sell, rent or otherwise place a dealer tag at the disposal of any person other than those noted above. Stolen, lost or misplaced tags must be immediately reported to DMV.

**18. What are the use of and limitations for transport tags?**

G.S. 20-79.2. Transporter plates.

- (a) **Who Can Get a Plate** – A person engaged in a business requiring the limited operation of a motor vehicle for any of the following purposes may obtain a transporter plate authorizing the movement of the vehicle for the specific purpose:
- (1) To facilitate the manufacture, construction, rebuilding, or delivery of new or used truck cabs or bodies between manufacturer, dealer, seller, or purchaser.
  - (2) To repossess a motor vehicle.
  - (3) To pick up a motor vehicle that is to be repaired or otherwise prepared for sale by a dealer, to road-test the vehicle, if it is repaired, within a 10-mile radius of the place where it is repaired, and to deliver the vehicle to the dealer.
  - (4) To move a motor vehicle that is owned by the business and is a replaced vehicle offered for sale.
  - (5) To take a motor vehicle either to or from a motor vehicle auction where the vehicle will be or was offered for sale.
  - (6) To road-test a repaired truck whose GVWR is at least 15,000 pounds when the test is performed within a 10-mile radius of the place where the truck was repaired and the truck is owned by a person who has a fleet of at least five trucks whose GVWRs are at least 15,000 pounds and who maintains the place where the truck was repaired.
  - (7) To move a mobile office, a mobile classroom, or a mobile or manufactured home.
  - (8) To drive a motor vehicle that is at least 25 years old to and from a parade or another public event and to drive the motor vehicle in that event. A person who owns a motor vehicle that is at least 25 years old is considered to be in the business of collecting those vehicles.
  - (9) To drive a motor vehicle that is part of the inventory of a dealer to and from a motor vehicle trade show or exhibition or to, during, and from a parade in which the motor vehicle is used.
  - (10) To drive special mobile equipment in any of the following circumstances:
    - a. From the manufacturer of the equipment to a facility of a dealer.
    - b. From one facility of a dealer to another facility of a dealer.
    - c. From a dealer to the person who buys the equipment from the dealer.
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*(Question 18, continued)*

- (b) **How to Get a Plate** – A person may obtain a transporter plate by filing an application with the Division and paying the required fee. An application must be on a form provided by the Division and contain the information required by the Division. The fee for a transporter plate is one-half the fee set in G.S. 20-87(5) for a passenger motor vehicle of not more than 15 passengers.
- (b1) **Number of Plates.** – The total number of transporter and dealer plates issued to a dealer may not exceed the number of dealer plates that can be issued to the dealer under G.S. 20-79(b). This restriction does not apply to a person who is not a dealer. Transporter plates issued to a dealer shall bear the words "Dealer-Transporter."
- (b2) **Sanctions.** – The following sanctions apply when a motor vehicle displaying a "Dealer-Transporter" license plate is driven in violation of the restrictions on the use of the plate:
- (1) The individual driving the motor vehicle is responsible for an infraction and is subject to a penalty of fifty dollars (\$50.00).
  - (2) The dealer to whom the plate is issued is subject to a civil penalty imposed by the Division of two hundred dollars (\$200.00).
  - (3) The Division may rescind all dealer license plates issued to the dealer whose plate was displayed on the motor vehicle.  
A penalty imposed under subdivision (1) of this subsection is payable to the county where the infraction occurred, as required by G.S. 14-3.1. A civil penalty imposed under subdivision (2) of this subsection shall be credited to the Highway Fund as nontax revenue.
- (c) (See editor's note) **Form, Duration, and Transfer.** – A transporter plate is a type of commercial license plate. A transporter plate issued to a dealer is issued on a fiscal-year basis. A transporter plate issued to a person who is not a dealer is issued on a calendar-year basis. During the year for which it is issued, a person may transfer a transporter plate from one vehicle to another as long as the vehicle is driven only for a purpose authorized by subsection (a) of this section. The Division may rescind a transporter plate that is displayed on a motor vehicle driven for a purpose that is not authorized by subsection (a) of this section.
- (d) A county may obtain one transporter plate, without paying a fee, by filing an application with the Division on a form to be provided by the Division. A transporter plate issued pursuant to this subsection may only be used to transport motor vehicles as part of a program established by the county to receive donated motor vehicles and make them available to low-income individuals.

If a motor vehicle is operated on the highways of this State using a transporter plate authorized by this section, all of the following requirements shall be met:

- (1) The driver of the vehicle shall have in his or her possession the certificate of title for the motor vehicle, which has been properly reassigned by the previous owner to the county or the affected donor program.
- (2) The vehicle shall be covered by liability insurance that meets the requirements of Article 9A of this Chapter.

The form and duration of the transporter plate shall be as provided in subsection (c) of this section.

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**19. What are the limitations on temporary tags?**

**Conditions for issuing temporary markers by a dealer.**

- a. Ownership in the vehicle must pass from the dealer to the purchaser by assigning the title or Manufacturer's Certificate of Origin and by delivering the vehicle to the buyer.
- b. Dealer has obtained from purchaser an application for registering and titling of the purchased vehicle.
- c. Dealer has collected all prescribed fees for titling and registering the vehicle.
- d. Dealer has certification (Form FR-2) certifying liability insurance in effect.
- e. Exception:  
The only exception to the above rules b and c is when the dealer is selling the vehicle to an out-of-state purchaser and the vehicle is to be removed from the State of North Carolina to the purchaser's home state prior to the expiration of the 30-day temporary registration marker. Form FR-2 (Insurance Certification) shall be completed and kept by the dealer as part of his records.
- f. Issuance of 30-day temporary marker:
  - (1) All 30-day temporary markers shall be issued in numerical order, beginning with the lowest number of the set or sets.
  - (2) The vehicle identification number, the make, the issuance date, and the expiration date shall be entered clearly and indelibly on the face of the temporary marker.
  - (3) A receipt, which corresponds in number with the 30-day temporary marker, shall be issued.
  - (4) The receipt shall be completed in duplicate, with pen and ink, and must be readable.
  - (5) The white copy of the receipt, with the 30-day marker, shall be delivered to the purchaser. The pink copy is to be retained in the book by the issuing dealer for at least one (1) year.
  - (6) All documents necessary to title and register the vehicle shall be presented to a license plate agency or mailed to the North Carolina Division of Motor Vehicles ten (10) working days from the date of issuance. (EXCEPTION): When the purchaser is a nonresident, a 30-day temporary marker may be issued to the nonresident for the sole purpose of removing the vehicle to his home state, provided the customer has in effect liability insurance with a company licensed in North Carolina. The dealer is neither required to obtain from such nonresident a written application for North Carolina registration nor to collect the North Carolina registration fees. However, form FR-2 should be completed and kept by the dealer as part of his records. If a plate is to be transferred, a 30-day temporary marker cannot be issued. Record the information on the report sheet in the back of receipt book.
  - (7) All 30-day temporary markers and/or receipts that are voided shall be marked "voided" and recorded on the report sheet. The white copy of the receipt and the 30-day temporary marker shall be forwarded to the North Carolina Division of Motor Vehicles License and Theft Bureau together with the report sheets. Receipts and 30-day temporary markers that do not match shall be returned to the Division after recording on report sheet. The receipt is not to be altered.
  - (8) Only one (1) 30-day temporary marker may be issued per vehicle per sale. (Except as provided in G. S. 20-79.1 (h))
  - (9) Upon issuance of all receipts (Markers) in each receipt book, the report sheet must be completed in duplicate and the original mailed to the North Carolina Division of Motor Vehicles License and Theft Bureau. A copy of the report sheet must be retained by the dealer for one (1) year
  - (10) All 30-day temporary markers are non-transferrable between dealers.
  - (11) Wholesalers may not purchase temporary markers.

NOTE: Failure to comply with the laws and regulations regarding the issuance of 30-day temporary markers may result in the loss of your privilege to purchase and issue such markers.

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**20. Disclosure Signs – How are disclosure signs to be used and displayed**

G.S. 20-101.1. Conspicuous disclosure of dealer administrative fees.

- (a) A motor vehicle dealer shall not charge an administrative, origination, documentary, procurement, or other similar administrative fee related to the sale or lease of a motor vehicle, whether or not that fee relates to costs or charges that the dealer is required to pay to third parties or is attributable to the dealer's internal overhead or profit, unless the dealer complies with all of the following requirements:
  - (1) The dealer shall post a conspicuous notice in the sales or finance area of the dealership measuring at least 24 inches on each side informing customers that a fee regulated by this section may or will be charged and the amount of the fee.
  - (2) The fact that the dealer charges a fee regulated by this section and the amount of the fee shall be disclosed whenever the dealer engages in the price advertising of vehicles.
  - (3) The amount of a fee regulated by this section shall be separately identified on the customer's buyer's order, purchase order, or bill of sale.
- (b) Nothing contained in this section or elsewhere under the law of this State shall be deemed to prohibit a dealer from, in the dealer's discretion, deciding not to charge an administrative, origination, documentary, procurement, or other similar administrative fee or reducing the amount of the fee in certain cases, as the dealer may deem appropriate.
- (c) Notwithstanding the terms of any contract, franchise, novation, or agreement, it shall be unlawful for any manufacturer, manufacturer branch, distributor, or distributor branch to prevent, attempt to prevent, prohibit, coerce, or attempt to coerce, any new motor vehicle dealer located in this State from charging any administrative, origination, documentary, procurement, or other similar administrative fee related to the sale or lease of a motor vehicle. It shall further be unlawful for any manufacturer, manufacturer branch, distributor, or distributor branch, notwithstanding the terms of any contract, franchise, novation, or agreement, to prevent or prohibit any new motor vehicle dealer in this State from participating in any program relating to the sale of motor vehicles or reduce the amount of compensation to be paid to any dealer in this State, based upon the dealer's willingness to refrain from charging or reduce the amount of any administrative, origination, documentary, procurement, or other similar administrative fee related to the sale or lease of a motor vehicle.

**21. How to protect customer privacy information and legal requirements?**

The Federal Trade Commission has promulgated and published what is commonly known as the "safeguards rule" which is, in essence, a continuation of the requirements under the Gramm Leach Bliley Financial Privacy Protection Act. Since the GLB Act requires privacy notices, it then follows that once a dealer has obtained this non-public, personal information, then the dealer must take steps to protect that information. Compliance with the safeguards rule is mostly common sense, though it does apply to all dealers, regardless of size! The Safeguards Rule requires financial institutions (which includes dealers) to develop a written plan that describes the security steps and procedures undertaken to protect the personal information the dealer obtains in the process of a sales transaction. They are:

- a) designate one or more employees to coordinate and be responsible for the safeguarding of this information,
  - b) identify and assess the risks to the customer's information in each relevant area of the dealer's operations,
  - c) design and implement a safeguards/security plan,
  - d) test and monitor and maintain records of the testing and monitoring process,
  - e) if necessary and appropriate, contract with outside vendors to provide security and safeguards programs, and
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*(Question 21, continued)*

- f) evaluate and adjust the safeguards program in light of changing business operations, the discharge of current employees and hiring of new ones. While all of this seems complicated, this simply requires that you determine who will have access to this personal information, where and how you store it and what security methods you utilize to protect it. Basic compliance includes such things as password protected computer databases, locking file cabinets, requiring documents with personal information to be under lock and key, etc.

**22. What are the requirements under this new Act for dealers?**

Under Executive Order # 13224, President Bush required that the Office of Foreign Asset Control (a division of the US Treasury) make a list of "Specially Designated Nationals", also known commonly as the "blocked persons list". This Executive Order forbids any business, individuals, US Citizens or any business entity from entering into "any transaction or dealing" with individuals or entities who have been linked to terrorism and who appear on the SDN or "blocked persons list".

As a dealer, you are required under Federal law to "verify your customer's identity and check their names against the blocked persons list" prior to entering into any business arrangement. The SDN or blocked persons list is available either at the Treasury Department website: [www.treas.gov](http://www.treas.gov) or by looking at a copy of the Federal Register in your local library.

**23. How does this apply to individuals who enter the Armed Forces?**

This Federal law requires that on retail or revolving repayment accounts, that an individual who enters the Armed Forces may demand that the interest on those accounts be lowered to 6% per annum if: a) the individual called to active duty actively demands the reduction, b) the total salary, quarters, subsistence allowance and other benefits results in a net reduction from his/her salary and benefits as a civilian and c) the interest reduction is only for the period of time the individual is actually on active duty. If a civilian called to active duty qualifies under the conditions above, it is a violation of Federal law to refuse to reduce the per annum percentage rate.

**24. What are requirements for cash transactions exceeding \$10,000?**

Federal law requires that dealers report a single, or two or more "related" cash transactions to the Department of the Treasury if the amount of the single or related transaction is or exceeds \$10,000.00 in cash. This is done on a Treasury form 8300 or FinCen form 8300. Dealers are cautioned that while the law speaks to 10,000.00, the dealer should be suspicious of multiple cash purchases that total or nearly total \$10,000.00 in cash. It is a federal offense and a felony to fail to comply with these cash transaction reporting rules.

**25. How does the above law apply to a dealer?**

This Federal law and similar laws in each State require a full and complete disclosure of all charges, fees and annual percentage rate to be charged on any installment contract.

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**26. Changes from DMV Driver and Vehicle Services:**

Effective November 30, 2007, the Division will no longer accept a Mexican Drivers License as a form of Identification when registering a vehicle. However, we will accept a "Licencia Federal de Conductor which is issued by the Mexican Federal Government. This is a CDL recognized document under the NAFTA Treaty. License Plate Agencies will not accept any Dealer work that has a Mexican Drivers License attached as a form of Identification.

**27. What are the requirements for Dealer Staggered Registration?**

As you are aware all dealer licenses are now staggered with different renewal dates throughout the year. Please remember that the number of plates that you are allowed are based on the formula in GS 20-79 which is determined on the number of vehicles sold in the previous 12 month period ending December 31 and the number of qualifying sales representatives the dealer employed during that same 12-month period.

If you do not qualify for the same number of plates that you currently have, you will only be allowed to renew the number that you currently qualify for.

**IMPORTANT NOTICE:**

If a dealer plate is renewed you must match the validation sticker with the proper plate. The plate number is printed in the middle of the validation sticker and the validation sticker must be placed in the top right corner of the tag.

Any questions regarding this should be referred to your local DMV License & Theft Bureau Inspector.

**28. What are the changes in the surety bond for Dealers?**

Effective October 1, 2006 any dealer surety bond that is purchased or renewed must be submitted on the revised DMV approved bond form (LT-409) which shows a revision date of 9-06.

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