INTERIM REPORT

Guidance on Establishing Jurisdictional Policy on Imported Vehicles

February 2020
Introduction

United States (U.S.) jurisdictions are responsible for issuing title and registration for vehicles, enabling them to be legally operated on U.S. roadways. There are additional federal requirements that must be met when the vehicle has been imported into the U.S. and is being titled or registered for the first time. As the number of imported vehicles has increased so have the challenges jurisdictions face.

These challenges include:
- The federal importation process is complex and difficult to navigate
- There is variation between jurisdictions, within the federal processes, and at the points of entry
- Understanding the role of the registered importer
- Difficulty to verify and validate documents presented by applicants at the time of registration and title
- The potential for fraud and theft
- Concern regarding liability for erroneously titling and registering imported vehicles

Three federal agencies, specifically the National Highway Transportation Safety Administration (NHTSA), Customs and Border Protection (CBP), and the Environmental Protection Agency (EPA), have a role in the vehicle importation process. These agencies have requirements that must be met before a vehicle can be properly imported into the U.S. Therefore, it is important for jurisdictions to understand the federal requirements from these three agencies.

In response to the challenges faced by jurisdictions, AAMVA created the Imported Vehicle Working Group (IVWG) in January 2019 to review related federal laws and processes for importing vehicles, identify the state roles and responsibilities when titling and registering imported vehicles, and to provide guidance to aid in establishing policies and procedures to require and validate the appropriate documentation for imported vehicles.

There are many issues to consider related to vehicle safety, improving consumer protection, and reducing opportunities for fraud.

In recent years there have been approximately 300,000 vehicles entering the U.S. annually that do not meet U.S. federal safety standards and the majority are from Canada. As such, the IVWG plans to further engage Canadian jurisdictions to gain additional insight and knowledge. The IVWG is also working directly with the Canadian Council of Motor Transport Administrators (CCMTA) to understand the history of a vehicle that is manufactured in or imported to Canada before entering the United States.

Purpose of this Interim Report

This Interim Report provides a look at the topics the group is working through and some early recommendations. It should be noted that the recommendations will be refined and further developed in the final guidance.

Areas of Focus
- An explanation of the federal importation process and a discussion of the interaction among the three federal agencies to ensure vehicles enter the U.S. legally as well as meet vehicle safety and emissions standards
A description of the roles and requirements and responsibilities of each of the three federal agencies involved in the importation process: CBP, NHTSA, and EPA

The role of the registered importer

An explanation of jurisdictional roles and responsibilities when considering title and registration for imported vehicles

An overview of the challenges jurisdictions are currently experiencing

Detailed explanation of federal forms, the elements of the forms, and how to interpret them

Registration and titling recommendations for jurisdictions based on the category of importation

Recommendations for documentation jurisdictions should require based on the information on the federal forms

Guidance for imported vehicles that are considered non-compliant

An explanation for the need to train jurisdictional employees and educate consumers and other stakeholders to promote lawful titling and registration of imported vehicles

A recommendation that imported vehicles be inspected and examined by law enforcement personnel

An explanation of the potential for odometer fraud, vehicle identification number (VIN) cloning, vehicle theft, title and brand fraud, finance fraud, importation fraud, and internal fraud if precautions are not implemented to properly examine the documentation and the physical vehicle

A description of real cases that were investigated in jurisdictions to illustrate examples of fraud related to imported vehicles

Recommendations to assist jurisdictions in implementing the guidance in the final report

Inclusion of a list of resources for additional information on the importation process

Anticipated Recommendations for Jurisdictions

Before issuing titles or registrations, it is important that jurisdictions verify vehicles are lawfully imported into the U.S. by reviewing and understanding the entry documents. However, the federal documents should not be the only consideration for jurisdictions when titling and registering these vehicles. Ownership documents should be reviewed and a physical inspection of the vehicle should also occur. The information and supporting documentation submitted to title and/or register an imported vehicle should also be considered for follow-up on transactions that appear suspicious.

The following is a preview of the anticipated considerations and recommendations that will be included in the final document, along with descriptions of processes and supporting explanations.

1. Entry Documents

Department of Transportation (DOT), Environmental Protection Agency (EPA), and U.S. Customs and Border Protection (CBP) documents evidencing proper entry into the U.S. should be required with each title application. These documents include but are not limited to:

- DOT HS-7 Declaration Form;
- CBP Form 7501 Formal or Informal Entry Summary with original CBP stamp; and
- Any other documents required dependent upon the category of importation on the DOT HS-7.

See Section 5 “Other Documents Dependent on the Category of Importation” below.

Note: EPA 3520-1 Declaration form would not be necessary as it is a validated supporting document for approval of the CBP Form 7501.
2. Ownership Document Considerations

The documents necessary to establish ownership of a vehicle will vary depending on whether or not the vehicle originated from a title-issuing country. Also, special ownership documents are issued for members of the U.S. Armed Forces.

2.1 Vehicles from Title-Issuing Countries

☐ If a vehicle is from a title-issuing country then jurisdictions should require the title.
☐ If the title is in a foreign language then the jurisdiction should understand key fields including the vehicle description (year, make, VIN, odometer, and status), owner names, and any liens and brands. If the jurisdiction does not already have a translation of the form’s pre-printed content in its office resources, they should require an English translation.

2.2 Vehicles from Non-Title Issuing Countries

☐ If the vehicle is from a non-title-issuing country then states should require a registration. If it is in a foreign language, the jurisdiction should understand key fields including the vehicle description (year, make, VIN, odometer and status), owner names, and any liens and brands. If the jurisdiction does not already have a translation of the form’s pre-printed content in its office resources, they should require an English translation.
☐ Registrations typically do not record liens. Therefore, states should also require evidence of any liens that may be recorded on the vehicle. *This evidence may be a lien search report from a motor vehicle agency, lien recording agency, or other reporting entity in the country that issued the registration. Because it may be difficult to obtain such a report, states may consider accepting an affidavit from the applicant stating there are no liens on the vehicle other than what is represented on the application for title. The affidavit should have a clause holding the state harmless.*
☐ If the applicant is not the owner shown on the ownership document then the jurisdiction should require a bill of sale from the owner to the applicant. If the ownership document was assigned to another party then require a bill of sale from that party. Bills of sale establishing a complete chain of ownership should be requested but in the event the applicant is unable to produce this then require, at a minimum, releases of interest from any interested party shown on the ownership document and any other document submitted.
☐ In the event that an applicant is unable to satisfy proof of ownership document requirements but other requirements have been met, the applicant may obtain a title through bonding where authorized by the applicant’s jurisdiction, or the applicant may petition the court for an order declaring the petitioner ownership of the vehicle or directing the jurisdiction to issue a title.

3. Physical Inspection Considerations

Imported vehicles need to be properly examined and inspected by law enforcement personnel or non-sworn investigators in the jurisdiction where the application for title or registration is being made. During the importation process, not every vehicle is physically inspected by CBP and each inspector does not always check confidential VINS. It is recommended that jurisdictions develop a physical inspection program to ensure the vehicle is physically located in the jurisdiction where it is being titled and that the vehicle is properly identified.

Each vehicle should be physically inspected to verify the VIN and VIN attachment as well as other required labels. It is anticipated that the final document will go into further detail and include an inspection checklist for imported vehicles.
The following should be verified:

- Vehicle Identification Numbers
  - Public
  - Confidential
  - Motor
  - Transmission
- Odometer Reading
  - The vehicle should be in miles versus kilometers. If it was manufactured with kilometers, a certified conversion document should be presented to verify the vehicle’s odometer has been appropriately converted to miles.
- Verification of Federal Motor Vehicle Safety Standards (FMVSS) label or the label affixed by a registered importer indicating the vehicle has been converted to meet FMVSS
- Verification of EPA emission standards
- Ownership documents

Those staff conducting inspections should utilize the following tools:

- NMVTIS Law Enforcement Access Tool (LEAT)
- National Insurance Crime Bureau (NICB)
- National Crime Information Center (NCIC)
- Carfax and Carfax for Police
- Carfax for Canadian Vehicles (autocan.ca/carfax.htm)
- ISO Claimsearch
- Vehiciles for Sale (Autobidmaster.com)
- Salvage Vehicle Sales (salvagebid.com)
- Insurance Bureau of Canada (ibc.ca/on/)
- Canadian Stolen Vehicle Database (http://app.cpic-cipc.ca/English/search.cfm)

It should be noted that some of the suggested tools may not be available to non-sworn investigators.

4. Jurisdiction-Specific Requirements

Each jurisdiction may have statutes or administrative rules imposing other requirements for the titling and registration of motor vehicles in general or vehicles imported from manufacturers outside of their normal distribution channel, such as gray market vehicles (gray market vehicles are those imported into the U.S. that were manufactured for use outside of the U.S. and did not meet U.S. FMVSS or EPA requirements at the time of manufacture). Therefore, some states may require a safety inspection or evidence the vehicle has passed an emissions test. Each state is responsible for ensuring these applicable requirements have been satisfied.

5. Other Documents Dependent on the Category of Importation

Whether a jurisdiction should even allow titling and registration of an imported vehicle and how it may be registered will depend on the importation category declared on the DOT HS-7 declaration form. NHTSA's DOT HS-7 declaration form is the key to identifying the category under which a vehicle is being imported. Certain categories require additional documentation to demonstrate the vehicle meets NHTSA requirements before titling and registration should be allowed.
A table detailing title and registration recommendations and additional documents needed for each DOT HS-7 importation category is in development for the final publication of the guidance document. Based on research completed by the IVWG, jurisdictions are experiencing challenges with the following two categories in larger volumes. As a result, the IVWG wanted to address these two categories in the Interim Report:

**Box 2B** – Canadian Version Vehicles. These vehicles were originally manufactured to meet Canadian motor vehicle safety standards (CMVSS) and are being imported for personal use. They cannot be salvage, repaired salvage, or reconstructed, and cannot be sold in the U.S. unless they are reimported through a registered importer as a grey market vehicle under Box 3. To import under Box 2B, a letter from the manufacturer is required confirming it conforms to all applicable FMVSS, Bumper and Theft Prevention standards, or all FMVSS except:

- Speedometer or headlights requirements; and/or
- Parts marking requirements, including qualified invoice from franchised dealer or commercial entity showing required markings have been applied; and/or
- Tire pressure monitoring system requirements, including an invoice from franchised dealer or authorize repair facility showing system installed identical to original manufacturers.

Because a vehicle cannot be sold or otherwise transferred under this importation category, it is recommended that while jurisdictions may register it, that any title they may issue indicate the vehicle cannot be sold or transferred.

**Box 3** – Grey Market Vehicles including Canadian version vehicles meeting CMVSS being imported for non-personal use. Jurisdictions should require DOT and EPA bond release letters.

### 6. Considerations for Implementation of the Guidance

The IVWG will also recommend steps to take when implementing the recommendations included in the published final guidance document. It will include ideas for taking a collaborative approach with stakeholders within the jurisdiction to review the federal importation process and the current jurisdictional laws and policies and to assist with developing a strategy for updating the approach and policies for titling and registering imported vehicles.

The following considerations provided in this Interim Report are to help jurisdictions plan for the review and implementation of recommendations provided in the final guidance document.

#### 6.1 Stakeholder Considerations

Identify stakeholders and establish a committee to review the recommendations in the report. Stakeholders should include, but may not be limited to, representatives from:

- Motor vehicle agency (MVA) title and registration program manager(s);
- MVA title examiner/processer with expertise with imported vehicles;
- Agency responsible for vehicle inspections;
- Agency responsible for vehicle fraud investigations;
- Third party agents that process title or registration applications for imported vehicles;
- The vehicle dealer community and their respective trade associations;
- Lenders and their trade associations;
Insurers and their trade associations; Executive champion for the MVA; and Legislative champion(s).

The stakeholder committee should gain an understanding of:
- The federal process and how it impacts the jurisdiction’s roles and responsibilities;
- Any issues or challenges that have emerged in the jurisdiction;
- The recommendations discussed in the final report; and
- The jurisdiction’s current laws, policies, and procedures.

Once a comprehensive understanding has been achieved the stakeholder committee should make recommendations to the jurisdiction for next steps.

Possible next steps for the jurisdiction:
- Consider feedback from the stakeholders
- Determine if they want to pursue implementing some or all of the recommendations in the final report
- Determine if any additional considerations specific to their jurisdiction need to be addressed
- Identify any statutes, policies, and procedures that should be updated and draft the proposed updates. Proposed policy changes may require statutory updates and may need the support of interested parties as they go through the legislative process.
- Resources needed to implement the updates should be identified during this analysis

6.2 Internal Considerations

Once updated statutes, policies, and procedures have been approved and adopted an implementation plan should be considered. These recommendations provide a platform for cross-department collaboration, form partnerships and supportive relationships, align efforts, reduce duplication of efforts, fill gaps within the current process, and improve investigations within the jurisdictional registration and titling agency. It supports the training of jurisdiction employees and the education of consumers and other stakeholders.

- Form a small team of imported vehicle experts on staff to update and maintain procedure manuals, procedural handbooks, and other learning aids such as quick reference guides
- Require all staff to receive updated training from the team of imported vehicle experts
- The public and other stakeholders rely on jurisdictional employees as their first contact for any information related to vehicle registration and titling and they often expect to be able to receive guidance. It is, therefore, critical that all jurisdictional employees interacting with the public receive training necessary to answer common questions.
- Other staff processing vehicle transactions away from the public must also be similarly trained
- Consider developing training specifically for stakeholders such as dealers and financial lenders. Though the format for delivery may depend on resources jurisdictions, at a minimum, should design informative web information customized for each stakeholder audience. Videos and computer based training (CBT) may be developed for these groups.
- Imported vehicle procedures and requirements should be included in any titling handbook or manual developed for these audiences
- It is important for titling and registration agencies to partner with city, county, state, and federal law enforcement agencies to ensure only vehicles meeting federal importation requirements
are registered and titled for use on public roadways and any fraudulent or other criminal activity is identified and addressed.

☐ Specialized training for enforcement personnel should be developed and delivered using the jurisdiction’s investigative staff or others involved with enforcement, both internal and external. In person training is preferred. If resources do not allow, online training supplemented with CBTs designed specifically for this audience should be provided. Ongoing updates should be provided as new information becomes available.

☐ Jurisdictions should make information available to the general public to enable them to make informed decisions when considering the acquisition of a grey market vehicle. Jurisdictions may use their websites to provide links to DOT, EPA, and CBP sites and to provide specific information pertinent to the jurisdiction. Printed publications should also be made available in field office lobbies for the public. Phone numbers and e-mail addresses should be provided to submit questions.

Anticipated Guidance from the IVWG
This Interim Report is a preview of the final guidance which is being developed. It should be noted that the recommendations are not final, will be refined, and will be further developed in the final published guidance document. The IVWG is working extensively with the federal agencies involved. They visited the Port of Buffalo in September of 2019 to obtain firsthand experience with vehicles coming into the U.S. They are continuing to conduct extensive research, talking with experts on current jurisdictional procedures, and learning about potential fraud. The final guidance document is scheduled to be published in the fall of 2020.

Resources

American Association of Motor Vehicle Administrators
・ Importing Vehicles into the U.S. (Presentation from 2017 AAMVA Workshop and Law Institute)

Customs and Boarder Protection
・ Importing a Motor Vehicle

Environmental Protection Agency
・ Importing Vehicles in to the U.S.
・ Importing Canadian Vehicles
・ Importing Vehicles and Engines
・ Procedures for Importing Vehicles and Engines into the United States
・ Emission Standards Reference Guide for On-road and Nonroad Vehicles and Engines
・ List of Independent Commercial Importers

National Highway Traffic Safety Administration
・ Vehicle Importation and Certification Requirements
  ○ Vehicle Importation Guidelines (Canadian)
  ○ Vehicle Importation Guidelines (Non-Canadian)
  ○ DOT HS-7 Declaration Form
  ○ List of Registered Importers (August 2019)
・ Importing a Vehicle
・ NHTSA Bond
・ NHTSA FAQs
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Safe drivers
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