



Reducing Vehicle Licensing and Titling Fraud

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Kentucky Transportation Center
College of Engineering, University of Kentucky, Lexington, Kentucky

in cooperation with
Kentucky Transportation Cabinet
Commonwealth of Kentucky

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Research Report

KTC-24-24

Reducing Vehicle Licensing and Titling Fraud

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| 16. Abstract <p>This study reviews Kentucky's vehicle licensing and registration program, evaluates methods of motor vehicle title fraud, examines current anti-fraud mechanisms in Kentucky, reports on vehicle titling and anti-fraud efforts in other states, assesses Ohio's vehicle inspection program, and develops a proposal for a new Kentucky rebuilt title inspection program. Researchers developed the proposal based on historical Kentucky vehicle registration and titling data, a survey of other states, and other information provided by Kentucky's Division of Motor Vehicle Licensing and other agency partners. Kentucky historical data revealed consistently high numbers of salvage title applications as well as spatial concentration in rebuilt title issuance. The state survey revealed a need for Kentucky to hire more staff and provide additional training to improve fraud detection. The research team took the Ohio Motor Vehicle Inspection Program framework as a starting point and expanded it to include a proposed partnership with the Kentucky Community & Technical College System (KCTCS) to recruit inspectors. Further, the proposal includes competitive pay to incentivize inspectors to obtain ASE (Automotive Service Excellence) certification. The proposed rebuilt title inspection program offers a more robust alternative to the current system used by the Department of Vehicle Regulation (DVR), particularly methods for titling salvage vehicles as rebuilt. The proposed vehicle inspection program calls for a reorganization of DVR, a significant increase in inspection fees, and restricting vehicle inspections to seven dedicated facilities throughout the state. Establishment of the proposed program can help ensure all vehicles with rebuilt titles in Kentucky are roadworthy and safe.</p> | | | |
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Executive Summary

In 2019, the Kentucky Transportation Cabinet (KYTC) established a Fraud Section in the Division of Motor Vehicle Licensing's (DMVL) Title Branch. Section personnel identify and address discrepancies in supporting paperwork submitted with vehicle title applications. Since beginning operation, the Fraud Section has observed several fraudulent practices, including document forgery, vehicle identification number (VIN) swapping, title washing, and illegal notary practices. While section members are responsible for investigating compliance issues identified by the Verification Section, because only two DMVL employees work on these efforts the group's ability to reduce vehicle title fraud is limited. DMVL administrators believe anti-fraud efforts are significantly underfunded and asked Kentucky Transportation Center (KTC) researchers to explore possible changes to the program.

To address project needs, the research team began with a review of the Fraud Section's current practices as well as practices county clerk offices use to handle vehicle registrations and titles. Researchers also investigated different types of vehicle licensing and titling fraud as well as methods to detect and/or prevent it. Several data sources were used to identify trends in Kentucky's historical vehicle registration and titling data. The research team also surveyed representatives from jurisdictions throughout the United States to determine the most common types of fraud and the mechanisms being used to fight it. Researchers also closely studied the Ohio Motor Vehicle Inspection Program to evaluate how its framework could be tailored to the needs of Kentucky.

Fraud prevention and enforcement of anti-fraud laws is mostly left up to DMVL staff. To improve DMVL's efforts to combat vehicle title fraud, the research team proposes establishing a self-funding Rebuilt Vehicle Inspection Program. Startup costs for the program would be funded by redirecting \$1 from each vehicle registration fee in Kentucky until enough money has been collected to get the program running — estimated startup costs are \$3.2 million. This would finance capital investments (e.g., land acquisition, construction of inspection facilities), initial staffing, and the establishment of an online appointment portal where customers can schedule inspections. The proposal calls for opening seven rebuilt vehicle inspection facilities statewide, with locations determined based on an assessment of historical rebuilt title data; geographic centrality is a key consideration as well. The program can be self-sufficient by increasing inspection fees for rebuilt vehicles to \$78.50 — \$75 for the inspection and a \$3.50 administrative fee for program operations. Inspections will be conducted by qualified motor vehicle inspectors. Collision repair programs at the Kentucky Community and Technical College System (KCTCS) will be a primary source for recruiting new staff. As such, the new program will open new employment opportunities.

Ninety percent of the inspection fee will go to fund program costs. The remaining 10% will be split between a Sheriff's Fund and a Fraud Fund. Currently, sheriffs receive all money generated from vehicle inspections. Under the proposal the Sheriff's Fund will disperse funds to counties (based on size) that do not have inspection locations. This will offset the revenue lost because of diverting rebuilt inspections to the seven facilities across Kentucky. The Fraud Fund will set aside money for Kentucky residents defrauded through the purchase of an improperly assembled rebuilt vehicle. If a vehicle is deemed non-operational or not roadworthy, owners can apply to receive money from the Fraud Fund to offset the cost of purchasing another vehicle.

The proposed Rebuilt Title Inspection Program cannot eliminate all methods of fraud, but it can successfully target one of the more dangerous ones. Kentucky's current vehicle inspection laws keep major loopholes open and place the responsibility for doing the right thing on vehicle owners. The current inspection process is not stringent enough to guarantee vehicles are roadworthy, and existing laws do not protect consumers who purchase vehicles branded as rebuilt.

The program can improve current processes and establish a more robust process for titling rebuilt vehicles. The program will require reorganization within the Department of Vehicle Regulation and changes in Kentucky law. Yet the program's potential benefits outweigh its limitations. Even if the program is not fully implemented in the form outlined in this report, the state can take incremental steps to improve the issuance of rebuilt titles, such as surveying sheriffs across the state to determine the impact of removing rebuilt vehicle inspections from their jurisdiction, developing a better recordkeeping system for vehicle inspections, and identifying historical and emerging trends in rebuilt vehicle applications.

Chapter 1 Introduction

1.1 Project Purpose

Kentucky's Division of Motor Vehicle Licensing (DMVL) is tasked with preventing vehicle licensing and titling fraud by monitoring vehicle transactions, the vehicles being transacted, and documentation associated with transactions. Fraud can take several forms. Individuals may attempt to obtain a clean title for a wrecked vehicle that was deemed unfit for roadway usage in another state; the vehicle may be stolen; or the vehicle may be subject to odometer manipulation or some other form of deception that inevitably harms consumers. Prevention of fraud and enforcement of anti-fraud laws is largely left up to DMVL. Currently, only two DMVL employees work on these efforts. DMVL commissioned this study because the division's administrators believe anti-fraud efforts are substantially underfunded and want to explore possible changes to the program. The primary objectives of the study were to:

- Identify funding mechanisms that can pay for subscriptions to anti-fraud software and services
- Analyze whether there are ways to enhance current anti-fraud prevention efforts by comparing Kentucky's program to similar programs in other states
- Investigate funding mechanisms for enhanced anti-fraud efforts
- Develop best practices and recommended procedural, regulatory, and statutory changes to DMVL's anti-fraud program

1.2 Background

Due to the United States' varying geography and underdeveloped public transportation systems, most Americans rely heavily on personal means of transportation. According to the Bureau of Transportation Statistics, the 12.8 million new vehicle sales in 2019 included 3.5 million passenger cars and 9.3 million light trucks. Light truck or light-duty truck is a US classification for trucks or truck-based vehicles with a gross vehicle weight rate (GVWR) of up to 8,500 lbs. and a payload capacity of up to 4,000 lbs. This includes vans, minivans, sport utility vehicles (SUVs), and pickup trucks (Bureau of Transportation Statistics, 2022). The number of used car sales outpaces new car sales. In 2019, there were 40.1 million used car sales. This included sales from franchised dealers, independent dealers, and casual sales. All individuals purchasing a vehicle — new or used — are required to register and title the vehicle in their state of residence.

1.2.1 Vehicle Registrations in the United States

The number of motor vehicle registrations varies significantly from state to state. In 2020 286.9 million vehicles were registered vehicles in the United States, and projections suggest that number grew to 290.8 million by the end of 2022. This number includes light-duty vehicles (e.g., passenger cars) as well as medium- and heavy-duty vehicles (e.g., commercial vehicles). This number also includes vehicles with a vehicle identification number (VIN) year of 1982 and earlier (Hedges & Company, 2021). As of 2020, California had the most registrations (14,201,400) and Alaska had the fewest (177,144) (U.S. Department of Transportation, 2022). The average number of registered vehicles per state was 2,061,476. Figure 1.1 displays the number of registered vehicles in each state.

Total Registered Vehicles by State, 2020

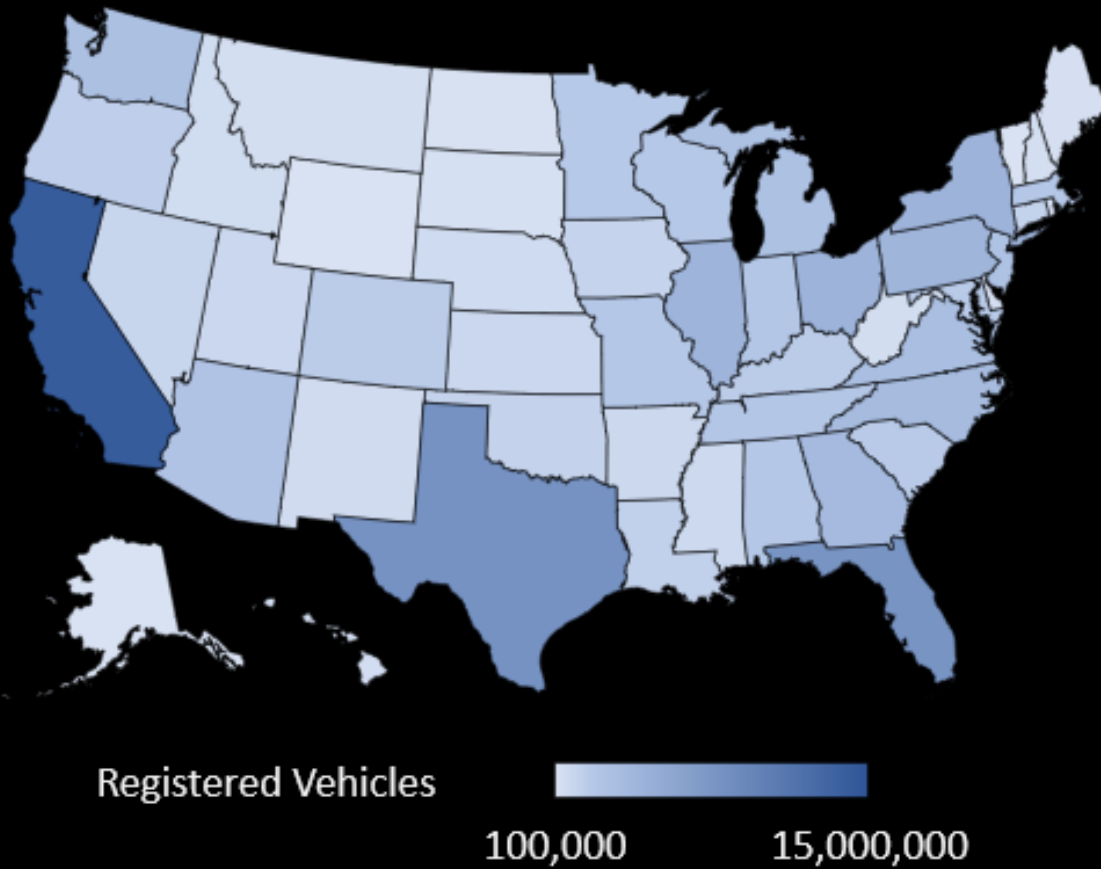


Figure 1.1 Total Registered Vehicles by State (2020)

1.3 Purchasing a Vehicle in Kentucky

1.3.1 Kentucky Motor Vehicle Commission

The Kentucky Motor Vehicle Commission licenses motor vehicle dealers, salespeople, manufacturers, distributors, and their representatives as required by Kentucky Revised Statutes (KRS) Chapter 190. The commission also investigates complaints against dealerships and is responsible for issuing administrative citations to Kentucky motor vehicle dealers that do not comply with Kentucky laws related to motor vehicle sales (Commonwealth of Kentucky, 2022).

1.3.2 Car Dealerships in Kentucky

As of January 12, 2023, 2,546 car dealerships operated in the state of Kentucky (Kentucky Motor Vehicle Commission, 2023). This includes both new and used car dealerships. Figure 1.2 shows the location of the dealerships across the state.

Locations of Kentucky Motor Vehicle Commission Dealers

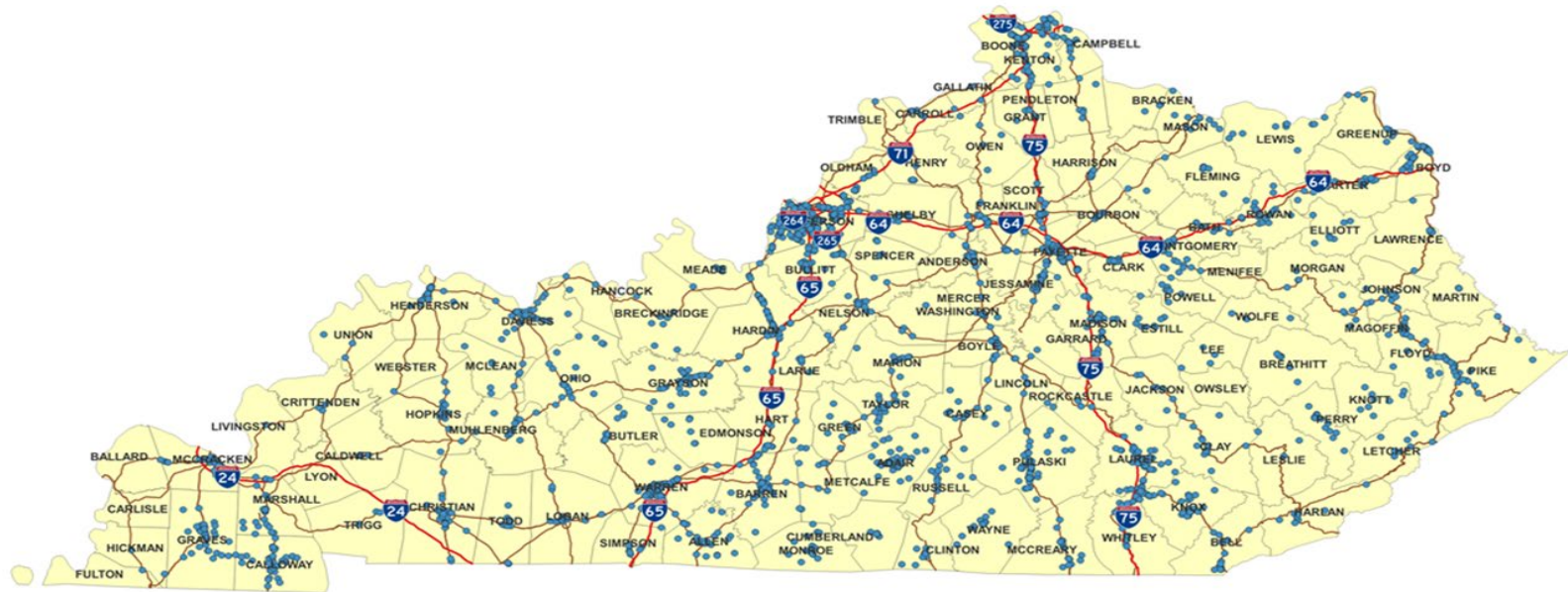


Figure 1.2 Kentucky Motor Vehicle Commission Dealers (1/12/23)

1.3.3 Rules for Establishing Car Dealership in Kentucky

To obtain a dealer license in Kentucky, several requirements must be met, including the completion of the Dealer Application (TC 98-1) (Kentucky Motor Vehicle Commission, 2021).

The Kentucky Motor Vehicle Commission has seven requirements for establishing a car dealership in the state, including wholesale or motorcycle dealerships. In some cases, such as new franchised dealers, additional information is required. Table 1.1. summarizes basic requirements for all dealerships.

Table 1.1 Kentucky Motor Vehicle Commission Dealer Requirements

| | |
|--|--|
| Established Place of Business (Display Lot/Customer Parking Area, Office) | <p>1) An Established Place of Business is defined as a permanent, enclosed commercial building located within this state, easily accessible and open to the public at all reasonable times, and at which the business of a vehicle dealer, including the display and repair of vehicles, may be lawfully carried on in accordance with the terms of all applicable building codes, zoning and other land use regulatory ordinances.</p> <p>2)The Commission requires an established place of business to have a display lot/customer parking area of at least 2,000 square feet.</p> <p>3)The display lot/customer parking area must have a hard surface covering (e.g., gravel, asphalt, concrete).</p> <p>4)The display lot/customer parking area must be constructed in such a manner that will not allow the flow of public traffic through it and must be used exclusively for the display and showing of vehicles for sale and customer parking.</p> <p>5)The office facility must have sufficient space in which to operate a dealership. The Commission requires an office to have at least 100 square feet of floor space, as well as the usual office furnishings (desk, chairs, and filing cabinets), telephone and electricity.</p> <p>6)The office shall be underpinned and on a permanent foundation.</p> <p>7)The office must be on or immediately adjacent to the display lot.</p> <p>8)You must maintain and have posted regular business hours for the public to see.</p> <p>9)Because the statute defines “established place of business” as a “commercial building,” the location cannot be a residence.</p> <p>10)You must have a telephone dedicated solely to the business and it must be answered as such.</p> |
| Insurance | <p>A certificate of insurance must be submitted to the Commission by the applicant’s insurance company (not the agent) showing for all dealers, except automotive recycling dealers, garage liability coverage in the minimum amounts of \$250,000 per person, \$500,000 per occurrence and \$250,000 for property damage. For automotive recycling dealers, a commercial general liability policy showing coverage in the same amounts must be provided.</p> |
| Business Name | <p>1)Your business name must incorporate the words “Used Cars,” “Auto Sales,” “Auto Mart” or other similar terms that clearly identify you as a motor vehicle dealer.</p> <p>2)Unless you have or are applying for a license as a new motor vehicle dealer, you cannot use the name of any make of motor vehicle as a part of your trade name in the business or in any advertisement.</p> <p>3)Unless you are applying for a wholesale license, you cannot use the word “wholesale” in the business name. Same goes for “leasing” and “wholesale.”</p> <p>4)Applicants cannot use the words “broker” or “consignment” in the business name.</p> |

| | |
|--------------------------|---|
| Licensed Sales Personnel | A Motor Vehicle Salesperson license is required for every person employed by a dealer to sell motor vehicles (even if on a temporary basis), including the owners of the business and for every person employed at a vehicle auction as an auctioneer of vehicles 605 KAR 1:050 Section 5. Anyone acting for a dealer in any aspect of negotiation for or displaying a vehicle for sale to the public must have a salesperson's license. Anyone purchasing on behalf of the dealer at auction, driving on dealer plates or doing transfer work at the Clerk's office. A salesperson of motor vehicles shall not engage in business in this state at any location without a license issued for that location as provided in KRS 190.010 to 190.080. If you are only a restricted/automotive recycling dealer, a salesperson's license is not required. |
| Business Sign | Unless you are licensed or seeking a license as a wholesale dealer , you must display on your premises a permanent sign which can be seen or read from the nearest roadway, which specifically identifies the business with the business name, by lettering of at least nine inches (9") in height. The sign must show the business name exactly as it appears on the application/assumed name certificate. The sign must be installed when application is submitted. |
| Separation of Facilities | If you or any other person conducts another business from the location for which the dealer license is issued or applied for, your display lot/customer parking area must be separate and apart from what is used for the other business (es). Your office need not be a separate walled enclosure, but it must be a separate defined area with the furnishings mentioned above. If there is any question about separation, the Commission may require a physical barrier to be installed between the different businesses. |
| Application | The application form must be completed and received back in this office by ten (10) working days before the next scheduled Commission meeting (held on the second Friday of each month). If the application is not completely filled out, it will be returned to you. A \$175 application fee, plus a \$25 fee for each person listed as an owner to conduct a criminal background check, must be submitted with the application. Make check payable to "Kentucky State Treasurer." |

1.4 Buying, Selling, or First Time Registering a Vehicle in Kentucky

When an individual buys, sells, or registers a vehicle for the first time in Kentucky, a series of steps must be taken to ensure the vehicle complies with state regulations. Anyone wishing to buy, sell, or register a vehicle for the first time will need to visit the county clerk's office in their county of residence.

1.4.1 Titling and Registering a New Vehicle

To title and register a new vehicle in Kentucky, several pieces of information must be presented to the county clerk:

- Manufacturer's Certificate of Origin
- Application for Title/Registration
- Odometer Disclosure Statement
- Proof of current Kentucky liability insurance
- Picture ID
- Social security number or Federal Tax ID Number
- Certified inspection
- Title Lien Statement (if applicable)

Each component is described below.

1.4.1.1 Manufacturer's Certificate of Origin

The Manufacturer's Certificate of Origin must be properly assigned by the selling dealer. Figure 1.3 is an example of this certificate.

152978

CERTIFICATE OF ORIGIN FOR A VEHICLE

GM

| | | | | | |
|-------------------------------|-----------------|-----------|-----------------|-------------|-------|
| DATE | 04/06/15 | | | INVOICE NO. | _____ |
| VEHICLE IDENTIFICATION NO. | YEAR | MAKE | _____ | | |
| | 2015 | CHEVROLET | _____ | | |
| BODY TYPE | SHIPPING WEIGHT | _____ | | | |
| CORVETTE STINGRAY COUPE W/Z51 | 3351 | _____ | | | |
| H.P. (S.A.E.) | G.V.W.R. | NO. CYLS. | SERIES OR MODEL | _____ | |
| 52.7 | 3999 | 08 | 1YX07 | _____ | |

I, the undersigned authorized representative of the company, firm or corporation named below, hereby certify that the new vehicle described above is the property of the said company, firm or corporation and is transferred on the above date and under the Invoice Number indicated to the following distributor or dealer.

NAME OF DISTRIBUTOR, DEALER, ETC.

CRISWELL CHEVROLET, INC.
503 QUINCE ORCHARD RD
GAITHERSBURG MD 20878-1497

It is further certified that this was the first transfer of such new vehicle in ordinary trade and commerce.

* THIS VEHICLE *
* HAS A *
* 50-STATE *
* EMISSION *
* SYSTEM *

GENERAL MOTORS LLC

BY: Susan Krebs
(SIGNATURE OF AUTHORIZED REPRESENTATIVE) (AGENT)


DETROIT MI 48243-1114
CITY - STATE

GM 231 REV 10-05

Figure 1.3 Manufacturer's Certificate of Origin, Example

1.4.1.2 Application for Title/Registration

An Application for Title/Registration (Form TC 96-182) must also be completed (Figure 1.4).



Kentucky Transportation Cabinet
 Division of Motor Vehicle Licensing
APPLICATION FOR KENTUCKY CERTIFICATE OF TITLE OR REGISTRATION

TC 96-182
 05/2020

Check the type of application desired: ☐ Duplicate ☐ Title Only ☐ Transfer ☐ First Time ☐ Salvage ☐ Classic

If Duplicate is checked, the original Certificate of Title is: ☐ Lost ☐ Destroyed ☐ Damaged ☐ Illegible ☐ Other

Vehicle Identification Section

VIN _____ Make _____

Year _____ Body Style _____ Model _____ Model No. _____ Color _____

Motor No. _____ Cylinders _____ Truck Weight _____
(if motorcycle)

TITLE BRAND DISCLOSURE

Check appropriate block if: ☐ Rebuilt Vehicle ☐ Water Damage

If block is checked and title does not include brand, provide jurisdiction _____ and title number _____ if previous brand was issued.

CERTIFIED INSPECTOR SECTION

I, (Certified Inspector – Print Name) _____

of _____ County, Phone No. _____

do certify under the penalty provisions of KRS 186A.115(4)(d) that I have physically inspected the vehicle described herein to be roadworthy and that the supporting documents are consistent with the vehicle description.

THE VEHICLE HAS AN ODOMETER READING OF _____ NO TENTHS

THE VEHICLE IDENTIFICATION NUMBER IS:

INSPECTION REQUESTED BY _____

OWNER DRIVER LICENSE NO. & STATE _____

CERTIFIED INSPECTOR'S SIGNATURE _____ INSPECTOR NO. _____ DATE _____

49 USC Sec. 32705 and KRS 190.300 require that you state the mileage upon transfer of ownership. Failure to complete or providing a false statement may result in fines and or imprisonment. I certify to the best of my knowledge that the odometer reading is the actual mileage of the vehicle unless one of the following statements is checked.
☐ (no tenths)
☐ 1. The mileage stated is in excess of its mechanical limits.
☐ 2. The odometer reading is not the actual mileage. **WARNING – ODOMETER DISCREPANCY.**

TOTAL CONSIDERATION AND TRADE-IN INFORMATION

| | | | |
|---------------------|-------------------|-------------------|--------------|
| Sale Price \$ _____ | Trade In \$ _____ | Net Cost \$ _____ | Tax \$ _____ |
|---------------------|-------------------|-------------------|--------------|

| | | |
|--------------------|-------------------------------------|-----------------|
| Date of Sale _____ | Make _____ Year _____ VIN No. _____ | Title No. _____ |
| | Make _____ Year _____ VIN No. _____ | Title No. _____ |

Seller and buyer certify pursuant to the penalty provisions of KRS 180.090(5) that each has supplied true and correct total consideration information to the best of their knowledge and belief in this document, including the above affidavit.

JOINT OWNERSHIP: ☐ OR ☐ AND **NOTE: If neither box is checked the Title Transfer shall require both signatures.**

NAME OF SELLER _____ DEALER NO. _____

STREET ADDRESS _____ PHONE NO. _____

CITY _____ COUNTY _____ STATE _____ ZIP _____

EMAIL ADDRESS _____

NAME OF OWNER/BUYER _____ S.S.#, KyDL#, or Govt. issued # _____ BIRTH MO. _____

NAME OF OWNER/BUYER _____ S.S.#, KyDL#, or Govt. issued # _____ BIRTH MO. _____

STREET ADDRESS _____ PHONE NO. _____

CITY _____ COUNTY _____ STATE _____ ZIP _____

EMAIL ADDRESS _____

I ☐ (have) ☐ (have not) applied for a loan in connection with the vehicle described herein and if not, I ☐ (will) ☐ (will not) apply for a loan within 30 days of this application.

LESSEE NAME OR OTHER _____

LESSEE ADDRESS _____

CITY _____ COUNTY _____ STATE _____ ZIP _____

SELLER'S SIGNATURE _____

SELLER'S SIGNATURE _____ DATE OF TRANSFER _____

Attesting Official _____ Title _____

Subscribed and attested before me this _____ day of _____, 20____

My commission # _____ Expiration _____

FIRST LIENHOLDER _____

ADDRESS _____

COUNTY LIEN TO BE FILED IN _____

OWNER/BUYER(S) SIGNATURE(S) _____

OWNER/BUYER(S) SIGNATURE(S) _____

Attesting Official _____ Title _____

Subscribed and attested before me this _____ day of _____, 20____

My commission # _____ Expiration _____

COUNTY CLERK USE ONLY

| | | |
|------------------------|------------------------|-----------------|
| TYPE APPLICATION _____ | DATE OF ISSUANCE _____ | TITLE NO. _____ |
| | | PLATE NO. _____ |

I certify subject to the penalty provisions of KRS 180.090(5) that I have reviewed this application and the documents supporting it and that the same are present and consistent with this application, that I received the application on the date and time indicated hereon and that fees were collected as indicated. I further certify that the required information has been entered into the automated vehicle identification system (AVIS).

SIGNATURE & TITLE OF ISSUER _____

Signature _____ Date _____

COUNTY _____ DATE _____

DO NOT ACCEPT TITLE OR APPLICATION SHOWING ANY ERASURES, ALTERATION, OR MUTILATIONS. MUST BE COMPLETED IN BLUE OR BLACK INK IF NOT COMPLETED ON-LINE.

Figure 1.4 Application for Kentucky Certificate of Title or Registration

1.4.1.3 Odometer Disclosure Statement

The Odometer Disclosure Statement satisfies the Federal Truth in Mileage Act, which requires odometer disclosures for every transfer of ownership during the first 20 years of a vehicle's life, beginning with model year 2011 vehicles (Truth in Mileage Act of 1986, 49 U.S.C. §32705 (1986)). Failure to provide this information or providing false information may result in fines and imprisonment under KRS 190.300. Figure 1.5 is a blank copy of Form TC 96-5.


| | | |
|--|--|--|
|  | KENTUCKY TRANSPORTATION CABINET DIVISION OF MOTOR VEHICLE LICENSING | TC 96-5 Rev. 05/2020 Page 1 of 1 |
| ODOMETER DISCLOSURE STATEMENT | | |
| <p>Instructions: Attach this form to your title and registration application documents and forward to your county clerk. County Clerk information may be accessed at https://drive.ky.gov/Pages/County-clerks.aspx.</p> <p>Note: Federal law requires that you state the mileage upon transfer of ownership. Failure to complete or providing a false statement may result in fines and imprisonment under KY odometer law KRS 190.300.</p> | | |
| SECTION 1: VEHICLE INFORMATION | | |
| YEAR | MAKE | MODEL |
| VIN | BODY TYPE | |
| SECTION 2: TRANSFEROR/SELLER INFORMATION & STATEMENT | | |
| NAME <i>(Please print.)</i> | | PHONE () - - - |
| ADDRESS | | |
| <p>I, _____ state that the odometer now reads _____ miles and to the <i>(Transferor/Seller's name)</i> <i>(no tenths)</i></p> <p>best of my knowledge reflects the actual mileage of the vehicle described above unless one of the following statements is checked.</p> <p><input type="checkbox"/> I hereby certify that to the best of my knowledge the odometer reflects mileage in excess of its mechanical limits.</p> <p><input type="checkbox"/> I hereby certify that the odometer reading is NOT the actual mileage. WARNING-ODOMETER DISCREPANCY</p> | | |
| SIGNATURE _____ | | DATE _____ |
| SECTION 3: CERTIFICATION | | |
| Subscribed and attested before me on this _____ day of _____ 20 _____. | | |
| Notary/Attesting Official Signature and Title _____ | | |
| My commission #: _____ My commission expires _____ / _____ / _____ <div style="text-align: center;">MM DD YYYY</div> | | |
| SECTION 4: TRANSFEREE/BUYER INFORMATION | | |
| NAME | | PHONE () - - - |
| ADDRESS | | |
| SIGNATURE _____ | | DATE _____ |

Figure 1.5 Odometer Disclosure Statement

1.4.1.4 Proof of Insurance

Proof of current Kentucky liability insurance in the buyer's name for the purchased vehicle is necessary. Insurance requirements are as follows:

1. The insurance must be Commonwealth of Kentucky proof of insurance. Out-of-state insurance is not accepted. Military personnel may have insurance from another state if they submit a copy of their military ID.
2. The registered owner/lessee must be named as the insured.
3. New residents must obtain Kentucky insurance before registering their vehicle.

4. If a vehicle is being purchased, the purchaser must obtain Kentucky liability insurance naming them as the insured for that vehicle before titling and registering.
5. The VIN and named insured on the insurance proof must match the title.
6. An insurance binder is acceptable for 30 days from the effective date. The binder must state that the coverage is "bound."
7. The insurance proof must contain the five-digit NAIC number.
8. The insurance proof must describe the policy type as PL for personal or CL for commercial.
9. The effective date must be within 45 days of the transaction date.

1.4.1.5 Picture Identification

A picture ID must be provided and is accepted by the county clerk's office if the ID is issued by a domestic or foreign government with a picture and signature. Examples of acceptable forms of ID include a driver's license, government-issued photo ID card, passport, or foreign voter registration card.

1.4.1.6 Social Security Number

A social security number must be provided for each owner appearing on the title. A Federal Tax ID Number is required for companies.

1.4.1.7 Certified Inspection

If the vehicle is purchased outside of Kentucky, it must undergo an inspection. Only officials certified in vehicle inspections, including county clerks and deputy sheriffs, are authorized to check the VIN and compare it to the number on the Certificate of Origin. The inspector also checks a number of vehicle safety features, including lights, wipers, horn, turn signals, glass, brakes, tires, and exhaust. If the vehicle is brought directly to the county clerk or sheriff's office, the customer pays a \$5 inspection fee. A representative from the sheriff's office is also available to travel to the customer for an additional \$10 trip fee charge (Jefferson County Sheriff Office, 2023).

1.4.1.8 Title Lien Statement

If the owner financed a vehicle with a loan, a Title Lien Statement (Form TC 96-187) must be completed and provided by the lienholder (Figure 1.6).



Kentucky Transportation Cabinet
Division of Motor Vehicle Licensing
TITLE LIEN STATEMENT

TC 96-187
July 2016

| | | |
|--|--|---|
| <input type="checkbox"/> ORIGINAL FILING | <input type="checkbox"/> CONTINUATION Original File # _____ Original File Date _____ | <input type="checkbox"/> TERMINATION Original File # _____ Original File Date _____ |
| 1. Debtor(s) Name and Address | 2. Secured Party Name and Address | 3. For Filing Officer (Date, Time, Number and Filing Office) |

4. Vehicle information:

YEAR MODEL MAKE VEHICLE IDENTIFICATION NUMBER ADDITIONAL DESCRIPTION

NOTE:

- (1) This is a multi-purpose form that can only be used once. A new form must be completed by the Secured Party upon amendment, continuation, assignment, or termination. A termination statement must be signed by the secured party.
- (2) In compliance with KRS 186A.190 (2), "the notation of security interests relating to property required to be titled in Kentucky through the county clerk shall be done in the office of the county clerk of the county in which the debtor resides". Additional information regarding the required county of residence can be found in subsections (a-j) of KRS 186A.190 (2).

Authentication of Debtor(s)

Authentication of Secured Party(s)
(Required for filing a termination)

Date

Date

Optional for County clerk use

Date & Time Processed: _____

Fees Collected: _____

Clerks initials: _____

Figure 1.6 Title Lien Statement

1.4.1.9 Road Usage Tax

During the registration/titling process, a 6% Kentucky road usage tax is collected on the retail price of the vehicle. The retail price is either the purchase price or 90% of Manufacturer Suggested Retail Price (MSRP). If taxes are paid on the vehicle's purchase price, the seller must disclose this price on the Application for Title/Registration, sign the application as the seller, and have the document notarized. If the taxes are paid on the MSRP, the manufacturer's invoice or window sticker must be provided.

1.4.1.10 Fees

Fees associated with registration/titling include:

- Title fee: \$9.00
- Clerk fee: \$6.00
- Plate fee: \$21.00 (annual registration fee)
- VIN inspection: \$5.00
- Lien filing fee (if applicable): \$22.00
- Late lien filing fee (if applicable): \$2.00

1.4.2 Buying an Out-of-State Titled Vehicle

The process of buying a vehicle with an out-of-state title is similar to titling and registering a new vehicle in Kentucky. However, instead of providing a Manufacturer's Certificate of Origin, an out-of-state title properly assigned by the seller is necessary to transfer the vehicle into the new owner's name. All other aforementioned requirements remain necessary for lawful transfer of ownership.

1.4.3 Buying or Selling a Kentucky Titled Vehicle

To buy or sell a vehicle with a Kentucky title, the following documents are needed:

1. Original Kentucky title
2. Original Kentucky registration
3. Proof of current Kentucky liability insurance in the buyer's name
4. Picture IDs for the buyer and seller
5. Social security number for each new owner appearing on the title
6. Title Lien Statement (if applicable)

1.4.4 Moving into Kentucky

Kentucky requires that vehicle owners to apply for a title within 15 days of moving to the state. The following documents/information are needed:

1. Original out-of-state title
2. Application for title/registration
3. Proof of Kentucky liability insurance (VIN and registered owner must match registration)
4. Picture ID
5. Proof of sales tax paid when vehicle was purchased
6. Social security number for each owner appearing on the title
7. Certified inspection
8. Title Lien Statement (if applicable)

1.4.5 Vehicles Leaving Kentucky


If an individual is moving out of state or assigning their Kentucky vehicle title to an out-of-state resident or business, the following are required to cancel the Kentucky record:

1. Completed Affidavit for Correction/Exoneration (62A044) or proof that the vehicle has been titled or registered in another state.
2. Payment of any existing property taxes.

Figure 1.7 is a blank Affidavit for Correction/Exoneration form.

62A044 (11-2020)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

**AFFIDAVIT FOR CORRECTION/EXONERATION OF
MOTOR VEHICLE/BOAT/TRAILER PROPERTY TAX**



Owner _____ Telephone No. (____) _____

Address _____ State _____ ZIP Code _____

License Plate/KY No. _____ VIN/HIN _____

Year _____ Make _____ Model _____

☐ Vehicle was sold in state prior to January 1, _____ to: _____
Date sold _____ (Code S) City Sold _____

☐ Vehicle was sold out-of-state prior to January 1, _____ to: _____
Date sold _____ (Code S) City, State Sold _____

☐ Vehicle was in junkyard prior to January 1, _____ at: _____
Date junked _____ * (Code J)

☐ Vehicle wrecked and settled with insurance company prior to January 1, _____.
Settlement date _____ (Code J)

* I understand that if this vehicle/boat has been junked and the tag and title have not been returned to the county clerk's office and I do not have these items in my possession that I must contact the clerk.

☐ Vehicle repossessed by lienholder prior to January 1, _____.
Date repossessed _____ Lienholder: _____ (Code N)

☐ Nonresident of Kentucky on January 1, _____. (Copy of proof of nonresidence required.)
Date moved _____ Date returned _____ (Code N)

☐ Nonresident military personnel (Copy of military residential affidavit or wage/earning statement showing another state as residency required.) (Code N)

☐ Apportioned Plate (Code N)
☐ Truck ☐ Reg. Code 21 or 33 ☐ Plate # 979 _____
☐ Trailer (Copy of proof provided) ☐ IFTA license ☐ Login sheet or book ☐ Cab card ☐ Lease Agreement

☐ High mileage, according to guide, on January 1, _____. Mileage as of January 1: _____

☐ Damaged (physically or mechanically) prior to January 1, _____. (Description attached.)

☐ Farm Trailer (copy of proof provided showing depreciation for trailer) ☐ IRS Sch F & Form 4562(depreciation schedule)
☐ Corporate return IRS Form 4562(depreciation schedule)

☐ Other _____

☐ Vehicle Assessment NOT Updated:** Reason _____
Signature _____

** In accordance with KRS 131.110 the assessment shall be due and payable if not protested in writing to the Department within sixty (60) days from the date of the notice and provide documentation setting forth the grounds upon which the protest is made.

I, _____, hereby swear (affirm) under penalty of perjury that the information above is true and correct. I further request that the property taxes on the above listed vehicle should be corrected/exonerated for the assessment date(s) of January 1, _____.

Signature _____ Date _____

Notary _____ My commission expires _____ Date _____

It is now ordered, under the authority of Kentucky Revised Statutes 133.110 and 133.130, that shall be corrected in accordance with Department of Revenue policy based on information listed above.

Signature of Authorized Agent _____

County _____

Date _____


☐ The above signature authorizes the clerk to reverse the ad valorem tax (if paid) from the system. The PVA office shall correct the tax segment and inform the clerk of the next step.

Figure 1.7 Affidavit for Correction/Exoneration of Motor Vehicle Property Tax

1.4.6 Obtaining a Rebuilt Title

Applying for a rebuilt title is part of a process that first requires a vehicle to be branded as *Salvage*. According to Kentucky law, a salvage title can be obtained by the owner of a motor vehicle if “a vehicle has been wrecked, destroyed, or damaged, to the extent that the total estimated or actual cost of parts and labor to rebuild or reconstruct the vehicle to its pre-accident condition and for legal operation on the roads or highways, not including the cost of parts and labor to reinstall a deployed airbag system, exceeds seventy-five percent (75%) of the retail value of the vehicle, as set forth in a current edition of the national Automobile Dealers Association price guide” (KRS 186A.520(1)(a)). A vehicle with a salvage title can only be operated on the highway in Kentucky going to or from an inspection by a certified inspector after being rebuilt (KRS 186A.520(6)).

To legally obtain a rebuilt title, an individual must follow a series of steps after repair work is finished. Form TC 96-215 (the Affidavit of Motor Vehicle Assembled from Wrecked or Salvaged Motor Vehicles form) must be completed and notarized (Figure 1.8).



Kentucky Transportation Cabinet
Division of Motor Vehicle Licensing

**AFFIDAVIT OF MOTOR VEHICLE ASSEMBLED FROM
WRECKED OR SALVAGED MOTOR VEHICLES**

TC 96-215
10/2022

(Complete and forward to your County Clerk or Submit in person to the Kentucky Transportation Cabinet One Stop Shop, Rebuilt Section.) Application may not be processed the same business day.

P.O. Box 2014 Frankfort, KY 40622-2014
In compliance with KRS 186A.520 and KRS 186A.530

COMMONWEALTH OF KENTUCKY, COUNTY OF _____

The affiant, _____
(Name)

(Street Address or P.O. Box) _____
(City and Zip Code) _____
(Email Address)

Kentucky, states that a motor vehicle has been reconstructed from parts taken from other motor vehicles which have been obtained from:

| VEHICLE DESCRIPTION | | | | |
|-------------------------------|------|-----------|------------|------------|
| Vehicle Identification Number | Make | Model No. | Body Style | Model Year |
| | | | | |

If Motorcycle – Motor Number: _____

and that he/she is the sole owner of the motor vehicle which has been thus produced, which is clear of all liens.

Signed _____
(Affiant) _____
(Title)

Subscribed and attested before me on this date _____ My commission expires _____
MM DD YY MM DD YY

(Attesting Official or Notary Signature and Title) My commission #: _____

Penalties KRS 186A.990:
Any person who knowingly gives false, fraudulent, or erroneous information in connection with an application for the registration, and when required, titling of a vehicle, or any application for assignment of a vehicle identification number, or replacement documents, or gives information in connection with his review of applications, or falsely certifies the truthfulness and accuracy of information supplied in connection with the registration and when required, titling of a vehicle, shall be guilty of forgery in the second degree.

Figure 1.8 Form TC 96-215

The original Salvage Title must also be submitted in addition to the Application for Kentucky Title/Registration (Form TC 96-182). All original receipts from the purchase of parts must also be submitted. If parts were purchased from another individual and not a business, the seller must provide their name, address, and phone number. A list of what parts were acquired, including the VIN of the vehicle from which the parts were taken must be included. If the seller

cannot provide a VIN for a part, a notarized statement explaining why the VIN cannot be provided is required. Lastly, Form TC 96-353 (Labor Statement for Rebuilt or Total-Loss Vehicle) must be completed stating what repairs were made to the vehicle (Figure 1.9).


| | | | | |
|--|---|--|-----------------------|------|
|  | KENTUCKY TRANSPORTATION CABINET Department of Vehicle Regulation DIVISION OF MOTOR VEHICLE LICENSING | TC 96-353 Rev. 03/2022 Page 1 of 1 | | |
| LABOR STATEMENT FOR REBUILT OR TOTAL-LOSS VEHICLE | | | | |
| <p>INSTRUCTIONS: In accordance with the requirements outlined in KRS 186A.520, KRS 186A.530, and 601 KAR 9:200 Section 4, provide a <u>descriptive</u> list of repairs made and parts replaced. An <u>original</u> receipt for each part purchased must be submitted with this form.</p> <p>IF PARTS WERE PURCHASED FROM AN INDIVIDUAL (not a business), please provide on a separate sheet of paper, the following information:</p> <ul style="list-style-type: none"> Name, complete address, and phone number of seller Parts acquired/purchased and note the vehicle identification number (VIN) of the vehicle from which those parts were taken (Note: If the seller cannot provide a VIN, then provide a notarized statement of why the VIN cannot be provided.) | | | | |
| SECTION 1: VEHICLE INFORMATION | | | | |
| VEHICLE IDENTIFICATION # (VIN) | MAKE | MODEL | BODY STYLE | YEAR |
| SECTION 2: REPAIRS & REPLACEMENT PARTS <i>(Provide full description of repairs and list all parts replaced.)</i> | | | | |
| No. | <u>REPAIRS MADE</u> | | <u>PARTS REPLACED</u> | |
| 1. | | <input type="checkbox"/> None | | |
| 2. | | <input type="checkbox"/> None | | |
| 3. | | <input type="checkbox"/> None | | |
| 4. | | <input type="checkbox"/> None | | |
| 5. | | <input type="checkbox"/> None | | |
| 6. | | <input type="checkbox"/> None | | |
| SECTION 3: ATTESTATION <i>(Print legibly to avoid delay or denial of form processing.)</i> | | | | |
| I _____ attest that myself or an employee (or owner) of _____ <div style="display: flex; justify-content: space-between; font-size: small;"> First Name, Middle Initial, Last Name Full Business Name of Repair Shop </div> did the repair work described in Section 2 on the vehicle named in Section 1 above. | | | | |
| <div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> _____ <i>Signature</i> </div> <div style="width: 45%;"> _____ <i>Date</i> </div> </div> Subscribed and attested before me on this _____ day of _____, 20_____. My commission number is _____ and expires on _____. Notary Printed Name & Title _____ Signature _____ | | | | |
| Penalties KRS 186A.990: Any person who knowingly gives false, fraudulent, or erroneous information in connection with an application for the registration, and when required, titling of a vehicle, or any application for assignment of a vehicle identification number, or replacement documents, or gives information in connection with his review of applications, or falsely certifies the truthfulness and accuracy of information supplied in connection with the registration and when required, titling of a vehicle, shall be guilty of forgery in the second degree. | | | | |

Figure 1.9 TC 96-353 Form

The license plate must be removed (if applicable) and returned to the county clerk's office in the county of residence. If the title has a lien, a lien termination statement from the lienholder must be submitted to the county clerk to be released.

If a vehicle is not damaged beyond 75% of its current value, a statement from the insurance company — on its letterhead — describing the vehicle damage must be submitted. If the vehicle is purchased from an auction, the

receipt must state the damage at the time of purchase. This receipt will be accepted in lieu of the insurance statement. Individuals who purchase their own parts are responsible for submitting the receipts from businesses where the parts were purchased. Each purchased part must be listed separately on the application. For vehicles under 10 years old, applicants must also submit a separate Federal Odometer Disclosure Statement if the mileage was not disclosed on Form TC 96-182 or the reading is found on a title that has not been properly completed (Commonwealth of Kentucky, 2023).

1.4.6.1 Junk Certificates

Under KRS 186A.530(5), a salvage title can be issued from an out-of-state junk certificate if the following criteria are met:

- The out-of-state junk title must be an original document.
- The applicant must submit at least two photographs of the vehicle depicting the damage. These photographs must be included in the application for a salvage title.
- The applicant must submit two damage estimates verifying that the value of the vehicle is less than 75% of the retail value as determined by the National Auto Dealers Association's (NADA) most current estimates.
- A salvage title issued in this manner will be branded SALVAGE.

Once the SALVAGE title is issued and proof of inspection obtained, the Kentucky Transportation Cabinet (KYTC) issues a REBUILT VEHICLE–branded title. This brand is unique and must be carried over to all titles associated with the vehicle going forward. A vehicle branded as a REBUILT VEHICLE must have a metallic plate affixed to the driver's side door that states *REBUILT VEHICLE – May Not Be Eligible For Title In All States* (KRS 186A.530(6)(7)).

1.4.6.1.1 Seller Requirements

Any person or business selling a vehicle branded as a REBUILT VEHICLE must disclose this information to potential buyers. A vehicle dealer must affix a sticker on the vehicle that reads: THIS IS A REBUILT VEHICLE. The sticker must be a different color than the vehicle and be typed in 10-point bold font (KRS 186A.530(8)(a)). If the seller does not disclose this information to the buyer prior to purchase, the vehicle sale can be voided for up to 45 days after the purchase (KRS 186A.530(9)).

Chapter 2 Methods of Motor Vehicle Title Fraud

Motor vehicle title fraud happens in a variety of ways and often requires the involvement and cooperation of several individuals. Common methods of vehicle title fraud are described below.

2.1 Title Washing

Title washing is the act of removing information from a car title illegally. Washing is done to remove information that could reduce the vehicle value, including information about liens or title brands, such as salvage or rebuilt. Evidence that a vehicle was stolen can also be removed through title washing. It can also include printing off a counterfeit title, or registering the car in a state where recording the salvage status is not mandatory (Walker, 2022).

2.2 Title Jumping

Title jumping occurs when someone purchases a car and then resells it without having titled it in their name. It can also be called floating a title. This often happens because someone does not want to pay taxes and fees on the vehicle before reselling it, they do not want to register as a licensed dealer, or they do not want to disclose negative vehicle history to buyers (Walker, 2022).

2.3 VIN Swapping

VIN swapping is also referred to as ID theft for vehicles. A thief steals the vehicle, pries off the VIN plates, and replaces them with a VIN plate from vehicles junked, totaled, or stolen out of state (Walker, 2022).

2.4 Document Forgery

Document forgery occurs when a title has been improperly signed and represented as authentic. For example, the front of the vehicle title lists Jane Doe as the owner. John Smith purchases the vehicle from Jane Doe, but on the back, Jane signs the title with a different name, Alma Mater. This title is now invalid because the owner on the front of the title is the only person authorized to sign the title over to a new owner. Document forgery also often occurs with notaries who notarize signatures they did not witness (Walker, 2022).

2.4 Inspections

Vehicle inspections are supposed to be done on vehicles transferred from out of state by the sheriff's office or county clerk's office. This inspection is cursory and only checks a few components, including the VIN and safety features such as lights, wipers, horn, turn signals, glass, brakes, tires, and exhaust. The inspection costs \$5 in Kentucky and is done in as little as 5 minutes (Fayette County Clerk, 2021). Individuals will often offer fraudulent inspections to unsuspecting buyers for as much as \$150. Their customers often do not speak English and are unaware of how they can obtain a legal a state inspection (Walker, 2022).

2.5 Rolling Back Odometers

Kentucky law states that a vehicle odometer cannot be disconnected or moved to register lower mileage. The law requires that the buyer be given a written, signed statement that the mileage recorded is correct. This can often be avoided if the buyer obtains a mileage disclosure statement from the seller. Buyers can also request, per Kentucky law, the name, address, and phone number of the previous owner of a used vehicle (Walker, 2022).

2.6 Curbstoning

Curbstoning is a lesser-known type of title fraud but is more prevalent now due to the growth of online marketplaces that allow vehicle sales. Curbstoning occurs when dealerships pose as private vehicle sellers but are really selling

sub-standard vehicles with serious structural and safety problems. Curbstoning often involves manipulation of vehicle title documents and/or vehicle odometers to fraudulently increase a vehicle's value (Walker, 2022).

Chapter 3 Current Anti-Fraud Mechanisms in Kentucky

3.1 National Motor Vehicle Title Information System

The Anti Car Theft Act of 1992 established the National Motor Vehicle Title Information System (NMVTIS). In 1996, the reauthorization and amendment of the law transferred responsibility of NMVTIS from the Department of Transportation to the Department of Justice (Anti Car Theft Act, 49 U.S.C. § 30501 *et seq.*).¹ The American Association of Motor Vehicle Administrators (AAMVA) currently operates NMVTIS. The purpose of NMVTIS is to prevent motor vehicle theft and fraud by making accessible an electronic means to verify and exchange vehicle titles, theft, or other data (United States Department of Justice, 2012). Motor vehicle titling agencies, vehicle recycling companies, junk/salvage yards, and insurance carriers all provide vehicle information that is made available in one single data repository (National Motor Vehicle Title Information System, 2013). Currently, the only state not currently participating in NMVTIS is Hawaii (American Association of Motor Vehicle Administrators, 2023).

3.1.1 Required Information

Each reporting entity must provide specified information. Table 3.2 summarizes information entities are required to submit and how often information is reported (United States Department of Justice, n.d.).

Table 3.1 Required NMVTIS Data from Reporting Entities

| Reporting Entity | Required Information | Frequency |
|--|--|-----------|
| State Motor Vehicle Title Agencies | Titling information including: <ul style="list-style-type: none">• VIN• Vehicle description included on the title• Name of individual or entity to whom title was issued• Information from junk/salvage/insurance carriers regarding acquisition of junk or salvage vehicles (if information is collected by state)• Odometer mileage disclosure | Daily |
| Insurance Carriers | Inventory of all vehicles of the current model year or four years prior that the carrier (in the last month) has taken possession of and has determined to be junk or salvage; any vehicles the carrier has determined to be a total loss by the state or the insurance carrier. Inventory must include: <ul style="list-style-type: none">• Name, address, and contact information for the insurance carrier• VIN• Date the vehicle was obtained or designated as junk/salvage (including those that are total loss)• Name of individual or entity from whom the vehicle was obtained, who possessed vehicle when deemed as junk/salvage• Name of owner of vehicle at time of report filing | Monthly |
| Auto Recyclers, Junk and Salvage Yards | Inventory of all junk/salvage vehicles obtained in part or whole within the previous month. Inventory must include: <ul style="list-style-type: none">• Name, address, and contact information of junk/salvage yard, recycler | Monthly |

¹ Anti Car Theft Act refers to the Anti Car Theft Act of 1992, Public Law No. 102-519, 106 Stat. 3384, and the Anti Car Theft Improvement Act of 1996, Public Law No. 104-152, 110 Stat. 1384.

| Reporting Entity | Required Information | Frequency |
|------------------|--|-----------|
| | <ul style="list-style-type: none"> • VIN • Date vehicle was obtained • Name of individual/entity from whom the vehicle was obtained • Statement explaining what happened to the vehicle (crushed/disposed of, for sale, to whom it was transferred, export out of US)* | |

*May not be required to report to NMVTIS if they already report this information to the state and it is made available; may also be required to file update/supplementary information if disposition information was not available at filing or if actual disposition differs from what was initially reported.

3.1.2 Approved NMVTIS Data Providers

The NMVTIS website lists approved data providers of vehicle history reports (United States Department of Justice, n.d.). While some providers only provide vehicle history reports to car dealerships, others are available to the public (e.g., VehicleHistoryReport.com, BeenVerified.com, and CARFAX.com).

3.1.3 NMVTIS Vehicle Reports

Every NMVTIS Vehicle Report includes five pieces of information (United States Department of Justice, n.d.):

- Current state of title and last title date
- Brand history
- Odometer reading
- Total loss history
- Salvage history

These reports are meant to help protect consumers and provide necessary information about vehicle histories that sellers may not disclose.

The current state of the title and last title date provide information that can prove the validity of the title. The brand history provides information about the history of how the vehicle has been labeled by state motor vehicle titling agencies. Some examples of brands include *junk*, *salvage*, or *flood*. All brand information about a single vehicle reported by a state motor vehicle titling agency is kept in the NMVTIS data repository. The brand history is used as a protective measure for consumers to ensure damaged vehicles are not sold without the proper disclosures. The odometer reading provides a baseline for consumers to compare the reported mileage to the number on the odometer of the vehicle they are interested in purchasing. The total loss history contains information about whether the vehicle has ever been classified as a total loss. Vehicles with this designation often have severe structural damage. Like vehicles that have been deemed a total loss, salvage vehicles have a history of severe damage.

In addition to the five pieces of information provided in a NMVTIS vehicle history report, approved data reporters often provide other information in the reports, such as vehicle repair history, recalls that have been issued for the vehicle, and maintenance records.

3.2 Regional Information Sharing Systems (RISS) Program

The mission of RISS is to “assist local, state, federal, and tribal criminal justice partners by providing adaptive solutions and services that facilitate information sharing, support criminal investigations, and promote officer safety” (Regional Information Sharing Systems Program, 2023).

3.3 Online Vehicle Information System (OVIS)

The Kentucky Online Vehicle Information System (OVIS) provides access to Kentucky title, registration, and lien information (Kentucky Transportation Cabinet, 2023). To use this service, an individual must register at Kentucky.gov. Authorized users, such as representatives of insurance companies and car dealers, must pay an annual fee of \$75.00 and \$.44 for each record accessed. OVIS lets users search via VIN or title number to see information about vehicles registered in Kentucky. The information in each record includes vehicle registration, current title, dealer assignment category, and lien information. Figure 3.1 is a sample record.

| Vehicle Information | | Registration Information | |
|---------------------|-------------------|--------------------------|----------------|
| VIN | 5T1CE18G46U681900 | Plate Number | EYR451 |
| Vehicle Model Year | 2004 | Registration Type | NATURE RENEWAL |
| Vehicle Type | PASSENGER CAR | Registration Status | ACTIVE |
| Vehicle Make | TOYT | Registration Date | 03/22/2006 |
| Vehicle Model | SOLARA | Expiration Date | 03/23/2007 |
| Cylinders | 04 | Plate Series Year | 04 |
| Odometer Brand | | | |
| Title Brand | | | |
| Taxes are Owed? | No | | |
| Taxable Value | 15345.00 | | |

| Printed Title Information | | Dealer Assignment Title | |
|---------------------------|--------------|-------------------------|--|
| Owner 1 | SMITH, TOM E | Owner 1 | |
| Owner 2 | | Owner 2 | |
| Title Number | 151094560071 | Title Number | |
| Title Type | ORIGINAL | Title Type | |
| Title Status | ACTIVE | Title Status | |
| Odometer | 0056345 | Odometer | |

| First Lien Information | | Second Lien Information | |
|------------------------|---------|-------------------------|--|
| Name | TMCC | Name | |
| City | ANYTOWN | City | |
| State | KY | State | |

Figure 3.1 Sample OVIS Record

Once a user accesses a vehicle record, they retain access to that record and associated updates for 60 days without incurring additional charges.

3.3.1 Kentucky State Government

While many external agencies assist with ensuring the fidelity of information on a vehicle title, local and state agencies are responsible for ensuring adequate and proper documentation is provided by all involved parties.

3.3.1.1 County Clerks

All 120 counties in Kentucky have county clerks that are responsible for handling vehicle registration and titling. Many roles within the county clerk's office are customer-facing and require employees to verify registration or titling documentation.

3.3.1.2 State Investigators

State investigators work for KYTC and serve all 120 counties in the state. There are currently approximately 35 investigators in Kentucky that address claims from county clerks about potentially fraudulent activity.

3.3.1.3 Division of Motor Vehicle Licensing – Fraud Section

DMVL's Fraud Section was established in 2019. Prior to 2019, no staff were designated to investigate cases of potential fraud. With no oversight, county clerks and state investigators had no resources to fully investigate fraudulent activity.

Chapter 4 Kentucky Historical Registration and Titling Data

4.1 Data Sources

We used multiple data sources to determine trends in Kentucky registration and titling data over the last several years. Due to ongoing technology updates at KYTC, many of our more detailed data requests could not be filled. However, we obtained access to several state-level reports for fiscal years (FYs) 2015 – 2022 containing vehicle registration data. Titling data were not available in the FY 2015 report but were made available starting in 2016. The FY 2018 rebuilt title data used in this study were requested for a previous research study (Keathley, Martin, Koo, & Walton, 2019).

4.2 Methodology

Vehicle registration data pulled from the report included regular and special registrations for passenger cars, passenger trucks, In God We Trust (IGWT) passenger cars and IGWT passenger trucks, and special registrations for both passenger cars and passenger trucks. The IGWT plate is considered a regular registration as it was one of two available plates in Kentucky until more recently when a third option was introduced. For all registrations, we looked at renewal fees by month, renewal numbers by month, new fees by month, and new numbers by month.

Vehicle titling information pulled from the report included total title applications, original (new applications), out-of-state transfers, and salvage title applications. For each category, the fees and number of transactions per month were documented.

All reports provided by KYTC were in PDF or .txt format and had to manually be entered into an Excel file, line by line. To ensure data transcription was accurate, each line was totaled and checked against the number on the original document. The age and condition of the documents provided made it difficult to determine every digit with a high degree of accuracy. For that reason, we accepted the line total if it was < \$5 from the original reported total.

4.3 Data Analysis

4.3.1 FY 2015-2022 Vehicle Registration Data

Between FYs 2015 and 2022, Kentucky collected more than \$250 million dollars from regular registrations of passenger cars and trucks, including new and renewed registrations. Additionally, nearly \$64 million was collected from special registrations. Special registrations include the purchase of plates supporting a specific cause, such as Alzheimer's, breast cancer, and the Keeneland Association. Others included are university and military plates. While special registrations make up 25% of all registrations, special registrations have continued to increase. In FY 2015, special registrations generated \$6.8 million and in FY 2022 they generated \$9.4 million. Regular registrations, on the other hand, have stayed consistent aside from a small decrease in FY 2020. This was due to the COVID-19 pandemic. Figure 4.1 shows the breakdown of regular registrations versus special registrations for FYs 2015 –2022. Regular vehicle registrations accounted for most funds collected over that period.



Figure 4.1 Regular vs. Special Registration Fees (%) (FYs 2015 – 2022)

Special registrations cost an additional \$43 for personalization. Vehicle owners pay this cost when the plate is initially purchased as well as each year upon renewal of the registration (Commonwealth of Kentucky, 2023). Regular registrations include farm plates, standard vehicle plates and In God We Trust plates. Figure 4.2 depicts regular plates available in Kentucky.



Figure 4.2 Regular Registration Plates Available in Kentucky

Between FY 2015 and 2022, about 1.7 million newly registered vehicles were registered with regular plates. Passenger cars accounted for most new registrations in FY 2015 but have trended downward since. At the same time, new registrations for passenger trucks have increased. Figure 4.3 shows the breakdown of new registrations.

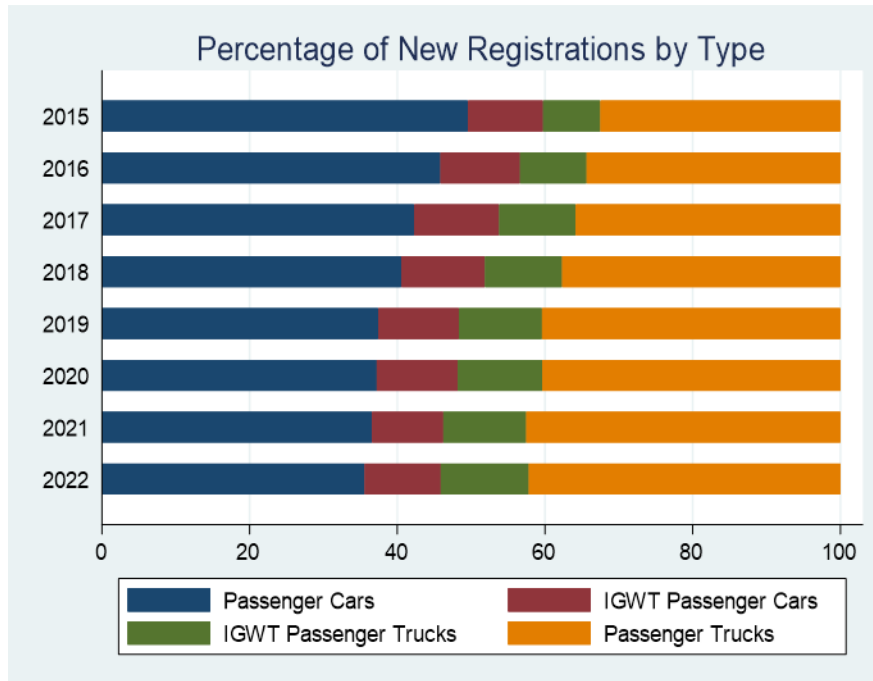


Figure 4.3 Percentage of New Registrations by Type (%) (FY 2015-2022)

During this period, nearly 20 million vehicle registrations were renewed. Passenger cars had the most renewed registrations, followed by IGWT passenger cars, passenger trucks, and IGWT passenger trucks. Although much lower than passenger cars, passenger truck renewals have continued to climb since FY 2015. Figure 4.4 shows yearly statistics for renewed registrations. As new passenger truck registrations continue to increase, Kentucky will also see an increase in passenger truck registration renewals as well.

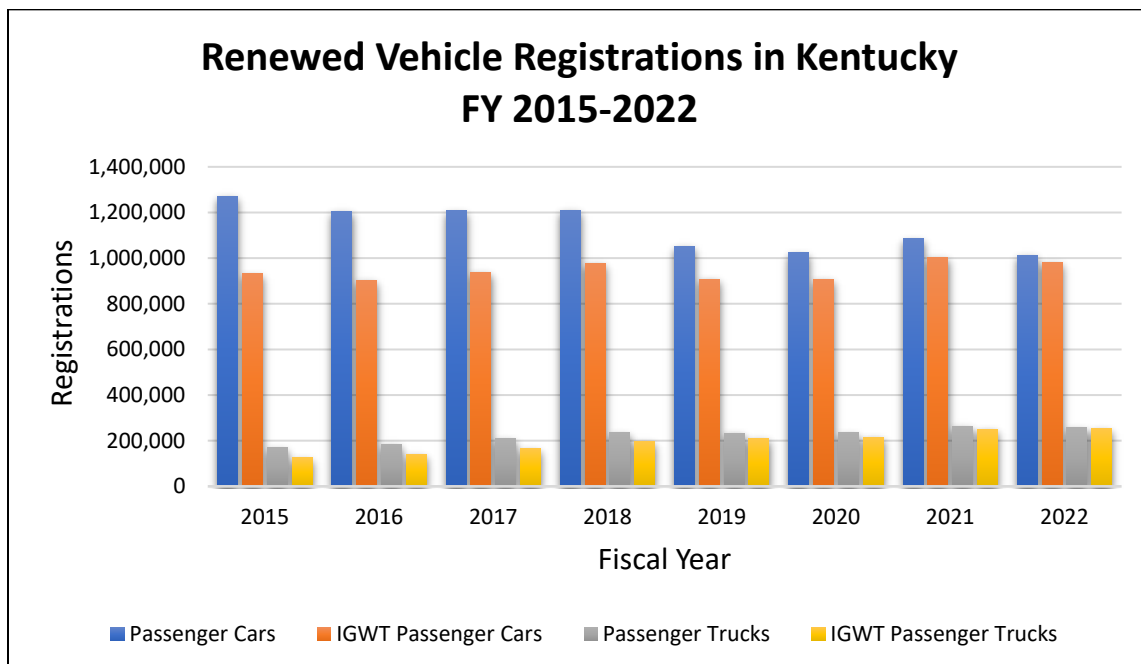


Figure 4.4 Renewed Vehicles Registrations in Kentucky (FYs 2015 – 2022)

4.3.2 FY 2016-2022 Vehicle Title Data, All Types

Vehicle title data from FYs 2016 – 2022 were also analyzed. During those years, there were 1.4 million applications for original (or new) titles, 2.3 million applications for out-of-state titles, and 581,252 applications for salvage titles. Out-of-state title applications were the most common type of title application. Salvage titles made up a relatively small percentage of the overall number of title applications in Kentucky but remained steady during the seven-year period. Figure 4.5 shows the distribution of titles.

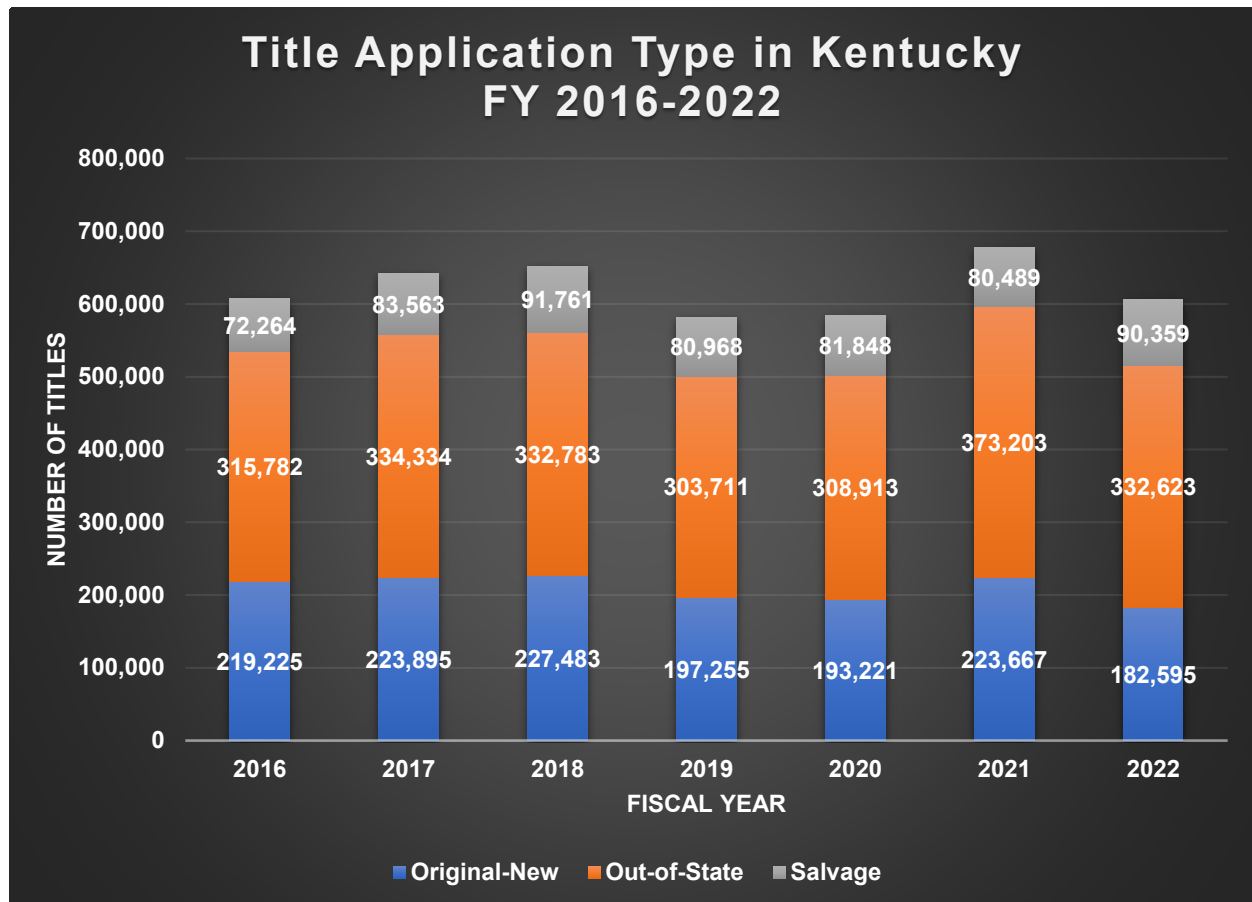


Figure 4.5 Title Application Type in Kentucky (FYs 2016 – 2022)

Because out-of-state transfer title applications are the most common type in Kentucky, the fees collected for those applications are much higher than fees collected for new and salvage titles. Between FY 2016 and 2022, Kentucky collected \$9.6 million in fees for out-of-state title applications. In comparison, only \$2.2 million was collected for salvage applications. Figure 4.6 shows the fees collected during each FY of the study period.

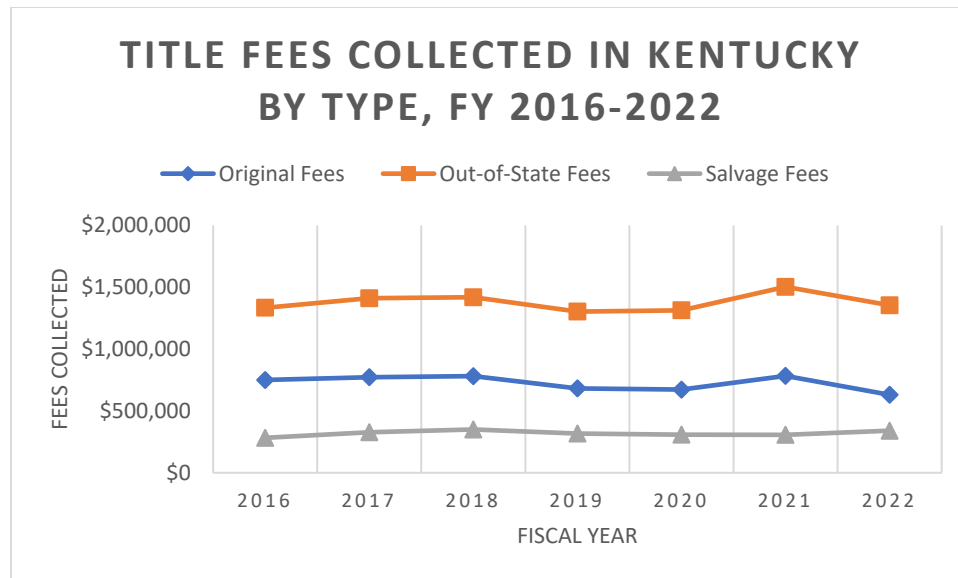


Figure 4.6 Title Fees Collected in Kentucky by Type (FYs 2016 – 2022)

The most likely reason for out-of-state title fees remaining consistently higher than other title types is that when individuals move to Kentucky, they have to pay a 6% road usage tax on the trade-in value of their vehicle along with the \$9 title fee, \$3 clerk fee, \$21 annual registration fee, and \$5 inspection fee. (Fayette County Clerk, 2023). Titling and registering a brand-new vehicle (and not just new to the owner) also requires a 6% usage tax on the retail price of the vehicle. Both original and out-of-state titles also require a \$22 lien filing fee, if applicable. If the vehicle was paid for outright and no loan from a financial institution was obtained to finance the purchase, the lien filing fee does not apply.

Given that most of the fees associated with an out-of-state title application and an original title are equal, an assumption can be made that more people are moving into Kentucky and titling their vehicles than are purchasing brand new vehicles year after year. Far less applications are submitted each year for salvage titles. A vehicle's title that has been changed to a *Salvage* status means the vehicle cannot be on the road until it has completed the rebuilt process (Madison County Clerk, n.d.).

4.3.3 FY 2014-2018 Rebuilt Title Data

Although rebuilt vehicle titles make up a very small portion of all titles issued each year in Kentucky, these vehicles can be cause for safety concerns if not titled legally. Because of the work required to get salvage-branded vehicles back to roadworthy status, it is necessary to know how often Kentucky issues rebuilt titles. Between FYs 2014 and 2018, the state issued 432,881 rebuilt titles (Figure 4.17)

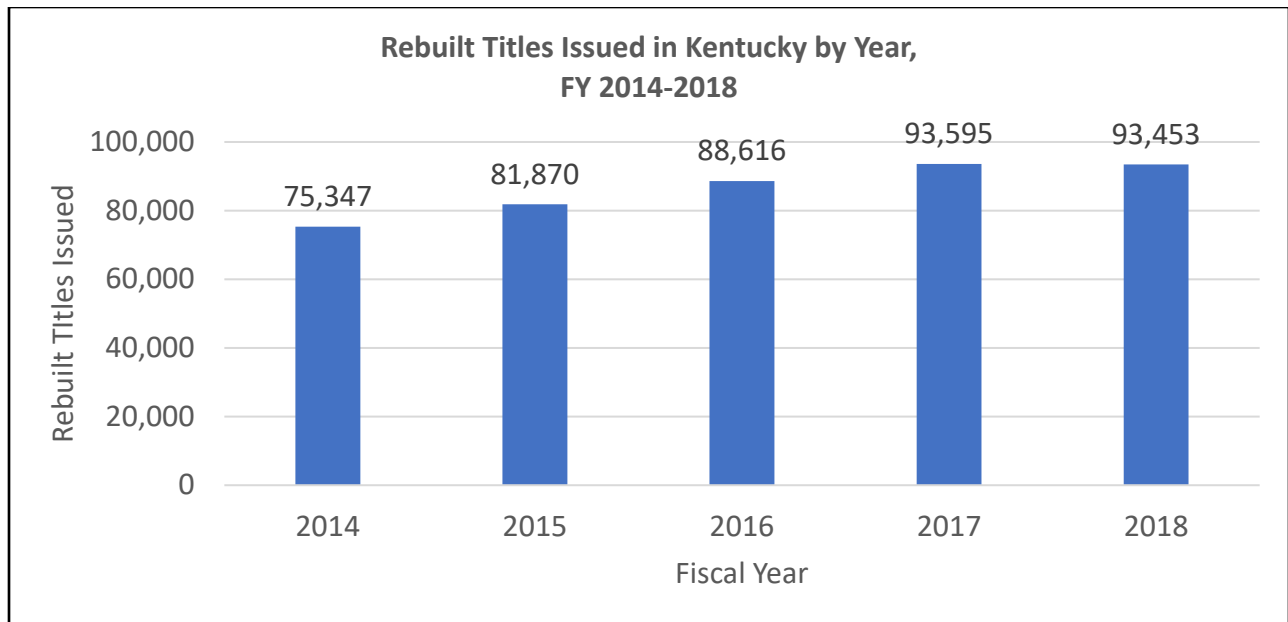


Figure 4.7 Rebuilt Titles Issued in Kentucky by Year (FYs 2014 – 2018)

Jefferson County, the largest county in the state, had the most rebuilt titles issued across all five years. Warren, Fayette, Knox, Laurel, and Pulaski counties were all within the top five issuing counties during at least one of those years. While the number of rebuilt titles issued in Jefferson County increased continuously, the other counties did not follow suit, and issuance varied from year to year. Table 4.1 shows the number of rebuilt titles issued each year by the top five counties of issuance.

Table 4.1 Rebuilt Titles Issued in Kentucky by County (Top 5) (FYs 2014 – 2018)

| 2014 | | 2015 | | 2016 | | 2017 | | 2018 | |
|-----------|--------|-----------|--------|-----------|--------|-----------|--------|-----------|--------|
| County | Number | County | Number | County | Number | County | Number | County | Number |
| Jefferson | 10,016 | Jefferson | 11,586 | Jefferson | 13,696 | Jefferson | 15,805 | Jefferson | 16,136 |
| Fayette | 2,499 | Fayette | 2,513 | Warren | 2,899 | Fayette | 3,258 | Warren | 3,577 |
| Laurel | 2,241 | Pulaski | 2,393 | Fayette | 2,889 | Warren | 3,253 | Fayette | 3,279 |
| Pulaski | 2,188 | Laurel | 2,387 | Laurel | 2,604 | Laurel | 2,633 | Laurel | 2,577 |
| Knox | 2,183 | Knox | 2,383 | Pulaski | 2,580 | Knox | 2,562 | Knox | 2,565 |

Understanding the significance of these numbers requires placing them in context. Based on the 2020 U.S. Census, the top five most populated counties were Jefferson (782,969), Fayette (322,570), Kenton (169,064), Boone (135,968), and Warren (134,554). Pulaski County was listed as the 14th largest (65,034), followed by Laurel County (62,613). Knox County was listed as the 35th most populous county with a population of 30,193 (United States Census Bureau, 2021).

Over the five-year period, the top five counties for rebuilt titles were Jefferson, Fayette, Warren, Laurel, and Knox. Jefferson County issued a total of 67,239 rebuilt titles, followed by 14,438 in Fayette, 13,823 in Warren, 12,442 in Laurel, and 12,169 in Knox. Figure 4.8 displays county populations as well as the total number of titles issued during FY 2014 – 2018. The county populations displayed are based on the 2020 U.S. Census numbers (United States Census Bureau, 2021).

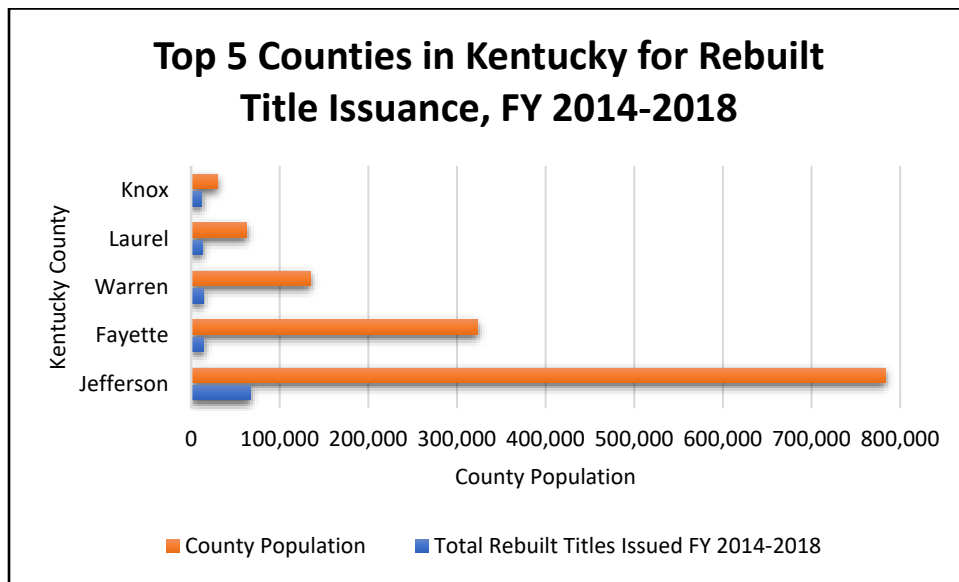


Figure 4.8 Top 5 Counties in Kentucky for Rebuilt Title Issuance (FYs 2014 – 2018)

Rebuilt titles issued per 100,000 population were also calculated. Population numbers for each county were pulled from the 2010 and 2020 U.S. Census and averaged (United States Census Bureau, 2012; United States Census Bureau, 2021). The top five counties for rebuilt title issuance between FY 2014 and 2018 were used. Across the entire period, Knox County had the largest number of rebuilt titles issued, with an average of 7,841 titles issued per 100,000 population. For reference, the population for Knox County used in the calculation was 31,038. Conversely, Fayette County had the smallest number of rebuilt titles issued between FY 2014 and 2018 with an average of 934 per 100,000 population. The population of Fayette County used in the calculations was 309,187. Given the differences in population sizes, the substantial number of rebuilt titles being issued in Knox County per 100,000 people is potentially a cause for concern and may warrant further investigation. Given the size of Jefferson County, it is reasonable to assume the most rebuilt titles would be issued there. In fact, the average number of rebuilt titles issued in Jefferson County between FY 2014 and 2018 per 100,000 people was 23% of rebuilt titles issued in Knox County per 100,000 people during the same time.

Despite the high number of rebuilt titles issued in Knox County between FY 2014 and 2018, all counties had numbers that flatlined or trended downward aside from Warren County, where the numbers continued to rise year over year (Figure 4.9).

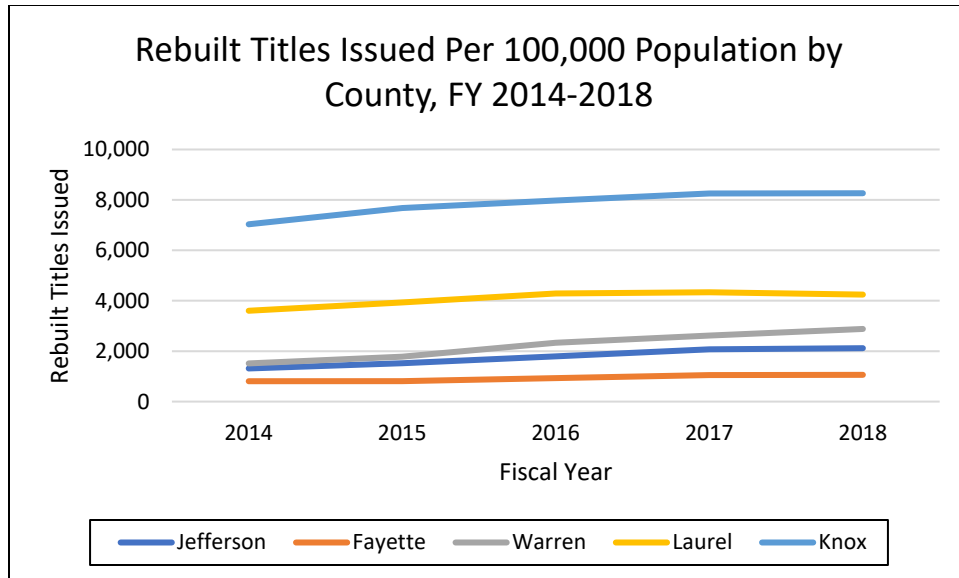


Figure 4.9 Rebuilt Titles Issued Per 100,000 Population by County (FYs 2014 – 2018)

Using data from FYs 2014 and 2018, we compared rebuilt title issuance in the 10 counties where it occurred most often to the remainder of Kentucky. In FY 2014, the top 10 counties for rebuilt title issuance accounted for 36% of all rebuilt titles issued in the state. By contrast, in FY 2018 the top 10 counties accounted for 40% of rebuilt titles issued in Kentucky. Given that the state has 120 counties, it appears that rebuilt titles issuance remains geographically concentrated year after year. Figure 4.10 shows differences between fiscal years. Four of the five top five counties remained the same.

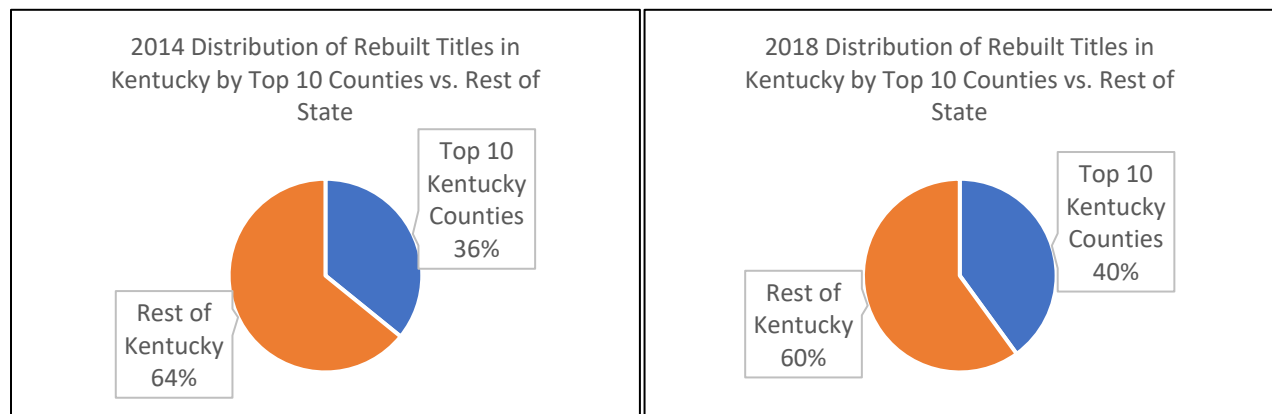


Figure 4.10 Distribution of Rebuilt Titles in KY (2014 and 2018)

Even Kentucky's least populous country, Robertson County, has a very high rate of rebuilt title issuance per 100,000 people. The population of Robertson County per the 2020 U.S. Census was 2,193. Between FY 2014 and 2018, the average number of rebuilt titles issued in Robertson County was 1,924 per 100,000 population. By contrast, Jefferson County issued an average of 1,765 rebuilt titles per 100,000 population.

In addition to countywide statistics on rebuilt title issuance, we investigated average odometer readings, as well as the average taxable value of vehicles with rebuilt brands. The average odometer reading across all vehicles during the FY 2014 – 2018 period was 135,072, and the average taxable value of a vehicle was \$2,523.20. Higher mileage

and lower taxable value were expected due to the damage that must be sustained to a vehicle to have it branded as Salvage.

Last, we determined how often vehicles with rebuilt titles came from outside of Kentucky. Between FYs 2014 and 2018, an average of 85.5% of vehicles were already titled in Kentucky and rebranded as rebuilt. During that same time, a significant number of rebuilt vehicles came from Ohio (4.1%), Tennessee (2.63%), and Indiana (2%).

4.4 Conclusions

Based on the historical registration and titling data in Kentucky, there are a few notable observations:

- Most vehicles registered in Kentucky are passenger cars with regular registration plates.
- Passenger cars account for most vehicle registration renewals in Kentucky every year.
- There were an average of 83,036 salvage title applications per year between FY 2016-2022.
- Between FY 2014 and 2018, rebuilt titles issuance increased in all but FY 2018, when numbers declined slightly.
- Jefferson County issued the most rebuilt titles of any county in Kentucky between FY 2014-2018.
- Despite its small population size, Knox County issued the fifth highest number of rebuilt titles in all FYs between 2014 and 2018, except 2016.

Kentucky processes millions of vehicle registration and title applications each year. Although small in numbers compared to the overall registrations, the number of salvage vehicle registrations has remained constant. Vehicles with salvage titles are not considered roadworthy in Kentucky and necessary work must be completed on them for the owner to apply for a rebuilt title. Overall, rebuilt titles issued in Kentucky increased over the study period, but the current trends are unknown due to lack of the state's most recent rebuilt title data. Even so, the concentration of rebuilt title issuance to a few counties warrants further attention and additional data analysis.

Chapter 5 State Survey

5.1 Survey Purpose

The purpose of the state survey was to understand the severity of vehicle title fraud in other jurisdictions. We also wanted to identify preventative measures other states are using to prevent fraudulent title transactions.

5.2 Survey Development

After the survey was developed it was reviewed and approved by the Study Advisory Committee (SAC). The survey had 20 questions and addressed different aspects of vehicle title fraud, including questions about perceptions of vehicle title fraud in other jurisdictions, investigative staffing, and tools being used to prevent and/or curb it. We obtained contact information for vehicle title fraud investigators and associated staff from a KYTC partner and distributed the survey 125 individuals across the United States. An initial email invitation to participate in the survey was sent on May 3, 2023, with a follow-up email circulated on May 18, 2023, to increase the response rate. Survey questions are listed below.

1. For which state do you currently work?
2. Is vehicle title fraud considered a problem in your state?
3. On a scale of 1-10 with 10 being the worst, how would you rank the vehicle title fraud problem in your state?
4. Is preventing vehicle title fraud a priority in your state?
5. Does your state currently have a dedicated vehicle title fraud prevention or investigation group?
6. How many people are currently working in the vehicle title fraud prevention or investigation group?
7. Approximately how many vehicle title applications are entered in your state's vehicle database every day?
8. Does your state use an e-titling system?
9. Approximately how many cases of vehicle title fraud were identified in your state in 2022?
10. Which of the following types of fraud do you see on a regular basis? Choose all that apply.
11. What tools do you currently use to fight title fraud? Check all that apply.
12. How do you most often catch title fraud?
13. In what ways do law enforcement in your state support vehicle title fraud prevention?
14. What would be helpful to your state in fighting vehicle title fraud? Please check all that apply.
15. How many members of your staff have participated in the Fraud Detection & Remediation (FDR) Training created by AAMVA?
16. Has your department ever partnered with a state law enforcement agency to work on federal asset forfeiture related to vehicle titling and licensing fraud?
17. Does your state currently have a task force to prevent vehicle title fraud?
18. Can you provide a statute or guidance from your state that breaks down the allocation of vehicle title and registration fees?
19. How are the following vehicle registration/titling components (fraud detection, vehicle inspections, IT/software) funded in your state?
20. Is there anything else you would like to share with us about vehicle title fraud in your state?

5.3 Survey Results

We collected, compiled, and analyzed survey results. A summary of those results follows.

5.3.1 Background Information

Representatives from 19 jurisdictions at least partially completed the survey. Jurisdictions highlighted in dark blue in Figure 5.1 are represented in the survey results.

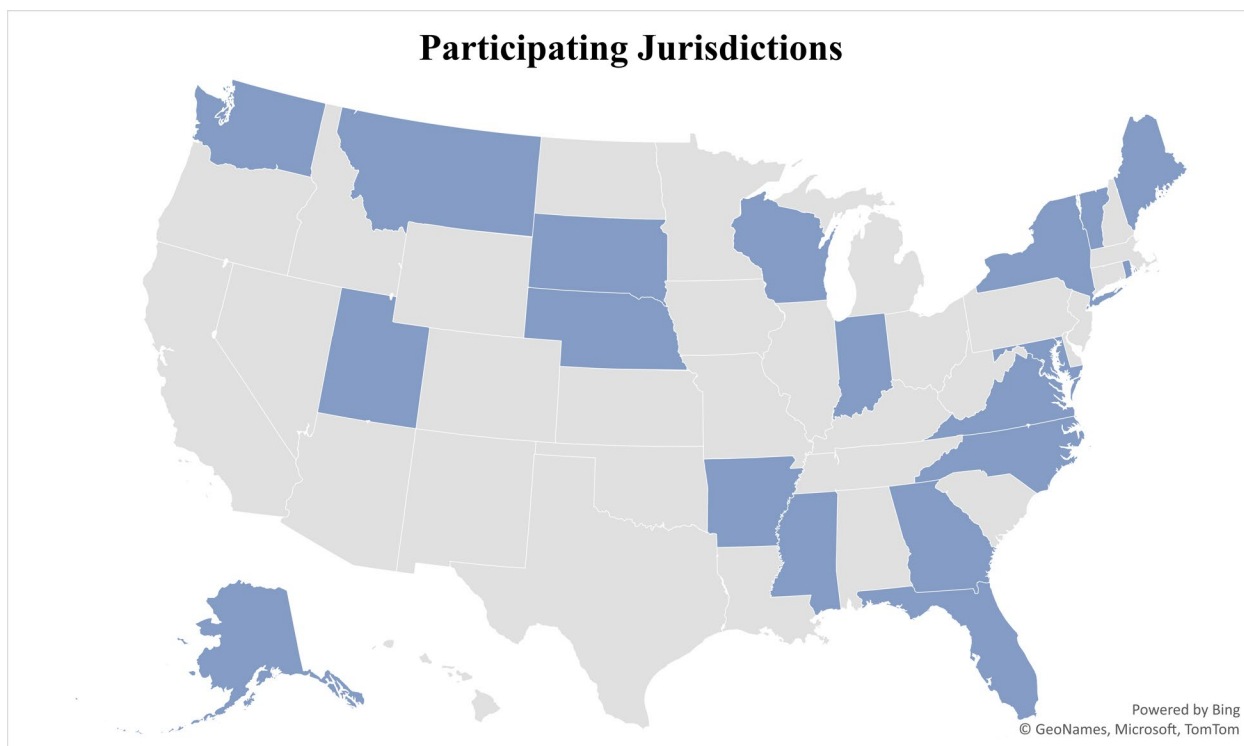


Figure 5.1 Jurisdictions Represented in Survey

Aside from naming which jurisdictions participated in the survey, we chose not to disclose how they answered each question. Competing interests among government officials often make issues such as vehicle title fraud polarizing topics. In instances where multiple representatives from the same jurisdiction responded, the first respondent's answers were used.

When asked to rate the severity of vehicle title fraud on a scale from 1 – 10 (10 being the worst), respondents' answers ranged from 2-8 with an average score of 5.3 (n = 15). Further, 94% of jurisdictions reported that preventing vehicle title fraud is a priority in their state (n=16), and 68% reported having a dedicated vehicle title fraud or prevention group (n=19). The number of people working in dedicated fraud or prevention groups ranged between 1 – 5 and 21+ (Figure 5.2).

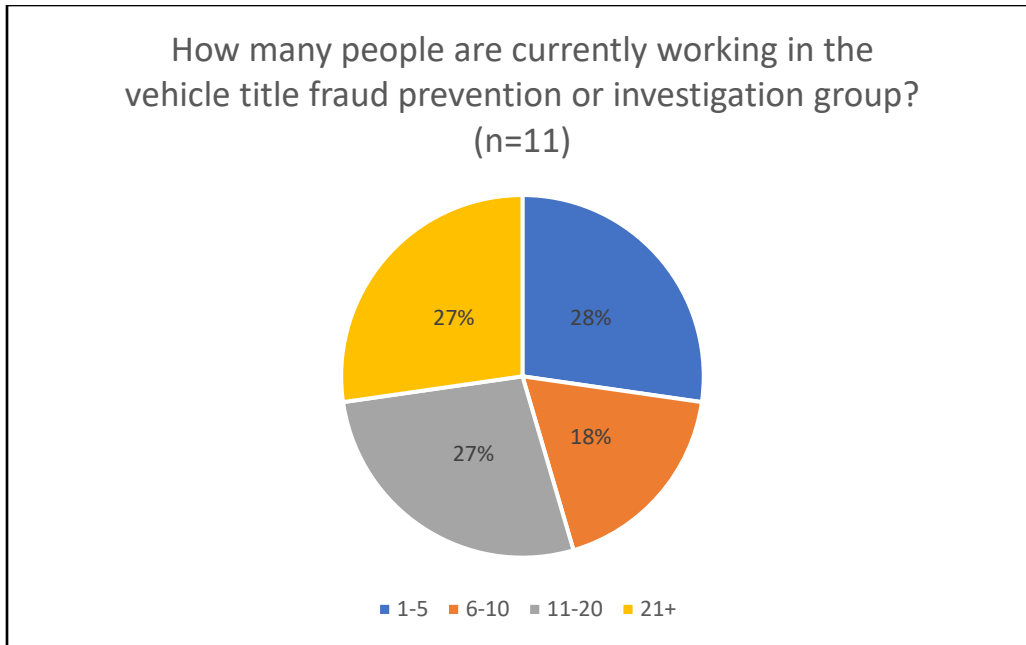


Figure 5.2 Fraud Prevention/Investigation Group Size

Most states (n = 12) process 0 – 5,000 title applications each day. Only two jurisdictions reported processing more than 5,000 title applications per day. Just 36% of responding jurisdictions use an e-titling system. Jurisdictions that do not use an e-titling system lack the capacity to exchange vehicle and/or title information electronically.

5.3.2 Vehicle Title Fraud – Numbers and Types

For the year 2022, 71% of responding jurisdictions identified 0 – 500 cases of vehicle title fraud. And 21% identified between 1,000 and 4,999; the remaining jurisdictions identified between 501-999 (n=14).

The most common methods of vehicle title fraud reported are VIN swapping, title jumping, document forgery, and rolling back odometers (n = 14). Other methods include vehicle loan fraud and address abuse.

5.3.3 Methods to Fight Vehicle Title Fraud

Jurisdictions reported using many tactics to fight vehicle title fraud, including law enforcement and state fraud divisions. Other methods include LexisNexis, CARFAX for Police, National Insurance Crime Bureau (NICB), and the NMVTIS. Forty percent of respondents said that fraud is most commonly detected by state offices during the approval process of the title application, while 27% said detection is most often uncovered at DMV offices. The remaining jurisdictions reported a mix of answers, including law enforcement, state audit reports, and the use of private citizens reports from the fraud hotline/inbox.

Law enforcement is a go-to resource for combatting vehicle title fraud. Law enforcement methods used to support vehicle title fraud prevention include identifying fraudulent temporary tags (50%), identifying stolen vehicles (93%), and enforcement of notary practices (20%) (n=15).

5.3.4 Jurisdiction Needs

When asked about methods to fight vehicle title fraud (given the options of fraud training, stricter notary laws, greater law enforcement presence, additional funding, additional staff), most state representatives chose at least

two methods. One jurisdiction chose only additional staff while another chose greater law enforcement presence. Most jurisdictions said that fraud training and additional staff would help fight vehicle title fraud (Figure 5.3).

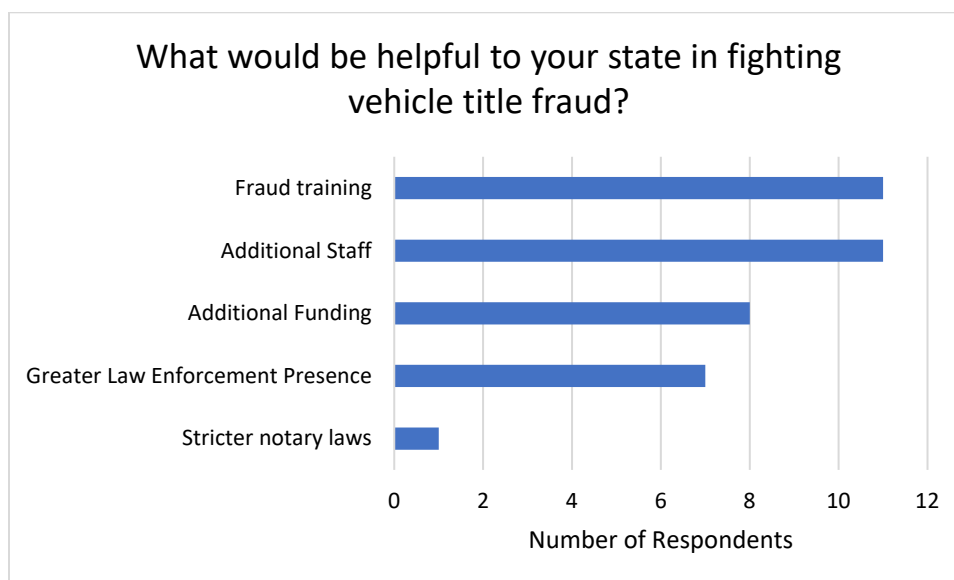


Figure 5.3 Helpful Measures to Fight Vehicle Title Fraud

Among jurisdictions, 71% reported having 0 – 5 staff members who have participated in AAMVA’s Fraud Detection & Remediation (FDR) Training despite 72% of jurisdictions having fraud detection and prevention staffs larger than 5 individuals. Further, only two jurisdictions reported having a dedicated task force to prevent vehicle title fraud (n=12).

5.3.5 Funding

The most common funding mechanism funds for fraud detection, vehicle inspections, and IT/software is state highway funds (n=7). Two jurisdictions reported receiving either state or federal grant funding but provided no additional details.

5.4 Conclusions

Our survey found that VIN swapping, titling jumping, document forgery, and rolling back odometers are the most common methods of vehicle title fraud. Fraud is most often discovered by state offices, local DMVs, and via information reported to fraud hotlines/websites. Staff dedicated to vehicle title fraud vary in size, but all use similar resources to identify fraud. Jurisdictions also believe that having additional fraud training and additional staff would most benefit their fraud deterrent efforts. Many of these jurisdictions receive funding from state highway funds although a few reported receiving grant funding.

Despite the variance in size and location of participating jurisdictions, many reported similar experiences with the same types of vehicle title fraud. Despite the modest survey sample size, we gained valuable insight into the experiences of 19 jurisdictions. The results also help validate the vehicle title fraud issues Kentucky is having. Based on what jurisdictions reported, there should be concerted efforts to increase the size of fraud departments and provide adequate training to ensure their staff are as effective as possible.

Chapter 6 Ohio's Vehicle Inspection Program

At the outset of this project, we met with the Fraud Section, a small group nestled in KYTC's Department of Vehicle Regulation (DVR). Created in 2019, the team investigates vehicle title applications that county clerks' flag as potentially fraudulent. Although only comprised of two people, the Fraud Section has already created strong working relationships with other jurisdictions and identified patterns of fraudulent behavior related primarily to notarization practices and rebuilt title applications. Because of the volume of fraudulent activity surrounding rebuilt title applications in the state, DVR's Fraud Section visited the Ohio Bureau of Motor Vehicles (BMV) in 2022 to learn about Salvage & Self-Assembled Vehicle Inspections. Members of DVR's Fraud Section found this program warranted further investigation and that implementing elements of Ohio's systematic approach could benefit Kentucky. This chapter describes Ohio's vehicle inspection program as well as steps Ohio residents take to obtain rebuilt titles.

6.1 Ohio Vehicle Inspection Program Overview

In Ohio, a vehicle inspection must be completed by the Ohio State Highway Patrol before a self-assembled or salvage vehicle can be titled (Ohio State Highway Patrol, 2023). Once a salvage vehicle is inspected and the inspection report given to the Clerk of Courts office, a rebuilt salvage title is issued (Franklin County, Ohio, 2023). Unlike Kentucky, the salvage brand does not go away on an Ohio Rebuilt title.

6.1.1 Inspection Locations and Appointments

There are currently nine inspection locations across the state of Ohio in the following locations: Brook Park, Bucyrus, Cambridge, Columbus, Findlay, Jackson, Southington, Troy, and West Chester (Ohio Department of Public Safety, 2023). The locations are strategically placed in the state to accommodate all residents, although it is possible that some residents have to drive a significant distance. Figure 6.1 shows the locations of inspection facilities.

Ohio Vehicle Inspection Locations

-  Brook Park
5225 W 140th St., Brook Park, OH 44142
-  Bucyrus
1653 Marion Rd., Bucyrus, OH 44820
-  Cambridge
4633 Glenn Highway, Cambridge, OH 43725
-  Columbus
1640 Alum Creek Dr., Columbus, OH 43209
-  Findlay
8210 County Road 140, Findlay, OH 45840
-  Jackson
25 McCarty Ln., Jackson, OH 45640
-  Southington
3424 Parkman Rd., Southington, OH 44470
-  Troy
1275 Experiment Farm Rd., Suite D, Troy, OH 45373
-  West Chester
9971 Cincinnati - Dayton Rd., West Chester, OH 45069

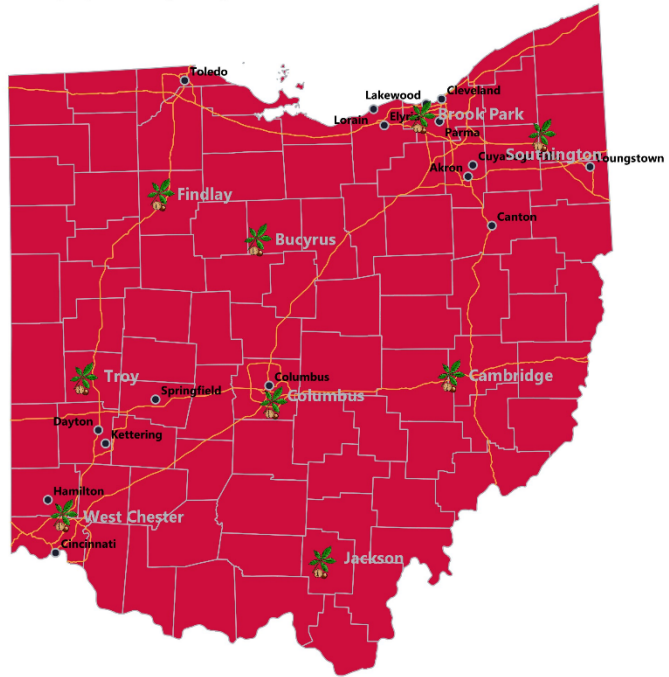


Figure 6.1 Ohio Vehicle Inspection Locations for Salvage Vehicles

Three conditions must be met before an owner schedules an inspection appointment:

1. The vehicle must have an active salvage title that can be obtained from a local clerk of court's title offices.
2. The vehicle must be ready for highway use.
3. The vehicle owner must purchase a pre-paid inspection receipt from one of the 178 Ohio BMV Deputy Registrar locations for \$50.00 + \$3.50 Deputy Fee (Ohio State Highway Patrol, 2023).

Once a receipt is purchased, a customer is eligible to schedule a vehicle inspection. If a customer searches for *salvage vehicle inspection in Ohio* on the Ohio State Highway Patrol website, they are directed to the Salvage & Self-Assembled Vehicle Inspection page (Ohio State Highway Patrol, 2023). This page describes the purpose of the inspection as well as the required documentation needed on the day of their inspection. Figure 6.2 is a screenshot of this page.

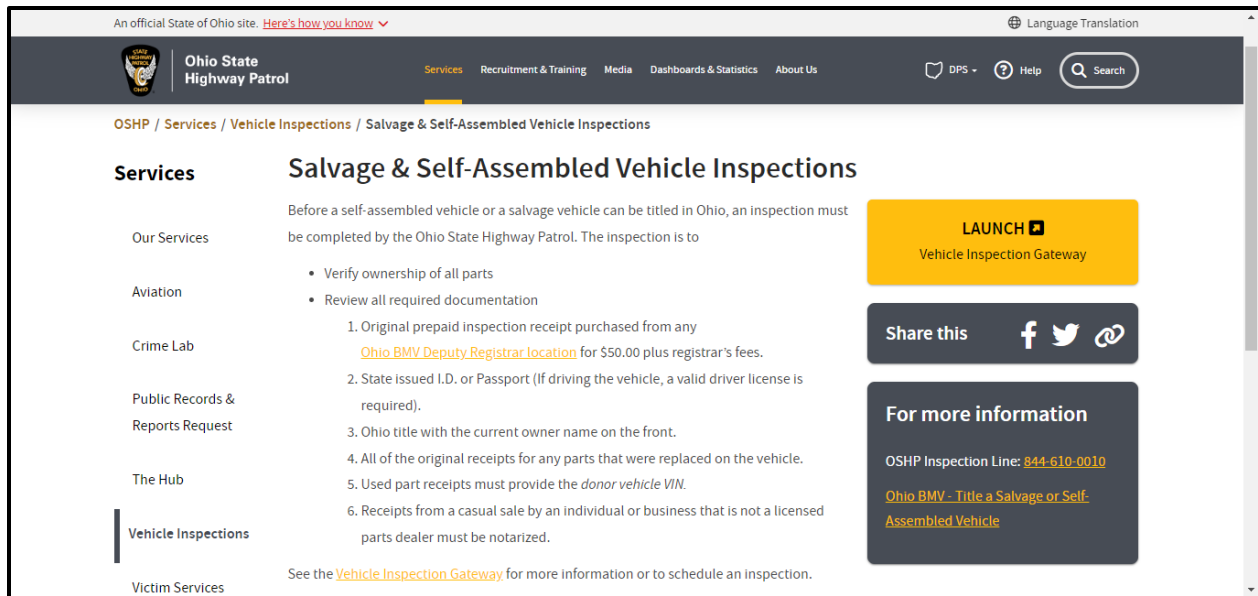


Figure 6.2 Screenshot of Ohio Salvage & Self-Assembled Vehicle Inspection Page

Customers are directed by writing in the red box to visit the Vehicle Inspection Gateway to schedule an inspection and can access that gateway by clicking the yellow button. Inspection appointments can only be scheduled online via the Vehicle Inspection Gateway (Figure 6.3).

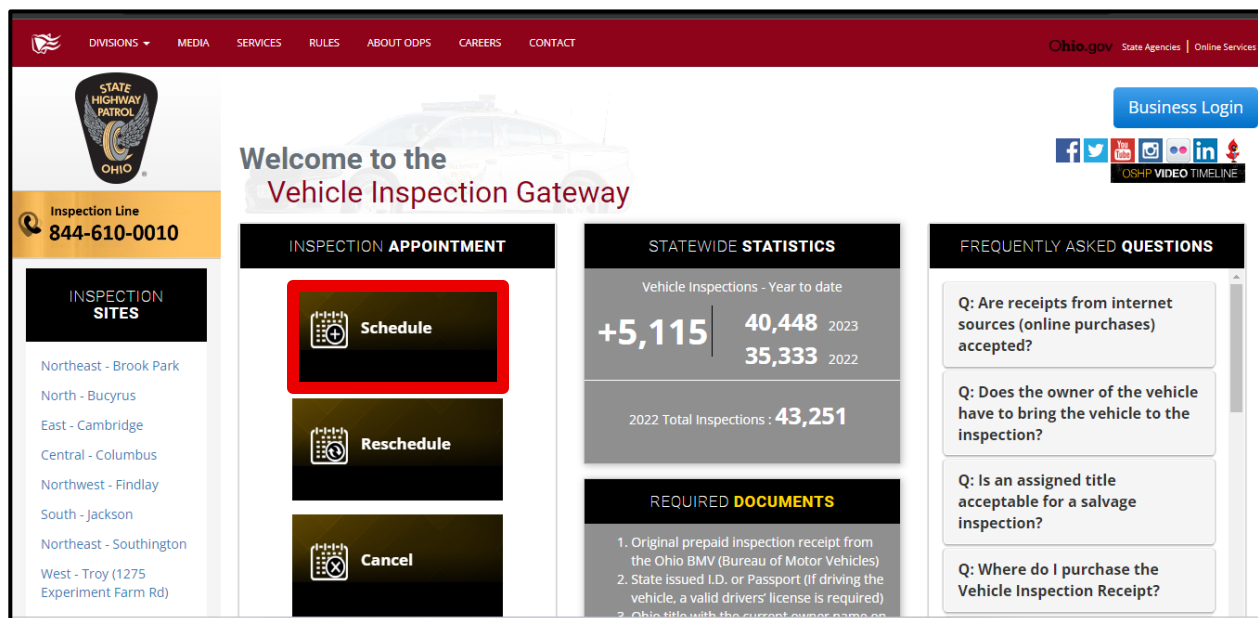


Figure 6.3 Ohio Vehicle Inspection Gateway Page

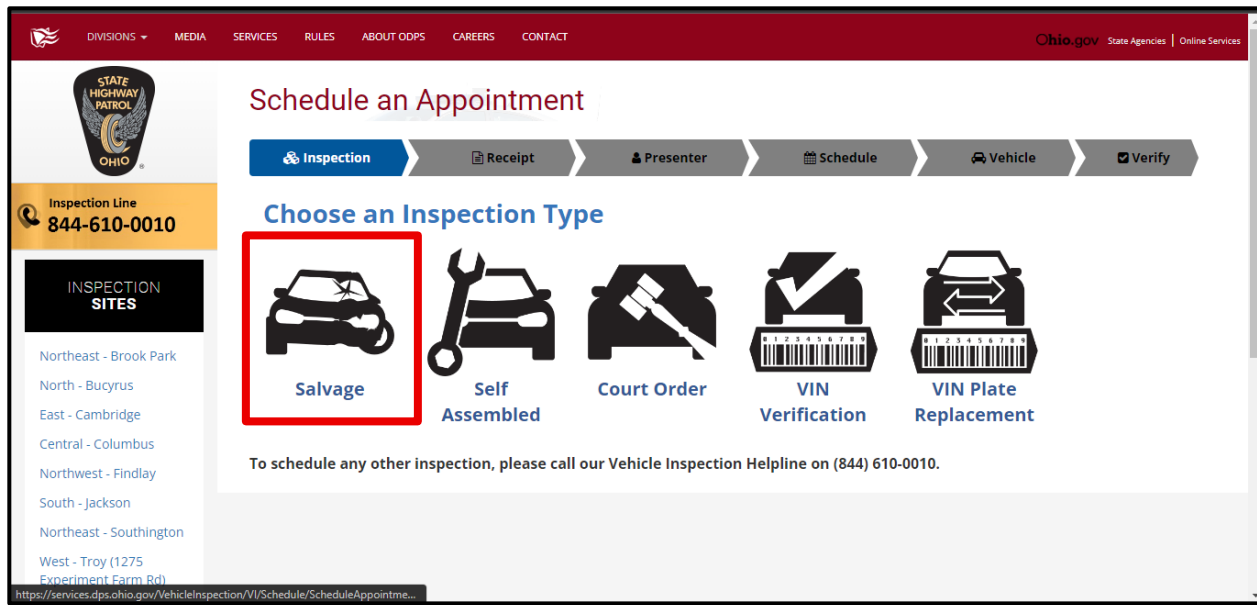



Figure 6.4 Scheduling a Salvage Vehicle Inspection

To begin the scheduling process, a customer clicks the *Schedule* button (highlighted with a red box in Figure 6.3). This takes the customer to a new page where they choose what kind of inspection they need. Options include Salvage, Self-Assembled, Court Order, VIN Verification, and VIN Replacement Plate. Figure 6.4 shows the interface. To schedule a salvage vehicle inspection, the customer chooses *Salvage* as outlined in red. Customers are then taken to another page where they enter the Receipt #, Driver License #, and Receipt Issue Date. If these three items do not match what is in the system, a customer cannot proceed. Figure 6.5 shows the customer form.

Figure 6.5 Customer Appointment Form Page



OHIO STATE HIGHWAY PATROL
Salvage Inspection Receipt

F [REDACTED]
4 [REDACTED]
CLEVES, OH 45002

Driver's License No: [REDACTED]
Phone: 5 [REDACTED]

Fifty dollars for one salvage or self-assembled motor vehicle inspection and highway use purposes. Inspection will be conducted in accordance with Ohio Revised Code Sections 4505.11, 4505.111, and 4513.02 and Ohio Administrative Code Chapters 4501-33 and 4501.2-1.

If this receipt is lost, stolen, or mutilated beyond recognition, applicant must apply for and purchase another inspection receipt. No refunds will be issued.

THIS RECEIPT MUST BE SURRENDERED TO THE INSPECTING OFFICER AT TIME OF INSPECTION

Attention Law Enforcement Officer:

In accordance with Section 4505.11 F of the Ohio Revised Code, the possessor of this receipt may operate a motor vehicle to an inspection site and to the assigned owner's residence or business without displaying registration on the date of inspection only.

Receipt No: 3170-11-555555-001
Issue Date: 10/10/2011

IdNumber: RQ555555
Receipt Number: 3170-11-555555-001

Salvage Inspection Station Locations

| Address | City | Telephone |
|-----------------------------|------------------|--------------------|
| 1653 Marion Road | Bucyrus | 419-563-0272 |
| 1583 Alum Creek Drive | Columbus | 614-644-1667 |
| 8210 Suite #D, C.R. 140 | Findlay | 419-423-2957 |
| 12323 Broadway | Garfield Heights | 216-587-4305 (EX2) |
| 25 McCarty Lane | Jackson | 740-286-3457 |
| 95 Wildflower Drive | New Concord | 740-826-1030 |
| 8730 Lake Road | Seville | 330-769-5089 |
| 3424 U. S. Rt. 422 | Southington | 330-898-2894 |
| 1275 Experiment Farm Road | Troy | 937-335-6412 |
| 9971 Cincinnati-Dayton Road | Westchester | 513-777-5547 |

State of Ohio
Department of Public Safety
Bureau of Motor Vehicles

F [REDACTED]
5 [REDACTED]
CINCINNATI OH 45248
(513) [REDACTED]

RECEIPT

Oct 10 2011 10:00 AM 3 [REDACTED]
O:2421388 SARAH R:64538382 S:C

Customer: F [REDACTED]

Salvage 54664-1 50.00
Salvage Rpt Num: 3170-11-055555-001 Receipt Number
Deputy Fee 3.50
Subtotal 53.50

Prt: Oct 20 2011 1:48 PM Units: 1

TOTAL: 53.50

Payment
Check to BMV 002457 53.50

PLEASE DRIVE SAFELY

Figure 6.6 Pre-paid Salvage Inspection Receipt

The Receipt # in Figure 6.5 refers to the pre-paid receipt purchased at a Deputy Registrar location. Figure 6.6 shows an example of a pre-paid Salvage Inspection Receipt. All information necessary to complete the registration process for a salvage inspection is on the pre-paid inspection receipt.

6.1.2 Required Documents for Inspection Appointment

The following documents are required at the inspection site:

1. Original prepaid receipt (shown in Figure 6.6)
2. State issued ID or passport
 - a. If the customer is driving the vehicle, they must also have a valid driver license
3. Ohio title with the current owner's name on the front
 - a. The vehicle owner does not have to be present, but the person going on their behalf must have all necessary documents as well as a copy of the owner's driver license.
4. Original receipts for parts replaced on the vehicle
5. Used car receipts must contain *Donor Vehicle's VIN*

*Receipts from a casual sale by an individual or business that is not a licensed parts dealer must be notarized (Ohio State Highway Patrol, 2023).

6.2 Staffing and Operations

According to a sergeant at the Office of Field Operations, Ohio employs 51 Motor Vehicle Inspectors (MVI). Two inspectors are located at each of the nine inspection facilities. All inspection facilities are open 7:00 am – 3:00 pm Monday – Friday except for holidays.

Inspections take approximately 30 minutes, and each facility completes 16 – 20 inspections per day. Inspections done at these facilities include Salvage, Self-Assembled, and Court Order. Each inspection facility is 1,000 – 2,000 square feet and consists of two inspection bays with at least one hydraulic car lift. Most inspection facilities are state-owned.

6.3 Qualifications for Ohio Motor Vehicle Inspectors

MVIs conduct vehicle inspections across the state. To qualify as an MVI, an person must have six months of training or six months of experience in automotive maintenance and repair and/or mechanical vehicle inspections; six months experience with business applications (e.g., Microsoft Word, Excel, and Outlook); formal education in addition, subtraction, reading, writing, and speaking English; and a valid driver's license. MVIs receive on the job training, Division policy and procedure training, and annual in-service training (Dement, 2023).

6.4 Compensation and Benefits

MVI pay is listed at \$20.92 per hour and the position is considered full time (Ohio, 2023). It is considered a Bargaining Unit position, which is a job represented by a labor union (United States Government, 2023). According to the 2021 – 2024 Contract Between the State of Ohio and The Ohio Civil Service Employees Association, “coverage for health care benefits as provided in this Article becomes effective on the first day of the month following the month in which the employee begins employment with the State” (Ohio Civil Service Employees Association, 2021). Additionally, union-represented employees are eligible to enroll in dental, vision, and basic life insurance plans after a year of continuous State service through Union Benefits Trust. Supplemental life insurance can be purchased within 90 days from date of hire (Union Benefits Trust, 2023). Employees have 180 days from their hire date to select a plan in The Ohio Public Employees Retirement System (OPERS). OPERS replaces Social Security for Ohio public employees. Each eligible employee contributes a percentage of their salary to OPERS with an equal employer match. OPERS invests employee money for retirement (OPERS, 2023).

Because MVIs are part of the Public Safety organization, they must contribute to the Traditional Pension Plan. The other plan (the Member-Directed Plan) is considered elevated risk. The Traditional Pension Plan is a defined benefit plan. OPERS manages employer and employee contributions, and retirement income is based on a formula that includes years or service credit and final average salary (OPERS, 2023). Public safety employees currently contribute 12% of their salary and the employer contributes 18.1% (OPERS, 2023).

Chapter 7 A Proposal for Rebuilt Title Inspection Program in Kentucky

We developed the proposal for a Kentucky Rebuilt Title Inspection Program presented in this chapter based on conversations with members of DVR's Fraud Section. Results of the state survey, Kentucky registration and titling data, and information provided by an officer in the Ohio Office of Field Operations in Licensing and Commercial Standards were also taken into consideration.

7.1 Area of Focus

The focus of the Rebuilt Inspection Program is to install a more stringent statewide inspection program for rebuilt vehicles. This requires a multifaceted approach with cooperation from multiple stakeholders, including DVR, Kentucky Office of Procurement Services, and the Kentucky General Assembly. Law enforcement in the state will be involved only when criminal activity has been detected.

The program's success depends on making systemic and statutory changes. Unlike surrounding states, Kentucky law and titling practices create the perfect environment for opportunists and fraudsters to take advantage of the current system. Thorough vehicle inspections with verification of repairs can ensure that vehicles branded with rebuilt titles are roadworthy and do not pose a threat to the operator or other drivers on state roadways.

7.2 Kentucky Rebuilt Inspection Program Overview

The Kentucky Rebuilt Title Inspection Program will address vehicle title fraud in Kentucky. While Kentucky's current system has additional shortcomings, we suggest the program's focus be on rebuilt vehicles. Rebuilt title fraud carries with it the most catastrophic implications of any form of vehicle title fraud. Rebuilt vehicles with faulty and/or missing parts or poorly reconstructed vehicles pose an increased risk to other motorists and multimodal users of transportation facilities. According to KRS 186A.115(7), a certified inspector takes the following steps when inspecting vehicles. These steps apply to all vehicles that need to be registered and/or titled:

1. Ensure the application is legible and properly executed
2. Compare the VIN on the vehicle to what is provided on paperwork and supporting documentation
3. Examine the odometer
4. Sign and date the application

The fee for the inspection is \$5 but increases to \$10 if an inspector travels to the applicant instead of inspecting the vehicle at state facilities. An applicant can get an inspection in any county, and it must be recognized by any Kentucky county. Per KRS 186A.115(2)(d), a single inspection and fee is sufficient to meet the inspection requirement.

7.2.1 Proposed Organizational Chart

Our proposed organizational chart for the Rebuilt Title Inspection Program entails significant changes (Figure 7.1). Currently, the Title Branch includes the Receiving/Title Fraud Section, Verification Section, and Records Management Support. The proposal moves the Rebuilt Support Section into the Title Branch from the Registration Branch. Rebuilt document reviewers will be brought into the fold of the Rebuilt Support Section as well. The Rebuilt Vehicle Inspection Program will become an additional section with inspectors. The goal of shifting the Rebuilt Support Section under the Title Branch is to increase communication between sections and ensure thorough vetting of each rebuilt title application.

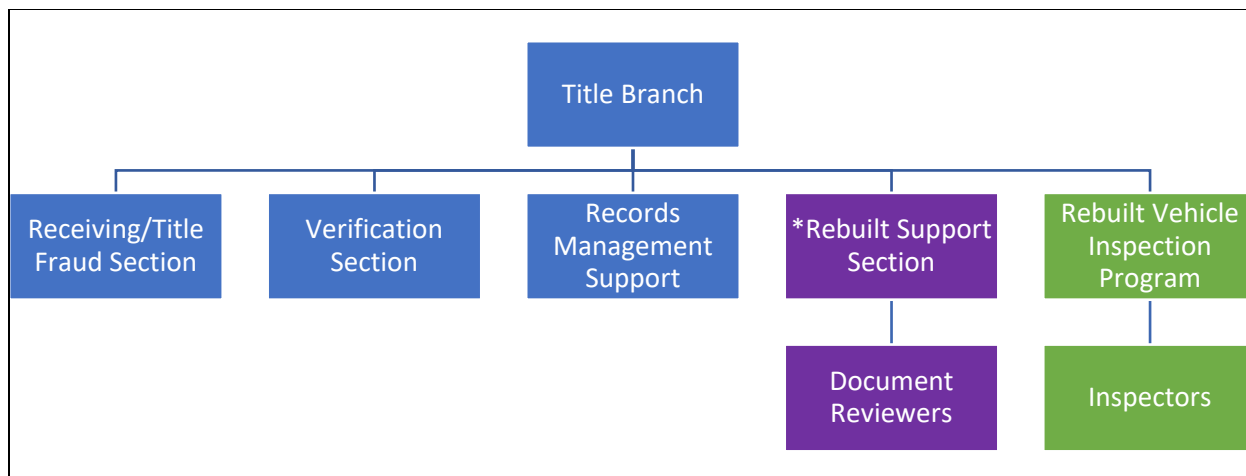


Figure 7.1 Proposed Title Branch Organizational Chart

7.2.2 Inspection Fee Increase

Under the Kentucky Rebuilt Title Inspection Program, inspection fees for vehicles with a Salvage title being retitled as Rebuilt will increase significantly. Unlike vehicles inspected for first-time registration in Kentucky, rebuilt vehicles were severely damaged previously and warrant a more comprehensive inspection. Sheriffs and county clerks are authorized to conduct vehicle inspections but rebuilt vehicles should be inspected by people with more than baseline knowledge of vehicles. To make this change, the proposed inspection fee is \$75. A \$3.50 administration fee will apply as well. Currently, the Sheriff receives all money generated from vehicle inspections. Sheriffs will continue to receive \$5 per rebuilt inspection conducted in their counties. Inspection-related fees for other title types will not be impacted.

7.2.2.1 Inspection Fee Breakdown

Fees collected by DMVL are allocated to other funds for items such as operation costs and administrative services. The proposed \$75 rebuilt inspection fee be allocated, with 90% of the fee staying with Kentucky's Rebuilt Title Inspection Program to pay for operational costs. The remaining money will go to a Sheriff's Office Fund, which will distribute money to counties based on county population size, and a special Fraud Fund for people financially impacted by the purchase of a rebuilt vehicle in Kentucky that failed a later inspection and was deemed not roadworthy. Figure 7.2 summarizes the cost breakdown.

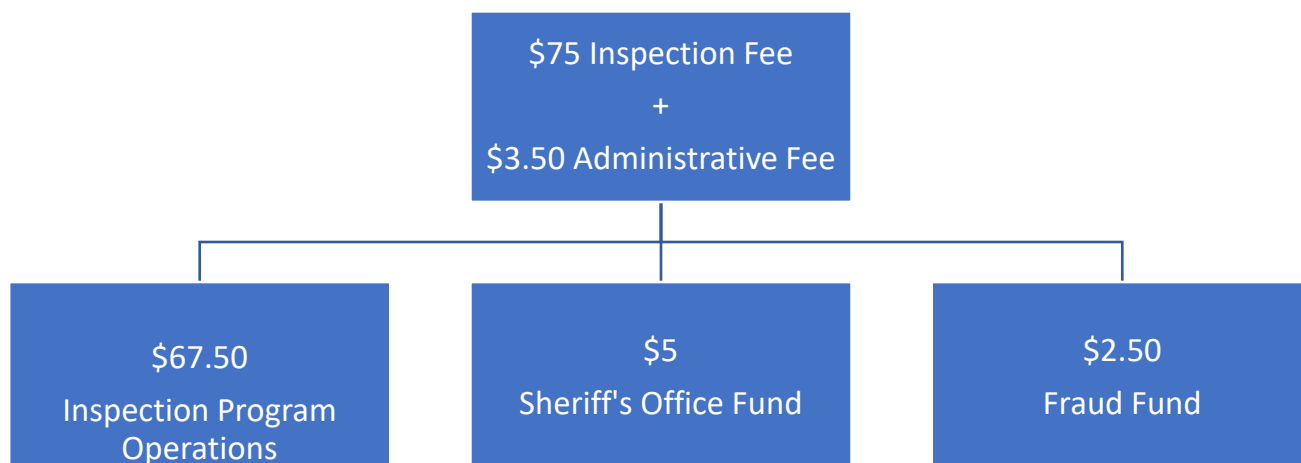


Figure 7.2 Rebuilt Inspection Fee Breakdown

Stakeholders should make every effort to ensure the program is self-sustaining. Directing 90% of inspection fees back into the program increases the likelihood that additional state funds will never be needed to keep it running. Continuing to provide \$5 to a Sheriff's Office Fund maintains the status quo. Although sheriff offices will no longer conduct rebuilt vehicle inspections, they will still be responsible for other vehicle inspections. The goal of our proposal is to prevent other government agencies from incurring unintended financial ramifications as a result of the new program.

We also propose establishing a Fraud Fund. Most Kentuckians rely on personal transportation to participate in society and cannot do so without a vehicle. But many residents lack the means to purchase new vehicles and thus seek out used vehicles. In some cases, unscrupulous auto dealers sell poorly reconstructed or stolen vehicles to unsuspecting consumers. By creating a Fraud Fund, those paying for rebuilt vehicle inspections also pay a small amount into a fund that will reimburse consumers negatively impacted by the purchase of a vehicle they believed to be roadworthy but is not. Funds will be available to applicants and awards determined on a case-by-case basis. Kentucky's existing vehicle inspection laws have likely resulted in hardships for many Kentuckians, and the Fraud Fund is one way to correct for financial duress residents in this situation have faced. Instead of having no recourse, Kentuckians will be able to apply for funding to recoup their money and purchase another vehicle. Program administrators will need to later decide if there should be caps on the award amounts.

The \$3.50 Administrative Fee will provide funding for the rebuilt vehicle document review process, including for salaries, continuing education, or used to improve the software applications currently used by the state, such as KAVIS.

7.2.2 Approved Inspection Locations

Based the geographical patterns of rebuilt title issuance, we propose locating designated inspection sites in the following counties: Jefferson, Fayette, Warren, Henderson, Pike, Boone, and Franklin. Anyone wishing to obtain a rebuilt title must visit an approved inspection location for a vehicle inspection. The purpose of this approach is to streamline the process and ensure that qualified vehicle inspectors conduct all inspections. Figure 7.3 is a map of proposed inspection facilities.

Proposed Rebuilt Vehicle Inspection Program Locations

- Boone Co.
- Fayette Co.
- Franklin Co.
- Henderson Co.
- Jefferson Co.
- Pike Co.
- Warren Co.

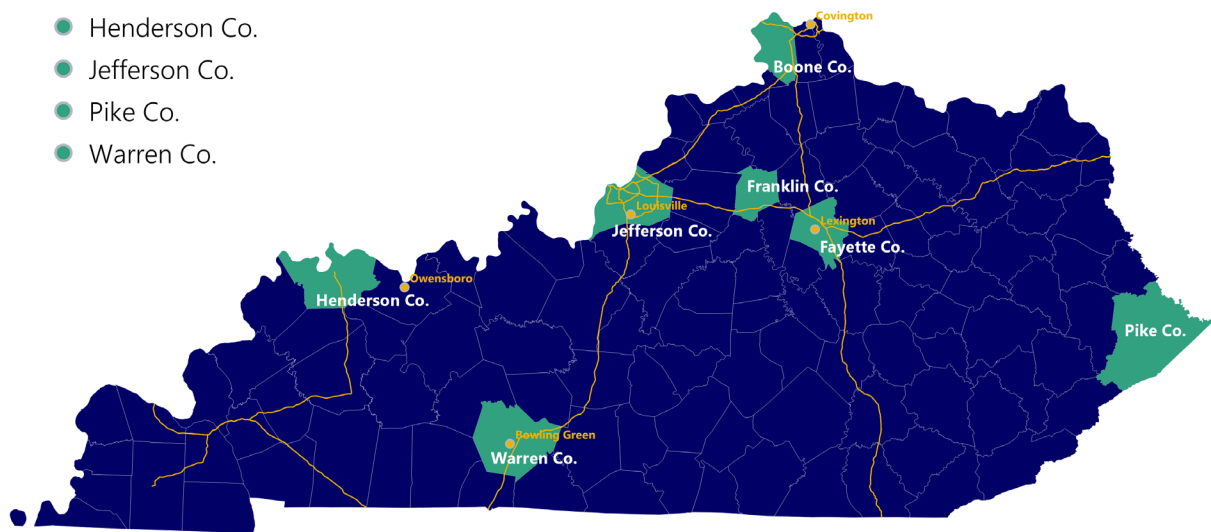


Figure 7.3 Proposed Rebuilt Vehicle Inspection Program Locations

7.2.3 Online Appointment Portal

We recommend building an online appointment portal for the Rebuilt Title Inspection Program. Establishing this system will allow for easy tracking and monitoring of appointments as well as of who is scheduling appointments and for what vehicles.

drive.ky.gov is Kentucky's online portal that has resources available for drivers, vehicles, motor carriers, and Real ID. Customers can access a variety of information and make payments through the site. An online appointment service is also offered to customers seeking to renew Kentucky driver's licenses. To make the process as simple as possible, we suggest taking the current appointment platform and tailoring it to the Rebuilt Title Inspection Program. Further, we suggest making it mandatory that all rebuilt inspections be scheduled online.

7.2.3.1 Required Documentation at Time of Appointment

Currently, customers seeking a rebuilt title must drop off required documents related to the acquisition of at a county clerk's office or off in person at the KYTC's One Stop Shop, Rebuilt Section. We propose, instead, that all documents be sent or dropped off to KYTC's One Stop Shop, Rebuilt Section, and the inspection report be sent directly by the inspector to the Rebuilt Section through the online portal.

7.2.3.2 Failed Inspections

Under the proposed program, if a vehicle fails an inspection inspectors will communicate the reason(s) to the state using vehicle inspection software. The inspector will provide the inspection report, including the reason(s) for failure. At this point, a customer has 30 days to schedule a new inspection as long as the vehicle did not fail for reasons of suspected fraudulent activity. If the inspection is rescheduled and passed within 30 days, no additional inspection fee is required. But if the inspection is rescheduled outside the 30-day window, a new appointment and an additional inspection fee is required.

Some vehicles that fail inspection may not be eligible for re-inspection and the owner may be subject to penalty. Further, a vehicle may be confiscated if fraudulent activity was detected. Mismatched VINs or rolled-back odometers are examples of offenses that may result in these consequences. Ultimately, DVR will need to determine which offenses are severe enough to warrant refusal of reinspection. Further determinations will likely need to be made about instances where a vehicle should be seized from its owner. For instance, if an inspector determines one or more parts on the vehicle is stolen, this could be grounds for seizing a vehicle and filing criminal charges.

7.3 Space and Building Requirements for Inspection Facilities

Unless counties have existing structures that could be tailored to the needs of the Rebuilt Title Inspection Program, the state will need to procure land and buildings. We made several attempts to contact representatives in the Office of Procurement Services but received no response. We wanted to provide the most accurate cost information possible associated with program development but sought out other sources to generate estimates. In the absence of state-specific guidelines, it is possible our proposal is not feasible. Going forward, we hope to establish a line of communication with more agencies in the state to strengthen our research.

We developed the cost estimates presented below using Kentucky statutes, information on Ohio's vehicle inspection program, building sales websites, and guidance from a former city planner.

The total space required for a vehicle inspection facility includes the square footage necessary for the building and parking spots for employees and customers. State or city requirements often stipulate the number of parking spaces required per square footage of building space based on type of business. ADA Accessibility Standards require that at least one parking space per every six parking spaces be sized to accommodate vans (U.S. Access Board, 2023). A standard parking spot is 9' x 18'. A van-accessible parking spot must be at least 8' wide with an additional access aisle also measuring 8' wide (U.S. Department of Justice, 2023). Further, the standard assumption is 300-350 square feet per parking stall. This accounts for traffic aisles, endcaps, space between cars, and as space to accommodate entrance and exit lanes (Trashcans Unlimited, 2022).

Each inspection facility should be 1,000 – 2,000 square feet. According to General Steel Buildings, a company that provides metal building packages, a 30 x 50 building allows for the installation of two 25-foot bays with sectional doors and provides 1,500 square feet of usable space. These buildings are fully customizable to fit individual needs (General Steel Buildings, 2023). The average cost of a prefabricated 30 x 50 steel building is \$37,500 – \$45,000 (Titan Steel, 2022). Figure 7.4 shows an example of a prefabricated building from General Steel meant for use as an auto repair building.



Figure 7.4 General Steel Prefabricated 30'x50' Building

The building pictured in Figure 7.4 is large enough to operate as a vehicle inspection facility but would need to be outfitted with two bays with garage doors for vehicles to enter. Figure 7.5 is a more accurate representation of the type building needed for Rebuilt Title Inspection Program facilities. This building has room for office space in the front left and a waiting area/restroom area in the back left.



Figure 7.5 Preferred Building Layout for Vehicle Inspection Program

Each facility will require approximately 4,000 square feet. The breakdown of this estimation is below:

- Parking Spaces (6) @ 350 square feet = 2,100 square feet
 - One accessible parking spot is required. Thus, each parking spot was estimated at 350 square feet to ensure adequate space.
- 30 x 50 Steel Building (1) @ 1,500 square feet = 1,500 square feet

The total square footage is roughly 3,600. However, other equipment or accessories could require more space.

7.3.1 Purchasing Land

Unless there are unused state buildings available to use as inspection facilities, land will need to be purchased. According to a 2023 report by the United States Department of Agriculture, Kentucky's average farm real estate value is \$4,700/acre (United States Department of Agriculture, 2023).

Each vehicle inspection location requires about 4,000 square feet, or .09 acres. However, it would be optimistic to assume anything less than an acre would be purchased. Thus, each facility would require the purchase of the entire acre.

7.3.2 Parking Lots

Laying a parking lot costs \$50,000 – \$200,000. Exact pricing depends on factors such as cost of labor, lighting requirements, and cost of paving materials (Goodmanson, 2022). Based on this estimate range, we assume that each parking lot will cost approximately \$50,000.

7.3.3 Other Building Cost Considerations

7.3.3.1 Weather

Several other factors must be considered when determining structural needs for vehicle inspection facilities that can impact cost. Varying weather conditions across the state could warrant different building designs. For instance, areas that experience frequent high winds may need thicker gauge steel panels or more structural support (Maverick Steel Buildings, Inc., 2023).

7.3.3.2 Land Grading

Another consideration is survey and grading. Depending on the building site location, land may need to be leveled in preparation for construction. Experts will need to be involved in examining and surveying processes to ensure all safety protocols are met with the construction plan. Leveling land can cost upwards of \$2,200 (Moore & Salaky, 2023).

7.3.3.3 Concrete Slabs

Each inspection facility will require a concrete slab to be poured prior to building construction. The cost for a 6" deep 30' x 50' concrete slab is \$4 – \$8 per square foot including labor. This results in an average cost of \$9,000 (Maverick Steel Buildings, Inc., 2023).

7.3.3.4 Building Insulation

Insulation is necessary to keep building temperatures at a comfortable level and prevent condensation from forming on panel walls. Condensation can cause the metal to corrode which can impact building stability and aesthetics. The price to insulate a metal building is \$2,500 – \$5,100 (Maverick Steel Buildings, Inc., 2023).

7.3.3.5 Utility Installation and Recurring Costs

A metal building kit includes the frame, roof, and exterior walls but does not include materials for interior walls, HVAC systems, electrical wiring, plumbing, and ventilation (Maverick Steel Buildings, Inc., 2023). The initial costs of equipment purchases, and installation need to be considered as well as recurring costs such as electricity, water, and sewer charges.

7.4 Necessary Inspection Equipment

7.4.1 Hydraulic Vehicle Lifts

The most important piece of equipment for performing thorough vehicle inspections is a hydraulic vehicle lift. Each lift should be able to easily lift passenger cars and trucks. Each inspection location should have at least two vehicle lifts. Toolplan.com, an online tool sales website, sells the Triumph NTO-11A, an overhead two-post 220V lift with 11,000-pound capacity. This is a commercial grade lift that can handle passenger vehicles and large trucks and should meet the needs of the vehicle inspection program (toolplan.com, 2023). The list price of the vehicle lift is \$3,680 (Figure 7.6).



Figure 7.6 Hydraulic Vehicle Lift

7.4.2 Vehicle Inspection System

A vehicle inspection system created by Worldwide Environmental is currently being used by the state of Missouri to conduct vehicle safety inspections as well as vehicle emissions inspections (Worldwide Environmental, 2023). The

GIS9000 is the first tablet-based vehicle emissions and safety inspection system and can be tailored to suit individual needs. Missouri uses the GIS Standard Solution, which includes an inspection tablet, wireless keyboard, OBDII Data Acquisition Device and DAD Emulator (for vehicle code reading and emissions inspections), a printer for vehicle inspection reports, and a windshield for sticker printer. This package is \$1,500. Other accessories that can be purchased include tablet charging station (\$95.00) and a wall mount for the printer, tablet, and sticker printer (\$300.00). Figure 7.7 shows equipment included in the package.



Figure 7.7 Worldwide Environmental Vehicle Inspection System

Speaking with a sales representative at Worldwide Environmental would be necessary to determine which pieces of equipment are suggested. As it stands, this package would likely be sufficient to cover the needs of the inspection program outside of hand tools. Two packages would be needed at each inspection location.

7.4.2 Additional Tools

Each inspection facility will need to be outfitted with other tools such as screwdrivers, pry bar, wrenches, pliers, ratchet and socket sets, flashlights, telescoping mirrors, funnels, jumper cables, and toolboxes (Neil Huffman Honda of Frankfort, 2023). The tools needed are not yet determined but will likely cost \$7,500 – \$11,000 (Brunot, 2022).

Because this figure includes tools that vehicle inspectors will not likely need, we will assume a cost of \$5,000 per facility.

7.5 Vehicle Inspectors

Two full-time and two part-time inspectors per facility are needed. Facilities will operate Monday – Friday (8:00 am – 4:00 pm).

7.5.1 Job Responsibilities

Rebuilt vehicle inspectors will be responsible for conducting thorough vehicle inspections and collecting associated paperwork to submit to the state. Inspectors will also be responsible for contacting law enforcement if they detect fraudulent activity.

7.5.2 Required Experience

In Ohio vehicle inspectors must have:

- At least 6 months of experience with auto maintenance and repair and/or mechanical vehicle inspections
- At least 6 months of experience using a computer and business applications (Microsoft Word, Excel, Outlook)
- Formal education

We suggest Kentucky adopt similar requirements for vehicle inspectors. Experience can be substituted for education if the education is directly related to the position. All applicants must either have a high school diploma or a GED.

7.5.3 Inspector Recruitment

We propose recruiting inspectors from students enrolled in the Collision Repair Technician program in the Kentucky Community & Technical College System (KCTCS). Although work conducted by inspectors will not include vehicle repair, having technicians who are knowledgeable about collision repair is critical for program success. Currently students can pursue three educational tracks: Collision Repair Helper Certificate, Collision Repairer Certificate, and Collision Repair Technician Diploma. Each of these programs is offered at KCTCS locations in Prestonsburg, Bowling Green, Cumberland, and Paducah (Kentucky Community & Technical College System, 2023). A breakdown of the programs and required credit hours for completion are listed in Table 7.1.

Table 7.1 Collision Repair Programs at KCTCS

| Program | Total Program Credit Hours |
|---------------------------------------|----------------------------|
| Collision Repair Helper - Certificate | 14 |
| Collision Repairer – Certificate | 50 |
| Collision Repair Technician - Diploma | 57-60 |

KCTCS has the capacity to provide customized training through its Workforce Solutions program. DVR should meet with KCTCS officials to discuss the needs of the Rebuilt Title Inspection Program. Not only could DVR recruit vehicle inspectors from these programs, but there is also an opportunity to expand them to other KCTCS campuses. Developing a partnership with KCTCS could be a mutually beneficial solution and help ensure the success of the program.

Existing programs could serve as a blueprint for recruitment. The Public Child Welfare Certification Program (PCWCP) is offered at several public and private universities throughout the state and focuses on recruiting third- and fourth-

year college students to work in the Department of Community Based Services for two years after graduation. In exchange, every student's third- and fourth-year tuition is paid for by the state of Kentucky. Each institution is given an allotment of spaces each year (Benner, Mayhorn, Miller, & Segress, 2022). With adequate planning and sufficient funding assigned to the Rebuilt Title Inspection Program, a similar system could be established to build a robust and educated workforce. This will also allow the inspection program to expand as necessary.

7.5.3.1 Inspector Pay and Advancement

To make the vehicle inspector position an appealing and competitive career, pay should be sufficient to afford the cost of living in Kentucky. This can also reduce the chance of vehicle inspectors being bribed by individuals looking to illegally retitle a vehicle that has not had the necessary work to make it roadworthy. Pay should be commensurate with being directly involved in a process meant to ensure the safety of all Kentucky. As such, we propose all vehicle inspectors have a starting pay of \$25/hour — \$52,000 per year. Full-time inspectors (40 hours per week) will be eligible for the state benefits package.

Opportunities for advancement are necessary to recruit and retain vehicle inspectors. Any applicant with six months of experience and a high school diploma or GED will start at \$25 an hour. Applicants with a Collision Repair Helper Certificate will start at \$26.50 an hour. Applicants with a Collision Repairer Certificate will start at \$28 an hour, and applicants with a Collision Repair Diploma will start at \$35 an hour. Inspectors can top out at a salary of \$50/hour or \$104,000 per year before taxes. Any inspector who earns an ASE certification will receive a raise. Full-time inspectors will also receive benefits. Benefits were calculated with the formula used for commercial vehicle inspectors in Kentucky. Retirement is 78% of the hourly salary and Federal Insurance Contributions Act (FICA) is 7.65%. FICA is the contributions that will pay for health insurance. Table 7.2 summarizes the pay scale.

Table 7.2 Proposed Vehicle Inspector Pay

| Job Title | Education | Experience | Introductory Pay/Hr | ASE-Certified Pay | Pay/Hr with Benefits (Full-time) | |
|-------------------------------|---|------------|---------------------|-------------------|----------------------------------|---------|
| Rebuilt Vehicle Inspector I | H.S. Diploma/GED | 6 months | \$25/hour | N/A | \$47.37 | |
| Rebuilt Vehicle Inspector II | Collision Repair Helper Certificate (or equivalent) | 1 year | \$26.50/hour | N/A | \$50.21 | |
| Rebuilt Vehicle Inspector III | Collision Repairer Certificate (or equivalent) | 2 years | \$28/hour | \$33.00 | \$53.05 | \$62.53 |
| Rebuilt Vehicle Inspector IV | Collision Repair Technician (or equivalent) | 5 years | \$35/hour | \$40.00 | \$66.32 | \$75.79 |

7.5.3.1 The National Institute for Automotive Service Excellence (ASE) Certification

The National Institute for Automotive Service Excellence (ASE) is an independent non-profit organization that certifies automotive professionals. ASE certification is earned by having two years of on-the-job training or one year of one-the-job training and a two-year degree in automotive repair as well as passing the ASE certification test (National Institute for Automotive Service Excellence, 2023).

Vehicle inspectors will be eligible for a raise if they earn a certification in Collision Repair & Refinish — the B series of the ASE certification tests. This series of tests includes the following content areas:

- B2 — Painting and Refinishing
- B3 — Nonstructural Analysis & Damage Repair
- B4 — Structural Analysis & Damage Repair
- B5 — Mechanical & Electrical Components

Anyone who completes this series is an ASE-Certified Master Repair Technician (ASE, 2023). Having ASE-Certified vehicle inspectors ensures the highest level of knowledge about vehicle damage repair and will serve as a deterrent to anyone attempting to title a vehicle that is not roadworthy.

7.6 Other Necessary Staff

Additional staff will be needed whose sole job is to review rebuilt title documents. Anyone responsible for reviewing rebuilt title documents must have previous experience with DVR document review and participate in yearly Fraudulent Document Recognition (FDR) training offered through AAMVA (American Association of Motor Vehicle Administrators, 2023). Program administrators will also be needed. There should be at least one individual supervising the daily operations of vehicle inspection sites as well as one person overseeing the financial side of the program.

7.7 Rebuilt Vehicle Inspection Program Process – Current vs. Proposed

The current process for obtaining a rebuilt title in Kentucky is simple. Once a salvage title is granted for a vehicle, an applicant must complete the necessary repairs to make the vehicle roadworthy, taking pictures and collecting receipts for parts along the way. When finished, the applicant takes the vehicle to a certified inspector, which is typically someone from the county clerk's office or sheriff's office, for an inspection. No appointment is required for an inspection. Applicants can drop completed paperwork off at a county clerk's office or take it directly to KYTC's One Stop Shop, Rebuilt Section. Once received, the Rebuilt Section handles all steps going forward.

We propose a new system with more rigorous standards for obtaining a rebuilt title. In addition to a significant price increase — from \$5 to \$75 — applicants will have to schedule vehicle inspection appointments, pay for them ahead of time, and travel to one of the inspection facility locations. Applicants will need to bring the following materials with them to appointments:

- Confirmation number provided when the inspection appointment was made
- State-issued ID
- Kentucky salvage title with current owner name on front of document
- Original receipts for parts replaced on the vehicle
- An official statement from an insurance company if the damage is less than 75% of the vehicle's retail value.

Additionally, if the vehicle is less than 10 years old, a separate Federal Odometer Disclosure Statement must be submitted if the mileage is not listed on Form TC 96-182 or a completed title (Commonwealth of Kentucky, 2023). Like in Ohio, parts purchased from someone who is not a licensed parts dealer must be notarized. All notarized documents will be recorded by the inspector. The notary's name and ID number will be entered into the inspection portal as a method of additional recordkeeping.

Inspectors will use provided documentation to determine if the repairs and new parts match. Applicants will no longer have the option to take paperwork to the county clerk. If a vehicle passes the inspection, the inspector will provide the applicant with documentation indicating it passed, including a printed sticker that should immediately be affixed to the inside of the driver's door. The sticker will have the following information:

- Owner name
- Vehicle inspection date
- Inspection location
- VIN
- Inspector's name
- Unique ID assigned to the inspector

If a vehicle fails inspection, it will be noted in the applicant's file. Depending on the cause of failure, appropriate action will be taken. If the failure is due to an error in paperwork (i.e., missing notary signature, missing document), the applicant will be allowed to reschedule the appointment.

When the inspection has been passed, the applicant is responsible for submitting the supporting paperwork to KYTC's One Stop Shop, Rebuilt Section. In addition to the documentation required for an inspection appointment, applicants will need to complete Form TC 96-182 (Application for Kentucky Title/Registration). As it stands, Form TC 96-182 includes the inspection report. For the purposes of this inspection program, inspection information will need to be removed from salvage and rebuilt applications. Once reviewed and approved, the applicant will be sent a rebuilt title by mail.

7.8 Costs and Funding Mechanisms

We estimated program costs based on information we acquired during our research. The following sections discuss startup and maintenance costs.

7.8.1 Startup Costs

Startup costs are those associated land acquisition (if necessary), construction and operation of inspection facilities, and equipment and tools inspectors will need at each facility. Estimates will need to be revised based on site-specific assessments of proposed inspection locations. Table 7.3 summarizes these costs.

Table 7.3 Rebuilt Vehicle Inspection Program Startup Costs

| Item/Action | Estimated Cost per Unit | Total Cost for all Facilities |
|--|-------------------------|-------------------------------|
| Purchase of land for 7 inspection facilities | \$4,700 | \$4,700 |
| Land Grading | \$2,200 | \$15,400 |
| Concrete Slabs | \$9,000 | \$63,000 |

| Item/Action | Estimated Cost per Unit | Total Cost for all Facilities |
|---|-------------------------|-------------------------------|
| Parking Lot | \$50,000 | \$350,000 |
| Steel Buildings | \$40,000 | \$280,000 |
| Building Insulation | \$4,500 | \$31,500 |
| Hydraulic Vehicle Lifts | \$3,680 | \$51,520 |
| Vehicle Inspection System | \$2,000 | \$28,000 |
| Additional Tools | \$5,000 | \$35,000 |
| Electric, HVAC, plumbing supplies | \$20,000 | \$140,000 |
| Other supplies (office desks, chairs, etc.) | \$2,500 | \$17,500 |
| Labor | \$10,000 | \$70,000 |
| Consulting Fees | N/A | \$50,000 |
| Appointment Application | N/A | \$100,000 |
| Unforeseen Expenses | N/A | \$50,000 |
| Total | \$139,303 | \$1,094,820 |

7.7.2 Operating Costs

Operating costs include expenses such as internet, electricity, and water/sewage, and the salaries and benefits of employees. Below is the breakdown of estimated operating costs for each inspection facility. Where they are in the state will determine utility costs, but we used estimates for internet, water, sewage, and electricity. Internet was estimated to cost around \$100/month per facility (Anders, 2023). Water rates vary significantly across the state. Some cities have separate rates for residential and commercial facilities while others have flat rates depending on use (Canon & Canon, Inc., 2022). A utility fee calculator indicates commercial water rates with a 1" meter in Warren County, Kentucky, are \$32.01, which includes 5,000 gallons per month. The commercial sewer rate is \$29.83 and also includes 5,000 gallons. The cost of trash pickup is based on the monthly cost for a two-yard dumpster. On average, this size receptacle will cost \$130 a month for weekly service (Binns & Neil, 2024).

We estimated the average hourly salary for part-time employees at \$32.50 per hour (range = \$25 – \$40 per hour) and full-time employees at \$61.58 per hour (range = \$47.37 – \$75.79 per hour). We calculated part-time inspector pay by taking the average hourly salary, multiplying it by two (for the two part-time inspectors at each facility), and multiplying that by 120. Each part-time inspector will work an average of 15 hours per week (30 hours per week or 120 hours per month). Table 7.4 shows estimated annual operating costs for all inspection locations. Pay for full-time inspectors was calculated using the average hourly salary of \$61.58 (37.5 hours per week).

Table 7.4 Daily Operating Costs for Rebuilt Vehicle Inspection Program

| Expense | Monthly Facility Cost | Yearly Facility Cost | Total Yearly Operating Cost for Rebuilt Inspection Program |
|-------------------------|-----------------------|----------------------|--|
| Internet | \$100 | \$1,200 | \$8,400 |
| Water | \$32 | \$384 | \$2,689 |
| Sewage | \$30 | \$358 | \$2,506 |
| Trash | \$130 | \$1,560 | \$10,920 |
| Part-time Inspector Pay | \$3,900 | \$46,800 | \$327,600 |

| Expense | Monthly Facility Cost | Yearly Facility Cost | Total Yearly Operating Cost for Rebuilt Inspection Program |
|-------------------------|-----------------------|----------------------|--|
| Full-time Inspector Pay | \$18,474 | \$221,688 | \$1,551,816 |
| Admin. Expenses | \$1,000 | \$12,000 | \$84,000 |
| Total | \$23,939 | \$287,268 | \$1,987,931 |

7.7.3 Initial Program Funding

The yearly registration fee for passenger vehicles is \$21. To fund Rebuilt Title Inspection Program startup costs, we propose redirecting \$1 of the clerk fee into the program — up to \$3,200,000. County clerks now receive \$6 of every \$21 registration fee. Under our proposal they will receive \$5. When \$3.2 million has been redistributed, county clerks will begin receiving the full amount again.

7.7.4 Perpetual Funding

Ohio inspection facilities handle 16 – 20 inspections per day (Dement, 2023). Because not every Ohio inspection facility has two hydraulic lifts, some facilities are more limited than others. Our proposal includes two lifts per facility, which should increase the average facility inspection capacity. As such, the assumption is that inspectors in each facility will be able to conduct 18 inspections per day. This amounts to 30,240 inspections per year across all facilities. At \$78.50 per inspection, the anticipated yearly program income is \$2,373,840. Yearly daily operating costs for all facilities are estimated at \$1,977,389 with revenue totaling \$396,451.

In 2018, Kentucky issued 93,146 rebuilt titles. Assuming similar numbers today, the proposed program would only be able to manage 32% of those required inspections. This is a potentially limiting aspect of the proposed program, but we expect the increased fees coupled with specified approved inspection locations will decrease the number of rebuilt title applications significantly. However, if rebuilt title applications exceed expectations, the state could look at opening more facilities to meet this demand.

7.8 Additional Needs

7.8.1 Inspector Training

Rebuilt vehicle inspections should be much more thorough and would require several weeks, if not months, of on-the-job training. Although all rebuilt vehicle inspectors are required to have previous education and/or training, each inspector will need to be trained to adhere to inspection standards determined by system administrators. Forming a cooperative partnership with Ohio could be very beneficial as the program gets off the ground. The demonstrated success of Ohio's vehicle inspection program means it could serve as an excellent resource for Kentucky officials. Mentorship programs, training sessions, and inspection demonstrations are potential program activities that can be coordinated with Ohio. These activities would provide robust guidance during developmental stages of the program.

7.8.2 Program Evaluation

An evaluation process must be put into place to determine the feasibility of the program, including locations, staff, and associated costs. The program's sustainability is a foremost concern, and there should be a concerted effort to determine if the program is working as planned.

Chapter 8 Limitations and Other Considerations

8.1 Program Benefits

The proposed Rebuilt Title Inspection Program carries several benefits. It will create employment opportunities for Kentuckians and pave the way for a partnership between KYTC and KCTCS. While recruitment will focus on students enrolled in collision repair courses, there may be opportunities to expand the partnership to staff other departments at KYTC.

Other program benefits include improved safety outcomes, stronger consumer protections, better identification of stolen vehicles, reduction of fraudulent practices, decreased chances of bribery, and the prevention of scam artists coming to Kentucky. The program will designate document reviewers who will focus exclusively on rebuilt vehicles, which ensures adequate time is spent authenticating paperwork. Because the program will be self-funded, it does not require additional state funding aside from startup costs.

8.2 Program Limitations

The proposed program has some limitations. First, we based cost estimates on information retrieved from online sources rather than local data. We could not establish a line of communication with several contacts at KYTC, which limited our access to critical information about procurement and costs. Our request to access data on rebuilt titles issued in Kentucky between FYs 2019 and 2023 was denied by OIT system administrators due to the ongoing implementation of KAVIS, Kentucky's newest online vehicle registration platform. This hindered our ability to evaluate the most recent state data. Further, estimates were based on FY 2014 – 2018 data. Given the passage of time, it is important to update this report when the most recent data becomes available.

This proposal will not be well-received by people who have a personal stake in rebuilding passenger vehicles in Kentucky. The cost of a vehicle inspection will be 15 times higher and the inspection much more thorough. Plus, inspections will not be available in all 120 counties and will be conducted by highly qualified inspectors. The new program will make it much more difficult to obtain a rebuilt title in Kentucky, which will likely elicit negative responses from those involved in used vehicle sales in Kentucky and surrounding states. The new process requires much greater commitment from applicants and is structured to significantly reduce the potential for bribery. While the requirements can be viewed as punitive, the safety implications of improperly rebuilt vehicles warrant additional stipulations.

Another limitation of our proposal is calling for the partial redistribution of county clerk fees to fund the startup costs. While the redirection of fees will be temporary, it is unclear how this loss of funds will impact county clerks and their financial bottom lines. The smallest counties in Kentucky will likely be impacted more than their larger counterparts.

Lastly, the program will require legislative action by the Kentucky General Assembly to change the language for rebuilt vehicle inspections. Any legislative action requires buy-in from lawmakers. Increases in fees that have held steady for decades, coupled with process changes, are likely to cause pushback from stakeholders. But successful implementation of the program is not likely without legislative action.

8.3 Smaller First Steps

Given that the proposed program completely overhauls current processes for issuing rebuilt titles, state officials may be hesitant to move forward. As such, several smaller steps could be taken to address shortcomings in the current system without requiring a pursuing revamp.

8.3.1 Analyze Most Recent Data (FY 2019-Current)

Arguably the most important initial course of action is to assess the most recent state data for trends and needs. Our analysis was limited to FY 2014 – 2018 data. The most recent data can be used to determine the best locations for inspection facilities.

8.3.2 Survey Kentucky Sheriffs

Another course of action is to survey sheriffs across the state to determine how the absence of rebuilt vehicle inspections would impact daily operations. While our program would still direct funds to sheriff offices in counties where applicants live, income generated from rebuilt inspections is unknown. Dependence on funds from rebuilt inspections is also currently unknown and should be investigated. If sheriff offices are minimally impacted by the loss of these funds, there would be less resistance to the proposed program. The opposite could also be true and thus warrants additional research.

8.3.3 Determine Financial Impact of Startup Costs on County Clerks

An additional study of how county clerks will be impacted by redirecting \$1 of vehicle registration fees to fund startup costs is needed. There is a vast difference in size between the largest and smallest counties in Kentucky, and many of Kentucky's smaller, less populated counties have far fewer registered vehicles than their larger counterparts. Instead of a sweeping fee redistribution, it may be more appropriate to redistribute registration fees from larger and more economically secure counties.

8.3.4 Improve Recordkeeping for Rebuilt Inspections

Currently all vehicle inspection information is entered on Form TC 96-182 (Application for Kentucky Certificate of Title or Registration). The *Certified Inspector Section* is where inspectors sign off if a vehicle is roadworthy and all documents match the vehicle; it also provides space for the odometer reading, and VIN. The inspector must sign and date the document and provide their inspector number.

To our knowledge, no state system of recordkeeping can immediately link Kentucky certified motor vehicle inspectors to vehicles they have inspected other than in the individual registration or title applications. Because Kentucky designates sheriffs as certified motor vehicle inspectors, most inspections are done by county sheriffs. But state administrators have no way of knowing how many inspections each sheriff conducts for what vehicles and in what locations. Accurate and complete records of vehicle inspections are necessary to ensure each vehicle processed through DVR has a digital footprint. All details related to vehicle inspections should be available in a data repository that supports instantaneous analysis. Being aware of trends and patterns in vehicle inspection data — especially rebuilt vehicle inspection data — is paramount for state officials working to deliver the highest level of safety to all road users.

8.3.5 Research Trends in Rebuilt Applications

Understanding trends in rebuilt applications can illuminate where vehicles are coming from, who the applicants are, and length of time between obtaining a salvage title and a rebuilt title. The focus of this analysis should not be on owners whose vehicles are reassembled properly, but rather individuals who do shoddy rebuilds for maximum profit.

Special attention should always be paid to rebuilt vehicle applications because of safety implications associated with improperly assembled rebuilt vehicles. Keeping tabs on these trends over time can provide leads for more targeted interventions as necessary.

8.4 Conclusions

The Rebuilt Title Inspection Program cannot eliminate all methods of fraud, but it can successfully target one of the more dangerous ones. Kentucky's current vehicle inspection laws keep major loopholes open and place the responsibility for doing the right thing on the vehicle owner. The current inspection process is not stringent enough to guarantee vehicles are roadworthy, and existing laws do not protect consumers who purchase vehicles branded as rebuilt. There have been many documented incidences of fraudulent vehicle title practices involving notaries, vehicle inspections, and vehicle repair paperwork.

The proposed vehicle inspection program will not end vehicle title fraud. But it can improve current processes and establish a more robust process for titling rebuilt vehicles. The program will require reorganization within DVR and changes in Kentucky law. Yet the program's potential benefits outweigh its limitations. Even if the program is not fully implemented in the form outlined here, the state can take incremental steps to improve the issuance of rebuilt titles.

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