

# Chapter 2

# Record Keeping Requirements

## Section 2-1 Required records

**2-1.1 Records requirements.** Section 251 of the Michigan Vehicle Code (Code) [MCL 257.251 et seq.] requires vehicle dealers to maintain records as prescribed by the Secretary of State (Department).

A dealer must maintain records for each vehicle that is bought, sold, leased, or exchanged by the dealer or received or accepted by the dealer for sale, lease, or exchange. Records must be available for inspection by law enforcement and Department investigative staff upon request. For general compliance inspections, the Department will provide written notice, to the email on file, at least 36 hours before the inspection occurs. Notice will not be provided for inspections conducted in response to complaints or for disciplinary follow-up inspections.

**2-1.2 Record retention.** Dealer records must be maintained for five years after the sale of the vehicle and available for inspection during established business hours at the licensed location or following approval from the department at a secondary location owned by the dealer that is located within a 15-mile radius. All requests for a secondary location must be submitted through the dealer e-Services account.

*NOTE: If your dealership is no longer in business, you must notify the Business Regulation Section and indicate where your records will be retained for the next five years.*

**2-1.3 Electronic records.** Dealers must ensure their software meets department's requirements for electronic record keeping. The Department will not test, evaluate, or recommend software. Dealers who choose to maintain an electronic Police Book or other required records must be prepared to print a paper copy of the records if requested by law enforcement or department investigative staff.

**2-1.4 Class A dealers.** The following records must be maintained, depending on the activities in which the dealer engages:

- a) Titles or other ownership documents (TR-42, TR-52L, BDVR-141, TR-208, etc.).
- b) Copies of front and back of conforming titles for odometer disclosure records,

both incoming (bought) and outgoing (sold) copies must be maintained.

- i. Copies of the incoming odometer statement and outgoing odometer statement for vehicles subject to Electronic Lien and Title (ELT).

NOTE: *Odometer disclosure is not required for trailers.*

- c) Copies of separate odometer disclosure statements used with manufacturer's certificates of origin (MCO) containing non-conforming odometer disclosure statements, or new vehicle sales with electronic/paperless manufacturer's certificates of origin.
- d) Copies of purchase agreements.
- e) Copies of installment sales or lease contracts.
- f) Copies of RD-108s and RD-108Ls.
- g) Copies of RD-108s prepared for exported vehicles.

NOTE: *Please see Chapter 8, Section 8-4.2 for more information on exporting vehicles.*

- h) Copies of salvage disclosure statements.
- i) Police Book or washout system.
- j) Copies of Application for Original Michigan Salvage Title or Scrap Title (TR-12).
- k) Copies of Salvage Vehicle Recertification Inspection forms (TR-13A, TR-13B).
- l) Dealer portion of the printed BFS-4 Temporary Registration.
- m) Copies of Major Component Parts Record (SOS-426).
- n) Copies of Broker Fee Agreements and Broker Purchase Agreements.
- o) Copies of all federally required documents of imported vehicles including, but not limited to, the HS7, CPB-7501, NHTSA Bond Release, and odometer conversion paperwork.
- p) Copies of any Appointment of Agent or Power of Attorney (POA) used to sign on behalf of a purchaser or seller.
- q) BFS-4 30-day temporary registration log (now retained in the dealership's e-Services account).

**2-1.5 Class B dealers.** The following records must be maintained, depending on the activities in which the dealer engages:

- a) Title or other ownership documents (TR-42, TR-52L, BDVR-141, TR-208, etc.).

- b) Copies of front and back of conforming titles for odometer disclosure records, both incoming (bought) and outgoing (sold) copies must be maintained.
  - i. Copies of the incoming odometer statement and outgoing odometer statement for vehicles subject to ELT.
- c) Copies of purchase agreements.
- d) Copies of installment sales or lease contracts.
- e) Copies of processed RD-108s and RD-108Ls.
- f) Copies of RD-108s prepared for exported vehicles.

NOTE: *Please see Chapter 8, Section 8-4.2 for more information on exporting vehicles.*

- g) Police Book or washout system.
- h) Copies of salvage disclosure statements.
- i) Copies of Application for Original Michigan Salvage Title or Scrap Title (TR-12).
- j) Copies of Salvage Vehicle Recertification Inspection forms (TR-13A, TR-13B).
- k) Dealer portion of the printed BFS-4 Temporary Registration.
- l) Copies of Major Component Parts Record (SOS-426).
- m) Copies of Broker Fee Agreements and Broker Purchase Agreements.
- n) Signed copies of the Vehicle Dealer Inventory Loan Notices.
- o) Color copies of the front and back of titles when a vehicle is subject to an inventory loan.
- p) Copies of separate odometer disclosure statements used only when the title is held by an inventory lender.
- q) All documents related to the inventory loan transaction.
- r) A list of all vehicles subject to an inventory loan, including what lender holds the loan.
- s) Copies of all federally required documents of imported vehicles (if applicable) including, but not limited to, the HS7, CPB-7501, NHTSA Bond Release, and odometer conversion paperwork.
- t) Copies of any Appointment of Agent or Power of Attorney (POA) used to sign on behalf of a purchaser or seller.
- u) BFS-4 30-day temporary registration log (now retained in the dealership's e-Services account).

**2-1.6 Class C and Class R dealers.** The following records must be maintained, depending on the activities in which the dealer engages:

- a) Titles or other ownership documents (TR-42, TR-52L, BDVR-141, TR-208, etc.).
- b) Copies of front and back of conforming titles for odometer disclosure records, both incoming (bought) and outgoing (sold) copies must be maintained.
  - i. Copies of the incoming odometer statement and outgoing odometer statement for vehicles subject to ELT.
- c) Police Book.
- d) Copies of Application for Original Michigan Salvage Title or Scrap Title forms (TR-12).
- e) Copies of Major Component Parts Record (SOS-426).
- f) Copies of Scrap Vehicle Inventory forms (TR-9).
- g) Copies of bills of sale or receipts for parts sales.
- h) Copies of RD-108s and RD-108Ls for retail sales (Class R dealers).
- i) Copies of RD-108s prepared for export retail sales (Class R dealers).
- j) Copies of Broker Fee Agreements and Broker Purchase Agreements.
- k) Copies of any Appointment of Agent or Power of Attorney (POA) used to sign on behalf of a purchaser or seller.

**2-1.7 Class D brokers.** If the vehicle is purchased, sold, leased, or exchanged through a broker, the Michigan Broker Rules require additional record keeping information. (See Chapter 6 – Broker Requirements for additional information)

The Broker Rules require certain information when a vehicle owned by a licensed dealer is sold or leased through a licensed broker to someone who is not a licensed dealer. In addition to information required in Chapter 2, Section 2-2, the broker's Police Book must include the following information:

- a) The selling dealer's business name and Michigan dealer license number.
- b) The amount of all fees, commissions, compensation, and other valuable consideration received by the broker either from the selling dealer, lessor, purchaser or lessee.

The selling Class A or Class B dealer's police book must include:

- a) The broker's business name and Michigan broker license number.

- b) The amount of all fees, commissions, compensation, or other valuable consideration paid by the dealer to the broker.

The selling Class A or Class B dealer must enter the broker's business name and license number in the remarks section of the RD-108.

In addition to the police book, a broker is required to maintain the following records:

- a) RD-108s when the broker applies for title and registration.
- b) BFS-4 Temporary registrations, when issued.
- c) BFS-4 Temporary Registration Log (now retained in the dealership's e-Services account).
- d) Purchase agreements.
- e) Broker fee agreements, when the broker charges a fee or accepts a deposit and is required to prepare such a document before accepting the fee. See Section 6-10 for additional information regarding broker fee agreements.
- f) Copies of any Appointment of Agent or Power of Attorney (POA) used to sign on behalf of a purchaser or seller.

**2-1.8 Class E dealers.** The following records must be maintained, depending on the activities in which the dealer engages:

- a) Titles or other ownership documents (TR-42, TR-52L, BDVR-141, TR-208, etc.).
- b) Copies of Scrap Vehicle Inventory forms (TR-9) from licensed dealers.
- c) Copies of front and back of conforming titles for odometer disclosure records, both incoming (bought) and outgoing (sold) copies must be maintained.
  - i. Copies of the incoming odometer statement and outgoing odometer statement for vehicles subject to ELT.
- d) Police Book.
- e) Copies of any Appointment of Agent or Power of Attorney (POA) used to sign on behalf of a purchaser or seller.

**2-1.9 Class F dealers.** The following records must be maintained, depending on the activities in which the dealer engages:

- a) Copies of Scrap Vehicle Inventory forms (TR-9) from licensed dealers.

- b) Copies of front and back of conforming titles for odometer disclosure records, both incoming (bought) and outgoing (sold) copies must be maintained.
  - i. Copies of the incoming odometer statement and outgoing odometer statement for vehicles subject to ELT.
- c) Police Book.
- d) Copies of any Appointment of Agent or Power of Attorney (POA) used to sign on behalf of a purchaser or seller.

**2-1.10 Class G dealers.** The following records must be maintained, depending on the activities in which the dealer engages:

- a) Police Book.
  - a. The remarks section must denote the vehicle's actual cash value and the insurance company's estimated repair costs.
- b) Copies of the insurance company's estimate for repairs.
- c) Copies of front and back of conforming titles for odometer disclosure records, both incoming (bought) and outgoing (sold) copies must be maintained.
  - i. Copies of the incoming odometer statement and outgoing odometer statement for vehicles subject to ELT.
- d) Copies of salvage disclosure statements.
- e) Copies of Broker Fee Agreements and Broker Purchase Agreements.
- f) Copies of RD-108s and RD-108Ls for retail sales.
- g) Dealer portion of the printed BFS-4 Temporary Registration.
- h) Copies of any Appointment of Agent or Power of Attorney (POA) used to sign on behalf of a purchaser or seller.

*NOTE: Class G dealers must not sell, assign, or display for sale a vehicle where salvage certificate of title is required, unless a salvage or scrap certificate of title has been issued for the vehicle by the Department.*

**2-1.11 Class H dealers.** The following records must be maintained, depending on the activities in which the dealer engages:

- a) Police Book.
- b) Copies of front and back of conforming titles for odometer disclosure records,

both incoming (bought) and outgoing (sold) copies must be maintained.

- c) Copies of Major Component Parts Records (SOS-426).
- d) Copies of bills of sale or receipts for parts purchased;
- e) Copies of Broker Purchase Agreements.
- f) Copies of Scrap Vehicle Inventory forms (TR-9).

*NOTE: Class H dealers are required to present evidence in Michigan that they actually engage in and hold the appropriate license to buy, sell, or otherwise deal in distressed, late model vehicles or salvageable parts in a foreign (their home) state. The Class H dealer must also comply with all requirements for licensure in their home state.*

*NOTE: Records must be available for inspection by law enforcement and Michigan Department of State investigative staff.*

**2-1.12 Class W dealers.** The following records must be maintained, depending on the activities in which the dealer engages:

- a) Original title documents for currently owned vehicles.
- b) Copies of front and back of conforming titles for odometer disclosure records, both incoming (bought) and outgoing (sold) copies must be maintained.
  - i. Copies of the incoming odometer statement and outgoing odometer statement for vehicles subject to ELT.
- c) Copies of salvage disclosure statements.
- d) Police Book.
- e) Copies of all federally required documents of imported vehicles (if applicable) including, but not limited to, the HS7, CPB-7501, NHTSA Bond Release, and odometer conversion paperwork.
- f) Copies of any Appointment of Agent or Power of Attorney (POA) used to sign on behalf of a purchaser or seller.

## **Section 2-2**

### **Police Book**

**2-2.1 Description.** A Police Book may be a bound volume, an electronic record, or paper copies as described below, containing a complete bought-and-sold record for each vehicle handled by a dealer.

The electronic copy must be able to be printed in a format similar to the entries found in a bound Police Book, in date acquired order. Every Police Book entry must have a

stock number. The electronic copy may be printed on any size paper, but it must be legible.

Each record must contain a “remarks” area for dealers to keep miscellaneous information about the vehicle. For example, remarks can include the name of the auction where the vehicle was purchased, if the title is branded, if the title has not yet been received by the dealership, or if the vehicle was purchased for parts only, etc. All class G dealers must use the remarks section to denote the vehicle’s actual cash value and the insurance company’s estimated cost of repairs.

The Police Book must be completed in ink. Correction tape or fluid cannot be used in a police book and information cannot be written on non-permanent office supplies or sticky notes. Information cannot be scribbled out or otherwise obliterated. A single thin line is used to cross out incorrect information, and the correct information can be written above, below or alongside the mistake(s). Police books can be purchased from office supply stores or printing companies.

**2-2.2 Requirements.** When a dealer buys or acquires a vehicle certain information must be entered into the Police Book or washout system. The following information is required:

- a) Date the dealer purchased or acquired the vehicle;.
- b) Selling dealer’s license number, if applicable;
- c) Name and address of the person from whom the vehicle was acquired (not the name of the auction);
- d) Stock or inventory number assigned by the dealer;
- e) Title number or MSO/MCO number (except for electronic MSO/MCO). If the title is not yet available, leave the space blank. Enter the title number as soon as it is received, along with the issuing state’s alpha abbreviation if not a Michigan title. The vehicle may not be offered for sale until the dealer possesses a title that can be reassigned to a retail customer;
- f) Vehicle Identification Number (VIN);
- g) Description of the vehicle (year, make, body style, etc.);
- h) Color of vehicle in description information;
- i) Buyer’s name and address;
- j) Date of sale.

**NOTE:** *Class C, H and R dealers must also maintain their Major Component Parts Record (SOS-426) in their Police Book or as an attachment. Dealers may link the Major Component Parts Record (SOS-426) as an electronic sub-record to the Police Book using a common number or “key word” such as the vehicle identification number or stock number.*

**2-2.3 Distressed (Salvage/Scrap-titled) vehicles – Additional requirements.** A dealer must maintain, in a bound volume, a separate Police Book of late model distressed vehicles bought, sold, exchanged, accepted or otherwise acquired by the dealer for the purpose of sale, exchange, wrecking, or storage. These vehicles are recorded in both Police Books.

**2-2.4 Dismantled vehicle requirements.** When vehicle remains are sold after dismantling, the following information must be recorded in the Police Book:

- a) Name and address of buyer, including dealer license number if sold to a class F scrap metal processor;
- b) Date of sale of the remains to the buyer;

## **Section 2-3 Washout system**

**2-3.1 Restrictions.** A washout system is a record keeping format that contains the same information as a hard-bound, paper Police Book.

**2-3.2 Use.** When using a washout system, a stock number is assigned to a vehicle and when it's acquired, the trade-in vehicle is given the same stock number, followed by, for example-an "A". When the trade-in "A" vehicle is sold, the trade-in on that vehicle is assigned the same stock number followed by a "B". When the last vehicle in the chain is sold without a trade-in, the record is effectively "washed out."

## **Section 2-4 Supplemental location records**

**2-4.1 Records required.** This applies only to Class "A" New Vehicle and Class "B" Used Vehicle dealers. All dealer records listed in this chapter for new and used vehicle dealer classifications must also be held at the dealer's respective supplemental locations. This includes the Police Book, the front and back copies of titles, and all other records.

**2-4.2 Record retention exceptions.** Dealers may request their supplemental location records be retained at their primary location through the Business Regulation Section via email at [BLRD@michigan.gov](mailto:BLRD@michigan.gov), or at the below address. Such requests will be reviewed on a case-by-case basis. If approved, records other than titles and a separate Police Book can be maintained in the deal jackets at the primary location.

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## **Section 2-5**

### **BFS-4 Temporary Registration Log**

**2-5.1 Records required.** This applies only to Class “A” New Vehicle and Class “B” Used Vehicle dealers and Class “D” Brokers.

**2-5.2 Requirements.** When a dealer issues a BFS-4 Temporary Registration through their e-Services account, an electronic BFS-4 Temporary Registration log is created. The BFS-4 Temporary Registration log must be produced upon request by a local, county, or state law enforcement officer or if requested by the Department.