

Chapter 9

Foreign Salvage Vehicle Dealers

Section 9-1

Licensing of Dealers

9-1.1 Authorization. Section 248 of the *Michigan Vehicle Code* (MCL 257.248) requires foreign salvage vehicle dealers be licensed by the Michigan Department of State. Any person coming into Michigan to buy or sell late model distressed vehicles or major component parts must have a current Michigan license as a Foreign Salvage Vehicle Dealer (Class H). To qualify for this license, Foreign Salvage Vehicle Dealers must also be licensed as a salvage dealer in vehicles or parts in their home state or jurisdiction. The Class H license authorizes the Foreign Salvage Dealer to engage – in the state of Michigan – in wholesale activities **only**.

NOTE: Michigan Foreign Salvage Dealers may not operate a business in Michigan. Vehicles or vehicle parts purchased in Michigan must be taken to the dealer's home state for dismantling, assigning part numbers, and entry into their dealer records.

9-1.2 Violations. A Michigan Foreign Salvage Vehicle Dealer license or salvage vehicle agent license may be suspended or revoked if a dealer is cited for violating the Michigan Vehicle Code. Infractions cited in Michigan may be reported to the agent's home state licensing agency.

9-1.3 Dealer Classification. A Class H dealer license authorizes a dealer to buy or sell late model distressed vehicles or major component parts only at wholesale in Michigan. However, a Class H dealer must have a salvage vehicle agent license to buy or sell late model distressed vehicles or late model major component parts at Michigan auctions, brokerages, or salvage pools. A salvage vehicle agent license is not necessary when dealing at other dealerships in Michigan, provided the activity is wholesale only.

Section 9-2

Record Keeping Requirements

9-2.1 Requirements. A Foreign Salvage Vehicle Dealer must keep and maintain business records daily. These records include the following:

- a) Police Book (refer to Chapter 2);
- b) Major Component Parts Record (SOS-426);
- c) Odometer Disclosure Statements (copy of conforming title or other odometer disclosure statement);
- d) Salvage Disclosure Statements.

9-2.2 Records Inspection. Michigan dealer records may be inspected by the Michigan Department of State or law enforcement officials.

- a) As a licensed Michigan Foreign Salvage Vehicle Dealer, requested records must be produced at the request of the Michigan Department of State or law enforcement. For general compliance inspections, the Secretary of State will provide written notice, to the email on file, at least 36 hours before the inspection occurs. For all complaint inspections no notice will be provided.
- b) Inspections are required by law. A dealer who fails to maintain records, fails to produce records, or hinders or obstructs an inspection or investigation may have their Michigan Class H Foreign Salvage Dealer license summarily suspended.

Section 9-3

Salvage and Scrap Titles

9-3.1 Salvage Titles. The following factors determine if a vehicle requires a salvage title in Michigan:

- a) A vehicle must be titled as salvage if it is a late model distressed vehicle with estimated repair cost from 75% to 91% of its pre-damaged value:
 - 1) Before any owner transfers ownership, transports, or sells it;
 - 2) Within five days of acquiring the vehicle if the buyer is a dealer and the vehicle does not already have a salvage title; or,
 - 3) After payment of a total loss claim if the insurance company permits the owner to retain ownership.
- b) A vehicle will be issued a Michigan salvage title if brought into Michigan from another state or jurisdiction with a comparable title brand.
- c) A vehicle must be issued a salvage title if it is a late model, stolen-recovered vehicle owned by an insurance company licensed to conduct business in Michigan and it has one or more major component parts wrecked, destroyed, damaged and not salvageable, missing, or stolen. This is necessary regardless of the amount of damage or estimated cost of repairs.
- d) A vehicle may be issued a salvage title if any owner decides a salvage title is appropriate. This is regardless of the age or damage to a vehicle.

9-3.2 Scrap Titles. The following factors determine if a vehicle requires a scrap title in Michigan.

- a) A vehicle must be titled as scrap if it is a late model, distressed vehicle with estimated repair cost of 91% or more of its pre-damaged value:
 - 1) Before any owner transfers ownership or transports the vehicle; or,
 - 2) Within five days of acquiring the vehicle if the buyer is a dealer and the vehicle does not already have a scrap title.
- b) A vehicle will be issued a Michigan scrap title if brought into Michigan from

another state or jurisdiction with a comparable title brand (e.g., junk, non-repairable, etc.).

- c) A vehicle may be issued a scrap title if any owner decides a scrap title is appropriate. This is regardless of the age or damage to a vehicle. **Any vehicle that has previously been issued a Michigan scrap title cannot be retitled.**

NOTE: A Foreign Salvage Vehicle Dealer, or any Michigan-licensed dealer, who removes a scrap vehicle from this state for the purpose of rebuilding the vehicle or selling or leasing the vehicle to a person other than a vehicle scrap metal processor shall receive an automatic 30-day suspension of its dealer license and any salvage vehicle agent licenses assigned to that dealer. Infractions cited in Michigan may be reported to the agent's home state licensing agency.

Section 9-4

Buying and Selling Vehicles

9-4.1 Buying Vehicles in Michigan. Vehicles or vehicle parts purchased in Michigan by Class H dealers must be taken to their home state for dismantling, assigning parts numbers, and entry into their dealer records. Immediately after acquiring a salvage or scrap vehicle, a dealer must record certain information in the dealer's Police Book. This includes the following:

- a) **Purchase/Stock Number.** This is the stock number or inventory control number which a dealer assigns to a vehicle. Vehicles must be recorded in chronological order in which the dealer acquires ownership of vehicles.
- b) **Vehicle Identification.** Enter the year, make, vehicle identification number, and vehicle color.
- c) **Title Information.** When a vehicle is purchased, enter the title number received with the vehicle.
 - 1) If the title is not a Michigan title, the dealer must identify the state which issued the title and list the title number in the dealer's Police Book.
 - 2) Scrap-titled vehicles must be completely dismantled, and the remains destroyed. Late model salvageable parts that will be resold must be logged into the dealer's Major Component Parts Record SOS-426.
- d) **Seller Information.** Enter the name and address of the person from whom the dealer purchased the vehicle. If the vehicle was purchased through a broker, auction, or salvage pool, the dealer may show the name and address of the broker, auction or pool in the Remarks section.
- e) **Purchaser Information.** When the Foreign Salvage Vehicle Dealer sells the vehicle under a home state license, the name and address of the purchaser of the vehicle and the sale date must be entered in the dealer's Police Book.

9-4.2 Selling Vehicles in Michigan. Any vehicle brought into Michigan for sale must be sold at wholesale only. Class H dealers are not authorized to sell vehicles at retail in Michigan. Every salvage vehicle brought into Michigan to be sold at wholesale must be entered in the

Police Book before the vehicle is offered for sale. (Scrap vehicles may not be sold by a Class H Foreign Salvage Vehicle Dealer in Michigan. They must be completely dismantled, and the remains sold as scrap.)

- a) **Basic Information.** The information that is required in Chapter 2 must be recorded in the Police Book.
- b) **Purchaser Information.** If the vehicle is sold in Michigan to another dealer, then record the name and address of the purchaser, the date of sale, and the Michigan dealer's license number.
- c) **Major Component Parts Record - SOS-426.** Late model major component parts purchased in Michigan, brought to Michigan for resale, or removed from vehicles acquired in Michigan must be entered in a Major Component Parts Record SOS-426. Every late model major component part purchased in Michigan or removed from a vehicle purchased in Michigan must be assigned a stock or identification number. The number must be permanently affixed to the part. The parts record entry must contain the following information for vehicles/vehicle parts purchased:
 - 1) Date of purchase;
 - 2) Description of part assigned;
 - 3) Stock or identification number assigned to the part;
 - 4) Year, make, and model of vehicle that part came from;
 - 5) Color of the vehicle;
 - 6) Name and address of the person/dealer from whom the part was acquired.
 - 7) Invoice number vehicle/vehicle part acquired on.

The SOS-426 Major Component Parts Record must contain the following information for parts sold:

- 1) Dealer number, if appropriate;
 - 2) Date sold;
 - 3) Name and address of the person/dealer to whom the part was sold;
 - 4) Invoice Number sold on.
- d) **Odometer Statements.** A vehicle which is a 2010 Model Year or older are exempt from both Michigan and federal odometer laws. Copies of conforming titles showing both incoming and outgoing records of odometer disclosure must be maintained at least five years and be available for Michigan Department of State inspection or inspection by law enforcement.
 - e) **Disclosure Statements.** The dealer has a legal obligation to disclose to a purchaser that the salvage vehicle was previously a distressed vehicle. This applies to both wholesale and retail sales.

If a late model Michigan salvage title vehicle has been repaired, inspected and issued a Michigan “rebuilt salvage” title or “previously issued salvage” title, the dealer must give the buyer a written Salvage Vehicle Disclosure Statement. A sample Salvage Vehicle Disclosure Statement can be found at the end of this chapter. You may duplicate the sample and use it as necessary. This statement must be signed by both the dealer and buyer. A copy must be given to the buyer before the sale is completed.

NOTE: Class H Foreign Salvage Vehicle Dealers may have other requirements placed upon them by their home state. It is the dealer’s responsibility to know and observe these requirements.

Section 9-5

Rebuilding a Michigan Salvage Vehicle

9-5.1 Vehicles Returning to Michigan. Any vehicle which leaves Michigan with a salvage title and later returns to Michigan for title or registration may require a Michigan recertification inspection and a rebuilt salvage title application. This applies even if it was repaired in another state and retitled there.

Section 9-6

Dismantling a Vehicle

9-6.1 Surrendering the Title Document. When a scrap vehicle is completely dismantled for parts the dealer surrenders the vehicle title to the Michigan Department of State for cancellation of the VIN.

9-6.2 Process. Here are the steps for surrendering a title:

- a) Write “JUNK” or “SCRAP” across the face of the title, date, sign, and include your Michigan Class H Foreign Salvage Vehicle Dealer license number on the notation. Then mail the title to:

Michigan Department of State
Bureau of Driver and Vehicle Records
Conversion Unit
Lansing, Michigan 48918

- b) Complete your Police Book entry by indicating that the title was surrendered as “JUNK” or “SCRAP” and the date.

NOTE: Some Class H Foreign Salvage Vehicle Dealers may be required to surrender the title to the dealer’s home state. Simply indicate this in the Police Book along with the date of title surrender.

SALVAGE VEHICLE DISCLOSURE

R 257.253 - Salvage vehicle disclosure information

Rule 3.

1. Before entering into an agreement of sales, a dealer who sells a late model salvage vehicle which has been repaired shall certify to the buyer in writing that the vehicle was previously distressed.
2. The certification may be written or printed directly on a document which evidences the agreement or on a separate document attached to the agreement.
3. The certification shall read substantially as follows:

The purchaser of this vehicle has been informed by the seller, before entering into an agreement of sale, that the vehicle described below was previously wrecked, destroyed, or damaged to the extent that a previous owner considered the vehicle uneconomical to repair.

_____ (Date) _____ (Signature of Purchaser)

_____ (Date) _____ (Signature of Seller)

_____ (Make) _____ (Model) _____ (Year) _____ (VIN)