Excerpts from the

Study Regarding Implementation of a Uniform Statewide System to Allow for Electronic Transactions for the Registration and Titling of Motor Vehicles

A report to the Iowa Legislature, per Section 2,
Senate File 2273, 83rd General Assembly

Prepared by
Iowa Department of Transportation

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Editor's Notes

The Iowa Department of Transportation has prepared a very informative report that would contribute toward the goal of AllAboutTitles.com of promoting Electronic Liens and Titles programs for US States. Some of the material in the report is not relevant to a wider audience and has been edited out. Key discussions are retained and include items such as:

- The benefits of electronic titling and registration to the DOT, County Offices, Dealers, Lenders, and Consumers.
- Key aspects to implementing a successful program.
- Barriers to a successful program including a discussion of the impact of federal odometer disclosure laws.
- Proposed implementation strategies.

Executive Summary

LEGISLATIVE STUDY – The 83rd General Assembly of the Iowa Legislature, in Senate File 2273, directed the Iowa Department of Transportation (DOT) to conduct a study of how to implement a uniform statewide system to allow for electronic transactions for the registration and titling of motor vehicles.

PARTICIPANTS IN STUDY – As directed by Senate File 2273, the DOT formed a working group to conduct the study that included representatives from the Consumer Protection Division of the Office of the Attorney General, the Department of Public Safety, the Department of Revenue, the Iowa State County Treasurer's Association, the Iowa Automobile Dealers Association, and the Iowa Independent Automobile Dealers Association.

CONDUCT OF THE STUDY – The working group met eight times between June 17, 2010, and October 1, 2010. The group discussed the costs and benefits of electronic titling from the perspectives of new and used motor vehicle dealers, county treasurers, the DOT, lending institutions, consumers and consumer protection, and law enforcement. Security concerns, legislative implications, and implementation timelines were also considered. In the course of the meetings the group:

1. Reviewed the specific goals of S.F. 2273, and viewed a demonstration of Iowa's current vehicle registration and titling system so participants that were not users of the system could gain an understanding of its current functionality and capabilities.
2. Reviewed the results of a survey of county treasurers conducted by the DOT to determine the extent to which county treasurers had processing backlogs and the extent to which county treasurers limited the number of dealer registration and titling transactions that they would process in a single day and while the dealer waited. Only eight reported placing a limit on the number of dealer transactions that would be processed while the dealer waited (with the number ranging from one to four), and only 11 reported a backlog in processing registration and titling transactions as of June 11, 2010, with most backlogs being reported in the range of one to three days.
3. Conducted conference calls with representatives of the American Association of Motor Vehicle Administrators (AAMVA) and representatives of three states -- Kansas, which has an electronic lien and titling (ELT) program, and Wisconsin and Florida, each of which have both an ELT program and an electronic registration and titling (ERT) program – to assess current and best practices for electronic transactions. In addition, the DOT (through AAMVA) submitted a survey to all U.S. jurisdictions to determine how, if at all, other states implemented electronic transactions for the registration and titling of motor vehicles. Twenty-eight states responded to the survey; of the 28 states that responded, only 13 allowed liens to be added or released electronically, and only five indicated allowing applications for registration and titling to be submitted electronically. DOT staff also heard a presentation from South Dakota on its ERT system at an AAMVA regional meeting. ELT information that emerged suggests a multi-vendor approach, in which vendors that meet state specifications for participation are authorized to interface with the state's system to serve as a portal between lenders and the state

system, will facilitate electronic lien releases and additions by offering lenders more choices and the opportunity to use the same vendor in multiple states. The ERT information that emerged indicates a multi-interface approach that offers an interface with existing dealer management software (DMS) systems and through a separate internet site will facilitate ERT by offering access that meets a variety of business needs and models. In both instances, information that emerged indicates that, in the long-term, adoption rates are positively affected by making participation above a certain minimum threshold mandatory.

4. To assess and compare functions or services that might be offered by or through a vendor, the group heard presentations from vendors that offer products or services that facilitate some aspect of ELT or ERT.
5. To assess the concerns, needs and interest of Iowa motor vehicle dealers, the group surveyed dealers to assess registration and titling difficulties experienced by dealers, the types of DMS systems (if any) used by dealers, and the dealers' interest and preference in using an electronic interface to submit applications for registration and titling. Overall, 40% of the dealers that responded indicated interest and 57% indicated no interest, but interest was pronounced among new car dealers (75% were interested) and dealers with a high number of monthly transactions (85% of dealers averaging more than 50 sales per month were interested). The majority of dealers responding to the dealer survey ranked delays in processing and problems with daily limits on transaction as "minor difficulty" or "no difficulty."

RECOMMENDATIONS – At the conclusion of the meetings, the working group discussed possible approaches for implementation of electronic transactions in Iowa and reached a consensus that a phased implementation of electronic titling that addressed first electronic lien and title transactions (ELT) and electronic fund transfers (EFT), and then electronic applications for registration and titling (ERT) is recommended. The recommendation of a phased implementation is based upon recognition that aspects of ELT and EFT are foundational to ERT, and that ELT and EFT solutions are more readily and easily attained than the ERT solution, which will take longer and be somewhat more difficult to develop and will require federal approval of an electronic odometer statement to fully implement.

ELT – A multi-vendor approach is proposed for ELT. No direct costs to the state, counties, consumers, or dealers are anticipated under this approach. The vendor charges participating lenders user or transaction fees for the service, and it appears the lenders typically absorb those costs due to the savings offered by ELT. Existing staff can complete the programming necessary to interface the state system with vendors' systems.

The estimated time to implement ELT is six to nine months. Mandatory participation is not recommended initially, but should be considered after ELT has been implemented and a suitable number of vendors have enrolled to provide a fair assessment of participation rates and opportunities.

EFT – A previous attempt to implement ELT and EFT was terminated due to concern that it would negatively impact county revenues by reducing interest income earned on state funds

collected by the county and held until the monthly transfer to the state. To avoid that problem in this implementation, the EFT solution should remain revenue neutral to the counties, by allowing fees submitted by EFT to be immediately directed to the proper county account.

Because ARTS was designed and has the capacity to accommodate EFT, a vendor is not needed to implement EFT. The estimated time to implement EFT is six to nine months. It is expected that EFT development will overlap ELT development.

ERT – ERT itself must be developed in phases. It will not be possible to quickly implement a fully functioning, paperless ERT system, because federal law requires that transfer of title be accompanied by a written odometer statement unless approval for an alternate electronic statement is granted by the National Highway Traffic Safety Administration (NHTSA). It is expected that it will take as much as a year or more to obtain NHTSA approval, and that NHTSA approval will require design of a system that requires the seller to electronically confirm the seller's identity, make the required disclosure to the buyer, and then transfer the disclosure to the buyer, who must also electronically confirm the buyer's identity and electronically review and accept the disclosure to complete and submit the transaction. Given the time that it will take to develop and gain approval for this solution, initial ERT implementation will focus on completing and submitting applications and issuing registration applied for cards electronically, with the understanding that this process will still require submission of paper documents until an electronic odometer solution is developed. Because continued submission of paper documents undermines the efficiencies sought, "full" ERT – that is, all documents necessary for registration and titling should be capable of approval and/or acceptance by all parties, and should be capable of submission without transmittal or delivery of duplicate paper documents .– should remain the ultimate goal.

ERT is not recommended as a means to eliminate review and approval of registration and titling transactions by the county treasurers, or to place registration and titling approval in the hands of the dealers, as county treasurers perform an important role in deterring fraud and promoting accuracy by determining the genuineness and regularity of each application. Authorizing dealers to act as registration agents that approve registration and title applications, issue registration receipts, and maintain and deliver permanent metal license plates is not recommended.

Although distribution of permanent plates by dealers is not recommended, it is recommended that dealers participating in ERT generate and print registration applied for cards electronically. Unlike the manually-issued cards currently in use, cards issued in this fashion may be queried by law enforcement and are less susceptible to misuse by customers and dealers.

The estimated time to implement the electronic application and registration applied for cards is 12 to 18 months, to begin after ELT and EFT have been implemented. It is recommended that focus during this time be on facilitating transfers through motor vehicle dealers, with initial deployment focused on higher-volume dealers that use DMS systems. In the long term an internet option for access to ERT must also be developed and maintained to allow participation

for lower-volume dealers that do not use a DMS system. This option will also lay the ground work for an ERT option for sales between private individuals.

Mandatory participation in Iowa is not recommended initially. As with ELT, it is recommended that mandatory participation be considered after at least an initial phase of ERT has been implemented and a suitable number of dealers have enrolled to provide a fair assessment of participation rates and opportunities.

The use of vendors to facilitate ERT is not initially proposed because 1) DOT IT support staff is capable of developing a system that will interact with DMS systems and will still have to develop a dealer and public interface regardless of whether a vendor acts as intermediary between the DMS systems, and 2) there is concern that the cost of the vendor-based system, which is funded by transaction-based payments from the dealer to the vendor, will be passed to the consumer in the form of additional documentation or conveyance fees. However, the DOT recommends flexibility on this point, as development and pilot of the system may indicate that a multi-vendor approach similar to that recommended for ELT may increase the adoption rate by larger dealers and may ultimately decrease the user management to be exercised by DOT staff. If vendors are used in the process, additional legislation or administrative rules may be needed to control the fees that may be passed to the consumer.

No direct cost to the DOT or county treasurers is expected, as the DOT expects that it may complete necessary programming with existing staff. Use of vendors to facilitate ERT transactions by dealers using DMS systems would result in transaction fees that may ultimately be passed to consumers.

LEGISLATION – As a result of the changes implemented in 2004 under Senate File 2070, the only changes to Iowa statutes proposed are to section 321.69 of the Iowa Code, —Damage disclosure statement, and section 321.71, —Odometer requirements. In each instance, authority to execute these statements by electronic means would be clarified by authorizing language similar to that used in section 321.20, subsections —2 and —3, which allows for electronic applications and directs the department to —adopt rules on the method for providing signatures for applications made by electronic means. In these sections, the authorizing language might read as follows:

> *Notwithstanding contrary provisions of this section, the department may develop and implement a program to allow for any statement required by this section to be made electronically.*
>
> *The department shall adopt rules on the method for providing signatures for statements made by electronic means.*

Some changes to DOT administrative rules will be useful but only to enable changes to work processes that would be desirable in the long term. Examples of long term work processes that would be enabled by rule changes include allowing for signatures created through electronic

means and electronic odometer certifications. The DOT rules, as currently written, do not hinder the ability to proceed with ELT, EFT, and ERT.

Study Overview

Review of Procedures and Best Practices Used by Other States.

To assess current and best practices, the working group conducted conference calls with representatives of the American Association of Motor Vehicle Administrators (AAMVA) and representatives of three states that have implemented some aspect of electronic transactions for the registration and titling of motor vehicles. These states were Wisconsin, Florida, and Kansas. DOT staff also had the opportunity to view a presentation by South Dakota of its electronic title and registration system at a regional AAMVA conference on October 20, 2010. In addition, the DOT (through AAMVA) submitted a survey to all U.S. jurisdictions to determine how, if at all, other states implemented electronic transactions for the registration and titling of motor vehicles. This survey was conducted in July, 2010 and the results were submitted to the DOT in August, 2010.

Vendor Presentations.

To assess and compare functions or services that might be offered by or through a vendor, the group heard presentations from vendors that offer products or services that facilitate some aspect of electronic transactions for titling and registration. The vendors that made presentations were PDP Group, VINtek, CVR, Iowa Interactive, triVIN, and Decision Dynamics, Inc. Each vendor was allowed a one-hour presentation.

Dealer Survey.

To assess the concerns, needs and interest of Iowa motor vehicle dealers, the working group constructed and the DOT administered a survey that was submitted to all licensed motor vehicle dealers. The survey attempted to determine the common difficulties experienced by Iowa dealers that could be addressed by electronic transactions, the types of dealer management software (DMS) systems (if any) used by dealers, and the dealers' interest and preference in using an electronic interface to submit registration and title applications. The DOT compiled and the working group reviewed the results of this survey.

Recommendations.

At the conclusion of the meetings, the working group discussed possible approaches for implementation of electronic transactions in Iowa and reached a consensus that a phased implementation of electronic transactions that addressed first electronic lien and title transactions (ELT) and electronic fund transfers (EFT), and then electronic applications for registration and titling (ERT) is recommended. The following provides an overview of Iowa's current process, and then explains the rationale for a phased implementation and the details of each phase.

Iowa's Current Registration and Titling System and Process

A. The ARTS System.

A review of Iowa's current registration and titling system and process is instrumental to the discussion. County treasurers in Iowa perform registration and titling via a system administered by the DOT known as "ARTS."[1] ARTS has been in use since January, 2005. At that time, the DOT discontinued use of its legacy Vehicle Registration and Titling (VRT) system and successfully implemented ARTS statewide. Over 700 county treasurers' staff in Iowa's 99 counties, as well as staff in the DOT's offices of Vehicle Services and Motor Carrier Services, use ARTS to complete registration and titling transactions. More than five million vehicle records were converted from VRT to ARTS in one weekend at the time of implementation, and since that weekend, titles and registrations have been issued in every county, every business day since, without significant interruption. In 2009, over four million vehicles were registered, almost 900,000 titles were issued, and over 300,000 security interests were perfected using ARTS.

The core functionality of the ARTS system includes a common customer across subsystems, inventory management, cash drawer, real time updates of records, discretionary edits (stops) that prevent illegal transactions across the state, consistent fee calculations and financial management, work management, correspondence, and the ability to add electronic notes to both customers and vehicles to share information and identify fraud. The finance elements of the system balance funds for the counties and the state and allow for EFT from the county to the state for distribution of funds to the appropriate entities. The system also allows DOR use tax exemptions to be flagged for review electronically. The DOT also adds "stops" to the ARTS system, through nightly batch jobs, for other state agencies for such items as unpaid debts. These "stops" prohibit registration until the debt is paid.

The ARTS system is used daily by trusted parties such as other state agencies, private investigators, security companies, law enforcement, financial institutions, and licensed automobile dealers. Trusted parties are allowed access to specific record information as permitted by the federal Driver Privacy Protection Act (DPPA)[2] and Iowa law. Each trusted party must complete a DPPA agreement form and file it with the DOT before access to the ARTS system is permitted.

Dealers currently enjoy web-based access to and services from ARTS. Shortly after ARTS was introduced in 2005, new features were added that allow dealers to determine vehicle registration fees via the internet. This eliminated the need for auto dealers to manually determine fees, using weight and list price information maintained on paper lists, for thousands of different vehicles. The ability to electronically look up fees reduced the need for dealers to contact county treasurers for fee information and reduced the number of rejected applications due to fee calculation errors. This system of determining vehicle registration fees is available, at no charge, for both dealers and consumers.

[1] ARTS stands for "Archon Registration and Titling System." Although its role by design has expanded well beyond registration and titling functions, it is still known as ARTS.

[2] The Driver Privacy Protection Act appears at 18 U.S.C. § 2721.

Another feature allows dealers who have filed a DPPA agreement with the DOT to look up specific vehicle registration information for a given vehicle. This feature protects dealers by ensuring that a trade-in vehicle is currently registered, is owned by the person presenting it for trade, has no undisclosed and unreleased liens against it, carries no undisclosed brands such as salvage or rebuilt, and has no odometer discrepancies.

A participating dealer can look up vehicle owner information but must have the vehicle identification number (VIN), title number, or junking certificate number to do so. This helps ensure that access to owner information is limited to situations where the dealership already has the VIN, title number or junking certificate number. Dealers are not allowed to access vehicle owner information using a license plate number.[3]

ARTS includes a dealer licensing system implemented in 2006. This is a subsystem of ARTS that interfaces with vehicle registration and titling transactions. The dealer system manages information necessary for Iowa auto dealer licensing and generates dealer license credentials. Automated —discretionary edits warn county staff when dealer licensing requirements are not met and prevent dealers that do not have a valid dealer's license from completing titling and registration transactions.

ARTS is also the system through which the issuance of driver's licenses (DLs) and non-operator's identification cards (IDs) are issued. Issuance staff in the DOT's 19 driver's license stations and the 81 county treasurer's offices that issue DLs and IDs have performed DL and ID issuance through ARTS since implementation of the driver subsystem in 2007. This subsystem includes records management and accident processing. As noted above, ARTS features common customers across subsystems. This means that an individual customer that has a DL or ID and owns or leases a vehicle may be identified and managed within a single customer record, rather than as separate records in each subsystem. This allows for more efficient administration of requirements and sanctions that affect both driving and registration privileges, and better protects against identity theft and fraud. Approximately one million DL and ID cards are issued through ARTS each year.

B. Iowa's Current Registration and Titling Process.

Consistent with the legislature's intent to establish a uniform statewide system to allow electronic transactions for the initial registration and titling of motor vehicles, discussion of Iowa's current registration and titling process will focus on initial registration and titling following a sale or transfer.[4] Looking at a transaction that initiates with the sale of a new vehicle, the process typically involves the following elements:

[3] This is pursuant to section 321.11 of the Iowa Code

[4] Electronic options for registration renewal of vehicles already titled and registered in Iowa already exist. There are two web renewal options in Iowa. "IowaTaxAndTags.org" is the official county treasurer's payment and services website for Buchanan, Clayton, Dickinson, Floyd, Iowa, Johnson, Linn, Montgomery, Polk, Pottawattamie and Poweshiek counties. For Iowa's remaining 88 counties, "IowaTreasurers.org" serves that function. These are on-line payment options to complete renewals but are not initial title and registration services or applications.

Dealer

- Dealer assigns the manufacturer's certificate of origin to the buyer.
- Dealer completes and executes a damage disclosure statement in compliance with section 321.69 of the Iowa Code.
- Buyer approves and executes damage disclosure statement.
- Dealer completes and executes an odometer statement in compliance with section 321.71 of the Iowa Code and federal law.[5]
- Buyer approves and executes odometer statement.
- Dealer completes for buyer an —Application for Certificate of Title and/or Registration, DOT Form 411007.[6]
- Buyer approves sections of the application that provide the required information regarding the owner, the vehicle, security interests in the vehicle, the purchase price of the vehicle, the primary user of the vehicle (if the owner is a non-resident), and any claim by the owner for exemption from the fee for new registration, and executes the application.
- Dealer executes the section of the application that details information necessary to determine the price of the vehicle for determining the fee for new registration, whether and on what date a registration applied for card was issued, and the registration fee collected from the buyer.
- Dealer collects the tax, title, license, and lien (if applicable) fees from the buyer.
- Dealer affixes to the vehicle a registration applied for card, provided by the DOT pursuant to section 321.25, valid for 45 days. The dealer manually writes or otherwise enters the required information on the card.[7]
- Dealer physically delivers to the county treasurer the fees collected from the buyer and the application and other documents listed above, within 30 days of the date of sale.[8]

County Treasurer

- County treasurer reviews the application and, when satisfied as to the application's genuineness and regularity and that all required payments have been properly calculated and paid, enters the necessary information into ARTS[9] to complete

[5] Federal odometer requirements are discussed in detail in footnote 15.

[6] Section 321.45 of the Iowa Code requires an application to made to the county treasurer and section 321.20 dictates the required content of the application.

[7] Registration applied for cards, which are also known as temporary tags, are currently provided free of charge by the DOT to licensed automobile dealers. Dealers issue these cards to purchasers of vehicles who have paid tax, title, and license fees to the dealer at the time of purchase. A registration applied for card is not completed and affixed to the vehicle if the buyer already possesses registration plates that may be attached to the vehicle (for instance, from a trade-in vehicle), and is not completed and affixed if the buyer elects to complete the registration and titling process.

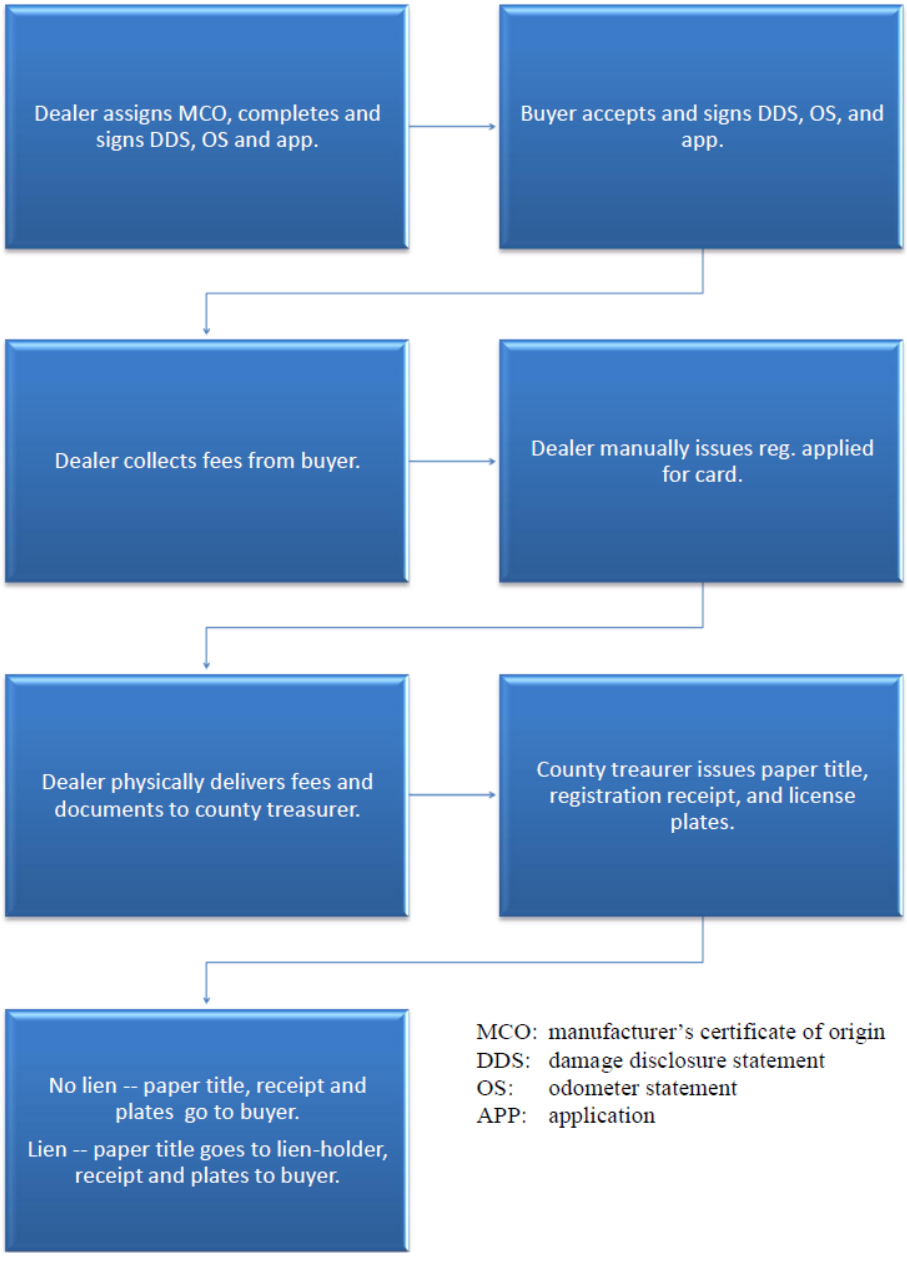
[8] The buyer may also elect to submit the required fees and documents to the county treasurer. Delivery may be by personal delivery by the dealer or dealer's staff, or by mail, overnight delivery, or other courier service. Some dealers maintain an escrow account in counties in which they do business. Required payments are drawn from the account so that a check for the required fees does not have to be issued or delivered.

[9] ARTS is able to auto-populate much of the vehicle information based on the VIN and the customer information where the customer already exists in ARTS, so that double entry by the county treasurer is not necessary.

registration and title, and issues via ARTS a paper title, a registration receipt, and a set of license plates.

- If there is no lien against the vehicle, the county treasurer delivers the paper title, registration receipt, and license plates to the buyer.[10]
- If there is a lien against the vehicle, the county treasurer delivers the paper title to the first lien-holder, and delivers the registration receipt and license plates to the buyer.

In somewhat simplified form, the process is represented graphically as follows:



[10] At the election of the buyer the buyer may obtain them in person at the treasurer's office or may receive them by mail.

Where the process is initiated by the sale of a used vehicle by a dealer, the process differs only in the fact that a manufacturer's certificate of origin is not involved, and the process instead begins with assignment of the certificate of title. The damage disclosure statements and odometer statements, if applicable,[11] may be completed on the certificate of title itself. Where the process is between private parties and does not involve a dealer, the process differs in that the private seller, rather than a dealer, completes the assignment of title and any required damage disclosure and odometer statements, and the buyer is responsible for completing the application and submitting all required fees and documents to the county treasurer. Also, registration applied for cards are issued only by licensed dealers and are not available in private sales.[12]

[11] As provided in section 321.69 and 321.71 of the Iowa Code, these statements are not required for some transfers, such as the transfer of a vehicle that is more than seven (damage disclosure statement) or nine (odometer statement) model years old.

[12] In private sales, the buyer may either affix plates from another vehicle previously registered to the buyer and transferred within the previous 30 days, or operate the vehicle without plates for up to 30 days if the title or bill of sale is carried within the vehicle.

Findings and Recommendations

A. Recommendation for Phased Implementation.

The recommendation of a phased implementation encompassing first electronic lien and title transactions (ELT) and electronic fund transfers (EFT), and then electronic registration and titling (ERT) is based primarily upon the recognition that some elements of ELT and EFT are foundational parts of an ERT system, and that ELT and EFT solutions are more readily and easily attained than the ERT solution, which will take longer and be somewhat more difficult to develop and will require federal approval to fully implement.

At first blush one might question why implementation of ERT would pose any particular difficulty, as there are, of course, myriad applications in use in which an individual applies for a benefit or service or submits a required return or payment electronically. The difficulty arises from the fact that (as demonstrated by the overview of the current registration and titling process) the effective transfer of title of a vehicle requires two persons – the seller and buyer – to demonstrate execution and acceptance of the documents and statements that must be submitted to the county treasurer to register and title a vehicle. For instance, a person that wishes to obtain a fishing license on-line might need only to provide certain information to establish the person's identity, and could then individually complete the transaction by completing the application and hitting a "submit" button – verification of the person's identity allows submission of the document to act as electronic signature of the application, and submission of the paper application is avoided. In the case of a vehicle transfer, however, the system developed has to accommodate the secure identification of both the seller and the buyer, and has to do so in a way that individually demonstrates that the seller has properly made the disclosures required of the seller, and that the buyer has properly received and accepts those disclosures.[13] This is accomplished in the current process by requiring both the buyer and seller to execute the required disclosures and for the paper copies of those disclosures to be submitted with the application. In a paperless system, this requires a structure in which the seller electronically confirms the seller's identity, electronically completes the documents required by the seller, and then submits the transaction, at which point the transaction is handed off to the buyer and remains pending until the buyer logs in to or otherwise accesses the transaction, confirms the buyer's identity, reviews and electronically accepts the documents completed by the seller, and then submits the transaction for approval and processing.[14]

The key to development of a truly paperless system is developing a federally acceptable solution for an electronic odometer statement. Federal law requires the seller of a motor vehicle to provide a written statement of the vehicle's mileage registered on the odometer to

[13] Where the vehicle is sold by a dealer and the dealer prepares the required application, the system must also demonstrate that the dealer has executed the dealer's portion of the application, and that the buyer accepts the application as prepared by the dealer and has executed the owner's portion of the application.

[14] This Iowa process has been described primarily from the vantage of a transfer from a dealer to a buyer. Where the buyer proves a trade-in vehicle to the dealer, these steps would have to proceed from the buyer to the seller to provide the odometer statement (or other disclosure) to the dealer for the trade-in vehicle.

the buyer in connection with the transfer of ownership.[15] The federal requirements apply in a state unless a state establishes alternate odometer disclosure requirements approved by the Secretary of the U.S. Department of Transportation, who has delegated administration of the federal odometer program to the National Highway Traffic Safety Administration (NHTSA). To establish a paperless, electronic odometer disclosure program, a state must petition NHTSA for approval of alternate odometer disclosure requirements.

NHTSA has so far declined requests to issue a blanket approval for states to implement electronic odometer statements, and to this point no —best practice has emerged, as only two states, Virginia and Texas, have received a final determination from NHTSA granting a petition for alternate odometer disclosure requirements based on an electronic process. (A third state, Wisconsin, has received an initial determination that its proposed electronic process meets federal requirements, subject to certain exceptions, and is waiting for a final determination.)[16] None of these processes is yet in use, but the proposals reveal a common theme in that they propose elements for a paperless system as described above, propose an electronic odometer record that resides and remains in the state system and is linked to an electronic title that resides and remains in the state system, consider the electronic records to be the official records, and propose that whenever a title held electronically is required to be printed (such as for a sale to a non-resident), the printed title will include all information currently required of a paper title and will reflect the information held electronically. It is expected that any system developed for Iowa must incorporate similar elements. None of the proposals include transactions that involve sales to non-resident buyers, as no platform for state-to-state transfer of electronic titles exists, and only Wisconsin's proposes to include transactions involving leased vehicles.

AAMVA recently formed a working group to study the best practices for implementing ERT. A primary goal of this group is to work with NHTSA to streamline the approval process for states

[15] Federal odometer law is largely based on the Motor Vehicle Information and Cost Savings Act (Cost Savings Act), Public Law 92-513, 86 Stat. 947, 961 (1972) and the Truth in Mileage Act of 1986 (TIMA), Public Law 99-579, 100 Stat. 3309 (1986). In addition to requiring the written odometer statement required by the Cost Savings Act, TIMA requires that vehicle titles themselves have a space for the odometer statement, and prohibits states from licensing vehicles unless a valid odometer disclosure statement on the title is signed and dated by the transferor. In the case of leased vehicles, the lessee must make a written disclosure to the lessor before the lessor can transfer ownership of the leased vehicle, and the lessor must give the lessee written notice of the lessee's disclosure requirements and the penalties for not complying with them. The purpose of these provisions is to prevent odometer fraud by connecting the disclosure to the title and by making disclosure on the title a condition of application for a title and a requirement for the title issued by the state, to prevent alterations of disclosures on titles and to preclude counterfeit titles through secure processes, and to allow consumers to be better informed and provide a mechanism through which odometer tampering can be traced and violators prosecuted by creating a record of the mileage on vehicles and a paper trail. Overall, the purpose is to protect consumers by assuring they receive valid representations of the vehicle's actual mileage at the time of transfer based on odometer disclosures. See NHTSA Notice of Final Determination on Petition for Alternate Odometer Disclosure Requirements by the State of Virginia, 74 FR 643, 647-648 (January 7, 2009) for further discussion regarding the requirements and purposes of the federal odometer requirements. The solution devised must be responsive to these purposes to gain NHTSA approval.

[16] The Virginia final determination appeared in the January 7, 2009 Federal Register at page 643 (74 FR 643). The Texas final determination appeared in the April 22, 2010 Federal Register at page 20925 (75 FR 20925). The Wisconsin initial determination also appeared in the April 22, 2010 Federal Register at page 20965 (75 FR 20965).

who seek to implement ERT solutions that include electronic odometer disclosures. The working group first met in August, 2010, and its final recommendations are not expected to be completed until sometime in the spring or later of 2011. Absent establishment of a streamlined process, the approval process may be expected to take more than a year – Wisconsin submitted its petition in August, 2009, received an initial determination in April, 2010, and is still waiting to receive a final determination. Given the time it will take to solve this key component of ERT, it is recommended that ELT and EFT be implemented and that the first stage of ERT – electronic applications and registration applied for cards – be developed and implemented while solutions and approvals necessary for electronic odometer statements and full ERT are developed and obtained.[17]

B. Discussion of Phases.

1. Electronic Lien and Title (ELT).

Implementation of ELT would allow for the electronic release and addition of security interests and would begin the process of maintaining electronic (paperless) titles. As noted in the description of Iowa's current registration and titling process, when there is a lien against the vehicle, the paper title is delivered to the first lien-holder, where it remains until the lien is released. Upon release, the lien-holder must deliver an original, paper cancellation of security interest form to the DOT or the county treasurer's office that issued the title, and must note the cancellation on the face of the title, must attach a copy of the form to the title as evidence of cancellation, and must forward the title to the next lien-holder, or, if none, to the owner or the owner's designee. This process creates printing, paper-handling, and mailing obligations for the county treasurers and the DOT; creates storage, paper-handling, and mailing obligations for lenders; and creates delays and inconvenience for consumers and dealers, as they sometimes must wait for a lender to retrieve and return a title that has been released after satisfaction, and sometimes must obtain a replacement title where the title has been lost.[18]

ELT would eliminate this shuffle of paper titles and streamline the process by creating an electronic title that would remain and reside in the state system as long a lien remained against the vehicle. Under ELT, when an application that reflects a lien against the vehicle is processed, a paper title would not be printed and delivered to the lien-holder. Rather, the title, which would reflect the security interest, would reside and remain as an electronic document within the state system, and the lender would receive electronic verification that the lien has been perfected. When the lien is released, the lien-holder would electronically return notice of cancellation, and the title would continue to be held electronically unless and until the customer requests a paper title. The system described by Florida is representative of this system.

[17] The DOT is also working toward on-line options for certain driver's license functions, with a target date for initial implementation of January 1, 2012. These options will require development of electronic identification verification solutions. Given the common customer framework of ARTS, the identification solutions developed for on-line driver's license functions should be equally applicable to ERT functions.

[18] Dealers are particularly impacted where they have taken a vehicle as a trade-in and have paid off an outstanding loan against the vehicle as part of the transaction, and must then wait to receive the title to the vehicle.

The key to success of ELT is participation by lenders. The electronic exchange necessary to accomplish ELT cannot be completed unless the lender is a participant in the state's ELT process. The Florida approach, which gives ELT vendors specifications on how to interface with Florida's system and requires the vendors to meet those specifications and sign an agreement for participation in the state's ELT program, allows multiple ELT vendors to serve as a portal between lenders and the state system – the vendors interpret the different states' ELT processes and combine them into a funnel that provides a uniform interface for the lender. (For instance, participating vendors in Florida include VINtek, FDI Collateral Management, PDP Group, and Decision Dynamics, Inc.) This appears to be a preferred approach, as it is expected to increase participation by offering lenders more choices, opportunities, and flexibility, and by offering lenders that use a particular vendor in other states the opportunity to continue using that vendor in Iowa.

No direct costs to the state, counties, consumers, or dealers are anticipated under this approach. The vendor charges participating lenders user or transaction fees for the service, and it appears the lenders typically absorb those costs due to the savings offered by ELT. The DOT and counties would incur indirect costs in that DOT vehicle services and information technology staff and county staff will be required to develop the specifications and agreements necessary for ELT; to develop, test and implement the programming necessary for ELT; and to maintain and upgrade the ELT system as needed. A potential detriment to a multi-vendor system is that each interface established is a potential point of failure, and when failures occur significant staff time can be devoted to trouble-shooting the failure to determine whether the cause is within the DOT's system or external to the DOT's system.

The estimated time to implement ELT is six to nine months, which would allow for establishment of specifications, development, testing, piloting, and deployment. The need for additional appropriations or staff for the DOT is not anticipated at this time.

Mandatory participation in ELT is not recommended initially, as it will take time to build a sufficient base of participating vendors to reasonably support mandatory participation. However, mandatory participation may eventually be advisable to fully realize the efficiencies gained. It is recommended that mandatory participation be considered after ELT has been implemented and a suitable number of vendors have enrolled to provide a fair assessment of participation rates and opportunities. If mandatory participation is determined to be appropriate, DOT administrative rules would need to be established to compel participation and to set a minimum threshold for exemption from mandatory participation.

2. Electronic Fund Transfers (EFT).

Implementing EFT would allow electronic transmission of funds necessary to complete registration and titling transactions. EFT is already being used to some extent in Iowa (as escrow accounts are already utilized within the ARTS system), and the ARTS system was in fact designed to accommodate EFT – in 2005, the DOT began piloting ELT and EFT transactions for lien releases with selected dealers. That initiative was ultimately abandoned, however, due to concerns that EFT would result in a revenue loss to the counties. The specific concern was that, under the existing process, the aggregate fees for registration and titling are collected and

retained by the county treasurer until the tenth date of the month following the month in which the fees were collected. On or before the tenth day of the month, the state portion of the fees retained by the county is remitted to the state. This mechanism results in additional revenues to counties in the form of interest on the aggregate amount of the fees that are held. The introduction of EFT created the opportunity to immediately divide the state and county portions of the fees electronically and deposit them in the appropriate county and state accounts, which would reduce the interest income earned and retained by the county on the state funds otherwise held until the tenth day of the following month.

To avoid that problem in this implementation, an EFT solution should be sought that broadens and standardizes the electronic payment options for dealers and other persons submitting fees for registration and titling transactions, but remains revenue neutral to the counties. A key component of the EFT solution will be the ability to have fees submitted by EFT immediately directed to the proper county account upon completion of electronic transaction.

Because ARTS was designed and has the capacity to accommodate EFT, the use of a vendor to implement EFT is not recommended. The estimated time to implement EFT is six to nine months, which would allow for establishment of specifications, development, testing, piloting, and deployment. It is expected that EFT development will overlap ELT development.

Additional appropriations or staff for DOT to implement EFT is not anticipated at this time. Due to the ongoing need to support standard payment types such as cash, check, money order, etc., mandatory participation in EFT is not anticipated, although it would be expected that any person or entity that elects or is required to use ERT when fully implemented will be required to submit the required fees electronically to maintain and achieve the benefits of a fully electronic and paperless system.

3. Electronic Registration and Titling (ERT).

The basic elements of an ERT system have been discussed above. Initial focus should be on electronic applications and registration applied for cards, but it is emphasized that the final goal should not be just electronic completion and submission of an application, but "full" ERT – that is, all documents necessary for registration and titling should be capable of approval and/or acceptance by all parties and should be capable of submission without transmittal or delivery of duplicate paper documents. Sometimes lost in the shuffle and loose vocabulary of discussions regarding state ERT systems or vendor-facilitated ERT systems is the fact that, even though certain documents or data elements are being provided and populated electronically, paper documents must still be submitted to complete the transaction. This undermines the efficiencies sought, and is the reason that solution of the electric odometer statement is identified as a key to development of a truly paperless ERT system.

ERT should not be sought as a means to eliminate review and approval of registration and titling transactions by the county treasurers, or to place registration and titling approval in the hands of the dealers. Although electronic applications may make erroneous and incomplete applications somewhat less likely by auto-populating certain customer and vehicle data fields and preventing submission before completion of all required data fields, the deterrence of

fraud and the promotion of accuracy requires that the genuineness and regularity of each application be determined before the transaction is approved. Again, the ultimate goal should be review and approval by the county treasurer of a single set of electronic documents, rather than a mixture of electronic and paper documents or a duplicate set of electronic and paper documents.

Although some states' ERT programs authorize dealers to act as registration agents that approve registration and title applications, issue registration receipts, and maintain and deliver permanent metal license plates, that practice is not recommended in Iowa.31 Again, review and approval of the application should remain in the hands of the county treasurers. Additionally, because plates are assigned according to county of residence and dealers may serve customers from multiple counties,
assigning and distributing plates through dealers would complicate inventory management and control and would increase the cost of producing and distributing plates.

It is recommended that dealers continue to issue temporary registration applied for cards, with the proviso that dealers participating in ERT generate and print the card via the ARTS system. Unlike the manually-issued cards currently in use, cards issued in this fashion will be connected to a customer record in ARTS, and may be queried by law enforcement. This will help prevent misuse of the cards by customers and dealers and will aid road-side law enforcement.

The estimated time to implement electronic applications and registration applied for cards is 12 to 18 months, to begin after ELT and EFT have been implemented. It is recommended that focus during this time be on facilitating transfers through motor vehicle dealers. Development of a mature and well-functioning system will be best achieved if the system is deployed incrementally and if initial use and experience are built upon a core group of relatively consistent and stable users.[19] Although not all dealers are expected to be interested in participating in ERT (overall 40% of the dealers that responded to the dealer survey indicated that they were interested in ERT and 57% indicated that they were not), interest was pronounced among new car dealers (75% were interested in ERT) and dealers with a high number of monthly transactions (85% of dealers averaging more than 50 sales per month were interested in ERT), and it is expected that these groups would form the core group for an initial deployment. Although implementation of ERT is not proposed to begin until ELT and EFT have been implemented, it is expected that progress can be made during the completion of ELT and EFT toward identification of pilot dealership or dealerships and initial discussion of specifications and rules. (Pilot dealerships should use a common dealer management service.) As demonstration of a functioning electronic application and electronic title system that would

[19] Wisconsin, which utilizes an electronic applications system that features both vendor-based software solutions and a state-operated internet solution, stressed in its comments to the working group that significant effort that was expended to establish appropriate business rules, and indicated that the best approach was to start small and use pilots. Wisconsin also presented a well-reasoned approach in its petition to NHTSA for an electronic odometer solution, and in the petition proposed a phased implementation that began first with transfers involving motor vehicle dealers, followed by transfers processed by a financial institution that holds a lien on the vehicle, transfers involving motor vehicle auctions, involuntary vehicle transfers such as involuntary liens and repossessions, and eventually transfers involving the sale of leased vehicles and transfers between private individuals.

have the capacity to accept and join an electronic odometer to the application and title appears to be important to obtaining NHTSA approval of an electronic odometer statement, development of the electronic application process should not wait for NHTSA's approval of an electronic odometer statement. Rather, the odometer solution should be developed concurrently and submitted as soon as reasonably possible, and that piece added as approval is obtained to continue to the ultimate goal of a truly paperless system. Although Iowa should not be content to stop at a halfway point in which electronic documents are followed by paper duplicates, neither should Iowa expect that the move to a truly paperless system can be achieved in one step.

Some states advocate making participation in ERT mandatory for all dealers. For the reasons that follow, however, mandatory participation in Iowa is not recommended initially. Again, although interest in ERT is high among new and high-volume dealers, it is low among used dealers (28% expressed interest in ERT) and low-volume dealers (77% of Iowa dealers sells 25 or fewer vehicles per month and more than half of that group sell fewer than five vehicles per month; 48% of the dealers selling five to 25 vehicles were interested in ERT and only 18% of the dealers selling fewer than five vehicles were interested). As a practical matter, it appears that many of the smaller dealers lack the computers and internet access necessary to participate in ERT. Additionally, the service delivery and staffing concerns that are driving the push for mandatory participation in other states do not appear to exist or at least be as pronounced in Iowa – in response to the DOT's survey of county treasurers, only eight reported placing a limit on the number of dealer transactions that would be processed while the dealer waited (with the number ranging from one to four), and only 11 reported a backlog in processing registration and titling transactions as of June 11, 2010, with most backlogs being reported in the range of one to three days. (The majority of dealers responding to the dealer survey ranked delays in processing and problems with daily limits on transaction as "minor difficulty" or "no difficulty.") As with ELT, it is recommended that mandatory participation be considered after at least an initial phase of ERT has been implemented and a suitable number of dealers have enrolled to provide a fair assessment of participation rates and opportunities. If mandatory participation is determined to be appropriate, DOT administrative rules would need to be established to compel participation and to set a minimum threshold for exemption from mandatory participation.

It is expected that for dealers interested in participating, a key element will be ability of the system to interact with dealer management software (DMS) systems, which are internal software programs that help automate certain dealer activities such as service invoicing and form printing. These systems are used, primarily, by larger Iowa dealers. Interaction with these systems will allow a dealer to avoid duplicate entry of vehicle, customer, and transaction data needed for registration and titling transactions, and to complete the transactions without entering a separate program or going to a web site or page.

At the same time, a comprehensive approach that reaches more than just the largest dealers that use DMS systems will need to offer an internet-based solution.[20] Dealers that do not use

[20] Interaction with a DMS system also uses the internet to exchange data and information, but from the user's perspective, the connection is behind the scenes – the user would be working within the DMS system available to

DMS systems and do not operate on a scale that makes acquisition and use of such a system cost-efficient may find it preferable to enter a secure web-site to complete and submit the documents necessary for vehicle registration and titling. Although initial focus should be on the core group, in the long term an internet option for access to ERT must also be developed and maintained. This option will also lay the ground work for an ERT option for sales between private individuals.

The use of vendors to facilitate ERT is not initially proposed, in large part because DOT IT support staff is capable of developing a system that will interact with DMS systems and will still have to develop a dealer and public interface regardless of whether a vendor acts as intermediary between the DMS systems. Additionally, there is concern that the cost of the vendor-based system, which is funded by transaction-based payments from the dealer to the vendor, will be passed to the consumer in the form of additional documentation or conveyance fees. That being said, the opportunity for a vendor or vendors to participate in the system should remain open for consideration as the system is piloted. As with ELT, the opportunity for a vendor or vendors to meet specifications established by the DOT and enter into an agreement for participation may increase the adoption rate by larger dealers that use DMS systems and may ultimately decrease the user management to be exercised by DOT staff.[21] If vendors are used in the process, additional legislation may be needed to control the fees that may be passed to the consumer.

Although the DOT is capable of developing the system itself and expects that it may do so with existing staff and resources, the need to manage and provide training, resources, and help desk functions to many more users may require additional DOT staff. It is not possible, however, to determine whether and to what extent additional staff will be needed until piloting of an ERT system and evaluation is complete. Again, the opportunity for a vendor or vendors to participate in the system should remain open for consideration as the system is piloted and as effects on staffing and ability to respond to user needs are determined.

Finally, the concept of a true "E-title" – that is, the electronic title that resides and remains in the state system at all times as the official record of title, and is capable of electronic transmission from state to state, should not be forgotten. There is national interest in this concept, as evidenced by the AAMVA working group discussed above. Benefits of this concept include both the efficiency of avoiding production and transmission of paper titles, and the increased ability to protect against fraud by eliminating paper titles that are subject to alteration or forgery and in favor of an electronic record within a closed and secure electronic system. Although development and implementation of a national system will likely take a number of years, Iowa should remain cognizant of those efforts and should strive to develop and manage its ERT system in a manner that will be conducive to participation in the national

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the user, and would not make a special or separate effort to enter a web site and enter the necessary data or information. Rather, the system would maintain the connection and handle the flow of data and information. When an internet-based solution is discussed, that means the user actually logs on to a web site and enters the necessary data or information.

[21] For instance, Wisconsin maximizes access to its electronic application system by authorizing multiple vendors that may contract with dealers to provide an interface with the system, and by providing as well a state-operated interface to the system for dealers and the public. See pages K-7 to K-9.

system. Again, the results of AAMVA's working group are anticipated sometime during 2011 and it is hoped that they will be instructive in this regard.

Appendix "A"
Estimated Benefits to DOT

The benefits to the DOT of implementing a uniform statewide system to allow electronic transactions for the registration and titling of motor vehicles tend to be indirect, as opposed to direct, because the county treasurers, rather than the DOT, maintain the staff and facilities immediately responsible for the registration and titling process. (In states in which the registration and titling functions are handled by state employees in state-operated facilities, the benefits to the state agency responsible for motor vehicle administration are direct in the form of less staff time and associated expense devoted to receiving, handling, printing, mailing, and storing paper documents, reconciling erroneous or incomplete applications, and dealing with replacement titles; and in general the ability to complete registration and titling functions more efficiently.) Benefits to the DOT are expected to be in the form of improvements in program delivery. Expected benefits include the following:

- Executing and maintaining titles, damage disclosure, and odometer statements in electronic form under state care and custody is expected to significantly decrease the likelihood of an individual altering, tampering or counterfeiting the title, damage disclosure, or odometer statement.[22]
- Maintaining titles in electronic form under state care and custody is expected to reduce the need to issue replacement titles and reduce the incidence of multiple titles in circulation, which in turn is expected to reduce the opportunity for errors and fraud in title transfer.
- Providing for electronic approval and acceptance of applications by the buyer is expected to prevent dealers from altering completed applications after execution by the buyer and before submission to the county treasurer, which would help to prevent dealers from —pocketing fees collected by reporting a lower than actual sales price and paying to the treasurer fees lower than the fees collected from the customer.
- Reductions in errors, fraud, and manipulation of titles, disclosures, and applications would the reduce the burden on Motor Vehicle Enforcement investigative staff and Office of Vehicle Services administrative staff to investigate and reconcile cases of title and fee fraud.
- Maintaining titles in electronic form under state care and custody would reduce investigative and administrative time devoted to locating and physically obtaining titles that cannot be located or obtained because a dealer or lender has gone out of business or is otherwise refusing to release titles that are properly due to another person.
- A reduction in the number of paper titles issued would reduce the costs associated with purchasing the special secure paper used to produce certificates of title.
- Issuing registration applied for cards electronically through ARTS is expected to reduce mailing expense by reducing the number of cards the DOT would need to send sent to dealers, reduce physical storage requirements and inventory cost by reducing the number of standard cards that need to be maintained in inventory, and reduce fraud by tracking the number of cards issued by a dealer and by preventing a dealer from issuing

[22] See NHTSA Notice of Initial Determination on Petition for Alternate Odometer Disclosure Requirements by the State of Wisconsin, 75 FR 20965-01 (April 22, 2010).

more than one card per vehicle sold. Again, issuing the cards through ARTS would allow the information on card to be queried by law enforcement, which would improve the information available to road-side enforcement officers and would prevent misuse of registration applied for cards to prevent detection of unregistered vehicles.

- Developing an electronic registration system that would eventually envelop transfers from smaller dealers that do not handle registration and titling functions for buyers and for casual sales (sales between private individuals) would help the DOT better detect persons that fail to timely register vehicles after transfer, by providing more immediate notice of the transfer.

As noted in the main body of this report, the efficiencies and securities offered by ERT will not be fully realized as long as the process requires submission of paper documents in addition to or in conjunction with electronic submissions.[23] Again, the overall goal should be truly paperless processes that include efficient alternatives for a wide range of users to achieve adoption rates that are as high as are reasonably practical, and mandatory participation for users that conduct transactions above a minimum threshold should remain open for consideration as these processes are piloted and mature.

[23] Maintaining dual systems, both paper and electronic, may represent an increased cost for the DOT. For example, dealers who have no computer or internet connection would not have the ability to electronically produce a —registration applied for card. Consequently, standard paper cards would still have to be manufactured, stored, and provided to dealers, though not as many would be required. It is difficult at this time to determine whether reductions in scale or time spent administering alternate systems for the same function will result in additional or increased costs.

Appendix "B"
Estimated Benefits to County Treasurers

As noted in Appendix "A", the direct benefits that might accrue to a motor vehicle administrator by implementing a uniform statewide system to allow electronic transactions for the registration and titling of motor vehicles would tend to accrue to the county treasurers, who maintain the staff and facilities immediately responsible for the registration and titling process. Expected benefits are less staff time and associated expense devoted to receiving, handling, printing, mailing, and storing paper documents; reconciling erroneous or incomplete applications; and dealing with replacement titles. Although important, the effect of these benefits may be less pronounced for Iowa's county treasurers than for state motor vehicle administrators that were experiencing back-logs of weeks or months. Greater benefit is expected for larger counties that have a higher number of large dealers and handle a higher number of transfers. Doug Bishop, ISCTA President, Jasper County Treasurer provided the following comments:

> *The Iowa State County Treasurers Association (ISCTA) believes the implementation of ELT transactions (first phase) would be a positive step for county treasurer's offices.*
>
> 1. *There would be limited cost (if any) to county offices to implement.*
> 2. *There would be little change in the lien application process.*
> 3. *Once completed, the electronic lien would be stored safely and securely on the state motor vehicle record system.*
> 4. *The [ISCTA] expects the number of replacement title requests would decline.*
> 5. *Fewer replacements would mean a reduced possibility of using an obsolete version of a title when attempting a transfer of ownership, [which] results in delays and confusion in transfers . . . .*
> 6. *ISCTA expects only limited loss of revenue which would be offset by less time spent dealing with issues related to multiple replacement titles in circulation.*
>
> *E-Titling (title applications) would present a bigger challenge. Without changes that would be made to the consumer protection segments of the application for title (damage disclosures, mileage statements, signed applications showing original signatures of all applicants), the E-Titling process would involve more steps [than the current process] to complete the application process.*
>
> *Under current law, counties would still be required to review and approve all the forms necessary, to verify the information on the forms noted and, in addition [to] reconcile that information with the information submitted electronically.*
>
> *In Iowa's current system, records are maintained for every customer in Iowa, whether that customer is a vehicle owner, a dealer who buys/sell[s] vehicles, or a lien-holder who finances vehicles. The system tracks ownership history throughout the life of the vehicle.*

Iowa's system is built to allow the user to retrieve a vehicle record and make the connection of that record to the record of a new owner upon transfer. If a lien is applied for, the lien holder record is retrieved in the same manner. There is little in E-Titling transactions that would enhance this process for county staff.

The DOT believes Mr. Bishop's comments regarding continued submission and review of paper documents are consistent with the premise, as stated in the body of this report, that maintaining a system in which applications initiated electronically must be followed with additional or duplicate paper documents undermines the efficiencies sought, and that an electronic solution of the odometer statement is key to development of a system that is efficient for all stakeholders.

Appendix "C"
Estimated Benefits to Dealers

When considering the benefits to dealers of establishing a uniform statewide system to allow electronic transactions for the registration and titling of motor vehicles, it is important to remember that dealers are often at both ends of the transaction, both transferring a new or used vehicle to a buyer and receiving in trade a vehicle owned by the buyer. Dealers are accordingly involved in establishing liens for the financing of vehicles sold and are involved in the pay-off of loans against trade vehicles to obtain clear title to a trade vehicle. Benefits to dealers are expected to include the following:

- ELT transactions are expected to reduce the time needed to obtain release of a lien against a trade vehicle and avoid delays that threaten timely completion of the sale and/or disposition of the trade vehicle.
- Secure electronic titles that accurately reflect the ownership, lien and brand status of the trade vehicle and are not subject to tampering, counterfeiting, or other manipulation are expected to protect dealers from errors and fraud in the trade process.
- ELT transactions are expected to allow faster perfection of liens and confirmation to lien-holders, and better protect dealers against failed financing.
- EFT transactions by dealers would reduce or eliminate some paper processes, such as the need to print paper checks for payment of title transfer fees.
- EFT transactions through a single interface with the DOT/county treasurer would eliminate the need to maintain separate escrow accounts for each county in which title transactions are completed.
- If dealers are able to create and print a "registration applied for" card through an electronic interface with the DOT, they would not need to maintain and secure a stock of paper cards.
- "Registration applied for" cards issued electronically by a dealer could be integrated into the ARTS system just like a standard license plate number so that queries by law enforcement would be possible the moment the vehicle is driven away from the dealership. This may be seen as a benefit by customers and a resultant improvement in customer service for dealers who provide this service.
- The ability to submit documents electronically is expected to reduce time spent either delivering or mailing applications to the county office, and to decrease the turn-around time for completion of registration and titling. This may also be perceived as an improvement in customer service.
- The ability to complete applications electronically and in a manner that auto-populates vehicle and personal information from established data, precludes submission without completion of required fields, and includes stops that prevent up-front obvious errors that may be anticipated should reduce errors in the application process that require correction and repeat submissions, and may also improve consistency in the application process for dealers that process transactions in multiple counties.

Appendix "D"
Estimated Benefits to Consumers

The benefits to consumers of implementing a uniform statewide system to allow electronic transactions for the registration and titling of motor vehicles tend to coincide with the program benefits expected to inure to the benefit of the DOT as a primary goal of the DOT in the regulation of motor vehicle transfers is protection of the public. This is particularly true in the reduction of fraud and error in titles, damage disclosure statements, and odometer statements, and the reduction of lost titles and titles that are difficult to obtain or locate due to dealer or lender closings. Additionally, efficiencies gained by lenders and dealers are service gains for customers.

Bill Brauch, Director of the Iowa Attorney General's Consumer Protection Division and a member of the working group, provided the following remarks:

> *Electronic lien releases, in particular, would benefit consumers by fostering more prompt provision of certificates of title to buyers. Under the current paper title system, a consumer may purchase a vehicle before the dealer has paid off the prior owner's loan per the agreement with the prior owner. The dealer tells the consumer not to worry, that the title will come when the dealer pays off that loan. This causes problems when it happens in the days or weeks before a dealer goes out of business and fails to pay off that trade-in customer's loan.*
>
> *Such situations result in multiple-victimization in that the trade-in customer, the trade-in customer's lender, and the subsequent buyer from the dealer are harmed by the dealer's failure to pay off the trade-in customer's loan.*
>
> *The Consumer Protection Division assists consumers by filing claims on behalf of either the buyer or the trade-in customer for payment of the unpaid loan from the proceeds of the bond that Iowa law requires auto dealers to obtain. The bond proceeds are then used to pay off the trade-in customer's loan, resulting in the title being released to the buyer.*
>
> *This process can be time-consuming and may require some time to accumulate the substantiation needed to convince the bonding company to make payment. During this timeframe, the buyer from the dealer may not lawfully operate the vehicle upon expiration of temporary registration given that the trade-in customer's lender holds that title until the loan is paid in full, preventing the buyer from titling the vehicle in his or her name.*
>
> *[Although] a system utilizing ELT transactions will not necessarily eliminate all situations where lien-holders relating to loans of prior owners have possession of titles preventing buyers from obtaining title, it will reduce the incidence substantially, over time, by creating a market expectation of near-immediate trade-in loan payoffs which will dissuade dealers from sitting on the payoff sums. Also,*

because the title would no longer be a paper document in the possession of the trade-in customer's lender, but a notation in an electronic record, the automatic release of the lien upon full payment of the loan will no longer be dependent on the willingness of the lender to promptly process the payment and deliver the certificate of title to the next owner.

Consumers could benefit from electronic lien notation as it would result in lenders to Iowa car buyers more promptly obtaining liens thus, potentially, decreasing the cost of lending in Iowa and, therefore, potentially slightly reducing interest rates for Iowa borrowers.

Mr. Brauch added that he did not see a down-side for consumers if Iowa were to implement ELT, but did wish to reserve reservation on electronic odometer statements and damage disclosure statements implicated in ERT. The DOT understands his primary concern to be protection of the consumer in presentation and execution of electronic documents to assure that the consumer receives adequate and lawful disclosure of all information required by law and all information pertinent to the transaction, and that electronic execution by the consumer securely reflects the consumer's free, informed, and actual assent or acceptance. The DOT believes an electronic odometer statement that meets the federal requirements will adequately address these concerns, and will work closely with the Attorney General's office and its Consumer Protection Division as it develops and implements this solution.

Appendix "G"
Impact on Access to Private Information and Other Security Concerns

The implementation of electronic transactions is not expected to impact access to private information or to create security concerns that are different in nature or extent than those that already exist in the maintenance and exchange of vehicle and owner information. This is not to say that privacy and security concerns do not exist, but is only to say that the risks presented are not new and may be managed within existing systems, processes, and procedures. In particular, licensed automobile dealers already have trusted party access to specific record information through ARTS as permitted by the federal Driver Privacy Protection Act (DPPA) and Iowa law, and controls and protocols for that access should be continued where access is necessary to facilitate electronic transactions.

Information security is a critical consideration of an electronic application and filing system. Protecting customer data and ensuring security of data requires strategic and deliberate action by stakeholders at all levels. To minimize risks, security procedures and controls must be implemented during all phases of system planning, development and implementation. To ensure that privacy rights of individuals will not be violated, dealer/business partners and service providers must follow all applicable departmental, state and federal security and privacy laws, policies and standards. These security regulations, requirements and best practices assure the integrity and confidentiality of customer's data.