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2001 MAY -2 P 4: 29

OFFICE WEST VIRGINIA SECRETARY OF STATE

WEST VIRGINIA LEGISLATURE

FIRST REGULAR SESSION, 2001

ENROLLED

COMMITTEE SUBSTITUTE FOR House Bill No. 2961

(By Delegates Warner and Shelton)

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Passed April 14, 2001

In Effect Ninety Days from Passage

FILED

2001 MAY -2 P 4: 30

OFFICE WEST VIRGINIA SECRETARY OF STATE

ENROLLED

COMMITTEE SUBSTITUTE

FOR

H. B. 2961

(BY DELEGATES WARNER AND SHELTON)

[Passed April 14, 2001; in effect ninety days from passage.]

AN ACT to amend and reenact sections two, four, six, eight and eighteen, article six, chapter seventeen-a of the code of West Virginia, one thousand nine hundred thirty-one, as amended; and to further amend said article by adding thereto a new section, designated two-a, all relating to the establishment of a dealer recovery fund; setting forth legislative findings; creating a dealer recovery fund control board; promulgation of rules; providing for an annual dealer recovery fund fee; providing exemptions; requiring surety bonds; and providing for payment of claims.

Be it enacted by the Legislature of West Virginia:

That sections two, four, six, eight and eighteen, article six, chapter seventeen-a of the code of West Virginia, one thousand nine hundred thirty-one, as amended, be amended and reenacted; and that said article be further amended by adding a new section, designated two-a, all to read as follows:

ARTICLE 6. LICENSING OF DEALERS, WRECKERS OR DISMANTLERS; TATE OF SPECIAL PLATES; TEMPORARY PLATES OR MARK-ERS

§17A-6-2. Legislative findings, declaration of public policy and dealer recovery fund.

1 (a) The Legislature hereby determines and finds that in the 2 past some persons engaged in the business of selling new or 3 used motor vehicles, house trailers, trailers, recreational 4 vehicles, motorcycles, or used motor vehicle parts, and in the 5 business of wrecking or dismantling motor vehicles, have not 6 had the necessary qualifications, staff, equipment or facilities to adequately serve the public; that some persons engaged in the 7 8 businesses have made false and deceptive claims and advertise-9 ments to the public and have engaged in fraud and other illegal conduct: that certain citizens of this state have sustained 10 financial losses as a result thereof; and that in some of the cases 11 12 there has been no adequate means to prevent the conduct or 13 protect the interests of the citizens of West Virginia. It is, 14 therefore, declared to be the public policy of this state that the 15 business of new motor vehicle dealer, used motor vehicle dealer, house trailer dealer, trailer dealer, recreational vehicle 16 17 dealer, motorcycle dealer, used parts dealer, or wrecker or 18 dismantler, affects the general welfare of this state and its 19 citizens; that persons without the necessary qualifications, staff, 20 equipment or facilities to adequately serve the public, and 21 persons not of good character or who have or are likely to 22 attempt to misrepresent their product or engage in fraudulent or 23 other illegal conduct should not engage in these businesses; and 24 that the evils may best be prevented and the interests of the 25 public best served by requiring persons in the businesses to 26 meet the qualifications set forth in this article and to be licensed 27 by the commissioner of motor vehicles as provided in this article. 28

29 (b) The Legislature further determines and finds that there 30 exists a significant problem when a motor vehicle dealer goes 31 out of business or engages in business practices that cause 32 citizens or businesses of the affected community, as well as this 33 state substantial financial loss. It is, therefore determined, that 34 the creation of a dealer recovery fund is necessary as a remedial 35 measure to allow both the state and the citizens of this state to 36 recover any taxes which have not been properly remitted to the state and to provide financial relief to citizens, businesses and 37 38 other motor vehicle dealers who have suffered financial harm 39 through the failure of a motor vehicle dealer to properly fulfill 40 its responsibilities such as failure to properly release liens and 41 deliver clear title in motor vehicle transactions.

§17A-6-2a. Dealer recovery fund created.

1 (a) There is hereby created a special fund in the state 2 treasury which is to be designated the "dealer recovery fund." 3 The fund shall consist of certain moneys received from persons 4 engaged in the business of selling new or used motor vehicles, 5 new or used motorcycles, trailers, semi-trailers or recreational 6 vehicles or from grants, gifts, bequests or awards arising out of 7 the settlement or adjudication of a claim. The fund is not to be 8 treated by the auditor and treasurer as part of the general 9 revenue of the state. The fund is to be a special revolving fund paid out upon order of the commissioner of motor vehicles 10 based on the recommendation of the dealer recovery fund 11 12 control board created in this section, solely for the purposes 13 specified in this section. The commissioner may use up to one 14 percent of funds from the dealer recovery fund for the adminis-15 trative expenses of operating the dealer recovery fund program.

(b) The dealer recovery fund control board shall consist of
the commissioner of motor vehicles or his or her designee, the
attorney general's designee representing the office of consumer
protection and one representative selected by the motor vehicle

20 dealer's advisory board. The commissioner of motor vehicles 21 or his or her designee shall serve as chair and the board shall 2.2 meet at least once a year during the month of July, and as 23 required by the commissioner. The commissioner may propose 24 rules for promulgation in accordance with article three, chapter 25 twenty-nine-a of this code that are necessary to effectuate the 26 provisions of this section. The commissioner may employ the 27 necessary staff needed to operate the program. The board may 28 prorate the amount paid on claims when the amount of valid 29 claims submitted would exceed thirty-three percent of the fund. 30 However, claims presented by the division of motor vehicles for 31 taxes and fees shall be paid in full. The board may purchase 32 insurance at a cost not to exceed one percent of the fund to 33 cover extraordinary or excess claims from the fund.

(c) Every applicant for either an original dealer license or
renewal of an existing dealer license of the type enumerated in
subsection (a) of this section shall pay, in addition to any other
license fee, an annual dealer recovery fund fee of one hundred
and fifty dollars. All dealers shall continue to maintain a surety
bond as required by this article and the dealer recovery fund
payment unless exempt by one of the following requirements:

41 (1) Any dealer who, for the three years immediately 42 preceding assessment of the fees, has not had a claim paid 43 against their bond or against the dealer recovery fund, whose 44 license has not been suspended or revoked and who has not 45 been assessed any civil penalties is not required to continue to 46 keep the bond required by this article. However, no dealer can 47 submit a claim against the fund unless it has contributed to the 48 fund for at least three years.

49 (2) If the dealer recovery fund reaches or exceeds the
50 amount of three million dollars as of the first day of July of any
51 year, a dealer who meets the requirements of subdivision (1) of
52 this subsection, is exempt from payment of the annual dealer

Figure 53 recovery fund fee. However, if the fund should, as of the first day of April of any year, drop below three million dollars, all dealers, regardless of any previous exemption shall pay the annual dealer recovery fee of one hundred fifty dollars. The exemption prescribed in subdivision (1) of this subsection remains in effect regardless of the status of the fund.

(d) The dealer recovery fund control board may consider
payment only after any dealer surety bond required pursuant to
the provisions of section four of this article has been exhausted.

62 (e) When the fund reaches two hundred fifty thousand63 dollars, the board shall consider claims for payment.

64 (f) Claims against the fund are not to be made for any act
65 or omission which occurred prior to the first day of July, two66 thousand and two.

67 (g) Claims for payment shall be submitted within six
68 months of the date of sale or the date the division is made aware
69 of the claim.

70 (h) The board shall pay claims in the following order:

(1) Claims submitted by the division of motor vehicles forunpaid taxes and fees;

(2) Claims submitted by a retail purchaser of a vehicle from
a dealer covered by the fund with an undisclosed lien or a retail
purchaser of a vehicle from a dealer covered by the fund who
finds that the lien on the vehicle traded in has not been satisfied
by the selling dealer if the lien satisfaction was a condition of
the purchase agreement;

(3) Claims submitted by a motor vehicle dealer contributing
to the fund, which has purchased a vehicle or vehicles from
another dealer covered by the fund with an undisclosed lien; or

(4) Claims submitted by a retail purchaser of third party
goods or services from a dealer covered by the fund for the
unpaid charges when the dealer fails to pay the third party for
the goods or services.

86 (i) The maximum claim against the fund for any unpaid lien 87 of a used vehicle is the unpaid balance of the lien up to the loan value of the vehicle as of the date of the sale or other transac-88 89 tion as shown by a generally accepted motor vehicle value 90 guide. The maximum claim against the fund for any new or 91 unused vehicle is the amount of the invoice less any amounts 92 rebated or to be rebated to the dealer from the manufacturer. 93 Payment is only to be made to a secured party who agrees to 94 accept payment from the dealer recovery fund and who accepts 95 the payment in full settlement of any claims, and who releases 96 the lien and the title, if applicable, prior to receiving payment. 97 Any dealer who agrees to accept payment from the dealer 98 recovery fund shall release the title prior to receiving payment.

99 (j) On payment by the board to a claimant from the fund, 100 the board shall immediately notify the licensee against whom 101 a claim was paid and request full reimbursement within thirty 102 days of notification. If a dealer fails to fully reimburse the 103 board within the specified period of time, the commissioner 104 shall immediately and without prior hearing revoke the dealer 105 license of dealer against whom the claim was paid. No appli-106 cant with an unpaid claim is eligible for renewal or relicensure 107 until the full amount of the reimbursement plus interest as determined by the board is paid to the fund. Nothing in this 108 109 section shall limit the authority of the commissioner to suspend, 110 revoke or levy civil penalties against a dealer, nor shall full 111 repayment of the amount owed to the fund necessarily nullify 112 or modify the effect of any action by the commissioner.

(k) Nothing in this section shall limit the right for anyperson to seek relief though civil action against any otherperson.

(1) The provisions of this section do not apply to those class
DTR dealers in the business of selling manufactured housing
and covered by the state manufactured housing recovery fund
established by the division of labor pursuant to a legislative
rule.

§17A-6-4. Application for license certificate; insurance; bonds; investigation; information confidential.

(a) Application for any license certificate required by 1 2 section three of this article shall be made on a form prescribed 3 by the commissioner. There shall be attached to the application a certificate of insurance certifying that the applicant has in 4 5 force an insurance policy issued by an insurance company authorized to do business in this state insuring the applicant and 6 7 any other person, as insured, using any vehicle or vehicles 8 owned by the applicant with the express or implied permission of the named insured, against loss from the liability imposed by 9 10 law for damages arising out of the ownership, operation, 11 maintenance or use of the vehicle or vehicles, subject to 12 minimum limits, exclusive of interest and costs, with respect to each vehicle, as follows: Twenty thousand dollars because of 13 14 bodily injury to or death of one person in any one accident and, 15 subject to the limit for one person, forty thousand dollars 16 because of bodily injury to or death of two or more persons in 17 any one accident, and ten thousand dollars because of injury to 18 or destruction of property of others in any one accident.

(b) In the case of an application for a license certificate to
engage in the business of new motor vehicle dealer, used motor
vehicle dealer or house trailer dealer, the application shall
disclose, but not be limited to, the following:

(1) The type of business for which a license certificate issought;

(2) If the applicant is an individual, the full name and
address of the applicant and any trade name under which he or
she will engage in the business;

(3) If the applicant is a copartnership, the full name and
address of each partner in the copartnership, the name of the
copartnership, its post-office address and any trade name under
which it will engage in the business;

32 (4) If the applicant is a corporation, its name, the state of its
33 incorporation, its post-office address and the full name and
34 address of each officer and director of the corporation;

(5) The location of each place in this state at which the
applicant will engage in the business and whether the business
is owned or leased by the applicant;

(6) Whether the applicant, any partner, officer or director
of the business has previously engaged in the business or any
other business required to be licensed under the provisions of
this article and if so, with or for whom, at what location and for
what periods of time;

(7) Whether the applicant, any partner, officer, director or
employer of the business has previously applied for a license
certificate under the provisions of this article or a similar
license certificate in this or any other state, and if so, whether
the license certificate was issued or refused, and, if issued,
whether it was ever suspended or revoked;

49 (8) A statement of previous general business experience50 and the past history of the applicant; and

51 (9) Any other information that the commissioner may 52 reasonably require which may include information relating to 53 any contracts, agreements or understandings between the 54 applicant and other persons respecting the transaction of the

business, and any criminal record of the applicant if an individual, or of each partner if a copartnership, or of each officer and
director, if a corporation.

58 (c) In the case of an application for a license certificate to 59 engage in the business of new motor vehicle dealer, the 60 application shall, in addition to the matters outlined in subsec-61 tion (b) of this section disclose:

62 (1) The make or makes of new motor vehicles which the63 applicant will offer for sale in this state during the ensuing64 fiscal year; and

65 (2) The exact number of new and used motor vehicles, if 66 any, sold at retail and wholesale by the applicant or his or her 67 predecessor, if any, during the preceding fiscal year, and if no 68 new and used motor vehicles were sold at retail and wholesale 69 by the applicant or his or her predecessor, if any, during the 70 preceding fiscal year, the number of new and used motor 71 vehicles the applicant reasonably expects to sell at retail and 72 wholesale during the ensuing fiscal year.

73 (d) In the case of an application for a license certificate to 74 engage in the business of used motor vehicle dealer, the 75 application shall in addition to the matters outlined in subsec-76 tion (b) of this section, disclose the exact number of used motor 77 vehicles, if any, sold at retail and wholesale by the applicant or 78 his or her predecessor, if any, during the preceding fiscal year, 79 and if no used motor vehicles were sold at retail and wholesale 80 by the applicant or his or her predecessor, if any, during the preceding fiscal year, the number of used motor vehicles the 81 82 applicant reasonably expects to sell at retail and wholesale 83 during the ensuing fiscal year.

(e) In the case of an application for a license certificate to
engage in the business of trailer dealer, recreational vehicle
dealer, motorcycle dealer, used parts dealer or wrecker/

- 87 dismantler/rebuilder, the application shall disclose any informa-
- 88 tion that the commissioner may reasonably require.

89 (f) The application shall be verified by the oath or affirma-90 tion of the applicant, if an individual, or if the applicant is a copartnership or corporation, by a partner or officer thereof, as 91 92 the case may be. Except as provided in section two-a of this 93 article, the application shall be accompanied by a bond of the 94 applicant in the penal sum of ten thousand dollars, in the form 95 prescribed by the commissioner, conditioned that the applicant 96 will not in the conduct of his or her business practice any fraud 97 which, or make any fraudulent representation which, shall cause 98 a financial loss to any purchaser, seller or financial institution 99 or agency, or the state of West Virginia, with a corporate surety 100 thereon authorized to do business in this state. The bond shall 101 be effective as of the date on which the license certificate 102 sought is issued.

103 (g) Upon receipt of any fully completed application, 104 together with any bond required under subsection (f) of this 105 section, the certificate of insurance as required in subsection (a) 106 of this section and the appropriate fee provided for in section 107 ten of this article, the commissioner may conduct any investiga-108 tion he or she considers necessary to determine the accuracy of 109 any statements contained in the application and the existence of 110 any other facts which he or she considers relevant in consider-111 ing the application. To facilitate the investigation, the commis-112 sioner may withhold issuance or refusal of the license certifi-113 cate for a period not to exceed twenty days.

(h) Any application for a license certificate under the
provisions of this article and any information submitted with
the application is confidential for the use of the division. No
person shall divulge any information contained in any application or any information submitted with the application except

in response to a valid subpoena or subpoena duces tecum issuedpursuant to law.

§17A-6-6. Refusal or issuance of license certificate; license certifi-

cate not transferable.

1 (a) Upon the basis of the application and all other informa-2 tion before him or her, the commissioner shall make and enter 3 an order denying the application for a license certificate and refusing the license certificate sought. The denial and refusal 4 are final and conclusive unless an appeal is taken in accordance 5 6 with the provisions of section twenty-one of this article, if the 7 commissioner finds that the applicant (individually, if an 8 individual, or the partners, if a copartnership, or the officers and 9 directors, if a corporation):

(1) Has failed to furnish the required bond unless otherwise
exempt under the provisions of section two-a of this article;

(2) Has failed to furnish the required certificate of insur-ance;

(3) Has knowingly made false statement of a material factin his or her application;

16 (4) Has habitually defaulted on financial obligations in this17 state or any other state or jurisdiction;

(5) Has been convicted of a felony: *Provided*, That upon
appeal, the motor vehicle dealers advisory board established
pursuant to the provisions of section eighteen-a of this article
may grant as exemption of this restriction if the felony did not
involve financial matters, the motor vehicle industry or matters
of moral turpitude.

(6) So far as can be ascertained, has not complied with and
will not comply with the registration and title laws of this state
or any other state or jurisdiction;

(7) Does not or will not have or maintain at each place of
business (subject to the qualification contained in subdivision
(17), subsection (a), section one of this article with respect to a
new motor vehicle dealer) an established place of business as
defined for the business in question in that section;

(8) Has been convicted of any fraudulent act in connection
with the business of new motor vehicle dealer, used motor
vehicle dealer, house trailer dealer, trailer dealer, recreational
vehicle dealer, motorcycle dealer, used parts dealer, or wrecker
or dismantler in this state or any other state or jurisdiction;

(9) Has done any act or has failed or refused to perform any
duty for which the license certificate sought could be suspended
or revoked were it then issued and outstanding;

40 (10) Is not age eighteen years or older;

41 (11) Is delinquent in the payment of any taxes owed to the
42 United States, the state of West Virginia or any political
43 subdivision thereof;

44 (12) Has been denied a license in another state or has been45 the subject of license revocation or suspension in another state;

46 (13) Has committed any action in another state which, if it
47 had been committed in this state, would be grounds for denial
48 and refusal of the application for a license certificate;

49 (14) Has failed to pay any civil penalty assessed by this50 state or any other state; or

51 (15) Has failed to reimburse when ordered, any claim
52 against the dealer recovery fund as prescribed in section two-a
53 of this article.

54 Otherwise, the commissioner shall issue to the applicant the 55 appropriate license certificate which entitles the licensee to 56 engage in the business of new motor vehicle dealer, used motor vehicle dealer, house trailer dealer, trailer dealer, recreational
vehicle dealer, motorcycle dealer, used parts dealer, or wrecker
or dismantler, as the case may be, during the period, unless
sooner suspended or revoked, for which the license certificate
is issued.

62 (b) A license certificate issued in accordance with the 63 provisions of this article is not transferable.

§17A-6-8. Form and display of license certificate or certified copy thereof; obtaining certified copy of license certificate; bond.

1 (a) The commissioner shall prescribe the form of license certificate for each type of business required to be licensed 2 3 under the provisions of this article, and each license certificate 4 shall have printed on it the seal of the division and any other 5 information prescribed by the commissioner, and shall show as to any licensee the location of each place of business of the 6 7 licensee. The license certificates for each type of business shall 8 show the year for which issued and shall be serially numbered. 9 The license certificate shall be delivered or mailed to the 10 licensee

11 (b) When a licensee conducts his or her licensed business 12 at more than one location, he or she shall, upon application 13 therefor, obtain from the commissioner for each place of 14 business one certified copy of his or her license certificate. A fee of one dollar shall be paid for each certified copy. Each 15 16 licensee shallkeep his or her license certificate or certified copy 17 of the license certificate conspicuously posted at each place of 18 business.

(c) A licensee shall keep the bond, unless otherwise exempt
by section two-a of this article, and liability insurance required
by section four of this article in full force and effect at all times.
The aggregate liability of the surety in no event shall exceed the

principal sum of the bond. The surety on the bond shall have the
right to cancel the bond upon giving thirty days' notice to the
commissioner and thereafter shall be relieved of liability for
any breach of condition occurring after the effective date of the
cancellation.

(d) In the event of the loss or destruction of a license
certificate or a certified copy of a license certificate, the
licensee shall immediately make application for a certified copy
of the license certificate. A fee of one dollar shall be required
for any certified copy.

§17A-6-18. Investigation; matters confidential; grounds for suspending or revoking license or imposing fine; suspension and revocation generally.

(a) The commissioner may conduct an investigation to 1 2 determine whether any provisions of this chapter have been or 3 are about to be violated by a licensee. Any investigation shall be kept in strictest confidence by the commissioner, the 4 5 division, the licensee, any complainant and all other persons, unless and until the commissioner suspends or revokes the 6 7 license certificate of the licensee involved or fines the licensee: *Provided*. That the commissioner may advise the motor vehicle 8 9 dealers advisory board of pending actions and may disclose to 10 the motor vehicle dealers advisory board any information that 11 enables it to perform its advisory function in imposing penal-12 ties. The commissioner may suspend or revoke a license 13 certificate, suspend a special dealer plate or plates, impose a fine or take any combination of these actions, if the commis-14 15 sioner finds that the licensee:

(1) Has failed or refused to comply with the laws of this
state relating to the registration and titling of vehicles and the
giving of notices of transfers, the provisions and requirements
of this article, or any reasonable rules authorized in section

nine, article two of this chapter and promulgated to implement
the provisions of this article by the commissioner in accordance
with the provisions of article three, chapter twenty-nine-a of
this code;

(2) Has given any check in the payment of any fee requiredunder the provisions of this chapter which is dishonored;

26 (3) In the case of a dealer, has knowingly made or permit27 ted any unlawful use of any dealer special plate or plates issued
28 to him or her;

(4) In the case of a dealer, has a dealer special plate orplates to which he or she is not lawfully entitled;

(5) Has knowingly made false statement of a material fact
in his or her application for the license certificate then issued
and outstanding;

34 (6) Has habitually defaulted on financial obligations;

(7) Does not have and maintain at each place of business,
subject to the qualification contained in subdivision seventeen,
subsection-a, section one of this article with respect to a new
motor vehicle dealer) an established place of business as
defined for the business in question in section one of this
article;

41 (8) Has been guilty of any fraudulent act in connection with
42 the business of new motor vehicle dealer, used motor vehicle
43 dealer, house trailer dealer, trailer dealer, motorcycle dealer,
44 used parts dealer, or wrecker or dismantler;

45 (9) Has defrauded or is attempting to defraud any buyer or
46 any other person, to the damage of the buyer or other person, in
47 the conduct of the licensee's business;

48 (10) Has defrauded or is attempting to defraud the state or 49 any political subdivision of the state of any taxes or fees in connection with the sale or transfer of any vehicle; 50 51 (11) Has committed fraud in the registration of a vehicle; 52 (12) Has knowingly purchased, sold or otherwise dealt in a stolen vehicle or vehicles: 53 54 (13) Has advertised by any means, with intent to defraud, 55 any material representation or statement of fact which is untrue, misleading or deceptive in any particular relating to the conduct 56 of the licensed business: 57 58 (14) Has willfully failed or refused to perform any legally 59 binding written agreement with any buyer; 60 (15) Has made a fraudulent sale or purchase; 61 (16) Has failed or refused to assign, reassign or transfer a 62 proper certificate of title; 63 (17) Has a license certificate to which he or she is not 64 lawfully entitled; 65 (18) Has misrepresented a customer's credit or financial 66 status to obtain financing; or 67 (19) Has failed to reimburse when ordered, any claim 68 against the dealer recovery fund as prescribed in section two-a of this article. 69 70 The commissioner shall also suspend or revoke the license 71 certificate of a licensee if he or she finds the existence of any 72 ground upon which the license certificate could have been 73 refused, or any ground which would be cause for refusing a 74 license certificate to the licensee were he or she then applying for the license certificate. 75

76 (b) Whenever a licensee fails or refuses to keep the bond, 77 unless exempt from the requirement pursuant to section two-a 78 of this article, or liability insurance required by section four of 79 this article in full force and effect, the commissioner shall automatically suspend the license certificate of the licensee 80 81 unless and until a bond or certificate of insurance as required by 82 section four of this article is furnished to the commissioner. 83 When the licensee furnishes the bond or certificate of insurance 84 to the commissioner, the commissioner shall vacate the 85 suspension.

86 (c) Suspensions under this section shall continue until the 87 cause for the suspension has been eliminated or corrected. 88 Revocation of a license certificate shall not preclude application 89 for a new license certificate. The commissioner shall process 90 the application for a new license certificate in the same manner 91 and issue or refuse to issue the license certificate on the same 92 grounds as any other application for a license certificate is 93 processed, considered and passed upon, except that the commis-94 sioner may give any previous suspension and the revocation 95 such weight in deciding whether to issue or refuse the license 96 certificate as is correct and proper under all of the circum-97 stances.

That Joint Committee on Enrolled Bills hereby certifies that the foregoing bill is correctly enrolled.

Chairman Senate Committee Chairman House Computtee

Originating in the House.

In effect ninety days from passage.

Clerk of the Senate

~ h. Bin Clerk of the House of Delegates President of the Senate

Speaker of the House of Delegates

54 The within (this the day of 2001. Governor

PREGENTED R GOVERINGR Date_____37/01 Timo____30pr

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