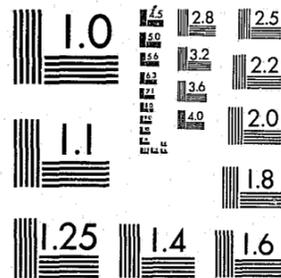


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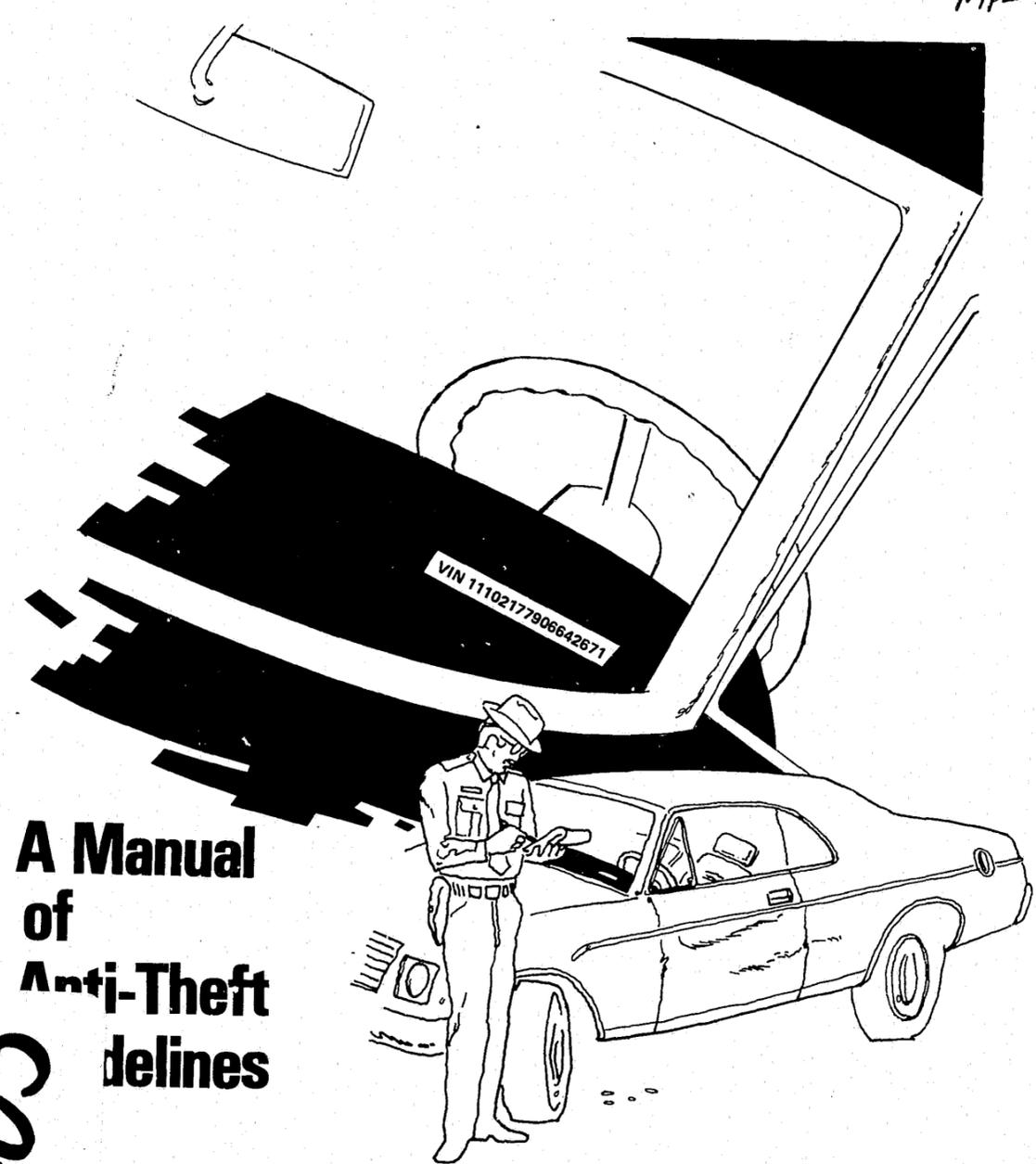
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# A Manual of Anti-Theft delines

## ite Motor Vehicle Titling Programs

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U.S. DEPARTMENT OF TRANSPORTATION □ National Highway Traffic Safety Administration  
400 Seventh St. S.W., Washington, D.C.

## FOREWORD

The National Highway Traffic Safety Administration (NHTSA) has been involved with anti-theft activities since its origin. Early on, two motor vehicle safety standards were issued which impacted on vehicle anti-theft security systems design. Federal Motor Vehicle Safety Standard (FMVSS) Number 114 requires that each passenger car have a key-locking system that, whenever the key is removed, prevents normal activation of the car's engine and also prevents either steering or self-mobility of the car or both. Federal Motor Vehicle Safety Standard Number 115 specifies content and format of a number to facilitate identification of a vehicle, and specifies permanent affixing of the number on the vehicle.

Highway Safety Program Standard Number 2, Motor Vehicle Registration, provides guidelines for State Motor Vehicle Administrators concerning identification of vehicles and owners, and assistance in prevention and recovery of stolen vehicles. However, these guidelines and other materials issued to date have not attacked the problem of fencing of stolen vehicles through the State titling process. Appendix B is NHTSA's recommendations for a motor vehicle, titling, and anti-theft guideline program. It is supported by this manual of procedures and should aid States in starting or expanding a State program to prevent or reduce the incidence of motor vehicle theft for profit. Implementation of the procedures suggested in the manual is directed toward the detection of stolen vehicles before they are fenced under the cloak of legitimate ownership documents.

NHTSA's concern about the stolen vehicle problem has been reinforced by the formation of the Federal Interagency Committee on Auto Theft Prevention, which is cochaired by the Departments of Transportation and Justice. The Departments of State, Commerce and Treasury are also members. The purpose of the Committee is to coordinate national measures to help reduce the number and rate of stolen vehicles. The development and publication of this manual has been carried out in coordination with this Committee.

To provide a broader forum for consideration of auto-theft prevention measures, NHTSA has worked with the registration subcommittee of the National Committee on Uniform Traffic Laws and Ordinances. During the August 1979 meeting of the National Committee, the membership adopted many of the proposed anti-theft amendments to the Uniform Vehicle Code. NHTSA believes broad national agreement exists which supports increased Federal-State activity in this important area. NHTSA recommends and encourages the States to use all available sources of information and available highway safety grant funds to attack this problem in accordance with the guidelines and procedures recommended in this manual.

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ACQUISITIONS

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## Chapter I INTRODUCTION

### A. Summary of the Vehicle Theft Problem

The problem of motor vehicle thefts has increased significantly during the past decade. Vehicle thefts currently total about one million annually, with reported vehicle thefts for the first half of 1979 showing an increase of 13 percent over the same period of 1978. The percentage of stolen motor vehicles that are never located or recovered is about 30 percent overall, although the figures for selected vehicle types and individual jurisdictions may vary. Typically, the percentage of unrecovered motorcycles is approximately 40-50 percent. Three alternative theories exist to explain the inability of police and other interested agencies to locate missing vehicles:

1. The vehicles have been cannibalized for component parts and scrap, and identifiable portions of the vehicle no longer exist.
2. The vehicles have been altered and a new identity created, and then fraudulently retitled.
3. The vehicles have been exported and are no longer in the United States.

Unrecovered stolen vehicles are a result of commercial/professional theft operations that use the methods of operation identified above.

The detection of stolen vehicles has not always been viewed by motor vehicle administrators as a function within the scope of their responsibilities. Increasing recognition and concern about abuses of the titling program related to vehicle theft have altered this view. The increased interest of these administrators is much in evidence in the discussions and activities of representative organizations such as the American Association of Motor Vehicle Administrators (AAMVA) and the International Association of Chiefs of Police (IACP).

### B. Relationship of the Title Process to Vehicle Theft

It has long been believed by officials concerned with vehicle theft problems that a majority of unrecovered stolen vehicles are still in use, albeit operating under the cover of a new identity, supported by legitimate and properly issued title and registration documents. There is ample evidence that large numbers of stolen vehicles annually receive a false identity and are undetected in the title review process.

Whether as a result of title program deficiencies or abuses, commercial/professional theft operations may obtain legitimate and State approved titles to stolen vehicles as a result of the following:

1. **Title by mail**—New titles are issued that are unsupported by previous official evidence of ownership, with no required examination of the vehicle for which the title was issued.
2. **Fraudulent use of official documents**—Documents are often altered, counterfeited or stolen.
3. **Lack of physical examination**—Titles are issued without any inspection of the vehicle or verification of the data presented as evidence of ownership.

The adoption of State procedures directed toward the reduction of these abuses of the system should increase the potential for detection of stolen vehicles and misuse of the titling process.

A comprehensive anti-theft program as is suggested throughout this manual, should reduce the number of fraudulently titled vehicles, counteract the market for stolen vehicles, and ultimately, the incidence of motor vehicle theft.

## Chapter II THE PROBLEM

This chapter of the manual summarizes the titling and registration process and identifies the points in the process that are susceptible to the techniques that are employed to conceal the identity of stolen motor vehicles and thereby, obtain valid titles and registration documents.

### A. Techniques to Re-Title Stolen Vehicles

The techniques that are described in the following paragraphs are common to commercial/professional vehicle theft operations throughout the United States.

#### 1. Salvage Switch

The salvage switch is the most commonly encountered tactic that is employed to conceal the true character and identity of a stolen vehicle. The thief may dispose of the vehicle by sale to an unsuspecting party without first registering the vehicle, or after obtaining legitimate ownership/registration documentation based on the apparent legitimate identity of the vehicle.

Although the salvage switch process is relatively simple, other factors, such as lack of control of ownership documents, combine to create a complex series of procedures which make detection of the "switched" stolen vehicle extremely difficult. The following is a summary of the typical circumstances and problems associated with salvage (total loss) vehicles and ownership document control.

- a. A total loss settlement occurs between an insurance company and the insured party when the insured vehicle is extensively damaged in some manner, or stolen and not recovered. In the case of damage to the vehicle, the settlement is usually made because the estimated cost of repairs exceeds the fair market value of replacement cost of the vehicle. In the "settlement due to damage" situation the insurer may cause a transfer of title for the vehicle, from the insured to another party such as a dismantler. In this instance the insurance company may (or may not) send notice of the transaction and the executed ownership certificate to the State Motor Vehicle Department (DMV). The insurer may also provide the third party buyer with a Salvage Bill of Sale, as evidence of ownership. As an alternative, the insured might retain ownership of the damaged vehicle, in which case the DMV may or may not be informed of this disposition.
- b. In a situation where the settlement is for a total loss unrecovered theft, the insurer generally receives title to the missing vehicle. However, procedures developed for total loss processing generally are intended to insure notification to DMV of an extensively damaged vehicle and to impose certain safety requirements, whenever the vehicle is restored to operation. Therefore, the procedures for total loss reporting of stolen vehicles generally do not anticipate the use of this process to conceal the identity of stolen motor vehicles.
- c. State laws generally do not address the transfer of ownership or disposition of ownership documents in the case of a total loss settlement for an unrecovered stolen vehicle. DMV registration procedures usually require only that the transfer to the insurer be accompanied by an explanatory statement of facts indicating the reason for the transfer.
- d. Once the transfer is completed, the recovered vehicle, if the vehicle is recovered, becomes the property of the insurance company regardless of condition and is usually sold at auction or to a salvage/dismantler dealer. In some States specific notice and registration procedures become operable if a dismantler acquires the recovered vehicle. Otherwise, the transfer of ownership of the vehicle following the total loss insurance settlement is generally handled as a "normal" transaction by the DMV.

The above described situations demonstrate the conditions and procedures that commonly exist to make both valid ownership documents and salvage vehicle available to the thief. At this point the method of the salvage switch becomes more direct.

- a. The thief obtains the salvage vehicle and some type of legitimate documentation that is associated with the vehicle.
- b. A vehicle similar in year, make, and model to the salvage vehicle is stolen and, using the salvage VIN plate, license plates, and any other identifiers, it is converted to the identity of the salvage vehicle (the remaining component parts of the salvage vehicle may be stripped and sold, or the salvage hulk is abandoned).

This tactic can be successfully employed using the original registration/title documents, a bill of sale, or similar record of transfer of ownership for the salvage vehicle, or fraudulent documents. Titling procedures for the "revived" salvage vehicle which do not require the physical inspection of the vehicle by a trained, experienced examiner are generally inadequate to deter or discover this method of concealing the identity of the stolen vehicle.

## 2. Altered or Stolen Vehicle Identification Numbers (VIN)

This method is closely related to the salvage switch and involves the use of a legitimate VIN to conceal the identity of the stolen vehicle in order to obtain registration documents. The VIN plate is a plate attached in a visible place on the vehicle which contains the unique identification number assigned by the manufacturer to the particular vehicle. The current NHTSA safety standard requires the VIN plate for passenger cars to be attached within the passenger compartment and be visible through the windshield (FMVSS No. 115).

Typically, a VIN plate is stolen from a vehicle that may be parked, stored, or in a damaged condition. The fact that the VIN plate is missing is not normally discovered for an extended period of time and, as a result, the VIN may successfully "cover" a stolen vehicle. The stolen VIN plate is attached to a stolen vehicle of the year, make, and model similar to the vehicle from which the plate was stolen. The vehicle may then be sold directly, or retitled in a State other than the one in which the theft occurred, employing fraudulent documents prepared for the vehicle.

Another method of altering the VIN plate has been employed with late model vehicles on which the VIN plate is attached to the dashboard. The method requires the alteration or complete replacement of the "hot" VIN with similar appearing numbers that are not likely to be listed as stolen with law enforcement agencies. Techniques employed to alter or replace these VIN plates strips include plastic tape, paint, and prepared metal plates.

This method of concealing the identity of a stolen vehicle does not initially involve or employ specific weaknesses in DMV procedures concerning document control. To be successful, however, the registration of the stolen vehicle is usually attempted in those States where vehicle titling procedures do not require:

- a. Physical inspection of ownership documents, the vehicle, and the VIN at the time of retitling.
- b. Verified ownership documents be presented at the time of retitling, and/or specific review of out-of-state registrations or special examination for fraudulent documents.

## 3. Fraudulent Documents

Many attempts to conceal and re-register/retitle stolen vehicles require both the alteration of the VIN and the use of fraudulent documentation. The most common types and uses of fraudulent documents are described below:

### 3.1 Counterfeit Documents

The use of counterfeit documents (e.g., a simulated state-issued title certificate) is generally indicative of commercial/professional vehicle theft operations. Commercial printing processes are able to produce high quality reproductions of nearly all of the title documents in use throughout the country. The use of counterfeit title documents is

most prevalent in interstate registration of a stolen vehicle, where registration is sought in a State other than the State of original title issue. The use of the fraudulent document in this manner serves to minimize the possibility of detection, due to the lack of familiarity of State officials with foreign State title documents that are tendered as evidence of vehicle ownership.

Counterfeit documents are most commonly utilized in one of the following transactions:

- a. To conceal the identity of a stolen vehicle that is presented for registration following a salvage switch operation. The counterfeit documents (assuming legitimate ownership papers were not available when the salvage vehicle was obtained) are (a) offered to obtain current registration and ownership records for the vehicle, or (b) to support the direct sale of the stolen vehicle to an unsuspecting buyer, often including a used automobile dealer.
- b. To record an apparent change of ownership on the vehicle and obtain a genuine title, for a fictitious party, which may later be used to sell the vehicle. This transaction most often takes place in a State other than the State that issued the title document. This transaction is particularly suited for use in those States where title laws have been recently enacted and older vehicles are excluded from the provisions of the new law.
- c. To support the sale of a stolen vehicle to an innocent buyer without attempting to conceal the true character or identity of the vehicle. This method simply requires the use of a counterfeit title, accurately describing the vehicle but bearing a fictitious name, to record the transfer of ownership during a direct sale of the vehicle between two private parties (the thief and the buyer). The innocent purchaser may be located through newspaper ads, contact in bars, garages, etc., and may include used automobile dealers. This tactic is especially effective where the close inspection of the title and a DMV registration check of the vehicle at the time of sale are not probable.

In addition to counterfeit title documents, two other items may be fraudulently produced and offered as evidence of ownership. These documents are:

- a. Bill of sale—tendered to demonstrate an apparent change of ownership in support of the application for title and registration.
- b. Manufacturer Certificate of Origin (MCO)—produced as proof of ownership in support of an application for original title and registration. This document is commonly associated with late model (or "new") domestic vehicles or with imported vehicles.

### 3.2 Altered Documents

The use of legitimate documents, altered to correspond to the identifiers of the vehicle for which registration is sought, is another technique that is employed to obtain current documents for a stolen vehicle. Alteration of the document may be attempted using a variety of methods to defeat (or attempt to avoid) the "safety" characteristics of the title paper, including, as examples:

- a. "Washing" and "weathering" the document to minimize color, color contrasts, erasures, and other evidence of alteration.
- b. Bleach and re-typing of selected letters or digits to create the desired identifiers.
- c. Partial destruction of the document, including portions of the information that is to be altered.

The actual incidence of use of altered documents at the State registration process is difficult to assess. The most common use is believed to occur during the direct sale of the vehicle to an innocent buyer. The use of altered documents are particularly appropriate however, when:

- a. Title documents are issued over-the-counter, at the time of application and without reference to a master title record for the vehicle.
- b. Multiple documents provide carbon copies of the title which are given to the owner of the vehicle.

- c. Safety characteristics such as special paper, inks, or printing processes, are not incorporated in the title document.
- d. Photocopied documents are employed and accepted as legitimate evidence of title and registration.

### 3.3 Stolen Documents

The use of stolen title and/or registration documents has increased in recent years. For example, stolen documents from Canada enable the fraudulent registration of stolen vehicles in Canada and, the importation and registration of Canadian stolen vehicles in the U.S. More importantly, the availability of these documents also allows the export of U.S. stolen vehicles to Canada.

Documents that describe currently registered vehicles or temporary operating permits stolen from automobile dealers are among the most commonly encountered forms of stolen ownership records. These documents may be altered if necessary to describe the stolen vehicle for which they are intended or, in the case of blank permits, completed in the original to create the impression of legitimacy. The incidence of thefts of blank title documents from DMV offices, leased State facilities and printing establishments, while infrequent, has caused considerable concern in those States where it has occurred.

## B. Weaknesses in the Titling/Registration Process

The vehicle theft techniques that are described in the previous subsection, when matched with a "generalized" or more common title/registration process, indicate the vulnerability of that process and identify the characteristics of the various points in the process which reduce the potential for detecting an attempt to register or retitle stolen vehicles. A summary analysis of the vulnerability of the title/registration process follows. The comments provided below are applicable to the generalized process and it must be recognized that variations are employed by individual States.

### 1. Document Intake and Processing

The intake process refers to the receipt of motor vehicle ownership documents by the Department of Motor Vehicles in conjunction with applications for titling non-resident (foreign) vehicles, re-titling local vehicles or recording changes in ownership. The documents submitted to DMV at this time are generally the current, existing title and registration certificates. Other documents (e.g., bill of sale, Manufacturer's Certificate of Origin, etc.) may be submitted, however, in lieu of missing or nonexistent title/registration records.

The intake process is susceptible to the receipt and acceptance of fraudulent documents when the following conditions exist:

- a. The absence of procedures which cause documents to be reviewed and inspected for indications of counterfeiting or alteration. Specifically, the intake process does not incorporate inspection of the document for integrity or interruption of the safety characteristics, or comparison with a known standard for evidence of counterfeiting.
- b. DMV counter clerks and supervisors are not specifically instructed nor trained to inspect and recognize indications of altered or counterfeit title/registration documents. Most DMV personnel who are experienced in document processing are aware of the more obvious evidence of potentially fraudulent documents. However, personnel are seldom trained in this aspect of their work nor is its importance adequately stressed. As a result, the review of documents is generally cursory as it relates to the detection of fraudulent ownership records.
- c. Foreign (outside the issuing State) title documents are accepted and a local title issued, often without determining the validity of the foreign title. Initially, when foreign title documents are received, they are usually processed without reference to a known standard or existing document security characteristics. The absence of this specific

inspection procedure, even on a random sample basis, provides the opportunity for the acceptance of invalid, altered, or counterfeit foreign title documents. Further, many States do not communicate with or return foreign documents to the States of origin and thereby preclude the possibility of the discovery by the issuing State of the fraudulent documents.

- d. The issue of new titles is often completed without reference to the existing master file for the motor vehicle in question or without confirmation of the validity of the foreign title, in the case of non-resident vehicles. The potential for the acceptance of undetected fraudulent documents and the issuance of new valid title/registration records is particularly great where the "over-the-counter" title process is employed.
- e. New titles are issued without reference to a regional or statewide stolen vehicle file or the automated Stolen Vehicle File maintained by the National Crime Information Center (NCIC). While the volume of routine ownership transfer/retitle transactions might prohibit the routine inquiry of the system for all vehicles, this type of inquiry is uncommon in the titling/registration process, even for exceptional transactions. High theft hazard vehicles, restored salvage vehicles, and title transfers received from several specific States whose title processes are susceptible to misuse are appropriate subjects for local and NCIC inquiry during title document processing.

### 2. Vehicle Processing for Title/Registration

"Vehicle processing for title/registration" refers to those procedures that are employed to verify the identity of the vehicle for which title and registration documents are sought. These procedures are critical to the integrity of the titling process and any weakness in the system at this point severely impairs the ability of motor vehicle administrators to detect stolen vehicles. The absence of procedures providing for the physical inspection of motor vehicles, for which title is sought, is such a critical weakness. In the context of this discussion, the physical inspection of the vehicle is not for the purpose of approval of vehicle safety equipment, but rather is intended to confirm the identity of the vehicle as it is described by the related ownership records and to detect alterations of the vehicle identifiers that may conceal a stolen vehicle.

Vehicle inspection programs, while common to a large number of States, are neither universally employed nor effectively conducted. In most instances, only selected vehicles are subject to inspection and as a result many high theft hazard vehicles are not inspected in this manner during the titling/registration process. Where an inspection process is employed, the inspection may be inadequate as a result of:

- a. Failure to interpret the VIN provided on ownership records to determine that the vehicle description it contains is consistent with the vehicle that is presented and with the vehicle described in the ownership documents.
- b. Failure to inspect the VIN plate for signs of alteration and to interpret the VIN to determine that it is consistent with the vehicle on which it is attached.
- c. Acceptance of inconsistencies or apparent errors on documents and the attached VIN without reference to other identifiers on the vehicle.

There is an absence of personnel designated and specially trained to perform the vehicle identity inspections. Generally, the vehicle inspection function is performed by any available DMV employee and/or any available local peace officer. Relatively few States provide or require special training in vehicle identification techniques to support the inspection program. As a result, most inspections are performed and the vehicles' identity accepted by persons unfamiliar with VIN derivation, VIN alteration methods or the specific procedures and techniques by which vehicle identity may be reliably established.

Procedures to provide replacement of original vehicle identification numbers are generally inadequate to protect the integrity of the numbers, or the vehicle to which they are assigned. These procedures allow specially designated numbers to be placed on a vehicle to replace missing or damaged identification numbers, for the purpose of restoring a unique

identity to that vehicle. Such numbers are also used to provide original identification for special constructed, home-made, and similar vehicles for which no manufacturer's identifier exists.

The lack of security and integrity of these numbers and the manner in which they are distributed or affixed to a vehicle provides an obvious potential for misuse to conceal the identity of stolen vehicles. In those States where special numbering programs exist, many of the following program defects impair the integrity of the system:

- a. Absence of control over the inventory and assignment of the special numbers.
- b. Inadequate physical or inventory control of the plates or tags upon which new numbers are placed.
- c. Inadequate control over attachment of assigned plates.

### 3. Salvage Vehicle and Document Process

The ability of commercial/professional vehicle theft operators to obtain ownership documents and vehicle identifiers from salvage vehicles has been summarized previously in this chapter. These items become available as a result of the general absence or insufficiency of State controls governing the vehicle salvage/dismantling/rebuilding/scrap processing activities.

The major weaknesses in the control of salvage vehicles and related ownership documents are:

- a. Original title documents associated with vehicles declared to be salvage, as a result of a total loss insurance settlement, frequently are not surrendered and/or returned to the local DMV or the State of issue.
- b. Notification of the salvage/total loss nature of a vehicle is not routinely provided to DMV.
- c. The business operations and practices of auto wreckers, dismantlers, etc. are not generally regulated or inspected. As a result:
  - (1) Salvage vehicles bearing VIN plates and/or current registration tags may not be protected, providing the opportunity for the theft of the identifying numbers and tags with minimal hazard of discovery.
  - (2) Records of salvage vehicles received and the final disposition of those vehicles are incomplete or non-existent.
  - (3) Ownership of the vehicle acquired by wreckers and dismantlers is not subject to review.
  - (4) Vehicles acquired for salvage may be processed (destroyed) immediately without a waiting period following acquisition, thereby limiting the opportunity for inspection and the discovery of the stolen nature of the vehicle(s).
- d. VIN plate removal programs, still authorized in several States, eliminate the opportunity to inspect and identify salvage vehicles awaiting processing and expose VIN plates to loss and theft.
- e. Insurers may, after acquiring title to total loss/salvage vehicles, pass the original titles to a third party (e.g. auto dismantlers) without properly endorsing the title or otherwise being identified as a party to changes in ownership of those vehicles.

### C. Other Weaknesses

In addition to the specific procedural weaknesses described previously in this chapter, other, more general, deficiencies exist that affect the overall titling/registration process.

#### 1. Document Uniformity

The fifty States employ a wide variety of forms that are intended to provide evidence of vehicle ownership. This lack of uniformity is evidenced in document size, appearance, presence (or absence) of document safety characteristics and data content. The most

obvious results of the lack of title document uniformity include:

- a. The absence of document safety features with the resultant susceptibility of the document to alteration and counterfeiting. The ability to detect the misuse of legitimate title documents is impaired by the absence of these safety features.
- b. Lack of uniformity in document appearance, including size, color, and data format hampers the process of determining the validity of foreign title documents. DMV clerical personnel are not intimately familiar with the variety of documents they may receive for processing, represented to be legitimate certificates of title. Some document samples and standards for reference are available to these clerks. However, comparison of foreign documents with these references normally takes place only if the clerk has a specific concern about a particular document. Comparison of all foreign documents with reference samples is not normal procedure.
- c. Document storage capabilities and equipment, generally cannot easily accommodate the variety of document sizes that are presently in use. This lack of uniformity impedes internal handling procedures and the review of documents for alteration and counterfeiting.

#### 2. Title Document Security

Weaknesses exist in the measures taken to protect the safety of original blank title documents from theft, conversion, and misuse. In many agencies, inadequate procedures exist for:

- a. Control and security of original, blank title and registration forms at the time of printing.
- b. Inventory control and physical security of original, blank title documents during storage.
- c. Control of individual original title documents by the assignment of unique document identification numbers.
- d. Security of satellite motor vehicle offices where blank, original and/or completed title documents are stored.
- e. Security of motor vehicle dealer offices where blank, original Temporary Operating Permits are stored.

#### 3. Related Laws

Several procedural weaknesses related to the title/registration process can be attributed to insufficient legal authority to monitor and control the process. The specific areas wherein the weaknesses may be found include:

- a. Control of original title documents associated with salvage/total loss vehicles. State laws related to the total loss settlement/salvage vehicle situation do not uniformly require the surrender of the title and notification of this transaction to the DMV. At the same time, laws and DMV regulations are widely disparate concerning the use and control of documents that provide evidence of salvage vehicle ownership and legitimate restoration.
- b. Licensing and regulation of the variety of auto wrecking/dismantling and related businesses. State laws may not provide adequate controls on the various business activities that are susceptible to abuse and aid vehicle theft activities. Where statutes exist to support administrative regulations, these controls are often insufficient to assure:
  - (1) State licensing and regulation of business activities, including fees, infractions, and disciplinary procedures.
  - (2) Complete business records related to the acquisition and disposition of salvage vehicles and major component parts.
  - (3) Security of the business premises and vehicles in the possession of the business.

- (4) Identification of vehicles awaiting disposition which allows cross reference to the business records.
  - (5) Holding or waiting period between the acquisition and disposition of salvage vehicles, to allow inspection and investigation, if necessary, by local law enforcement officials.
  - (6) Authority of designated officials to enter the business property for the purpose of inspecting the inventory and records of the business.
- c. Authority to investigate vehicles that bear altered, illegible, or missing identification numbers. Motor vehicle laws generally permit specific enforcement or investigative activities that may be necessary to establish vehicle ownership. Few statutes, however, expressly permit seizure of vehicles bearing a falsified or removed VIN. The absence of such legal authority, which is quite common throughout the U.S., is perceived to represent an impediment to effective law enforcement and investigation of motor vehicle theft.

## Chapter III ANTI-THEFT GUIDELINE POLICIES AND PROCEDURES

This chapter contains suggested policies and procedures that should be implemented to counteract the titling/registration procedural weaknesses described in Chapter II.

### A. Title Document Inspection

#### 1. Perceived System Weaknesses

- a. Absence of specific inspection and review procedures for the detection of altered or otherwise fraudulent documents.
- b. Inadequate standards or criteria for evaluation of documents.
- c. Existing document safety characteristics are not examined.

#### 2. Policy

Title documents, foreign and local, should be subjected to inspection and testing procedures that are designed to detect fraudulent documents.

#### 3. Procedures

- a. Development of bi-level (basic and detailed) procedures for evaluation of document integrity and value. Examples of typical document inspection procedures include:
  - (1) Comparison of the document to be processed with an accurate reproduction of a valid document, noting such features as document size, texture, color, arrangement of data, type face styles, and the presence of specific document safety features (including watermarks, laminated stock, latent images, and ultra violet sensitive designs).
  - (2) Close inspection of the document adequate to discover erasures, bleaching, artificial aging or weathering, retyping or photocopying.
- b. Analysis of the local or statewide motor vehicle theft problems to identify high theft hazard vehicles and foreign jurisdictions from which the greatest volumes of non-resident stolen vehicles are received, thereby assuring detailed evaluation of documentation pertaining to these vehicles.
- c. Analysis of document processing workload to identify the guidelines for the random selection of sample documents that are to be subjected to detailed review and inspection.
- d. Identification of the procedural locations at which document reviews will take place.
- e. Implementation of title document standards and installation of technical equipment necessary to inspect the various document safety characteristics.

### B. Uniform Certificate of Title and Manufacturer Certificate of Origin (MCO)

#### 1. Perceived System Weakness

- a. The lack of uniformity in size, data content, and format creates confusion and impairs the effectiveness and document processing systems.
- b. The lack of uniformity and the absence of uniform document safety characteristics increases the potential for the use of fraudulent documents while impairing the ability to detect such activity.
- c. Because of the variety of documents that enter the title/registration process, records storage becomes inefficient, costly, and cumbersome.

#### 2. Policy

Each State should issue a Certificate of Title as evidence of motor vehicle ownership.

Selected data elements, format and document safety characteristics should be uniform among States for those documents designated as a Certificate of Title.

### 3. Procedures

- a. Establish minimum requirements for a Certificate of Title and use of a document that is uniform in these requirements for data content, format, and safety characteristics. Due to the extensive efforts put forth by the American Association of Motor Vehicle Administrators (AAMVA) and the American National Standards Institute (ANSI) D19.4 Subcommittee, a uniform Certificate of Title has been developed and is now available. NHTSA has officially recognized and endorsed this uniform title for implementation by the States. Similarly, NHTSA endorses the uniform Manufacturer Certificate of Origin that has been developed by the AAMVA and the ANSI Subcommittee.
- b. Adoption by all States of certificates of title conforming to the standard established by the above-mentioned organizations.

## C. Training for Document Intake

### 1. Perceived System Weakness

- a. DMV personnel are not adequately instructed or trained, nor is necessary emphasis placed on inspection of the documents that are reviewed for indications of alteration or counterfeiting.
- b. Title documents, and specifically foreign certificates of title, are not inspected or compared against known document standards to determine if the document initially appears to be genuine.

### 2. Policy

DMV employees, responsible for conducting document inspections and review, should receive specialized training.

### 3. Procedures

- a. Creation of a specific training program (attention is drawn to NHTSA Training Program for Titling and Registration Personnel) to instruct selected employees in the techniques for:
  - (1) Title document recognition.
  - (2) Common techniques for alteration/counterfeiting.
  - (3) Use of standards, special equipment, etc.
  - (4) Recognition of fraudulent documents.
  - (5) Actions to be taken on discovery of fraudulent documents.
- b. Selection and training of personnel designated for the inspection program.

## D. Verification of Foreign Title

### 1. Perceived System Weakness

Local titles are issued, based on foreign title documents tendered as evidence of ownership, without communication with the State of origin to ascertain the validity of the offered title. Further, some States do not return the original document to the State of origin, thereby reducing the opportunity for the detection of fraudulent documents at the point of issue.

### 2. Policy

Foreign title documents received from applicants during the titling/registration process should be returned to the State of issue, after initial inspection and review for verification of title.

### 3. Procedures

Develop internal procedures to:

- a. Retain information from foreign title documents to provide evidence of ownership to support the issue of local title. Where local policy requires documentary evidence of the foreign title be retained, a photocopy should be acceptable.
- b. Return original title received during the transaction to the State of origin with a request for immediate confirmation of title validity. If effective interstate procedures can be established, exception reporting may be adequate.
- c. Validation by State of origin of vehicle identification and ownership information against master files. This also enables States of origin to delete old records from master files, thus reducing unneeded storage space.
- d. Delay final issue of the local title pending foreign title confirmation or until an established waiting period has elapsed. The waiting period should be sufficient to permit receipt of the foreign title by the State of origin and return of derogatory information concerning the title, if any, from the foreign jurisdiction.

## E. Confirmation of Valid Title

### 1. Perceived System Weakness

Transfer of title to motor vehicles may occur without reference to existing State records reflecting the ownership of the vehicle, or to vehicle theft records, to assure that the persons requesting transfer are in legal possession. Under these conditions, evidence of fraud or illegal possession may only come to the attention of officials long after issuance of legitimate title documents has occurred.

### 2. Policy

Transfer of title to a motor vehicle should occur only after confirmation that the existing title and right to possession are as represented in application documents.

### 3. Procedures

- a. On completion of initial document inspection and application acceptance processes, a conditional ownership permit may be issued pending confirmation of clear title. Sale or transfer of vehicles with conditional permits should only occur after final confirmation of title by DMV.
- b. State and local law enforcement agencies should report theft of motor vehicles to the motor vehicle department.
- c. DMV should "flag" title/registration records of vehicles reported as stolen within the State, the code to include the name of the reporting law enforcement agency.
- d. All transfers involving foreign titles, salvage vehicles, recovered vehicles, vehicles with questionable physical characteristics or unusual title documents should require direct confirmation of prior title by comparison with source records and clearance against NCIC and/or State stolen vehicle listings.
- e. Where title/registration records of State registered vehicles have been "flagged," DMV should contact the reporting law enforcement agency to confirm the continued stolen status of the vehicle prior to reporting location of a "stolen vehicle."
- f. The time period associated with completion of these checks should be adequate to assure updating of the reference files and their current status to the date of application.
- g. The title status of all vehicles should be confirmed prior to issuance of clear title.

## F. Physical Examination of Vehicles

### 1. Perceived System Weakness

Title and registration are commonly issued to certain category vehicles without a VIN verification inspection or the vehicle inspection is performed by personnel who are

untrained and unfamiliar with vehicle identification systems. The absence or inadequacy of this inspection represents a major weakness of the title process.

Sophisticated techniques to alter the VIN and otherwise conceal the identity of a vehicle may be detected in the course of a detailed inspection, performed by personnel trained for that function. DMV personnel and law enforcement officers are often unfamiliar with vehicle identification characteristics and the processes by which the alteration of vehicle identification may be accomplished.

## 2. Policy

Selected categories of motor vehicles should be subject to physical examination by trained personnel, at the time of titling/registration for the purpose of vehicle identification and verification of the integrity of the VIN. Vehicles subject to examination should include:

- a. Rebuilt or restored salvage vehicles.
- b. Specially constructed and homemade vehicles.
- c. Foreign (non-resident) vehicles, both out-of-state and imported.
- d. Vehicles unregistered for more than 1 year prior to the current registration year.
- e. Selected high theft hazard vehicles as determined from analysis of statewide or regional vehicle theft records.

## 3. Procedures

- a. Development of statute or administrative regulation to require the vehicle identification inspection for selected vehicles as necessary condition for the issue of title.
- b. Personnel to be trained and authorized to perform vehicle identification inspections should be selected from the following State and local agencies or organizations:
  - (1) Local law enforcement.
  - (2) State police/highway patrol.
  - (3) DMV.
- c. As a minimum, the categories of vehicles that should be subject to the physical examination should include:
  - (1) Rebuilt or restored salvage vehicles, whether or not ownership has transferred and regardless of the reason for the initial definition of the vehicle as salvage.
  - (2) Specially constructed and home-made vehicles, in order to identify any existing identification numbers and, in the event none are present, to assign and record the official identification number.
  - (3) Foreign (non-resident) vehicles should be subject to inspection. In the event the volume of such vehicles exceeds the resources of a State to inspect every vehicle, then specific classes or types of vehicles within this category should be established and the inspection required of these. Typical classes of vehicles in this category include:
    - (a) high-theft hazard vehicles such as import models, luxury vehicles, and certain motorcycles.
    - (b) vehicles previously registered in selected States (e.g., recent title States, major vehicle theft problem States, adjoining States, etc.).
  - (4) Selected high theft hazard vehicles, as determined from analysis of current statewide or regional vehicle theft data—the vehicles identified within this category may include consistent theft targets together with other vehicles that are determined to be current, though not necessarily long-standing theft targets. These additional vehicles may be added to the inspection program as necessary and replaced periodically by others, as required by the current vehicle theft situation.
  - (5) Vehicles unregistered for more than 1 year prior to the current registration year.
- d. Personnel designated to perform the vehicle identification inspections should, as a minimum, receive specific training and become proficient in the following tasks:

- (1) Vehicle identification including recognition of the physical characteristics of vehicle makes, models, and model years.
  - (2) VIN derivation and interpretation of the vehicle description from the content of the VIN.
  - (3) Location and techniques for the inspection of the VIN and other vehicle identifiers on the vehicle.
  - (4) Techniques for alteration and replacement of the VIN.
- e. The inspection of the vehicle should be conducted with reference to the original ownership records that are submitted with the application for title. The inspection should, as a minimum, include:
    - (1) Comparison of the VIN with the number listed on the ownership records.
    - (2) Inspection of the VIN plate to detect possible alteration, modification or other evidence of fraud.
    - (3) Interpretation of the VIN recorded on the original ownership documents to assure that it describes the vehicle presented for inspection.
    - (4) Resolve any discrepancies that are observed between the attached VIN and the ownership documents.
  - f. When the inspection determines that an original, assigned identification number is required, this assignment should be performed prior to continuation of the application intake process.

## G. Vehicle Identification Number Assignment

### 1. Perceived System Weakness

States without a "VIN replacement" program lack effective control over a large class of vehicles. The lack of a controlled identifier on a vehicle cannot be considered de facto evidence of illegal possession thereby frustrating one of the principal mechanisms for combating fraudulent acquisition of motor vehicles.

States that do have programs requiring assignment of unique identifiers to vehicles lacking a manufacturer generated number or an illegible or otherwise unacceptable number, often allow the following practices which limit the effectiveness of those programs:

- a. Numbers are developed and attached to the vehicle by the owner, without control or involvement by DMV.
- b. Special VIN "plates," bearing the state-assigned identification number are provided to the vehicle owner but are attached without the assistance or control of the DMV.
- c. State issued and assigned VIN plates are not subject to effective inventory/assignment control procedures.

This lack of control over the assignment and attachment of special identification numbers impairs the integrity of the special numbering program and offers the potential for misuse to conceal the identity of stolen vehicles.

### 2. Policy

Vehicles that do not bear acceptable (manufacturer assigned and attached) vehicle identification numbers, tags, and markings, but which can be otherwise legitimately identified, should have such identification assigned and attached to the vehicle by the DMV in accordance with Vehicle Equipment Safety Commission Regulation, VESC-18, Standardized Replacement Vehicle Identification Number System.

### 3. Procedures

- a. Enactment of statute or issuance of administrative regulation to describe a state-controlled VIN replacement program, applicable to specific categories of vehicles, such as:

- (1) Specially constructed and home-made vehicles which do not bear an acceptable, unique manufacturer-generated identification number.
- (2) All vehicles from which the manufacturer assigned VIN is missing.
- (3) All vehicles which bear an altered, damaged, or otherwise illegible VIN.
- b. Special procedures should be implemented to assure confirmation of original identification of the vehicle including originally assigned VIN. In all cases the original VIN should be utilized as the special ID number when it can be determined.
- c. Recommended special VIN plates should be designed and used. They should be permanently attached and susceptible to destruction upon removal, once attached. The VIN plates should be distinctive, bearing State identification, the manufacturer's VIN or replacement VIN, and a State control number.
- d. Attachment of the special plate should be performed only by specially trained personnel, designated by the DMV. Storage of plates awaiting use should be secure and subject to detailed inventory and assignment controls.
- e. State vehicle titling/registration records should indicate application of special plates, the plate number, and the original VIN when determinable.
- f. Program records should provide detailed inventory control for used and unused plates. In addition, each plate assigned should be supported by records identifying the vehicle and owner, State personnel involved and the reason for the assignment.

## H. Salvage Vehicle and Document Control

### 1. Perceived System Weakness

Major system procedural weaknesses pertaining to salvage vehicles and associated ownership records are as follows:

- a. Original title documents for salvage vehicles are available without notation of the condition of the vehicle and are, thereby, susceptible to misuse to conceal the identity of stolen vehicles.
- b. The State of issue of the original title may not be notified of the condition of the vehicle.
- c. VIN plates are removed from salvage vehicles thereby reducing the later possibility of identifying the vehicle. Further, inadequately secured VIN plates are susceptible to theft and misuse.
- d. Identification and ownership of major component parts used in the restoration of the vehicle need not be demonstrated.
- e. Title certificates issued to rebuilt salvage vehicles do not indicate the previous physical condition of the vehicles.

### 2. Policy

A program should be established to require:

- a. The owner of a vehicle, which is the subject of a total loss insurance settlement and thereby declared to be a salvage vehicle, to surrender the certificate of title for that vehicle to the State in which the salvage occurs.
- b. The State in which salvage occurs, upon receipt of the original title, issues a salvage certificate of title or other appropriate document, and in the case of a foreign title document, notifies the State of origin of the salvage action taken when returning the original title for confirmation of validity.
- c. Transfer and surrender of the "Certification of Salvage" to the purchaser of salvaged vehicles as evidence of purchase from the original holder of the certificate.
- d. Notification to DMV within a specified period of the complete dismantling or destruction of the vehicle by a licensed wrecker/dismantler, or related business.
- e. Re-titling and registration of a rebuilt salvage vehicle after complying with the required

physical inspection, demonstrating satisfactory evidence of ownership and complying with other applicable laws and regulations.

- f. The Certificate of Title issued following the restoration or rebuilding of a salvage vehicle to include a notation stating that the vehicle is rebuilt.

### 3. Procedures

- a. The owner of a vehicle, declared to be a salvage vehicle, should surrender the Certificate of Title, originally issued for the vehicle, to the State in which salvage occurs within ten days of the determination of the status of the vehicle. The surrendered title should also contain or be accompanied with evidence of a transfer of ownership, if applicable, of the salvage vehicle. When the salvage vehicle is the subject of a total loss insurance settlement, the insurer should receive the title document and be responsible for its transmittal to DMV.
- b. The State of issue should return to the specified owner of the vehicle a salvage certificate of title which should constitute the sole evidence of ownership of the salvage. The salvage title should be valid for transfer of ownership by assignment. Salvage titles should be recognized and accepted by other States as valid proof of ownership in interstate title transfer.
- c. The owner of a salvage vehicle acquired for the purpose of dismantling or destruction should, within ten days after such acquisition, surrender to DMV the license plates for the vehicle (if they are available) and notify DMV of the final status of the vehicle. The VIN plate should remain on the vehicle to facilitate inspection of the vehicle, if necessary, prior to dismantling or destruction. Vehicles received without VIN must have certification of identification by a law enforcement agency and such certification should be attached to the certificate of salvage.
- d. Application for title for a rebuilt salvage vehicle should be accompanied by:
  - (1) Salvage certificate of title as evidence of ownership.
  - (2) Evidence of ownership for those major component parts, specified by the DMV, which were required for rebuilding the vehicle.
- e. The re-issued certificate of title should bear a notation describing the vehicle as a rebuilt salvage vehicle.

## I. Automobile Wreckers, Dismantlers and Related Businesses

The lack of regulation of the business conditions and practices of concerns that deal primarily in salvage vehicles and vehicle parts provide substantial opportunity for the use of the businesses to conceal or destroy stolen vehicles and market stolen components. Specific vehicle theft activities and conditions which impact on the effectiveness of deterrent programs include:

- a. Ability to acquire and dispose of vehicles and major component parts without accountability.
- b. Availability, without control, of VIN plates and current license plates.
- c. Lack of security for vehicles awaiting disposition.
- d. The precipitous dismantling or destruction of vehicles of potential concern in investigation of vehicle theft cases, thereby eliminating the opportunity of inspection.
- e. Inadequate procedures for the disposition of abandoned vehicles.

### 2. Policy

A program should be established to license and regulate the business practices of concerns commonly known as auto wreckers, dismantlers, rebuilders, mobile crushers, demolishers and transporters to assure compliance with procedures intended to limit fraudulent practices supporting vehicle theft and illegal conversion of vehicle titles. In addition, those municipal

areas experiencing high theft rates should consider procedures relating to the licensing and bonding of tow truck operators.

### 3. Procedures

- a. Development of statutes and administrative regulations to require the licensing, control, and inspection of concerns whose primary business is the salvage and sale of motor vehicles and their salable component parts, the demolition of motor vehicles or the rebuilding of salvage vehicles.
- b. Specific regulatory requirements should include:
  - (1) Maintenance of sufficient business records to demonstrate the acquisition and disposition of each vehicle and major component parts acquired during the course of business.
  - (2) Holding period between the acquisition and disposition of vehicles to allow for the inspection of the vehicles to determine identity and ownership.
  - (3) The surrender of license plates acquired with vehicles.
  - (4) A secure storage area for vehicles and component parts.
  - (5) Authority for the inspection of the business practices, records, and stored inventory by designated officials.
  - (6) Specific notification to DMV of the acquisition, status, and disposition of vehicles received.
- c. Periodic inspection of businesses licensed as described above for the purpose of monitoring the business practices and inspecting the vehicles and component parts under the control of the business.

## J. Salvage Vehicle Ownership

### 1. Perceived System Weakness

- a. Ownership records and the chain of possession of salvage vehicles are incomplete and do not reflect the actual possession, including title, of the vehicle by the insurer.
- b. DMV, which issues and maintains the vehicle ownership records, may not receive either timely or accurate notification of the salvage character of the vehicle or the subsequent constructive transfer of ownership.
- c. Ownership documents submitted at the time of application for title for a restored salvage vehicle may not accurately describe the chain of ownership of the salvage vehicle.

### 2. Policy

Each party that receives title to a vehicle declared to be salvage, as the result of a total loss insurance settlement, should be endorsed as a title holder on the appropriate ownership documents and appear as such in the chain of ownership that will be developed for the vehicle. Specifically, the insurer making the total loss settlement should endorse the title document to reflect actual possession of title to the salvage vehicle prior to any subsequent ownership.

### 3. Procedures

Enactment of statutes or issuance of administrative regulations which, in conjunction with the procedures supporting Salvage Vehicle and Document Control, should require the endorsement on the original Certificate of Title of the direct transfer of ownership of the salvage vehicle from the insured to the insurer or any other party. Each transaction subsequent to the initial transfer of ownership should be recorded on the approved Salvage Certificate of Title.

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## Appendix B

# NHTSA GUIDELINES FOR STATE MOTOR VEHICLE TITLING AND ANTI-THEFT PROGRAMS

### I. Introduction

This guideline specifies uniform procedures that should be adopted by all States for the titling of motor vehicles and for the disposition of titles after vehicles are sold for salvage. These model procedures are designed to address the major problems identified in the operation of a State motor vehicle titling program as they relate to the reduction of motor vehicle theft.

### II. Definitions

"Certificate of title" means a document issued by a State as proof of a vehicle's ownership for purposes of registration or assignment.

"Reconstructed motor vehicle" means any motor vehicle which has at any time been a salvage vehicle and for which application is made to a State for retitling.

"Salvage vehicle" means a motor vehicle which is sold for the purpose of being scrapped, dismantled, destroyed, or salvaged for parts.

### III. Model Procedures

Each State should have a motor vehicle titling program which provides for the following:

- A. Requires the issuance of a certificate of title upon proof of purchase to each owner of a motor vehicle, other than a dealer who has purchased a vehicle for purposes of resale, and should provide space on the certificate of title for an affidavit, or other declaration authorized by law, by the seller that the vehicle is or is not being sold as a salvage vehicle.
- B. Requires each owner of a motor vehicle, for which a certificate of title has been issued, who scraps, dismantles, destroys, or salvages for parts the vehicle, or who sells the vehicle as a salvage vehicle, to surrender the certificate of title to the appropriate agency of the issuing State for cancellation. Also, insurance companies, which acquire a vehicle after being declared a total loss, should be required to surrender the certificate of title to the appropriate agency of the issuing State.
- C. Requires the issuance of a specially designated certificate of title for each reconstructed vehicle and that the request for such certificate be accompanied by a cancelled certificate of title or by such other evidence of ownership as the State shall require.
- D. Provides that no reconstructed vehicle may be permanently registered for highway use unless it has been inspected for safety in accordance with State criteria, and by an inspector authorized by the State to determine that the vehicle is in fact the vehicle which has been sold for salvage pursuant to (B) above.
- E. Requires a record of the vehicle identification number (VIN) of each vehicle for which a title is issued and of each vehicle for which a title is submitted for cancellation pursuant to (B) above.
- F. Requires that the State return to the State of origin the title document obtained in the retitling process.
- G. Requires the State to transmit the VIN of each vehicle which is stolen to the National Crime Information Center.
- H. Requires the State to query its records to determine if the VIN of the vehicle whose owner seeks titling corresponds to a vehicle which has either been stolen or whose title has been cancelled and, in the case of an out-of-state vehicle, physically verifying the VIN and querying the National Crime Information Center to determine if the vehicle has been stolen.
- I. Requires the assignment of license plates to owners and not to vehicles.
- J. Requires the State to provide for the control of salvage vehicle transactions by the issuance of a salvage certificate of title, or other document evidencing ownership of the salvage vehicle, prior to its being retitled as a motor vehicle.
- K. Requires that sufficient safeguards are attached to the issuance of special and/or replacement vehicle identification plates to eliminate their misuse.
- L. Requires the certificates of title to be manufactured from materials that will reveal document counterfeiting and/or tampering.

# END