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REBUILT WRECKED CARS SLIP THROUGH THE CRACKS

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After paying about \$8,500 for a used 1989 Ford Mustang last March, Wilbur J. Sheehan realized something was wrong. The front tires scraped when he made sharp turns. Fiberglass patches had been added to the hood.

The Vernon resident decided to do some investigating and was shocked by what he found.

The Mustang had been in a major accident only six months before Sheehan bought it. The damage was so severe that State Farm Insurance Co., rather than paying the estimated \$7,000 for repairs, declared the vehicle totaled. It gave the New York owner \$6,827 and sold the vehicle through a Newington salvage auction. After a Hartford repair business bought and rebuilt the car, the vehicle eventually ended up at a Manchester car dealership, which, unaware of the vehicle's history, sold it to Sheehan as a regular used car.

Sheehan's Mustang was just one of thousands of vehicles each year that are damaged seriously in accidents, floods and thefts. And like the Mustang, many make their way back onto the nation's highways, in some cases after being sold to unsuspecting used car buyers.

Although Connecticut and other states have procedures to see that

these vehicles are safe and that those who buy them know what they're getting, the safeguards don't always work.

One problem is that procedures vary from state to state. In Connecticut, there also is a question about whether there is adequate enforcement and whether the law has too many loopholes. And, the protections can be circumvented by vehicle rebuilders and dealers who engage in fraud.

The issue is important because some former salvage vehicles may be poorly rebuilt, leaving them unsafe or with hidden defects that could affect their performance or value. Even when the repairs are adequate, an uninformed car buyer may miss out on the deep price discount that one normally gets when buying a rebuilt wreck.

In May, the federal Department of Transportation set up a committee to study the resale of salvage vehicles. The secretary of transportation, Federico Pena, estimated that car buyers and dealers have overpaid by as much as \$4 billion for rebuilt wrecks that were sold as regular used cars. Creation of the committee was mandated by the Anti-Car Theft Act of 1992. The federal act also mandates the creation of a nationwide record-keeping system by 1996 that states and consumers will be able to use to verify information

about a used car, including whether it was previously wrecked.

In June, the Connecticut legislature enacted separate laws to address the issue. One is designed to prevent the most severely wrecked vehicles from being rebuilt at all. The other requires car dealers to disclose that a vehicle has been rebuilt when reselling it. Both bills have been signed by the governor and take effect Oct. 1.

Sheehan's case shows how fallible Connecticut's system for protecting car buyers can be.

Here's how it's supposed to work: When an insurance company acquires a wrecked or totaled vehicle, it is required to stamp "SALVAGE" on the ownership document, or title certificate, that it receives from the owner. That title is passed on to the repair facility that purchases the vehicle, usually at a salvage auction. Before a rebuilt vehicle can be registered, it must pass a Connecticut Department of Motor Vehicles safety inspection. If it passes, once the car is sold, a new title is issued with the word "Rebuilt" printed on it. The purpose is to ensure that any new owner is aware it is a rebuilt wreck.

But something went wrong in the case of the Mustang sold to Sheehan. After the vehicle was rebuilt by a Hartford repair facility and sold to a Salem man, DMV officials

neglected to place the "rebuilt" designation on the new title. Several months later, the Salem man traded in the vehicle -- along with the new clean title -- to Bob Riley Oldsmobile-Volkswagen Inc. in Manchester. Bob Riley then sold it to Sheehan. It is unclear whether the Salem man knew the car's history. But if he did, he didn't disclose it to the dealership.

"I was the happiest guy in the world," Sheehan said. "But then I was dissatisfied with the car, and the more I drove it the more dissatisfied I became."

Sheehan now is trying to get his money back from Riley. The dealership, meanwhile, is trying to figure out why DMV officials never put the rebuilt designation on the title, something that would have tipped off the dealership to the car's history.

"I'm a victim too, not just the customer," said Bob Riley, who owns the dealership.

He said this is the second time he unknowingly accepted a former salvage vehicle as a trade-in. In an earlier case, he did not find out until he received a copy of the branded title from the credit union that had financed it for the previous owner. He said he subsequently sold the vehicle in a used car auction.

DMV officials say they don't know what went wrong in the Sheehan case, and they are investigating.

But the Mustang is not the only case of a rebuilt wreck that slipped through the system. Two other titles selected randomly also do not contain the rebuilt designation.

In one case, a Hartford woman who bought the car said the dealer had told her the vehicle had been in an accident and was repaired. However, when motor vehicle officials issued the title it did not include the required rebuilt designation.

In a second case, William R. Farrow of Hamden said the dealer

never told him the 1988 Pontiac was a rebuilt wreck when Farrow bought the car last January. Instead, he said, he was told the dealer purchased the vehicle in mint condition from an auction. According to Allstate Insurance Co., the car had more than \$6,000 in front-end damage after it crashed into a utility pole last year -- enough damage to warrant the car's being designated a total loss.

"If I had known that, it might have put me in a different bargaining position," Farrow said. "As a matter of fact, I might not have bought it altogether."

As in Sheehan's case, DMV officials say they are investigating why the agency failed to put the rebuilt designation on the titles issued to Farrow and the other motorist even though both cars went through the agency's salvage inspection. Deputy DMV Commissioner Michael W. Kozlowski acknowledges that the agency's failure to follow its own procedures means that used car buyers are not being adequately protected.

In 1991, Bernard Repoli, an employee in the agency's title division, was arrested for helping a Wallingford dealership, G & J Auto Body, secure non-branded titles for wrecked vehicles that it purchased, rebuilt and then sold. Also arrested was the dealership's owner, George Haury, his partner, Cheryl Haury, and a dealership employee who was a former worker at DMV, Richard Miller.

Repoli pleaded guilty to conspiracy to commit forgery in connection with the case. George Haury and Miller pleaded no contest to the same charge. All three received suspended sentences; Haury also was fined \$5,000. Cheryl Haury was placed on accelerated rehabilitation, a special form of probation that avoids conviction.

To this day, DMV has neither issued new, branded titles for the former wrecks nor contacted any of the subsequent owners to warn them that the cars and trucks -- as many as 75 -- had not undergone the required safety inspection. Kozlowski said the agency does not know how many of the affected cars and trucks are on the roads in Connecticut and elsewhere.

The attorney who represented the dealership, Dennis F. Gaffney of Meriden, disputed that the vehicles were never inspected by the motor vehicles department. He said all the vehicles were inspected and that all passed. Kozlowski said the agency has no records for such inspections. Gaffney also disputed the number of vehicles involved, saying that it was only six or seven.

The owners of one of the affected vehicles, Raymond and Marilyn Lindahl of Old Saybrook, said they had no idea the vehicle was a rebuilt wreck until a reporter told them. They said they think someone at the motor vehicles department should have told them once the state became aware of the wrongdoing. The Lindahls' vehicle was one of those cited in the arrest warrants the state issued in the case in February 1991. The Lindahls did not buy the vehicle, a Cadillac, from G & J, but from a subsequent owner.

DMV officials said they put off notifying the current owners because they did not want to jeopardize the criminal case. But Kozlowski said he believes the agency should have acted by now, especially since none of the vehicles has gone through the required safety inspections. He said he could not explain the oversight because it occurred under a previous administration. He said the agency now will follow up on the case.

Kozlowski said he also cannot explain why the agency did not take

administrative action against G & J, which continues to hold a license to sell cars in the state. Kozlowski said what may have happened is that the division that handled the case, the special investigations unit, neglected to refer it to the agency's dealers and repairers division for administrative action.

"This example points up a hole in the agency's enforcement activities," he said.

The agency now will consider taking administrative action, he said. Gaffney, the attorney for G & J, said G & J should not lose its license because it never intentionally sought to obtain clean titles for salvage vehicles. He said the issuing of clean titles was the result of "glitches in the system" at DMV and not because of any conspiracy. He said anyone who bought a rebuilt vehicle from G & J was told the vehicle was rebuilt. He said his clients accepted plea bargains in the case to avoid long and costly trials.

But even without the enforcement problems at the Department of Motor Vehicles, the procedures to protect used car buyers are so inconsistent among states that most officials agree they are inadequate.

Some states, such as New York, issue clean, non-branded titles for rebuilt vehicles that pass their safety inspections. A car repairer who wants to circumvent Connecticut's title-branding procedures can first obtain a clean New York title before reselling the vehicle in Connecticut. A bill pending in the New York legislature would correct that by requiring permanent branding on the titles of rebuilt wrecks, even if they pass inspection.

Also, until recently, New York was among several states that simply don't recognize the salvage brand if it's on a title that had been issued in another state. In those states, a clean

title will be issued for a rebuilt wreck that is shipped across state lines even though the former title is marked salvage.

And there are other loopholes. The titles of some recovered wrecked vehicles may escape the salvage stamp if the damaged vehicle is not handled by an insurance company. In one such case under investigation in Connecticut, a former wreck that was sold to an unsuspecting Connecticut motorist escaped the title branding provisions because it was not insured when it was damaged.

And even if an old title is branded, the person who ultimately buys the vehicle may not see it because dealers often register vehicles on behalf of their customers. Once a vehicle is registered, the old title remains with motor vehicle officials. It takes officials about a month or more to issue the new, rebuilt title to the new owner, who may not even think to examine it. And in cases where the new owner obtains a loan to pay for the vehicle, the new title will go directly to the bank or finance company. So the new owner won't see the rebuilt designation until the loan is repaid.

Several bills pending in Congress would require standardized procedures to mark the titles of former salvage vehicles. Among the proposals, all states would be required to place the salvage designation on all subsequent titles issued for rebuilt vehicles, even if they pass safety inspections. Another would require a diagram on the back of each title depicting the nature of the damage before the vehicle was repaired.