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SCHAKOWSKY SAYS CONSUMERS SHOULD NOT BE FORCED TO DRIVE BLIND WHEN BUYING USED CARS

WANTS TO ENSURE A CAR'S FULL HISTORY IS AVAILABLE TO CONSUMERS

WASHINGTON, DC -- U.S. Representative Jan Schakowsky, ranking member on the Subcommittee on Commerce, Trade, and Consumer Protection, today raised concerns about car title washing during a hearing in the Subcommittee. Title washing occurs when fraudsters erase the history of an automobile from its title before reselling it on the market.

Representative Schakowsky's full opening statement is below:

As we explore this problem it is clear that consumers may essentially be "driving blind" when they buy used cars. Title washing is when a car's title is "cleaned" of the car's actual history, such as having been in a bad accident and rebuilt. Fraudsters title wash by titling and re-titling cars in various states - each of which sets its own standards for "branding," or notating on titles that a car has been severely damaged - hoping the bad information is lost along the winding paper trail. They also title wash by obscuring the information on the title before re-titling - for example, using a hole punch to make the "brand" disappear. The variance strength of laws and branding requirements between the states has been a boon for title washers.

I appreciate the chance to explore this issue, which has been deemed by the National Association of Attorneys General to be the worst problem used car buyers face. Hurricane Katrina brings this issue to the forefront because a number of the nearly 600,000 flooded cars - which should have had that fact on their titles - are having their titles washed and are showing back up on the market. This is a financial issue for consumers and the industry but it is also a very serious public safety issue. Currently, there is no way to tell if a car that is on the used car lot should be on the scrap heap instead.

Congress created the National Motor Vehicle Title Information Systems - a national title database - in 1992, in part, to track branded titles from state to state. However, the system is under-funded and voluntary. Thirteen years later, there are only 27 states participating. While some may say that is a good level of participation, it only takes one state not having their titles on the list - or with weak protections - to start the title washing machine.

Rehabbed cars are worth more money when damage is hidden. Some estimate that cars with clean titles fetch \$2,000 more than cars with accurate histories. The Kelley Blue Books executive editor, Charlie Vogelheim says that the value of a used car with a clean title is twice that of one that is branded. Clearly, the incentive to hide accidents is great.

The problem of improperly titled cars is not merely a matter of "Buyer Beware" and consumers getting a bad financial deal. The very safety of the driver, passenger, and every person who is passed on the road is at stake. Although there are rigorous safety testing requirements for new cars, there are no requirements for safety inspections of rebuilt cars. When consumers are getting behind the wheel of 2 tons of steel, going 60 miles an hour, and have the uncertainties of the weather, road conditions, and other drivers with which to contend, they should not have the false sense of security that their cars are in mint condition when they are not.

Flooded cars, like those from the Gulf Coast, have such unique and frightening problems that many car rebuilders and experts recommend that consumers avoid them altogether. While some say those cars can be restored to safe conditions, flooded cars can "literally corrode from the inside out, causing mystery problems and electrical failures" as stated in an account by Consumer Reports. Those cars could be showing up on on-line auction sites, and used car lots across the country as we speak. My Attorney General in Illinois, Lisa Madigan, has already issued a warning to consumers to be on the look-out for Katrina cars.

Because of the seriousness of the implications of title washing, I think we need to work vigorously to provide adequate funding for the Motor Vehicle Title Information Systems, require participation, and set a national standard for the branding of titles. Now is the time to get these hazards off the roadway.