

Car Damage Being Hidden From Buyers

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WASHINGTON - Vehicles damaged by recent hurricanes are showing up on Web sites, auction blocks and in used-car lots nationwide, even though insurers have declared them too badly damaged to fix, automotive retailers and consumer groups testified Wednesday.

Hurricanes Katrina, Rita and Wilma ravaged an estimated 575,000 vehicles, experts told the House Commerce Subcommittee on Commerce, Trade and Consumer Protection. They said that unwitting buyers seeking bargains - many of them young and poor - are getting stuck with the damaged vehicles.

James Watson, the president of the Automotive Recyclers Association, a salvage industry trade group, testified that a colleague had identified 14 salt-water-damaged Nissans on one auction Web site.

"These cars should never have been put back on the road," Watson told lawmakers.

"Even if potential buyers are not in an area directly affected by a hurricane or flooding, cars often are repaired and shipped across the country in a matter of weeks," said Alan Fuglestad of the database firm Experian Automotive.

"This is a financial issue for consumers and the industry, but it is also a very serious public safety issue," said Rep. Jan Schakowsky, D-Ill. No injuries linked to hurricane-damaged vehicles have been identified so far.

About half the hurricane-damaged cars weren't covered by insurance, auto retailers said. That motivates owners to dump them and makes them harder to trace and easier for unscrupulous dealers and dishonest insurers to resell.

In one scheme, fraudsters switch or clone auto manufacturers' serial number plates to whitewash a battered car's history. Others make cosmetic repairs of noticeable damage - but do and say nothing about other problems, such as corrosion or inoperable airbags - before reselling the vehicles.

In another example, insurers declare a car a "total loss," but don't register the car with a salvage title that would tell a prospective buyer that it's been deemed beyond repair.

State Farm Insurance did that with some 40,000 cars in 49 states, according to a suit that was settled in 1998. It agreed to compensate the unwitting buyers.

Even when a car's burdened with a salvage title, variations in state laws make possible a scam called "title washing." In the scheme, unscrupulous sellers register a car with a salvage title in a state where the definition of "salvage" or "total loss" is more lax. The car can then be sold anywhere without the "salvage" title.

Dealers said they've been burnt on the ploy, as have consumers.