



State of Vermont
Department of Banking, Insurance,
Securities and Health Care Administration
89 Main Street
Montpelier, VT 05620-3101
www.bishca.state.vt.us

Consumer Assistance Only:
Insurance: 1-800-964-1784
Health Care Admin.: 1-800-631-7788
Securities: 1-877-550-3907

Vermont Department of Banking, Insurance, Securities
and Health Care Administration

BANKING DIVISION

BANKING BULLETIN #33

July 27, 2009

Motor Vehicle Retail Installment Contract
DMV Warranty Fee
Federal Car Allowance Rebate System (a/k/a Cash for Clunkers Program)

This Bulletin is issued in response to inquiries regarding the appropriate placement on the Motor Vehicle Retail Installment Contract (required pursuant to 9 V.S.A. Chapter 59) of the following: (1) the DMV Warranty Fee created by Act 50 (H.438), effective July 1, 2009; and (2) the federal Car Allowance Rebate System (also know as the Cash for Clunkers Program and the CARS program).

DMV Warranty Fee.

Act 50 (H. 438), effective July 1, 2009, added a new section 476 to Title 23, V.S.A., which reads:

A motor vehicle warranty fee of \$5.00 is imposed on the registration of each new motor vehicle in this state not including trailers, tractors, motorized highway building equipment, road making appliances, snowmobiles, motorcycles, mopeds, or trucks with a gross vehicle weight over 12,000 pounds.

The Department views the \$5.00 motor vehicle warranty fee as one of the "official fees" prescribed by law that must be paid in order for the seller to obtain a lien on the motor vehicle. See 9 V.S.A. §2351(7). Thus, the motor vehicle warranty fee should be included with the official fees on the motor vehicle retail installment contract. See, 9 V.S.A. §2355(f)(1)(E).

Federal Car Allowance Rebate System (also know as the Cash for Clunkers Program and the CARS program).

The CARS program encourages buyers to trade in a less fuel efficient car or truck for a new more fuel efficient car or truck. The amount and availability of the CARS program



Banking
802-828-3307

Insurance
802-828-3301

Captive Insurance
802-828-3304

Securities
802-828-3420

Health Care Admin.
802-828-2900

credit for any particular buyer is based upon the combined city/highway fuel economy of the trade-in vehicle and the new vehicle.

The CARS program requires that the trade-in vehicle be destroyed. Consequently, the value the dealer gives the buyer for the trade-in vehicle is not likely to exceed the estimated scrap value of the trade-in vehicle. Since the trade-in vehicle must be destroyed, the Department views the CARS program credit as a supplement or substitute for the trade-in value of the buyer's old vehicle. Thus, the CARS program credit should be treated on the Motor Vehicle Retail Installment Contract and on the Vermont Disclosure (Banking Bulletin #28) in the same manner as the trade-in value is treated.

a. Motor Vehicle Retail Installment Contract. Ideally, the CARS program credit should be disclosed on the Motor Vehicle Retail Installment Contract as a separate line item, or noted that it is included as part of the trade-in value. For example:

Trade-in value	\$ _____
CARS Program Credit	\$ _____
Down payment	\$ _____

OR

Trade-in value (including CARS program credit) \$ _____

Given the relatively short duration of the federal CARS program, however, and to avoid the cost and necessity of revising Motor Vehicle Retail Installment Contract forms, the Department would not object to combining the trade-in value, if any, and the CARS program credit on the trade-in value line without any additional notation.

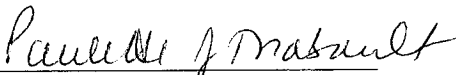
b. Vermont Disclosure (Bulletin #28). Similarly, on the Vermont Disclosure (Banking Bulletin #28) the Department would prefer the addition of a separate line item to show the CARS program credit, or a notation that the CARS program credit is included as part of the "Dealership allowance for trade-in." For example:

Dealership allowance for trade-in	\$ _____
CARS program credit	\$ _____
Amount owed on trade-in or lease as of _____ (date)	\$ _____

OR

Dealership allowance for trade-in (includes CARS program credit)	\$ _____
Amount owed on trade-in or lease as of _____ (date)	\$ _____

Once again, given the relatively short duration of the federal CARS program, and to avoid the necessity and cost of revising forms, the Department would not object to combining the trade-in value, if any, and the CARS program credit on the "Dealership allowance for trade-in" line without the notation.


Paulette J. Thabault
Paulette J. Thabault
Commissioner