



# Beware of Flooded or Salvaged Used Cars

From the Office of Minnesota Attorney General Lori Swanson

Consumers choose to purchase used rather than new vehicles for a variety of reasons, and used car buying is certainly not a new phenomenon. Buying any used vehicle has certain risks, but a flood-damaged car or truck may present additional economic and safety hazards. Not only can flood damage significantly reduce the market value of a vehicle, but it can also lead to unexpected and significant repair costs. Many newer vehicle models have sensitive electronic wiring and computer components that may be permanently impaired by water damage. Furthermore, the water may damage not only electrical components, but also the structural frame and vehicle interior. Worst of all, the effects of water damage may not appear for months or even years. Aside from the unforeseen financial consequences of such latent damage, the sudden failure of any safety component, such as a vehicle's brake system, can jeopardize the safety of not only a vehicle's occupants, but anyone on the roads.

In any given year, thousands of badly damaged vehicles are cleaned, repaired and shipped from state to state. The number of previously damaged vehicles on the used car market often increases following major weather events that cause flooding on a large scale, such as hurricanes, heavy rains, and the spring thaw in areas with heavy snow. For example, it has been estimated that approximately 600,000 cars were submerged in floodwater as a result of the 2005 hurricanes of Katrina, Rita and Wilma, and many of these cars are still being re-sold throughout the country. As the thousands of cars and trucks are shipped from state to state, some sellers may try to hide the vehicles' tumultuous history. The Attorney General's Office urges Minnesota consumers and businesses to beware of flood-damaged vehicles and unscrupulous sellers who may try to hide the history of these vehicles.

## How Car Titles are Hidden

Fraudsters often use a combination of cheap cosmetic repairs and title "washing" or "laundering" to hide a vehicle's past. Title laws vary between states, and crooks use this lack of uniformity to their advantage. Some states even lack salvaged vehicle "branding" requirements, which require title notations indicating that a vehicle has been "flood-damaged," "salvaged," "rebuilt," or other similar history. In Minnesota, for example, the registrar of titles must record the term "flood damaged" on the certificate of title for a vehicle for which the application for title and registration indicates that a vehicle has been classified as a total loss due to water or flood damage. Such laws may not be enough, however, to protect consumers from unscrupulous dealers who often move previously totaled cars and trucks through several states until the vehicle obtains a clear or "washed" title. Minnesota titles do not reveal the original owner of a vehicle that has been sold numerous times; it only lists the current owner. Thus, if a flood-damaged car in Louisiana gets run through Kansas before finally being sold in Minnesota, the title will not reveal that the car was originally from Louisiana.

## Tips on How to Avoid Flooded Cars

**Check the vehicle's title.** Make sure the vehicle you are eyeing has a clean title. Doing so can help you avoid numerous headaches in the future. You can obtain title information by contacting the Department of Public Safety, Driver and Vehicle Services Division at 651-297-2126. If you are buying from a dealership, you can also demand this information from the dealer. If the dealer refuses your demand, go elsewhere.

**Review the VINCheck database.** The National Insurance Crime Bureau (NICB) maintains a database of vehicles reported as stolen or salvaged by participating NICB members, including insurance companies. Consumers may search the database for free at [www.nicb.org](http://www.nicb.org).

*nicb.org* by entering the car's Vehicle Identification Number (VIN). The NICB cautions, however, that the list is not exhaustive, and it does not verify the accuracy of the information therein.

**Obtain a CarFax report.** A CarFax report can be purchased for \$39.99 each, \$49.99 for five or unlimited reports for \$54.99, by accessing the CarFax website (*www.carfax.com*). While state-based title searches can be useful, they may be limited by government data practices laws or unscrupulous means of title "washing" (shuffling the vehicle through several states). CarFax reports may contain certain information regarding the vehicle's past whereabouts and the vehicle's accident history missed by state-based title searches. Additionally, CarFax has access to information regarding the vehicle's repairs, which can be extremely helpful.

**Conduct a physical inspection.** A good auto detail can do wonders in concealing evidence of flooding, but many do not eliminate all indications of water damage. Take your time and conduct a thorough inspection. Here are a few suggestions:

1. Look under the carpet in the trunk and under the seats. Evidence of dampness, rust, mud, or silt, may indicate flooding.
2. Inspect the door speakers, windshield wipers, radio, air conditioner, and other electronics. They often won't work if there has been water damage.
3. Beware of new or mismatched items in an older car, including new electrical components, seats, and carpeting that doesn't match the interior.
4. Check for rust and excessive flaking metal on the undercarriage or springs under the dashboard and seats.
5. See if there is any obvious paint overspray indicating recent body damage.
6. Smell for a musty or moldy odor, particularly in the trunk.

**Go on a test drive.** Don't let the owner take you for a ride! Insist on getting behind the wheel yourself. Drive over hills, on city streets and on the freeways. Be sure to test the brakes and check to see that the brakes don't lose pressure when you press hard on them. Don't accept a salesperson's word that the damage was minor, demand proof.

**Have an independent inspection.** Before paying any money to the seller, have the vehicle inspected by a trusted mechanic whose expertise and experience may allow him to spot potential issues you did not. Do not buy from a seller who refuses to allow, or attempts to dissuade you from having, a pre-purchase inspection. Even if you have to pay for the inspection, it could save you thousands of dollars on unexpected repairs later.

**Use extreme caution when buying online.** Online car sales are becoming increasingly popular. You can go online to narrow down your search for local cars and then go inspect/drive the car before making a purchase. Many people, however, are buying cars from far away uninspected and unseen. Remember, just because you are buying a car from Madison or Chicago, doesn't mean the car wasn't originally flood damaged in New Orleans or Biloxi. If the delivered car is not as represented online, it may be very difficult to resolve the problem. If you do buy a car online, make sure you use a secure escrow service such as PayPal.

For more information concerning salvaged cars or to file a complaint, contact the Minnesota Attorney General's Office as follows:

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