



# STATE OF CONNECTICUT

## DEPARTMENT OF MOTOR VEHICLES

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<http://ct.gov/dmv>



**Testimony of Department of Motor Vehicles Commissioner Melody A. Currey  
Transportation Committee Public Hearing  
February 18, 2011**

### **S.B No. 703**

**AN ACT REDUCING THE SURETY BOND REQUIREMENT FOR A USED CAR  
DEALER'S LICENSE**

### **Proposed H.B. No. 6212**

**AN ACT REDUCING THE AMOUNT OF THE SURETY BOND FURNISHED BY  
APPLICANTS FOR A NEW OR USED CAR DEALER'S LICENSE**

The Department of Motor Vehicles (DMV) opposes S.B. 703 and proposed H.B. 6212. The DMV is responsible for ensuring that automobile dealer bonds are in place, and for invoking those bonds to indemnify aggrieved consumers. In 2010, the legislature amended the statute governing surety bonds for automobile dealers by increasing the amount of the bond from \$20,000 to \$50,000. Prior to 2010, the bond amounts had not changed since 1993. The increase in 2010 was in response to a number of cases before the DMV over the past several years in which claims by consumers exceeded the amount of the dealer bond. This is due in large part to the rising cost of automobiles, both new and used. The \$50,000 is in place to protect consumers in the event that a dealer goes out of business, leaving consumers without vehicles and/or titles to vehicles they have purchased.

Senate bill 703 would reduce the bond amounts only for used car dealers, and leave the \$50,000 bond requirement intact for new car dealers. In fact, the problem has been *more* prevalent among used car dealers. In the past year, the DMV has had bond invocation hearings for used car dealers that have gone out of business and left multiple consumers without a means through which to be made whole. Under those circumstances, the bond amount must be prorated among the dealer's customers, who typically recover only a fraction of their total out-of-pocket expenditures. In many instances, these persons have already obtained court judgments against the dealer that they have been unable to recover.

Proposed Bill 6212 seeks to repeal the amendments that were made in 2010 for both new and used car dealers. The stated purpose of the bill is *"To repeal the increase in the amount of the surety bond made by public act 10-110. The increase adds approximately five hundred dollars to the amount of the yearly payment and is a major hardship for the little guys who mostly repair cars and occasionally sell one."* New and used car dealer bonds do not apply to a shop that performs only automobile repairs. The bond requirement for a repairer remains at \$5,000. While there may be some dealers who conduct mostly repairs and sell an occasional car, the majority of licensed dealers, both new and used, sell vehicles on a regular basis. For a new car dealer, the sales price of one automobile typically exceeds the total amount of the bond.

For all of the reasons stated, the DMV urges the rejection of these two bills which leave consumers vulnerable in the event of a dealership closure. Thank you for the opportunity to share with you the concerns of this agency.