

MADA News

Timeline for Fixing MNLARS Unknown



DVS Taking Feedback Now

On January 4, the Minnesota Senate Transportation Committee held a hearing

to gauge what progress has been made in fixing the flawed MNLARS system since the committee's November meeting. Unfortunately, the reports were bleak. Beyond stabilizing the system so no major outages have occurred since November 2, the missing functionality has yet to be restored and the backlog of titles, lien cards and conditionals continues.

MADA President Scott Lambert testified that for dealers, the inability to issue paperwork in a timely fashion is causing major headaches for them, their customers and business partners since the work is not keeping up with the flow of commerce. He also lambasted communication efforts by the agency, who has failed to share critical pieces of information with dealers on the status of issues such as specialty plates and lien cards since MNLARS launched in July.

Going forward, Governor Dayton has appointed a new director of outreach who is leading a series of stakeholder meetings around the state to get input on the major deficiencies and layout a plan for prioritizing the fixes. Those meetings are underway as this publication is being produced. If you wanted to participate but were unable to attend, please send your feedback to MADA before the end of the month. Comments can be directed to MADA Vice President of Public Affairs Amber Backhaus at amber@mada.org.

All of the information collected by the administration will be synthesized into a roadmap, which will outline the time frame and budget for fixing the multitude of MNLARS problems.

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[2018 Session Preview](#)

If you have recurring issues with MNLARS the state should know about, submit them to MADA before month's end.

upcoming events

feb 13 Title Basics
West St. Paul

feb 15 Turn One-time Customers into Lifetime Customers
Webinar

feb 20 The New Era of Sexual Harassment Claims
Roseville

feb 21 Service Advisor 101
West St. Paul

visit
www.mada.org
for details, registration
and a complete list of
Upcoming Events and
Training

Legislative News

2018 Legislative Session Begins in February

On February 20, legislators will reconvene the 90th Session in St. Paul. This is the second year of the legislative biennium and will be shorter due to its later start date. Despite the condensed time frame, policymakers are expected to take-on a number of high profile issues.

Passage of a major federal tax reform bill in December necessitates conformance by the state since Minnesota bases its collection on an entity's "federal taxable income." However, the Dayton administration and GOP-controlled Legislature have philosophical differences about which provisions to conform with. However, doing nothing would be a costly option, as preliminary estimates show Minnesotans would pay \$700 million more in taxes to the state if federal conformity is not passed.

Getting MNLARS on track is another top priority for legislators, who want to ensure the resources are available and regulations streamlined to

expedite fixing the system. MADA is following the debate closely and assembling a list of items that we believe should be considered to help transactions flow more smoothly.

Beyond MNLARS, MADA is working diligently to enact updates to the Motor Vehicle Franchise Protection Statute that will help restore parity in the relationship with the factories by making warranty and recall compensation fairer. The House already passed a strong bill in 2017, and we are working with the Senate to get similar provisions across the finish line.

All of these discussions will take place against the backdrop of a major election year, making the discussions messier. In 2018, all 134 MN House members are up for re-election, and there will be a vacancy in the governor's office for which four members of the House are running.



Minnesota Automobile Dealers Association

The Minnesota Automobile Dealers Association is a non-profit trade association dedicated to the progress of the retail auto industry in Minnesota.

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**Do you have a training need or suggestion?
We would like to hear from you!**

Please call Alice at 651-789-2956 or email alice@mada.org.

Dealer Liability and the Military Lending Act

The Military Lending Act (MLA) requires that creditors follow certain rules and make certain disclosures to active duty military personnel when extending credit. Automobile finance transactions have historically been exempt under the MLA. However, the Department of Defense (DOD) recently issued an interpretation of the MLA that impacts dealers who sell or have sold vehicles accompanied by financial protection products to members of the military. This interpretation went into effect on December 14, 2017, and applies retroactively to all transactions since October 3, 2016.

Under the new interpretation, if, as part of a vehicle financing transaction with a military consumer or his or her dependent, a creditor extends financing for a credit-related product or service (such as GAP, Credit Life, or Credit Accident or Health products), or provides cash out financing, the creditor must comply with the full range of duties and restrictions imposed by the MLA. The new interpretation extends to credit financing related products only and does not extend to service contracts or products that provide benefits to the motor vehicle itself. In practice, what this means is, dealers are on the hook to comply with the burdensome provisions of the MLA when extending finance protection products to active military personnel and their dependents.

Dealers are on the hook to comply when extending finance protection products to active military personnel and their dependents

of the two methods listed below. Many borrowers may not even know that they have the requisite designation under the MLA, which is why simply asking the customer about their status is not sufficient to avoid liability under the MLA.

The first option for screening customers is to run the customer's name and personal information

through the following DOD website to determine the customer's status before offering financial products: <http://bit.ly/MADAMLA>. The second option is for dealers to use a nationwide Credit Reporting Agency (CRA), or reseller of the CRA's reports, that provides an indicator or code on the report of all customers with active duty or active duty dependent status. Using one of these screening methods provides a safe harbor for dealers.

Customers that are revealed to be an active duty service member or dependent should not be offered GAP, Credit Life or Credit Accident & Health products.

However, it is important to note that these safe harbor methods are only effective if the dealer timely creates and maintains a record of the search and the information that was discovered.

Customers that are revealed through the screening process to be an active duty service member or dependent should not be offered GAP, Credit Life or Credit Accident & Health products. While technically a dealer may choose to comply with the MLA and therefore can offer and sell active duty military personnel and their dependents financial protection products, due to the onerous requirements under the MLA and the steep penalties for failure to comply (including criminal charges, large fines, and voiding the purchase agreement), it is the collective recommendation of NADA and other national industry leaders that dealers not offer these financial protection products to active duty military personnel and their dependents.

The above-mentioned guidance should ensure compliance under the MLA. Unfortunately, doing so also means dealers may run afoul of state antidiscrimination laws. In Minnesota, like more than a dozen other states, service members are a protected class. While there is no way to rule out the possibility of an anti-discrimination claim for failing to offer certain finance protection

Military Lending Act... continued on page 7

Legal News

Dealers Must Now Use Updated Buyers Guide

A year ago, the Federal Trade Commission (FTC) adopted a final rule modifying the Buyers Guide warranty sticker that dealers have been completing and posting on their used vehicles since 1985. Though effective January 27, 2017, the new rule permitted dealers a grace period of 12 months to use up their existing stock of forms.

The grace period is now over. Dealers must post an updated Buyers Guide on their used vehicle inventory no later than January 28, 2018.

The new Buyers Guide is similar in look and feel to the old form. Some of the more significant changes include:

- an updated description of what “As Is” means;
- an updated warranty section that permits - but does not require - dealers to disclose whether a used vehicle is covered by a manufacturer’s warranty or a third-party warranty;
- statements that encourage consumers to visit government websites for information about vehicle history reports and outstanding recalls; and
- a statement in Spanish letting customers know that they may obtain a Buyers Guide in Spanish if the dealer conducts the sale in Spanish.

MADA Services has been distributing the new form for nearly a year with versions to accommodate “As Is” sales as well as sales subject to the Minnesota Used Vehicle Warranty Law.

Legislative News

Two February Elections Coming

Minnesota legislators were not immune to the #MeToo movement and uncovering of sexual harassment at the Capitol. This fall, after multiple victims came forward with strings of incriminating text messages, two legislators resigned their seats. Representative Tony Cornish (R-Good Thunder) stepped aside on December 1 and Senator Dan Schoen (DFL-Cottage Grove) on December 15. (Dealers will be interested to know Senator Schoen authored

a floor amendment removing the prohibition on Sunday auto sales during the past session.) Now, there are two upcoming Special Elections on Monday, February 12.

In House District 23B, Democrat Melissa Wagner, will be facing either Republican Jeremy Munson or Scott Sanders. In the Senate District 54, two veteran legislators may be facing off. Republican Denny McNamara (R-Hastings), if he wins the primary, served in the Minnesota House for 14 years

before retiring in 2016. DFLer Karla Bigham (DFL-Cottage Grove) represented the other side of the senate district for four years and is now serving as a Washington County Commissioner. This race is being closely watched, as the district is truly purple - and both candidates have strong name recognition. Plus, a pick-up by the Republicans would give them a bit more wiggle room in their control of the Senate, which they currently hold by one seat (34-33).

Minnesota Auto Outlook

Released by:
**Minnesota Automobile
Dealers Association**

Covering the Minnesota automotive market

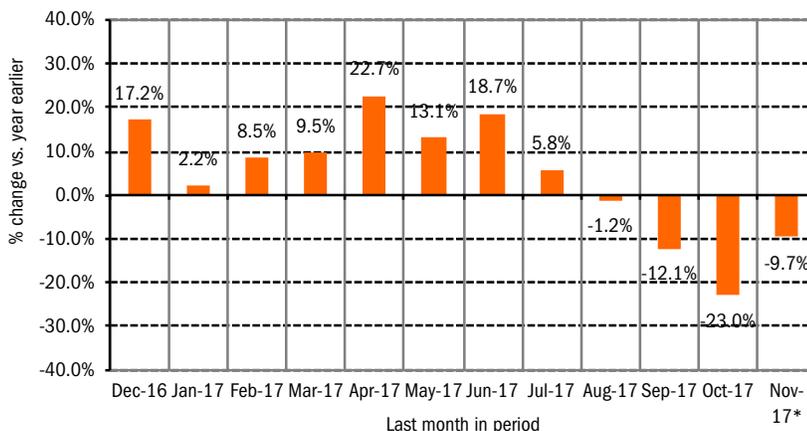
Data thru November 2017

Minnesota New Retail Car and Light Truck Registrations

	Most Recent Two Months			Year to date thru Nov.*			YTD Market Share		
	10/16 & 11/16	10/17 & 11/17*	% change	YTD '16	YTD '17	% change	YTD '16	YTD '17	change
Industry Total	44,696	40,978	-8.3%	198,983	200,681	0.9%			
Cars	11,603	8,941	-22.9%	56,823	50,137	-11.8%	28.6	25.0	-3.6
Light Trucks	33,093	32,037	-3.2%	142,160	150,544	5.9%	71.4	75.0	3.6
Japanese Brands	15,888	14,686	-7.6%	69,859	72,527	3.8%	35.1	36.1	1.0
Honda	3,960	3,917	-1.1%	18,014	19,650	9.1%	9.1	9.8	0.7
Nissan	2,414	2,329	-3.5%	9,970	10,459	4.9%	5.0	5.2	0.2
Toyota	5,468	5,245	-4.1%	24,996	25,439	1.8%	12.6	12.7	0.1
Other	4,046	3,195	-21.0%	16,879	16,979	0.6%	8.5	8.5	0.0
Domestic Brands	23,594	21,414	-9.2%	105,731	104,579	-1.1%	53.1	52.1	-1.0
FCA (excl. FIAT)	6,255	5,553	-11.2%	26,625	27,126	1.9%	13.4	13.5	0.1
Ford	7,384	7,075	-4.2%	33,604	32,731	-2.6%	16.9	16.3	-0.6
General Motors	9,814	8,719	-11.2%	45,105	44,458	-1.4%	22.7	22.2	-0.5
Other	141	67	-52.5%	397	264	-33.5%	0.2	0.1	-0.1
European Brands	2,778	2,702	-2.7%	12,179	11,649	-4.4%	6.1	5.8	-0.3
BMW	587	465	-20.8%	3,000	2,169	-27.7%	1.5	1.1	-0.4
Mercedes	500	464	-7.2%	2,035	1,899	-6.7%	1.0	0.9	-0.1
Volkswagen	1,337	1,355	1.3%	5,396	5,994	11.1%	2.7	3.0	0.3
Other	354	418	18.1%	1,748	1,587	-9.2%	0.9	0.8	-0.1
Korean Brands	2,436	2,176	-10.7%	11,214	11,926	6.3%	5.6	5.9	0.3

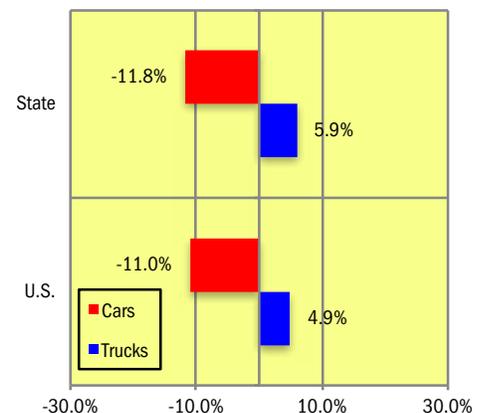
Brands included above: Domestic Brands: GM (Buick, Cadillac, Chevrolet, and GMC), Ford (Ford and Lincoln), Chrysler (Chrysler, Dodge, Jeep, and Ram). Japanese: Toyota (Toyota, Lexus, and Scion), Honda (Honda and Acura), Nissan (Nissan and Infiniti), Other (Mazda, Mitsubishi, and Subaru). European: VW (Audi, Bentley, Porsche, and Volkswagen), BMW (BMW, Rolls Royce, and MINI), MB (Mercedes Benz and smart), Other (Alfa Romeo, Aston Martin, Ferrari, Fiat, Jaguar, Land Rover, Lotus, Maserati, and Volvo). Korean: Hyundai and Kia.
*Figures for November 2017 were estimated by Auto Outlook. Data Source: IHS Markit.

Percent Change in Three Month Moving Average of New Retail Registrations versus Same Period Year Earlier



The graph above provides a clear picture of the trending direction of the state market. It shows the year-over-year percent change in the three month moving average of new retail light vehicle registrations. The three month moving average is less erratic than monthly registrations, which can fluctuate due to such factors as the timing of manufacturer incentive programs, weather and title processing delays by governmental agencies.
*Figures for November 2017 were estimated by Auto Outlook. Data Source: IHS Markit.

Percent Change in State and U.S. New Retail Light Vehicle Markets YTD '17 thru November* vs. YTD '16



The graph above compares the change in new retail car and light truck registrations in both the state and U.S. markets. *Figures for November, 2017 were estimated by Auto Outlook. Data Source: IHS Markit.

Data Information

All data represents new vehicle retail registrations in Minnesota and excludes fleet and wholesale transactions. Please keep in mind that monthly registration figures can occasionally be subject to fluctuations, resulting in over or under estimation of actual results. This usually occurs due to processing delays by governmental agencies. Note: reported registrations in the state during the first half of 2016 were relatively weak but increased significantly in the Third Quarter. For this reason, year-over-year increases during the first six months of this year will be relatively large, while declines are likely later in the year. Data Source: IHS Markit.

Minnesota New Retail Light Vehicle Registrations					
	Registrations			Market share	
	YTD '16	YTD '17	% change	YTD '16	YTD '17
	thru Nov.	thru Nov.*		thru Nov.	thru Nov.*
TOTAL	198,983	200,681	1%		
Acura	1,147	1,157	1%	0.6%	0.6%
Alfa Romeo	4	219	5375%	0.0%	0.1%
Audi	1,685	1,918	14%	0.8%	1.0%
BMW	2,541	1,823	-28%	1.3%	0.9%
Buick	3,824	3,830	0%	1.9%	1.9%
Cadillac	1,166	1,043	-11%	0.6%	0.5%
Chevrolet	31,975	31,619	-1%	16.1%	15.8%
Chrysler	3,397	3,369	-1%	1.7%	1.7%
Dodge	4,967	4,479	-10%	2.5%	2.2%
FIAT	191	179	-6%	0.1%	0.1%
Ford	32,485	31,732	-2%	16.3%	15.8%
Genesis	15	115	667%	0.0%	0.1%
GMC	8,140	7,966	-2%	4.1%	4.0%
Honda	16,867	18,493	10%	8.5%	9.2%
Hyundai	4,667	5,186	11%	2.3%	2.6%
Infiniti	678	771	14%	0.3%	0.4%
Jaguar	139	189	36%	0.1%	0.1%
Jeep	10,407	11,291	8%	5.2%	5.6%
Kia	6,532	6,625	1%	3.3%	3.3%
Land Rover	441	384	-13%	0.2%	0.2%
Lexus	2,330	2,244	-4%	1.2%	1.1%
Lincoln	1,119	999	-11%	0.6%	0.5%
Maserati	57	51	-11%	0.0%	0.0%
Mazda	4,422	4,749	7%	2.2%	2.4%
Mercedes	2,015	1,884	-7%	1.0%	0.9%
MINI	457	346	-24%	0.2%	0.2%
Mitsubishi	2,024	1,995	-1%	1.0%	1.0%
Nissan	9,292	9,688	4%	4.7%	4.8%
Other	100	63	-37%	0.1%	0.0%
Porsche	294	323	10%	0.1%	0.2%
Ram	7,854	7,987	2%	3.9%	4.0%
Subaru	10,427	10,232	-2%	5.2%	5.1%
Tesla	371	251	-32%	0.2%	0.1%
Toyota	22,666	23,195	2%	11.4%	11.6%
Volkswagen	3,417	3,753	10%	1.7%	1.9%
Volvo	870	533	-39%	0.4%	0.3%

Top ten ranked brands in each percent change category are shaded green.

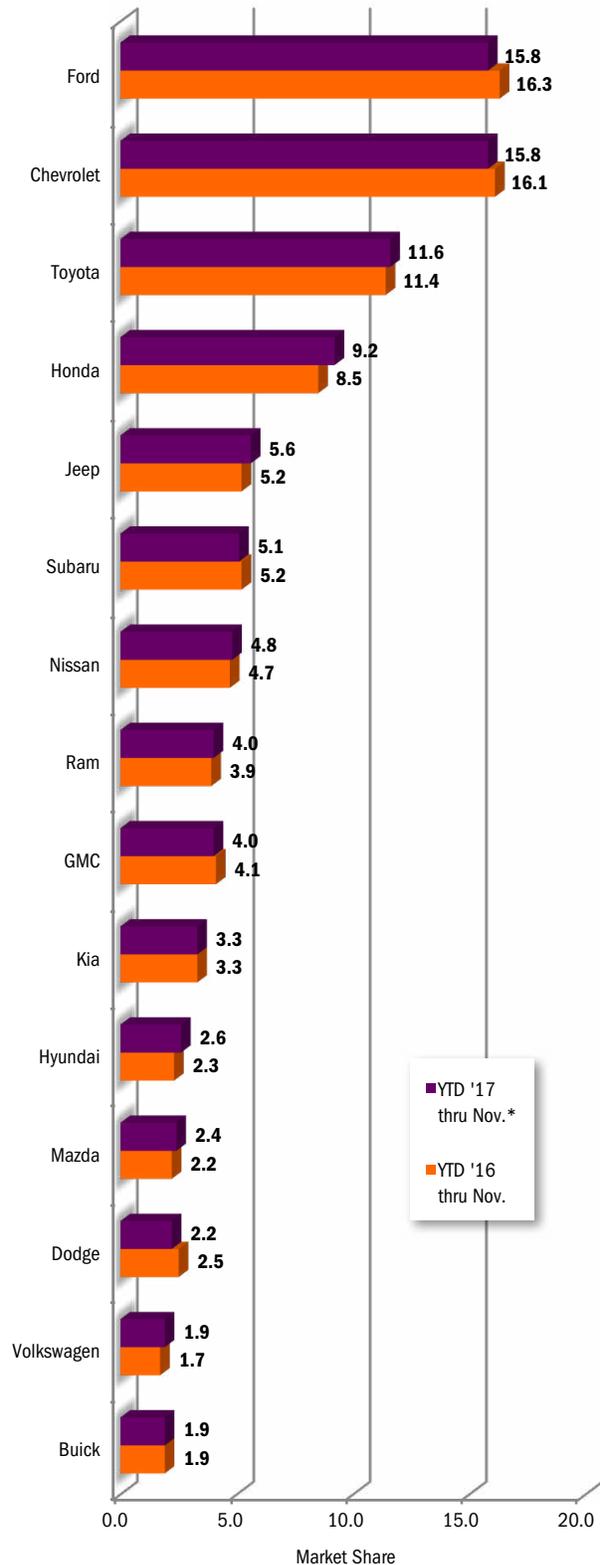
*Figures for November 2017 were estimated by Auto Outlook.

Data Source: IHS Markit.

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State Market Share for Top 15 Selling Brands
YTD '17 thru November* vs. YTD '16



*Figures for November 2017 were estimated by Auto Outlook.

Data Source: IHS Markit.

Military Lending Act..... continued from page 3

products to active duty military personnel and their dependents, this exposure is preferable to a possible violation under the MLA.

NADA and MADA are actively working for further clarification on this new DOD interpretation. MADA urges all dealership personnel to keep an eye out for any updates coming from NADA and/or MADA on this issue.

Please contact associate general counsel Dan Louismet with any questions: (651) 789-2948 louismet@mada.org.

visit us online at
www.mada.org

MADA Vendor Viewpoint

Are you using the right oil?

Implementation of the next ILSAC engine oils service, GF-6, continues to be delayed. This has resulted in OEMs continuing to ask their current GF-5/GF-5 Plus to do more. This delay, coupled with an increased number of vehicles equipped with Gasoline Direct Injection (GDI) and turbochargers, has created problems in the marketplace. One issue that continues to be seen is low-speed pre-ignition (LSPI), also known as “the super knock.” When this occurs, it results in over-pressurization of the combustion chamber and can cause serious damage to the piston, rings and valves.

So, what to do to prevent LSPI? It comes down to a multitude of factors, most importantly, using quality oil. Oil manufacturers, working with OEMs, have identified specific additives and base oil quality as factors in LSPI. By using a quality motor oil, you can not only limit the risk of LSPI but can also extend the life of the customer’s vehicle. If you are not sure what motor oil is best for your specific application, please consult your OEM or Oil Distributor to ensure you are providing your customer with a quality product.

Jason Fogt, Automotive Sales Manager, MN Region, Lube-Tech



Endorsed Service & Vendors

Check Guarantee/Credit Card Processing
FIS / Certegy

Dealer Bond Program
Ensure Agency

Disability Income Insurance & Section 125 Cafeteria Plans

American Fidelity Assurance

Employee Placement
Hireology

F&I Products
Protective

Fleet Fueling Program
SuperAmerica

Group Health Insurance
Blue Cross Blue Shield of MN
Delta Dental
ReliaStar Life

Hole-In-One Insurance
Hole-In-One-USA

Office Supplies
Innovative Office Solutions

Online Marketing Services
Dealer 1-2-1
PureInfluencer
Purple Cloud

OSHA, EPA & DOT Compliance/Training
ComplyNet Corporation

Pre-Paid Legal, Jim Gavin
Identity Theft Shield &
Pre-Paid Legal Services

Uniforms and Linen Services
AmeriPride Linen & Apparel
Services

Workers Compensation
Ensure Agency



MADA Services sells a wide variety of products directly to the dealers including business forms, clothing and promotional items. For a full review of options, contact your sales representative at 651-291-2400 or go to www.mada.org



MADA NEWS ▪ JANUARY 2018

FAQ

Q: We heard that there are a couple of new tax changes that could further burden motor vehicle registration here in Minnesota. True?

A: Afraid so. A number of counties added or increased their wheelage tax effective January 1, 2018. There was very little publicity. If you're selling a vehicle that needs registration, wheelage tax is imposed based on the county where the vehicle "is kept ...when not in operation." This is typically the customers county of residence. Here's the full list of wheelage taxes by county: <https://dps.mn.gov/divisions/dvs/Pages/Wheelage-Tax.aspx>

Note that Beltrami County is not on the list. Earlier information available to MADA mistakenly indicated that Beltrami County had instituted a wheelage tax.

Also beginning January 1, all-electric vehicles registered in Minnesota will incur an annual \$75 surcharge collected at the time of registration. "All-electric" is defined as an electric vehicle that is solely able to be powered by an electric motor drawing current from rechargeable storage batteries, fuel cells, or other portable sources of electrical current. It does not include plug-in hybrid electric vehicles.



Upcoming Classes Register Today!

Register online at www.mada.org/training
OR contact Alice Morse alice@mada.org

Title Basics	Class Options	Date	Location
	West St. Paul 9:30 a.m. - 11:30 a.m. \$199 per person	February 13, 2018	MADA Headquarters 200 Lothenbach Ave West St. Paul, MN 55118

Best Practices: Turn One-Time Customers into Lifetime Customers: The \$99 Billion Opportunity	Class Options	Date	Location
	Webinar 10:00 a.m. - 11:00 a.m. \$109 per person	February 15, 2018	Webinar

The New Era of Sexual Harassment Claims: How to Prepare and Provide Training	Class Options	Date	Location
	Roseville 10:00 a.m. - 11:30 a.m. \$159 per person	February 20, 2018	Radisson Roseville 2540 N. Cleveland Roseville, MN 55113

Service Advisor 101	Class Options	Date	Location
	West St. Paul 10:00 a.m. - 2:00 p.m. \$199 per person	February 21, 2018	MADA Headquarters 200 Lothenbach Ave West St. Paul, MN 55118

Accessories: Learn How to Add Up to \$1500 per Vehicle Sale	Class Options	Date	Location
	Minneapolis 1:00 p.m. - 4:00 p.m. \$159 per person (<i>price includes cocktail reception and admission to the Twin Cities Auto Show</i>)	March 13, 2018	Minneapolis Convention Center 1301 2nd Ave S Minneapolis, MN 55403

ON DEMAND: Best Practices: Cyber Security for your Dealership	Class Options	Date	Location
	ON DEMAND \$109 per person	ON DEMAND	WEBINAR- Access granted to recording upon registration

For Information on these classes or to register online go to www.mada.org/training

The New Era of

SEXUAL HARASSMENT

How to Prepare and Provide Training

With sexual harassment at the forefront of the news, it's now more important than ever for employers to be proactive about preventing and addressing inappropriate workplace behavior. We will discuss what the law defines as harassment and measures that employers can take to reduce liability, but also about best practices for promoting a respectful and inclusive workplace. The seminar will include stories from real-life situations.

This seminar will help managers and Human Resources professionals understand:

- How to recognize harassment
- How to investigate harassment allegations
- What can be done to prevent harassment from occurring

Led by Attorney Amy B. Conway of Stinson Leonard, this seminar is a MUST-ATTEND for all team leaders within your dealership.

About Your Instructor:

Amy B. Conway, *Partner*

Amy Conway has significant experience in labor and employment law as both a counselor and a litigator. She loves solving problems and regularly works with clients to balance legal risk with their business objectives. Amy advises employers of all sizes on issues involving the Fair Labor Standards Act (FLSA), Family and Medical Leave Act (FMLA), Americans with Disabilities Act (ADA), Title VII of the Civil Rights Act of 1964 (Title VII), the Minnesota Human Rights Act (MHRA), affirmative action programs, Office of Federal Contract Compliance Programs (OFCCP) audits and related state-level audits, employee handbooks, employment contracts, separation agreements, and noncompetition agreements. Her counseling work includes guiding clients through complex issues related to equal pay, minimum wage and overtime rules, and employment-related government contract regulations. Amy also leads internal investigations for employers into employee classification issues and employee harassment complaints.



Space is limited
**REGISTER
TODAY!**

<http://bit.ly/MADAshc>

ROSEVILLE

Tuesday, February 20, 2018

10:00 a.m.- 11:30 a.m.

Radisson Roseville

2540 N. Cleveland Avenue
Roseville, MN 55113

Registration Fee \$159 per person

For more information,
please contact
Alice Morse at
651-789-2956 or
email alice@mada.org

Questions? Contact Alice Morse at alice@mada.org or 651-789-2956