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ELT Cost Reduction Success Stories: Successful ideas from states who have done it.

Who's Next? Our quarterly check-in with the jurisdictions on ELT development.

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The VINtek View ELT Update is a quarterly publication of:

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Learning from successful ELT programs

States are Getting a Big Return on their ELT Investment

Government budgets are tight. Ask any motor vehicle administrator and you will hear about cutbacks. Doing more with less is a common mantra. Resources, especially software development resources, are shrinking. With so many projects vying for selection, bottom line cost reduction becomes a key factor in determining which ones "make the cut".

One program that delivers a big return for a very small investment is Electronic Lien and Title (ELT). Now implemented in 12 states, ELT has a track record that demonstrates a very fast payback, as it is a successful, proven cost reduction program. One of the reasons for its success is ELT does not require significant software development for implementation. Using existing programs and a batch mailbox technology for exchanging electronic messages, ELT easily fits into a state's existing processing environment, thus reducing the "I" in the "ROI".

ELT replaces the paper title with an electronic lien notification

Of the 5 million new titles to be issued in 2004, Florida estimates 730,000 will be ELT. As a result, the state will see a 13% reduction in its costs for printing titles, a \$190,000 savings in postage and \$29,000 in savings on title paper costs. Additionally, the number of duplicate titles has been reduced significantly.

as the method for informing a lienholder of the recordation of a lien in their favor on a title record. Similar to the benefits realized from the migration from paper stock certificate to electronic certificates of record achieved in the securities industry, ELT is reducing significant "wasted" cost associated with the shipping and handling of paper titles in

ELT Lessons Learned in Florida

1. Looking back on the implementation of the program, Boyd Waldron says, "A state needs to push for the big lienholders to be in the program." With the largest lienholders participating in the program, the cost reduction benefits come early.

2. Another important factor for a successful program is bringing in the lienholders early in the planning and "ELT participants need to be more involved with the dealers and others who originate lien recordation's for lienholders". The dealers will need some time at the beginning of an ELT program to get past the learning curve for properly identifying the ELT lienholders. Once the title originators understand how the ELT program works, things run smoothly.

The state must be careful in the assumptions it makes in planning its ELT program. Procedural issues caused the most difficulties in ELT implementation.

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the motor vehicle administration community.

ELT reduces cost independent of the size of the state. This is because it eliminates paper title issuance at the transactional level in terms of direct and indirect costs. One of the largest states, Florida and one of the smallest, Idaho both report cost savings and improvement to customer service.

Florida ELT – A Big Success and Getting Better

Ask Boyd Waldron, Director, Chief, Title and Registration, for the Florida Department of Highway Safety and Motor Vehicles (DHSMV) about the benefits he has seen since the implementation of ELT in 2001.

In its 3rd year of ELT, Florida has 125 participating lienholders. Of the 5 million new titles to be issued in 2004, Florida estimates

730,000 will be ELT. As a result, the state will see a 13% reduction in its costs for printing titles, a \$190,000 savings in postage and \$29,000 in savings on title paper costs. Additionally, the number of duplicate titles has been reduced significantly.

With this success comes a desire to improve the process. Florida is now ready to make enhancements to the system to provide additional features and benefits for all participants. Additionally, some new processes not originally included in the ELT plan are being developed. Through this new development, the parties that can benefit from the ELT program will expand to include automotive dealers.

Idaho Growing Success and Serving Customers Better

The biggest improvements have been in customer service, says

Barry Takeuchi, Title Supervisor, Idaho Division of Motor Vehicles. Idaho was an early entrant when it implemented ELT in 1995. Now, in 2004, 40,000 titles no longer need data entry by the department due to ELT. This represents 33% of titles issued with liens and the number is growing. It is expected the number will be closer to 50%. In a small state like Idaho, the bulk of the ELT volume comes from the largest lienholders, all of whom are out of state.

Using the "lienholder-to-lienholder" lien transfer transaction, 9,000 transfers take place each year without staff examiner intervention. The staff has been redirected to other work and the backlog is down. Idaho counts on ELT in its efforts to reduce turnaround time and to improve customer service.

Who's next for



National ELT Trends

ELT has been operable in the US for over 15 years; the first state was California in 1989. As with any new technology, the early years have been spent on adapting other motor vehicle agency processes to the "new world" of ELT as well as ensuring fault-tolerant processing of ELT transactions.

Now that ELT has proven itself during the early stages, the states with operable ELT programs are implementing "Phase II" enhancements and modifications to build upon the early ELT successes.

One of the trends identified is the "mandating" of ELT by a state. The mandate theory goes something like this; "ELT saves money on each title record. In order to maximize the ultimate dollar savings for our state, we need as many lienholders as possible on the ELT program. If the program is voluntary, some

What ELT is not.

ELT is NOT online dealer registration. ELT is the electronic notification of vehicle lien recordation. An electronic message is sent from the motor vehicle agency to the lien holder in a batch of formatted messages. This process replaces the current paper notification process used by most states. ELT also provides for the electronic release of lien interest, request for printed title and other transactions that help eliminate the manual paper handling now in place in most motor vehicle agencies.

lienholders may simply not choose to participate due to inaction. Therefore, knowing that ELT works, knowing that ELT has a track record of success in other states, knowing that there really is no downside to ELT, we should require all lienholders to process electronic lien notifications, instead of having the option of inaction. That will guarantee our cost savings as we can simply model out the savings based upon our lien transaction volumes."

Kansas was the first state to mandate ELT, eliminating the paper lien notification effective January 1, 2003. Kansas debuted an online interactive lien notification process through its official website www.accesskansas.org. Feedback from lienholders and their providers indicated a strong desire for a batch ELT process and Kansas is currently developing a batch ELT system for lienholders.

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or ELT?



What states have operational ELT programs?

- Arizona
- California
- Florida
- Hawaii
- Idaho
- Massachusetts
- New York
- Ohio
- Pennsylvania
- Virginia
- Washington

What states are expected to be operational next?

- New Hampshire (2004)
- Kansas

What states have begun planning for their ELT programs?

- Connecticut
- District of Columbia
- Iowa
- Maryland
- Minnesota
- Montana
- Nevada
- North Dakota
- Oregon
- South Carolina
- Tennessee
- Texas

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Another trend identified in ELT nationwide is the expansion of ELT to other "trading partners" who process or touch paper titles. Examples of these trading partners are auctions, dealers, insurance companies and fleets. Strategy sessions are taking place in ELT states to identify for inclusion into an ELT program any area or entity that processes a paper title with a lien.

A third trend identified in the motor vehicle administration industry is the trend towards eliminating paper for titles without liens. Ohio is the first state to officially identify a design wherein any title may be "paperless". Imagine the scenario of a constituent who purchases a vehicle for cash and does not receive a paper title. The constituent can "view" the image of the title on a website managed by the state and request a paper title at any time (for a fee). During the registration process, a constituent can "opt" for a

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paper title by paying an extra fee. Ohio is considering some of these ideas and is moving forward to ultimately employ ELT as well as electronic registration processing.

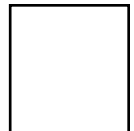
A fourth trend is the linkage of ELT and ERT (electronic registration and title). In this design, lienholders and dealers would

process electronic titles and no paper title would be produced at all.

Summary

ELT has proven to be a successful cost reduction program. It has been operable for 15 years and is growing across the country. The elimination of paper titles benefits everyone and there is no downside to ELT. States like Florida and Idaho have been able to quantify their cost savings and identify their customer service benefits. ELT is growing into its second phase where it will become integrated with other motor vehicle administration processes and programs to deliver additional features and benefits to all trading partners. The motor vehicle administrator industry is following the same success path that the securities industry embarked upon when it replaced paper stock certificates with electronic certificates of record.

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