

In this Issue

Building ELT:
Successful ideas from states who have done it

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

We are interested in news about your jurisdiction.

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Learning from successful ELT programs

Preparing to Build a First Class ELT Program

No state wants to “re-invent the wheel” when developing a new system, and when its time to develop ELT you don’t have to. There are now 11 jurisdictions with operational ELT programs. Several more are on schedule to implement in the next few years. There is much to learn from those who have gone down the road to building an ELT program. Those who have done it before can help you build a first class ELT program in your state.

The worst pitfalls can be avoided by first doing your homework. It may seem obvious to any developer that talking to the end user will help you design the best system. Properly understanding your customer is the first challenge, and that is where we see jurisdictions making mistakes.

Not all Lienholders are created equal

Studying the mix of customers who are already involved in the ELT programs in other states will serve you well. Jurisdictions providing ELT have learned by experience what works and what doesn’t. What is important to one lienholder may not matter to another. This is due to the type of consumer served by each lienholder.

Automotive finance consumers have varying needs. Lien holders come in many shapes and sizes in order to serve those varying needs. A motor

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vehicle agency’s highest volume participants in an ELT system would most likely be the captive finance companies of the automotive manufacturers and large multi state banks. Next in volume are the regional banks, large credit unions and in some states, a dominant state bank. Lowest in transaction volume by lien holder, yet with the largest quantity of constituents in your state will be state banks, community banks and smaller credit unions.

Each of these groups has different reasons for participating in an ELT program and different cost justifications for joining the program. These differences define the requirements of an ELT system that works for all. And, herein lies the challenge.

Who do you serve?

Motor vehicle agency’s and lienholders need to understand

Lienholder recommended ELT transactions

Ask a lienholder who processes ELT in another state and you will learn what works best. Each jurisdiction has unique requirements to meet its legislative and policy directives, however, within those requirements -- there is a transaction set that can best define ELT.

Other jurisdictions have learned that implementing all the transactions you think you will need is the best course. If you develop ELT expecting to change it later and add transactions as enhancements, you may find yourself in a bind, or worse, stuck with a system that needs improvements with no funding to make the changes. Do as much as you can up front!

Recommended transaction set for world class ELT:

From Motor vehicle agency to Lienholder through the batch exchange of data files:

- Lien Notification - lets the lienholder know that the lien has been recorded
- Information Change - lets the lienholder know that information on the title record has changed, such as, name change or address change
- Lien Released, or Paper Title Printed Without Lien Holder Initiation - this lets a lien holder know that someone used another method for releasing a lien or requesting a physical paper title without the lien holder initiating the transaction.
- Verification Response Transactions - lets the lienholder know that a request has been received and/or processed. The motor vehicle agency should confirm, or reject every transaction requested by a lienholder.
- Branding Indicator - this informs a lien holder that a brand such as Salvage, Rebuilt, etc., is associated with the title that the lien holder has received a lien notification on.

From Lienholder to Motor Vehicle Agency through the batch exchange of data files:

- Release Lien: Satisfied (with mail to) - requests removal of lien and requests that the title be mailed to a designated recipient
- Release Lien: Transfer - used to transfer lien to another lienholder
- Release Lien and Hold for Pickup - releases a lien and instructs the motor vehicle agency to hold the paper title for pickup. This works best if the motor vehicle agency has branch offices throughout the jurisdiction.
- Release Lien and Change Owner Address - Instead of a "mail to" transaction, it permits a lien holder to release its lien and instructs the motor vehicle agency to change the address of the owner. This helps in situations where the consumer has moved and the lien holder is aware of the new address.
- Reject Lien Notification - informs the motor vehicle agency that the lien notification was erroneously sent to the lienholder
- Request Information Change - would allow the lienholder to

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the potential benefits of entering into an ELT program. Reducing the amount of hands on processing, increasing worker productivity and reducing cost are easily understood by most participants.

For the lien holder, less manual processing means less cost. In a well-implemented ELT system, a lienholder will hope it can reduce its work levels to exception-based processing. That means working only on those lien notification records with errors or inconsistencies, and following up on lien notifications not received. Based upon industry averages, fewer than 10% of the title records require manual processing when the lien notification is received. Contrast this with the need to manually process 100% of paper lien notification notices.

An additional benefit for motor vehicle agencies is the ability to increase the security of the vehicle title process and thereby reduce the opportunity for fraud. ELT eliminates the need to create paper titles during the lien notification process. Without paper titles, the potential for lost

Who's next for



or stolen titles is eliminated as well as the ability to “roll back” odometer figures during subsequent transfers of the paper title. Without the need for duplicate titles, a potential for title fraud is eliminated. Of course, the current implementation of ELT requires the printing of a paper title at the end of term. So, this benefit is temporary. If paper titles were entirely eliminated, this entire discourse on title fraud would change for the better.

But cost justification does not end simply with lien notification and lien release. Lienholder’s are seeking an ELT process that improves lien reassignment and transfer processes. The ELT system needs to permit a lienholder to transfer a lien to another ELT participating lienholder electronically, without the printing of a paper document, such as a new title or lien verification form. When paper is required for this common transaction, the benefit of having implemented ELT is diluted for all parties.

For example:

- A customer buys a vehicle from a dealer and has the dealer arrange

inform the motor vehicle agency when a customer’s name or address changes

- Request Verification of Lien - permits the lienholder to check if a lien is placed in the lienholders name. This is an inquiry from a lien holder who is waiting for a lien notification. The motor vehicle agency should respond with information as to the status of the lien or the VIN in question.
- Request Printed Paper Title - requests a printed paper title from an electronic title
- Request Printed Paper Title and Mail To - requests a printed paper title from an electronic title and directs the paper title to a destination requested by the lien holder
- Request Printed Paper Title and Hold For Pickup - requests a printed paper title from an electronic title and directs the motor vehicle agency to hold the paper title for pickup. This works best if the motor vehicle agency has branch offices throughout the jurisdiction.
- Convert Paper Title to ELT - converts a paper title to an electronic title permitting the lienholder to destroy the paper title. This should also provide for batch conversions of existing files of paper titles
- Reject lien notification - This informs a motor vehicle agency that the lienholder has determined that an electronic lien notification has been received by it in error.

financing. The customer then goes to a credit union to refinance the deal. If both the original lienholder and the credit union are ELT participants, it makes sense to use a transfer or reassignment transaction to change the lien holder on the state’s record and

notify the new lienholder that the change was made.

- A customer trades in a vehicle prior to paying off a loan. The dealer needs to sell the vehicle as soon as possible. If the ELT program

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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 (First quarter 2004)

What states have begun planning for their ELT programs?

- District of Columbia
- Iowa
- Maryland
- Montana
- Nevada
- Oregon
- Tennessee
- Texas

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allows the lienholder to designate where the title is to be mailed, the dealer will get the title faster. This is a win for everyone. The dealer gets the title faster. The lienholder does not have to handle the paper title and act as intermediary for delivering the title to the dealer. The motor vehicle agency receives fewer complaints.

Online or batch?

When planning an ELT system, the entire process needs to be examined to identify the best practices for building a system that benefits all participants. Cost savings through work reduction is the key to obtaining lienholder interest in joining an ELT program. To attract the largest lienholders, the ELT system needs to exchange information using batch files. If not, the high volume lienholders most likely will not join the ELT program.

With on-line systems, there is no reduction in the time it takes for staff to handle lien notifications. Each notification is looked up individually. This is sometimes called "inquiry processing". During inquiry processing, a human being is using one computer to inquire upon another computer (typically the motor vehicle agency) for each specific lien the lien holder is seeking confirmation upon. This "one on one" method of processing simply would not work for lien holders who generate thousands of liens per month. Could you envision staff of a captive auto finance company sitting at a terminal clicking on a state web site to see if they have a lien? And if they checked on Monday, and the lien is not yet confirmed, do they have to remember to check back on Wednesday or maybe Friday? This takes as much time as handling paper notifications and in

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fact, is a step backwards. At least paper titles arrive on the doorstep of the lien holder without the lien holder being required to inquire to receive the title.

Massachusetts introduced an online ELT program in 1994 and only one lienholder joined the program. The Registry of Motor Vehicles polled the lienholder community and learned that the lien holders viewed the on-line process as providing little value due to the perception that it added to their staff workload. The Registry introduced a batch program for ELT in 1997 and their ELT program took off. Massachusetts currently has the highest penetration of ELT records versus paper title records of operable ELT states.

If the measurement of success for the motor vehicle agency is penetration of lien notifications performed electronically versus those issued on paper titles, then it is important to include the high volume lien holders in the planning discussions. A lienholder needs to show a cost savings to justify

operational change. The higher the volume a lienholder processes the more it needs automated tasks. For ELT that means batch processing. By addressing the needs of all the lienholders in the program, a motor vehicle agency can reasonably expect to have a successful ELT program.

Don't Dilute An Electronic Process

Another lesson that can be learned from past efforts in ELT is to not dilute an ELT program by introducing paper forms to "work around" the ELT process. Some states have issued paper forms that lien holders can give to consumers to obtain paper titles "over the counter" when time is of the essence. This is a dilution of the benefits of an ELT program and creates more problems than it solves. The use of paper to work around an electronic process doesn't sound right, does it? While it is laudable to attempt to meet the timely needs of all participants, it is better to provide training and counseling on the proper use of an ELT program than to create "back doors" or other mechanisms for creating paper titles.

If a motor vehicle agency cannot avoid providing a mechanism to permit the creation of a paper title outside of an ELT system, then the next best thing would be for the motor vehicle agency to create a transaction that proactively notifies the lien holder that "Someone obtained a paper title with your lien and you did not issue the transaction through the ELT system". Some type of transaction along those lines would help a lien holder fight fraud by notifying them of a change they may not have been aware of.