

Beware of Flood-Damaged Cars



When you think of consumer scams related to Hurricanes Rita and Katrina, things like price gouging for fuel or home-repair fraud most

likely come to mind. Yet, Texans need to be on the lookout for a more subtle and equally underhanded con that often follows big storms – selling flood-damaged cars that aren't properly marked.

Historically, flood-damaged vehicles have entered into the market in the months following a hurricane, and this time is sure to be no exception. One survey estimates 350,000 vehicles sustained damage due to Hurricanes Katrina and Rita. Many of these cars will be declared total losses; however, vehicles that meet certain requirements can be sold as flood-damaged cars.

In Texas, a seller is required by law to tell prospective buyers about damage to the vehicle. If the damage is the result of a flood, the vehicle's title must say "Flood Damage" on the document.

Most Texas businesses and people are law-abiding, but a handful of companies and individuals try to skirt these consumer laws to maximize their profits. Some car sellers clean and

repair flooded vehicles and offer them for sale with the original titles, giving buyers no hint of their histories.

If you plan on buying a used vehicle, do your research and be as thorough as possible. Pull up the carpet in the vehicle's trunk or spare tire well and inspect under the dashboard and seats. Check for rust, mud, dampness or a mildewy smell. Be wary of older-model vehicles that have new upholstery or carpeting.

Have a mechanic you trust inspect the vehicle before buying. In particular, check the oil and transmission fluid. Normal fluids are semitransparent, while the fluids in a flooded vehicle will be murky and grayish.

Also, check the vehicle history with a private service that can research insurance claims. Contact the Texas Department of Transportation to see if the vehicle has been listed as flood damaged.

I will not tolerate this kind of fraud. In fact, my office and other state attorneys general entered into an agreement earlier this year with State Farm Mutual Insurance Company over this very issue.

The company, which voluntarily notified my office and other state attorneys general of the problem, had failed to identify – or "brand" – the titles of vehicles that had been salvaged or damaged when it received the titles from the original owners, as required

by law. Those improperly branded vehicles were then sold to new owners, who were likely unaware the vehicles had been listed as totaled by State Farm.

As part of the settlement, State Farm agreed to pay compensation to all consumers who now own vehicles that State Farm did not properly title as "salvage." My office has been working with State Farm and the Texas Department of Transportation to determine which vehicles in Texas will be eligible for a compensation payment. State Farm sent out letters and claim forms to the owners of those vehicles in September.

Only consumers who complete and return the claim form will be eligible for a compensation payment. Owners do not have to sign the claim form and can opt for their own private legal action.

To find out if State Farm ever took ownership of your vehicle due to a total loss auto insurance claim, call 1-866-858-1142.

If you believe you have purchased or were offered a flood-damaged vehicle that was not properly marked, I encourage you to file a complaint with my office. Include the vehicle identification number. You can file a complaint by calling the Attorney General's Consumer Protection Hotline at (800) 621-0508, or by visiting our website at www.oag.state.tx.us.

POINTS TO REMEMBER

Beware of Flood-Damaged Vehicles

- Inspect the vehicle thoroughly for mud, rust or mildew
- Have a mechanic check the engine and its computer
- Check engine and transmission fluids for water
- Check the car's title and history

For vehicle title information:
Texas Department of Transportation
Vehicle Title and Registration Division

4000 Jackson Avenue
Austin, TX 78731
Customer Help Line:
(512) 465-7611
www.dot.state.tx.us

For insurance information:
Texas Department of Insurance
Post Office Box 149104
Austin, TX 78714-9104

(800) 252-3439
(512) 322-4309
www.tdi.state.tx.us

State Farm settlement information:

1-866-858-1142
Title Resolution
c/o Rust Consulting
P.O. Box 1751

Faribault, MN 55021-1751



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Information on this and other topics is available on the
Attorney General's website at www.oag.state.tx.us.