



# MOTOR VEHICLE DEALER-OPERATOR STUDY GUIDE MATERIALS



***Motor Vehicle Dealer Board***

COMMONWEALTH OF VIRGINIA

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# INTRODUCTION

This study guide is a valuable tool for anyone interested in becoming a motor vehicle dealer-operator. The Motor Vehicle Dealer Board (MVDB) is responsible for licensing dealers, salesperson and dealer-operators. MVDB believes that education is the key to a successful career in the motor vehicle sales industry.

All motor vehicle dealers must have a designated qualified and licensed dealer-operator. Below is the list of dealer-operator tests depending if you will be employed with a Franchise or Independent Dealer and what is your qualification/license status. Please review the qualification test description before taking the appropriate dealer-operator test.

To take the test, complete a MVDB 57, Dealer-Operator/Salesperson Qualification Test Application and pay the \$50 test fee to DMV. Passing score is 64 out of the 80 questions or 80 out of 100 questions for the combined test. You may not skip any questions while you are taking the test. If you fail the test you may re-take the exam on that same day, but you will have to pay another \$50 test fee.

<b>QUALIFICATION TEST TYPE</b>	<b>DESCRIPTION</b>
<b>Dealer-Operator Independent</b>	80 QUESTIONS – <b>PREREQUISITES</b> – Applicant must have successfully passed the 2-day Independent Dealer Operator course at a Virginia Community College before taking this test and salesperson license is valid and current <b>OR</b> salesperson license expiration date is within the last 12 months.
<b>Combined Dealer- Operator and Salesperson Independent</b>	100 QUESTIONS – <b>PREREQUISTIES</b> – Applicant must have successfully passed the 2-day independent dealer course at a Virginia Community College before taking this test and have never held a salesperson license and dealer operator qualification <b>OR</b> Independent dealer operator qualification is not valid and salesperson license expiration date is over 12 months.
<b>Dealer- Operator Franchise</b>	80 QUESTIONS – <b>PREREQUISITES</b> – Applicant must have a valid and current salesperson license <b>OR</b> salesperson license expiration date is within the last 12 months.
<b>Combined Dealer- Operator and Salesperson Franchise</b>	100 QUESTIONS – <b>PREREQUISTIES</b> – Applicant has never held a dealer operator qualification and salesperson license <b>OR</b> Franchise dealer operator qualification is not valid and salesperson license expiration date is over 12 months.

## A NOTE TO ALL APPLICANTS

Section 46.2-1575 of the Code of Virginia lists specific circumstances under which a license for a motor vehicle dealer salesperson or dealer-operator license may be denied. Specifically, your application for a license may be denied for having been convicted of any of the following offenses:

- Any criminal offense classified as a felony.
- Any criminal act involving the business of selling vehicles.
- Any fraudulent act in connection with the business of selling vehicles or any consumer-related fraud.
- Larceny of a vehicle or receipt or sale of a stolen vehicle
- Odometer tampering or any related violation

Each application will be reviewed carefully and consideration will be given to all relevant information. If you have been convicted of any of the listed offenses, you are advised to submit with your application documentation and/or written explanation or statement concerning the convictions. You should include attested copies of your convictions and if you have been released from probation/parole, evidence of this fact.

A criminal history background check will be performed on every applicant for a license. Making a material misstatement on the application is also grounds for denial. If you have ever been convicted of any of the offenses listed above you must indicate so on your application.

# DEALER-OPERATOR TEST STUDY GUIDE

## State Statutes

1. The Virginia Code defines a dealer, in part, as:
  - One who sells 5 or more vehicles within a 12-month period.
  - One who buys, sells, and exchanges vehicles.
  
2. In order to qualify for licensing, the dealer's established place of business must:
  - Meet all local zoning regulations.
  - Have at least 250 square feet of sales and office space devoted exclusively to the dealership.
  - Have contiguous space designated for the exclusive use of the dealer adequate to permit the display of at least 10 vehicles.
  - Have a valid email and an internet connection in the name of the Dealership.
  
3. If you intend to change the location of your dealership (move), you must notify the Board:
  - In writing, 30 days in advance
  
4. Among other items, the following are required before a change of location (move) can be completed:
  - Zoning approval
  - Successful inspection by the Board of the new location
  
5. When an insurance company takes possession of a vehicle as the result of a claim, the insurance company applies for and receives a:
  - Salvage certificate or a non-repairable certificate.
  
6. If the dealer-operator dies, becomes disabled, retires, is removed, or for any other cause ceases to act as the dealer-operator, a new dealer-operator must be in place within:
  - 120 days.
  
7. If a salvage vehicle is rebuilt, then a:
  - Title branded "rebuilt" is issued.
  
8. A dealer is exempt from paying Virginia sales tax on:
  - Parts and accessories purchased for and installed on a vehicle in inventory.

9. Dealers are required to notify the Dealer Board that a salesperson is no longer working for the dealership:
  - No later than the tenth day following the month the salesperson left the dealership.
10. Under the Consumer Protection Act, civil penalties may be assessed:
  - Up to \$5,000, plus attorney fees, for violating an injunction.
11. The Manufacturers Warranty Adjustment Act deals with:
  - Policy adjustments outside of the manufacturer's warranty.
12. On extended service contracts, for parts and labor, the dealer must collect:
  - Retail sales tax on one half of the retail cost of the service contract.
13. The entity which usually has the primary responsibility for payment of damages in the event of a "Lemon Law" violation is the:
  - Manufacturer.
14. How many days does a lien-holder have to surrender a title to the person legally entitled to it after the lien has been satisfied?
  - 10 days.
15. Application for renewal of licenses received by the Board within 30 days after the license expiration date:
  - Will be renewed at a fee equal to 150% of the "on-time" fee.
16. Application for renewal of licenses received by the Board or postmarked more than 30 days after the license expiration date:
  - Will be considered a new or "original" application.
17. A MVDB Transaction Recovery Fund claim is limited to \$25,000 and shall be increased by the percentage increase over the most recently available unadjusted 12-month period in the Consumer Price Index for used cars and trucks as published by the U.S. Bureau of labor Statistics or any successor index
  - True.
18. The total of all claims paid by the Motor Vehicle Transaction Recovery Fund resulting from fraudulent actions by an individual dealer is:
  - 4 times the amount of a single claim.

19. Virginia Statute calls for the maximum late charge under an installment sales contract to be assessed at:
  - 5% of the payment after the seventh day from the date the payment was due.
20. A dealer who is “on-line” with DMV:
  - Must pass the vendor fee on to the customer.
21. Dealers who are not “on-line” with DMV pay a transaction fee and:
  - Cannot pass it on to the customer.
22. To issue a second or third set of Print on Demand (PoD) temporary tags for vehicles to be titled in Virginia, the dealer must:
  - You are only allowed to print one set of Print on Demand (PoD) temporary tags.
23. As a result of an action by the 2004 session of the General Assembly, dealers no longer have to disclose mileage on:
  - Trucks over 16,000 lbs. GVW.
24. The maximum amount of a mechanic’s lien on a vehicle as it applies to a lien holder is:
  - \$1000.
25. Before repossessing a vehicle in Virginia, the debtor must be sent a “Final Notice”.
  - False.
26. Under the Article 9 revision of the Uniform Commercial Code (UCC), when a vehicle has been repossessed the debtor must be sent a:
  - “Notice of Our Plan to Sell Property”.
  - OR**
  - “Notice of Intent to Retain the Vehicle in Full Satisfaction of the Debt”.
27. Plates may be transferred from a customer’s vehicle to an inventory vehicle, using DMV form VSA 39, Title or No-Repairable Certificate Application:
  - When the customer’s vehicle is in the dealer’s shop for service.
28. When an inventory vehicle is being transported by a part time employee, a Transport tag may be used for a period not to exceed:
  - 24 hours.

29. A separate odometer statement must be used:
- When a non-conforming title (one issued before 3/91) is transferred.
30. A second set of temporary tags may be issued when the title is not available to The vehicle being sold if:
- All fees are rendered to DMV.
  - The vehicle is to be titled and registered out of state.
31. The Dealers Business License Tax may be passed on to the consumer:
- If it is listed as a line item on the Buyer's order.
  - If the charge represents the exact amount relative to the sale.
  - If the local city, county, or town charges such a tax.
32. A transport tag may be used on a vehicle delivered to a consumer to insure the customer will return for additional paperwork.
- False.
33. As a result of the "Automatic Stay" in a bankruptcy:
- The creditor cannot contact the debtor regarding the indebtedness.
34. No title or registration shall be issued for any vehicle for which a nonrepairable certificate has ever been issued.
- True.
35. It shall be unlawful for any person to sell a rebuilt vehicle without first disclosing the fact that the vehicle is a rebuilt vehicle in writing on a form prescribed by the Commissioner.
- True.
36. It shall be unlawful for any person to sell a nonrepairable vehicle to any person who is not a scrap metal processor or licensed as a salvage dealer, demolisher or vehicle removal operator.
- True.
37. A Virginia Safety Inspection is required before a vehicle is sold at retail.
- True.
38. Once an applicant for a salesperson's license passes the test and is issued a "Certificate of Qualification" he/she:
- May not sell motor vehicles until he/she has obtained their salesperson's license.

39. When may a licensed salesperson purchase vehicles with their own funds and pay the dealer a fee once the vehicle is sold?
- Never.
40. Prior to delivering a vehicle on consignment from a consumer that a dealer has sold to a retail customer, the vehicle must pass a Virginia Safety Inspection.
- True.
41. Who is responsible for notifying the Dealer Board when a salesperson leaves the employment of a dealership?
- The dealer.
42. Original sales records CANNOT be stored “off-site”:
- Unless you receive written permission from the Dealer Board
43. Regarding “Internet employees” or persons who receive phone calls from Internet inquiries:
- May not quote pricing over the phone without a salesperson license.
  - May greet potential customers and set up appointments without a salespersons license.
44. True or False, to sell a salvage vehicle you must have a salvage dealer license.
- True.
45. When selling a rebuilt salvage vehicle:
- Disclose to the buyer the vehicle is rebuilt vehicle.
  - Complete a VSA 59 forms.
  - Both of the above.

### **Truth In Lending Act**

1. In a credit transaction a “Pick Up Payment” is:
- Part of the down payment that must be paid before the second regular payment, thereby lowering the scheduled payments.
2. In Virginia the maximum interest rate on an installment sales contract is:
- Whatever is agreed upon by the parties to the contract



3. Where there is a co-purchaser, an adverse action (credit denial) letter:
  - Must be sent to both.
4. The credit terms may be a part of the Buyer's order, thereby eliminating the need for a Retail Installment Sales Contract.
  - False
5. The price of a vehicle may be raised to cover the costs of financing in a credit transaction.
  - False
6. If the dealer charges a processing fee, the fee in a credit transaction:
  - Does not affect the finance charge or APR if the same fee is also charged to a cash customer
7. Motor vehicle dealers who arrange financing that results in debt to consumers (Not businesses.) of less than \$50,000 come under the Truth In Lending Act (TILA) if they:
  - Have a written agreement with the customer calling for more than four installments.
  - Impose a finance charge in order to extend credit.

### **Buyer's Guide**

1. When a dealer offers for sale, a used vehicle that is still under the manufacturers warranty and no other warranty is included in the purchase price, the "Warranty" box on the Federal Buyer's guide window sticker may be checked.
  - True.
2. If a dealer offers vehicles for sale in Spanish and intends to conduct sales in Spanish:
  - The dealer must display both the English and Spanish versions of the "Buyer's Guide" on their used vehicles.
  - The "Buyer's Guide" window label and contractual disclosure statement on the Buyer's order must be in Spanish.
3. A Buyer's guide must be posted on motorcycles, vehicles destined for scrap and agricultural equipment.
  - False.

4. The shorthand phrase “Drive Train or Power Train” is a sufficient description of systems covered under the warranty without further explanation on the Buyer’s Guide?
  - False.
5. When an in-house warranty is given:
  - A separate document (Other than the Buyer’s Guide.); containing all federally required language must be given to the customer.
6. When offering a vehicle at a public auction, a Buyer’s guide:
  - Must be displayed on the vehicle
  - Must be signed by the purchaser
7. The reverse of the Buyer’s guide must be signed
  - In every retail sale of a used vehicle
8. A paragraph incorporating the terms of the Federal Trade Commission Buyer’s guide must be included on the
  - Buyer’s order.
9. When a dealer offers for sale, a used vehicle that is covered by a third party service agreement that is included in the purchase price (Manufacturer’s warranty no longer in effect) the **full** “Warranty” box on the Federal Buyers Guide window sticker should be checked.
  - False
10. Which of the following must be included on the Buyer’s Guide?
  - Purchaser’s signature
11. For dealer arranged financing (spot delivery), if the retail installment contract is not approved and the deal is cancelled you must:
  - Return the customer’s trade-in.

### **Truth in Mileage**

1. Odometer disclosure statements, copies of front and back of titles and reassignments and all paperwork resulting from a sale, must be kept for:
  - 5 years.

2. Under the Truth in Mileage Act, what form or forms must be printed on paper that discourages alterations?
  - Title.
  - Reassignment.
  - Power of Attorney.
3. When transferring ownership, the transferor discloses mileage by:
  - Signing the title or reassignment and printing their name.
4. The vehicle's odometer reading, without tenths, is used to disclose and affirm the vehicle's mileage.
  - True.
5. Mileage may be disclosed by including the odometer reading on the Buyer's Order and having the buyer initial.
  - False.

### **Cash Reporting**

1. For cash transactions that exceed \$10,000, how long does the dealer have to file Form 8300 with the IRS?
  - 15 days following receipt of the cash.
2. Multiple transactions (two or more vehicles) by the same individual over a 24-hour period totaling \$10,000 or more are considered:
  - A single transaction and must be reported.
3. Dealers must maintain copies of Form 8300 sent to the IRS for:
  - Five years.
4. A written statement must be sent to all individuals named on an 8300 form:
  - By January 31st of the following year.

### **General Information**

1. Prior to purchasing a vehicle without a Virginia inspection sticker from an auction, the vehicle may be test driven:
  - Within a 5-mile radius of the auction.

2. Vehicles purchased at auction may be driven on the highway without a Virginia inspection sticker:
  - Between the auction and the purchaser's place of business.
  - To the nearest state inspection station.
3. Under a dealer obligor extended service agreement, the dealer is always liable for the repairs under the agreement whether or not the administrator is in business to reimburse the dealer.
  - True.
4. If a customer declares bankruptcy within 90 days of the date of a delivery of a vehicle sold by a dealer, the lender who holds a security interest in the vehicle may become an unsecured creditor if the lien was not recorded within:
  - 30 days.
5. What actions must be taken when a salesperson transfers from one dealership to another?
  - The license is returned to the MVDB with a MVDB 61 and transfer fees.
6. A dealership must be open for business:
  - 20 hours per week of which 10 hours must be between 9:00 AM and 5:00 PM Monday through Friday.
  - During the hours filed with the MVDB and posted on the dealership door.
7. A salesperson is employed by a dealer, meaning:
  - He/she may not purchase vehicles to resell with their own funds.
  - Cannot be an independent contractor.
8. Individuals who are associated with a marketing firm who are retained by a dealer to conduct a special sales event may assist in sales activities without obtaining a salesperson's license.
  - False.
9. A dealer can run a credit report on a customer who tests drives a vehicle and has not given permission to the dealership to run a credit report.
  - False.
10. How long is a dealership required to maintain a copy of Print on Demand (PoD) temporary tag registrations?
  - Five years.

11. Temporary Supplemental Sales (Off-Site Sales) applications (MVDB 22) must be received at MVDB:
  - 15 days prior to the off-site sale.
  - May only be issued for 8 off-site sales per year.
  - A temporary sales license may be issued for a period not to exceed seven (7) days for cars/trucks OR fourteen (14) days for motorcycles, trailers, and recreational vehicles.
12. How many years is a dealership required to maintain proof that a Virginia Safety Inspection was performed prior to sale at retail?
  - 5 years.
13. What type of valid proof may a Dealer use to prove a Virginia Safety Inspection is performed on a vehicle prior to retail sale?
  - A receipt from an authorized Virginia Inspection station identifying vehicle by year, make, model and VIN.
  - The official state inspection document.
14. Dealers are required to notify MVDB when closed during the posted (normal) business hours:
  - By completing the MVDB 40, Dealership Temporary Closing Notice and must include date/time closed and date/time reopen the dealership.

## Advertising

1. When used in advertising, what terms, under the Truth in Lending Act, "trigger" full disclosure?
  - The amount or percentage of any down payment.
  - The number or period of payments.
  - The amount of any payment and finance charge.
2. An advertisement of a "Sale" must include the sale end date only when:
  - It must always be stated.
3. When advertising a used vehicle, the fact that it is "used" must be clearly stated. Which of the following terms cannot be used **without also declaring they are used**?
  - Special purchase.
  - Program car.

4. If a finance payment is stated in an advertisement, then the required disclosures are:
  - Amount of down payment.
  - Number and frequency of the payments.
  - Annual Percentage Rate (APR).
5. In any advertisement, placed by a dealer, the advertisement:
  - Must give the dealer's name or "VADLR" must be used.
6. A dealer's processing fee must be disclosed in an advertisement when the advertised price does not include the processing fee amount.
  - True.
7. Dealers are required to disclose their processing fee in typeface that is.
  - 8 point type.
  - OR**
  - Not smaller than the largest typeface within the advertisement.
8. Virginia dealers are permitted to advertise dealer rebates.
  - False.
9. The following are **not** allowed in a dealers' advertisement:
  - Offers to match down payments.
  - Offers to guarantee minimum trade-in allowances.
  - Offers of dealer cash or money back.
10. "Free", "at no cost" or words to that effect shall not be used unless:
  - The "free" item is available without a purchase.
11. If a dealer advertises a specific vehicle and only has a limited number at the advertised price:
  - The advertisement can list the stock number or VIN # to indicate a limited supply.
12. Dealers are required to keep the original or a clear copy of all advertisements for:
  - 60 days subsequent to the expiration of the advertisement.
13. Advertisements placed on television, radio or the internet is subject to the Advertising Laws.
  - True.

14. Dealers located in other states must comply with Virginia's Advertising Laws when advertising in Virginia newspapers
  - False.
15. Under the Federal Truth In Lending Act, violators may be assessed a civil penalty of over \$40,000 (and adjusted for CPI), and one year in prison per day per violation.
  - True.
16. Dealers who pay a third party for their Internet Advertising:
  - May not be billed on a per sale basis.
  - May not be billed on a per lead basis.
17. When advertising on Craigslist, to avoid a possible civil penalty you must:
  - Advertise under the "Dealer Section".
  - List Dealer Name or VADLR.
  - Use telephone number on file with MVDB.

### **Use of Dealer Plates**

1. A dealer is not required to purchase dealer license plates. However, if the dealer chooses to use such plates, the following apply:
  - The number of plates available for a dealer to purchase is determined by total sales, with up to 4 plates per licensed salesperson employed by the dealer.
  - Dealers selling fewer than 25 vehicles per year are allowed no more than 2 dealer plates.
2. What is the process for replacing a lost or stolen dealer license plate?
  - Notify the local police department.
  - Request a replacement from the MVDB.
3. Who, under the Code of Virginia, has unlimited use of a dealer plate?
  - Dealer.
  - Dealer spouse.
  - Salesperson working 25 or more hours.
4. Dealers may rent tags and office space to a licensed salesperson provided the proper MVDB form is completed.
  - False.

5. Dealer tags may **NOT** be used on the following:
  - Dealer owned wreckers and rollbacks.
  - Vehicles on consignment from a consumer.
  - Service and parts delivery vehicles.
6. Dealer plates may be used on a vehicle owned by the dealer when the vehicle is being driven by a customer and the customer's car is in the dealer's repair shop.
  - True.
7. Dealer plates may be used by a customer on a dealer's car for up to five days if the dealer believes the customer is a bona fide prospective purchaser.
  - True.
8. The dealer-operator's children may drive on dealer plates provided the child is under the age of 21 and lives in the same house as the dealer-operator.
  - False.
9. A salesperson's spouse may not drive on dealer tags.
  - True.

### **Privacy and Patriot Acts**

- 1 Under the Privacy Act, dealers have been declared "Financial Institutions". Therefore:
  - They must safeguard customers' non-public personal information.
  - They must produce a plan, in writing, outlining the dealership's plan to safeguard the customer's information.
2. If the customer has a current loan with the dealer:
  - The privacy policy is sent annually during the same month each year to those customers who will owe the dealership payments after the month of the mailing.
3. The dealer must give a customer a privacy notice no later than at the time of signing the retail installment contract or lease agreement.
  - True.
4. A dealer must check the "Blocked Persons" list published by the Office of Foreign Asset Control (OFAC) to ensure the customer is not a person on the list before entering a cash or credit transaction with the customer.
  - True.



## Titles

1. Section "B" on the back of a Virginia title is used:
  - By a licensed dealer to transfer ownership.
2. An original vehicle title:
  - Is valid as long as the individual named on the face is the owner.
  - Is canceled if a replacement or substitute is issued.
3. Since 1981 the Vehicle Identification Number (VIN) has 17 alphanumeric digits. Which digit identifies the year of the vehicle?
  - The tenth.
4. How do the terms "Mileage" and "Odometer Reading" differ?
  - Mileage is how far the vehicle has traveled.
  - Odometer Reading is what appears on the vehicle's dash.
5. If a vehicle is titled in two names with "Or Survivor" after the second name, do both named individuals have to sign the title when transferring ownership?
  - Yes.
6. In Virginia a title showing a lien holder may be transferred if the "Lien Release" section on the face of the title is completed.
  - True.
7. Section A on the face of the Virginia Title is used:
  - To transfer ownership by the vehicle's owner.
8. What is an "Open Title"?
  - One that has been signed by the titled owner leaving blank the information on the buyer.
9. The "Dealer Reassignment" sections on a title are used:
  - To transfer ownership.
10. When must a dealer secure a title in the name of the dealership?
  - When all the reassignments on the supplemental reassignment (Form VAD 20) have been used.

11. Can a DMV Form 17A, Application for Title and Registration, be used in lieu of the application on the title?
  - Yes.
12. Should a Virginia Dealer use an available reassignment section on another state's title?
  - Yes.
13. Maryland has a two-part title. Part 2 is:
  - A security interest filing held by the lien-holder.
  - A negotiable title when combined with part one.
14. How can a Virginia Dealer secure a lien on a vehicle to be titled in another state?
  - Request a non-negotiable title for purposes of recording a lien.
15. What is the current Sales and Use Tax (SUT) on a vehicle?
  - 4.15% beginning July 1, 2016.
16. What is meant by "E-Lien"?
  - A lien recorded on DMV's database without a paper title issued.
  - A paper title is produced when the lien is satisfied and released by the lender.
17. What is a "Title Held"?
  - When DMV inputs, into their records, all information on a transfer of a vehicle's ownership but does not issue a title.
  - Used when the title to be transferred is not available.
  - Used to record a lien and transfer ownership within the statutory time limits.
18. A security interest shown on a certificate of title has priority over all other liens except for:
  - Garage Keepers and mechanic's liens to the limit provided by statute.
  - Liens for taxes due.
19. When a Virginia title is branded, that brand also appears on a registration card.
  - True.
20. What is an "E-Title"?
  - Ownership only recorded in DMV's database.
  - Only requested at the request of the owner.
  - Printed prior to sale or trade.

## **Processing Fee**

1. If a dealer charges a processing fee:
  - Must be shown on a separate line of the buyer's order.
2. The processing fee must be current and registered with:
  - Motor Vehicle Dealer Board.
3. A Processing Fee can only be charged if the Dealer processes the customer's title and registration.
  - False.
4. A Processing fee is subject to the sales and use tax.
  - True.
5. A Processing fee:
  - Is negotiable.