

New Jersey Motor Vehicle Warranty Act

The Lemon Law

2005 Annual Report



State of New Jersey
Office of the Attorney General
Division of Consumer Affairs
Lemon Law Unit

Jon S. Corzine
Governor

Zulima V. Farber
Attorney General

Kimberly S. Ricketts
Director

Message From The Director

The New Jersey Division of Consumer Affairs is the state's consumer protection agency which acts in concert with the Attorney General to enforce New Jersey's Consumer Fraud Act. Automobile sales are consistently among the highest number of complaints received by the Division each year. Purchasing a new car or a used car is a major high cost consumer transaction. Operating within the Division of Consumer Affairs, the Lemon Law Unit's objective is to assist consumers in getting their problems with vehicle defects resolved quickly.

New Jersey's New Car Lemon Law is considered among the best Lemon Laws in the nation and has been providing relief to consumers since 1989. The Used Car Lemon Law was later enacted in 1996 to assist consumers who purchase a used vehicle from a licensed New Jersey dealer.

Over the past 16 years, a total of over \$46 million has been returned to consumers in the form of refunds, replacement vehicles and repairs. More than \$1.75 million in relief was obtained for consumers in 2005.

This is the Lemon Law Unit's 2005 Annual Report.

For details on how to qualify for the Lemon Law or to receive instructions on how to file a Lemon Law application, please contact the Lemon Law Unit at 973-504-6226.

Sincerely,

Kimberly S. Ricketts
Director

■ A Brief Summary ■ of the New Car and Used Car Lemon Laws

The **New Car Lemon Law** was enacted in 1989 to protect consumers who purchase, lease or register a new vehicle or motorcycle in the state of New Jersey. It covers vehicles that are within the 2-year / 18,000 mile term of protection. If the manufacturer is unable to correct the defect after 3 repair attempts or 20 calendar days out of service, a consumer may qualify for relief under the law. The law requires that the consumer send a certified letter to the manufacturer after the 2nd repair attempt or the 20 day period, giving the manufacturer one final attempt to fix the problem. The letter must be received by the manufacturer before the term of protection expires (either 2 years or 18,000 miles, whichever comes first). If the problem is not fixed, a Lemon Law application may be filed. Accepted applications are scheduled for a hearing at the Office of Administrative Law (O.A.L.) at one of three locations: Newark, Trenton or Atlantic City. There is a \$50 filing fee which is returned to you if you win your case. In order to prevail in a Lemon Law case, the consumer must prove that the defect substantially impairs the vehicle's use, value or safety.

The **Used Car Lemon Law** was enacted in 1996 to protect consumers who purchase a used car from a New Jersey dealer. The law requires that the dealer provide a minimum warranty (30 day / 1000 miles, 60 day / 2,000 miles or 90 day / 3,000 miles) which is based on the vehicle's mileage at the time of sale. Only components of the power-train (engine, transmission, front and rear wheel drive) are covered under the law. The law does not cover vehicles sold for less than \$3,000, are more than 7 model years old, have been declared a total loss by an insurance company or that have over 100,000 miles on the odometer at the time of purchase. If during the period of the limited warranty, the dealer is unable to correct the problem after 3 repair attempts or 20 calendar days out of service, the consumer may qualify for relief under the law. No certified letter from the consumer is required. Accepted applications are scheduled for a hearing at the Office of Administrative Law (O.A.L.) at one of three locations: Newark, Trenton or Atlantic City. There is no filing fee. In order to prevail in a Lemon Law case, the consumer must prove that the defect substantially impairs the vehicle's use, value or safety.

Introduction

The New Jersey Lemon Law Unit has assisted thousands of consumers with their vehicle problems. The New Car Lemon Law and the Used Car Lemon Law both cover defects which substantially impair the use, value or safety of the vehicle. The qualifications for each law are different and so consumers are encouraged to call the Lemon Law Unit for complete details. An instruction booklet and an application can be mailed to you at your request.

If a consumer's application is accepted, the Lemon Law Unit will schedule the case to be heard at the Office of Administrative Law (O.A.L.), usually within 20 days, at one of their three (3) locations: Newark, Trenton or Atlantic City. Cases are also resolved through informal settlements and mediation.

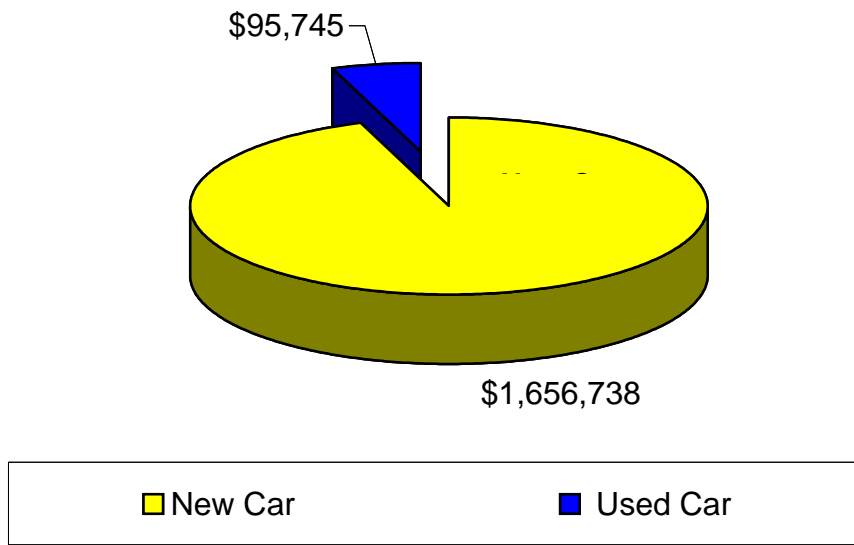
The New Car Lemon Law Unit recovered more than \$1.65 million in relief for consumers in 2005, with thousands of calls for assistance and hundreds of applications being handled, resulting in a nearly 80% satisfaction rate through settlements and Office of Administrative Law awards.

The Used Car Lemon Law Unit recovered \$95,745 in restitution in 2005 which includes reimbursements, repairs, refunds and replacement vehicles.

Unit Activity in 2005

	New Car	Used Car	TOTALS
Phone Inquiries	3,325	2,439	5,764
Mail Received	2,325	120	2,445
Total Cases Opened	268	122	390
Total Cases Closed	264	113	377
Applications Received	224	101	325
Total Reimbursements	\$ 1.65 Mil	\$ 95,745	\$ 1.75 Million

Restitution in 2005 New Car vs. Used Car



Why The New Car Lemon Law Receives More in Consumer Restitution

This chart shows that the New Car Lemon Law accounts for most of the restitution received by consumers. The reason for this is because twice as many New Car Lemon Law applications are received and a greater percentage of those applications qualify for relief when compared to the Used Car Lemon Law. The awards and settlements also tend to be of a much higher dollar amount because, in general, new vehicles are more expensive than used vehicles.

Disposition of Cases Scheduled Before the Office of Administrative Law

The Lemon Law Unit accepts applications from consumers if they meet the requirements for a hearing at the Office of Administrative Law (O.A.L.). The Lemon Law Unit makes no determination as to the strength or merit of a case, only that it meets the qualifications under the law for a hearing. The consumer must prove to the judge that the defect substantially impairs the use, value or safety of the vehicle.

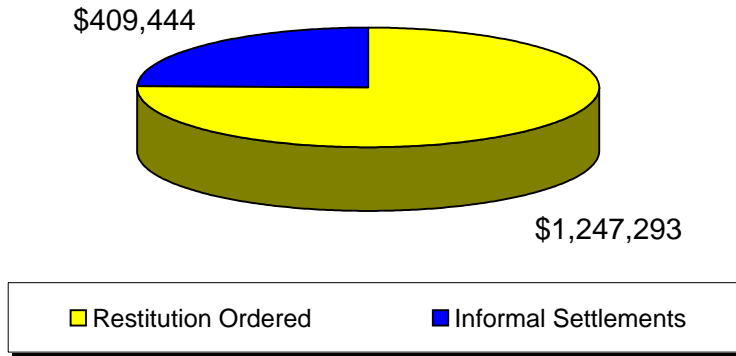
Most New Car cases that qualify for a hearing are settled with the manufacturer. Relatively few cases qualify for a hearing under the Used Car Lemon Law. Mediation efforts account for most of the informal settlements received by consumers in used car cases that do not qualify for a hearing.

2005 Results of O.A.L. Hearings

	<u>New Car</u>	<u>Used Car</u>	<u>TOTAL</u>
Scheduled for O.A.L. Hearing	127	3	130
O.A.L. Decisions	37	3	40
Reimbursements	11	1	12
Dismissed	24	1	25
Dismissed - Failed To Appear	2	1	3
Pre-Hearing Settlements	73	1	74
Withdrawn	26	0	26

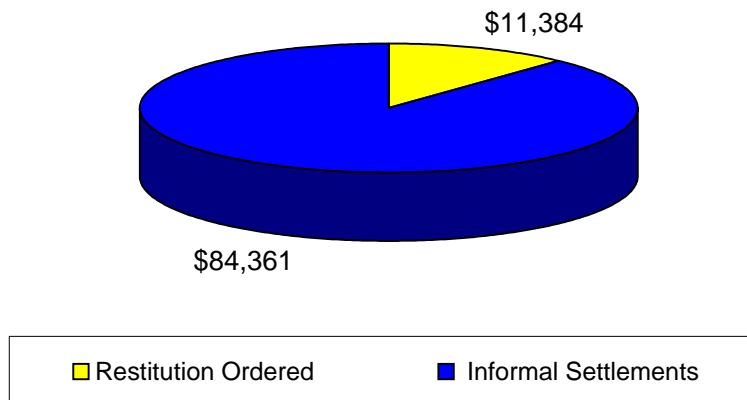
Note: Each of the individual categories listed above represents the results received in 2005 of cases which were scheduled for an O.A.L. hearing. The totals include the results of some cases that had an O.A.L. hearing in 2004 but the settlement or final decision was not received until 2005.

New Car Lemon Law
Restitution Ordered Thru the O.A.L. in 2005
vs.
Manufacturer Informal Settlements in 2005



Note: Restitution Ordered includes "pre-hearing" settlements which accompany an OAL judge's decision.

Used Car Lemon Law
Restitution Ordered Thru the O.A.L. in 2005
vs.
Dealer Informal Settlements in 2005



New Car Cases Received in 2005 by Nature of Complaint

Nature of Complaint	Number of New Car Complaints
Noises	27
Stalls / Loses Power	24
Transmission	21
Electrical	20
Brakes	20
Vibrations / Shakes	18
Check Engine Light	15
Starting / Ignition	14
Engine Block	11
Alignment / Drifts R/L	10
Steering	8
Water Leak	7
Air Bags	5
Air Conditioner	5
Seats	5
Paint	5
Oil Leak	3
Front End	3
Fuel System	3
Door Malfunction	3
Radio	3
Odor	3
Anti-Freeze Leak	3
Hesitation	2
Struts / Suspension	2
Sunroof	2
Accelerates	2
Battery	2
Tire Pressure	2
Dashboard Gauges	2
OTHER*	13

* Miscellaneous problem not listed above alleged in only one case.

Used Car Cases Received in 2005 by Nature of Complaint

Nature of Complaint	Number of Used Car Complaints
Engine	43
Transmission	19
Front Wheel Drive	3
Rear Wheel Drive	1
Other	56
TOTAL	122

Used Car Lemon Law - Covered Items

Unlike the New Car Lemon Law, which includes defects of items which are covered under the original manufacturer's warranty, the Used Car Lemon Law covers vehicle components which are expressly stated in the Used Car Lemon Law statute — namely items which pertain to the **ENGINE, TRANSMISSION, FRONT and REAR WHEEL DRIVE**. These items are sometimes collectively known as the “drive-train” or the “power-train”. For a complete list of covered items, please refer to the definition of “covered item” in the statute: N.J.S.A. 56:8-67. The list of covered items can also be found in the Motor Vehicle Lemon Law booklet which is available by contacting the Lemon Law Unit at 973-504-6226.

2005 New Car Cases Results by Manufacturer

Some manufacturers sell disproportionately more vehicles in New Jersey than others. The Lemon Law Unit cautions consumers not to conclude that a high number of cases received by a particular manufacturer equals a greater frequency of problem vehicles. It is reasonable to expect that a manufacturer which sells significantly more vehicles will have a higher complaint volume.

The Division's 2005 Annual Report draws no conclusions about the reliability of any manufacturer's vehicles nor makes any recommendations. The statistics contained in the following chart only illustrate the outcome of each New Car Lemon Law case closed in 2005.

New Car Cases Closed in 2005 Results by Manufacturer

Manufacturer	O.A.L. Decision		Withdrawn	Settlement	Not Qualified
	Reimbursed	Dismissed			
Acura	0	1	0	0	0
BMW	0	3	2	2	2
Buick	0	0	1	1	2
Cadillac	0	0	2	1	0
Chevrolet	0	1	4	6	4
DaimlerChrysler	2	3	10	24	7
Ford	4	4	12	11	10
General Motors	0	0	4	3	1
Harley Davidson	0	1	0	0	0
Honda	0	0	2	1	2
Hyundai	0	0	2	5	3
Infiniti	0	0	0	1	0
Isuzu	1	0	0	0	0
Jaguar	1	0	0	0	0
Kawasaki	0	0	0	1	0
KIA	0	0	1	2	1
Land Rover	0	0	0	0	1
Mazda	0	2	3	3	5
Mercedes	0	5	7	2	0
Nissan	2	3	7	13	9
Oldsmobile	0	0	0	1	0
Pontiac	0	0	0	1	1
Porche	0	0	1	1	1
Saab	0	0	2	2	0
Saturn	0	0	0	1	0
Subaru	0	1	1	0	0
Suzuki	0	0	1	0	1
Toyota / Lexus	0	1	6	3	4
Ultra Motorcycles	0	0	0	0	1
Volkswagon / Audi	0	1	2	8	4
Volvo	1	0	2	2	0
Yamaha	1	0	0	0	0
TOTALS	12	26	72	95	59

Grand Total Consumer Restitution Since Inception

New Car + Used Car Including Informal Settlements

	<u>As of 2003 Year End</u>	<u>As of 2004 Year End</u>	<u>As of 2005 Year End</u>
Total Reimbursements/Refunds	\$ 25,856,014.96	\$ 27,311,079.05	\$ 28,566,602.03
Total Replacement Value	<u>\$ 16,027,433.55</u>	<u>\$ 17,294,453.90</u>	<u>\$ 17,791,413.41</u>
Grand Total Consumer Restitution	\$ 41,883,448.51	\$ 44,605,532.95	\$ 46,358,015.44



\$ 46,358,015.44

**New Car Lemon Law Year of Inception - 1989
Used Car Lemon Law Year of Inception - 1996**



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For questions or details on how to qualify and to receive instructions on how to file an application you are encouraged to contact the Lemon Law Unit at:

Address: New Jersey Division of Consumer Affairs
Lemon Law Unit
P.O. Box 45026
124 Halsey Street
Newark, NJ 07101

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