

New Jersey Motor Vehicle Warranty Act

The Lemon Law

2006 Annual Report



State of New Jersey

Office of the Attorney General
Division of Consumer Affairs
Lemon Law Unit

Jon S. Corzine
Governor

Stuart Rabner
Attorney General

Stephen B. Nolan
Acting Director

Message From The Acting Director

The New Jersey Division of Consumer Affairs — located within the Attorney General's Office — acts to enforce New Jersey's Consumer Fraud Act. Automobile sales are consistently among the most common category of complaints received by the Division. 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 first New Car Lemon Law was enacted in 1983 and required consumers to initially go through the auto manufacturers' procedures to resolve complaints and then prove 4 repair attempts for the same problem or 30 days out of service for their vehicles. The law was strengthened in 1989 with the creation of the Lemon Law Unit. The existing law requires only 3 repair attempts for the same problem or 20 days out of service, and the consumer no longer has to go through the manufacturer to seek relief. Cases that qualify are scheduled for a hearing at the Office of Administrative Law or the consumer may bring a private lawsuit in the Superior Court.

New Jersey's New Car Lemon Law is now considered among the best Lemon Laws in the nation. 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 17 years, a total of over \$48 million has been returned to consumers in the form of refunds, replacement vehicles and repairs. More than \$2 million in relief was obtained for consumers in 2006.

I am pleased to present the Lemon Law Unit's 2006 Annual Report.

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

Sincerely,

Stephen B. Nolan
Acting Director
Division of Consumer Affairs

■ 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 less than 2-years old from the original date of delivery and under 18,000 miles. If the manufacturer is unable to correct a defect after 3 repair attempts or 20 calendar days out of service, a consumer may qualify for relief under the law. The law applies to vehicle components which are covered under the original manufacturer's warranty. If the defect still exists after the 2nd repair attempt or the 20 day period, the law requires that the consumer send a certified letter to the manufacturer, giving the manufacturer one final attempt to fix the problem. This "last chance" letter must be received by the manufacturer before the term of protection expires (2 years / 18,000 miles). 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 added to your award if you win your case. In order to prevail in a Lemon Law case brought at the O.A.L., the consumer must prove that the defect still exists and that it 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 warranty, the minimum duration of which is based on the vehicle's mileage at the time of sale: Under 24,000 miles - a 90 day / 3,000 mile warranty; between 24,000 miles and 60,000 miles - a 60 day / 2,000 mile warranty; over 60,000 miles - a 30 day / 1,000 mile warranty. Only defects in components of the power-train (engine, transmission, front and rear wheel drive) are covered under the law. The law's warranty provision 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 "last chance" 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 still exists and that it 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 elements required to prevail under each law are different and so consumers are encouraged to call the Lemon Law Unit for complete details. An instruction booklet and an application will be mailed at your request.

A consumer's Lemon Law application is reviewed to see if it meets the requirements under the law for a hearing. If the 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 O.A.L.'s three (3) locations: Newark, Trenton or Atlantic City.

At the hearing, the consumer is required to present facts that show a Lemon Law violation. The facts could be in the form of witness testimony, documents, photographs, physical evidence and/or an inspection of the subject car. The manufacturer will have the chance to show why it believes there is no liability. Either party may choose to present an expert witness, although it is not required.

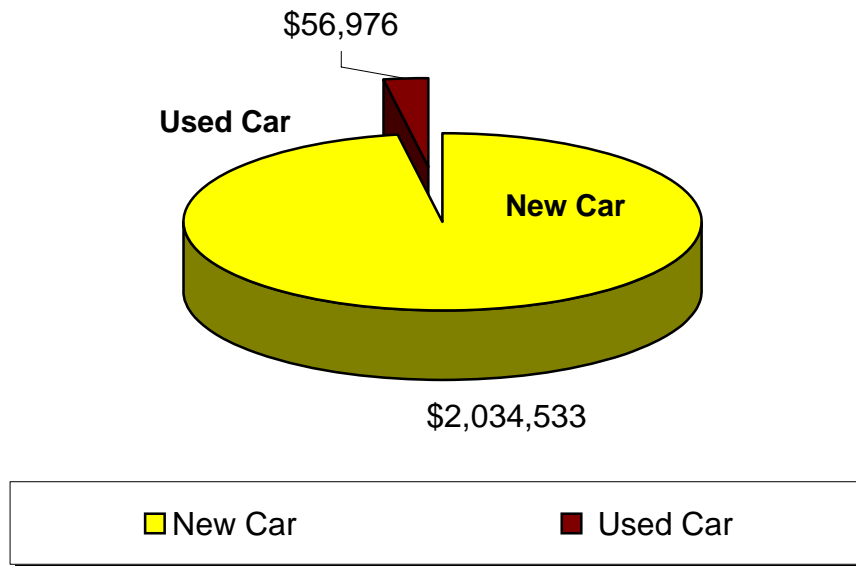
The administrative law judge has 20 days to render an Initial Decision. The Initial Decision gets mailed to all parties, including the Director of the Division of Consumer Affairs. The Division Director may adopt, modify or reject the judge's decision and has 15 days to issue a Final Decision in the case. Either party may appeal the Final Decision to the Appellate Division of the New Jersey Superior Court no later than 45 days after the Final Decision is received.

The New Car Lemon Law Unit recovered more than \$2 million in relief for consumers in 2006, with thousands of calls for assistance and hundreds of applications being handled. The Used Car Lemon Law Unit recovered \$ 56,976 in restitution for consumers in 2006. Most Lemon Law cases were resolved through settlements with the manufacturer or the dealer.

Unit Activity in 2006

	<u>New Car</u>	<u>Used Car</u>	<u>Total</u>
Phone Inquiries	3,039	2,688	5,727
Applications Received	182	106	288
Total Cases Opened	190	127	317
Total Cases Closed	221	119	340
Total Reimbursements	\$ 2.03 Mil	\$ 56,976	\$ 2.09 Mil

Restitution in 2006 Value of 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 nearly 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

All applications that meet the requirements under the Lemon Law are scheduled for a hearing at the Office of Administrative Law (O.A.L.). Most cases are resolved by a settlement. Settlements that occur before a hearing takes place are considered "informal" settlements. Settlements that occur at the O.A.L. hearing are called "pre-hearing" settlements. When a pre-hearing settlement occurs, the administrative law judge will issue an Initial Decision ordering both parties to abide by that settlement.

Informal Settlements - 2006

	<u>New Car</u>	<u>Used Car</u>	<u>Total</u>
Replacement Vehicles	7	0	7
Reimbursements / Repairs & Extended Service Plans	22	12	34

O.A.L. Hearings - 2006

	<u>New Car</u>	<u>Used Car</u>	<u>Total</u>
O.A.L. Decisions	86	2	88
• Reimbursements	2	2	4
• Dismissed in Favor of Manufacturer	18	0	18
• <u>Pre-Hearing Settlements</u> :			
- Reimbursements	48	0	48
- Replacement Vehicles	18	0	18
Withdrawn After Scheduled	16	2	18

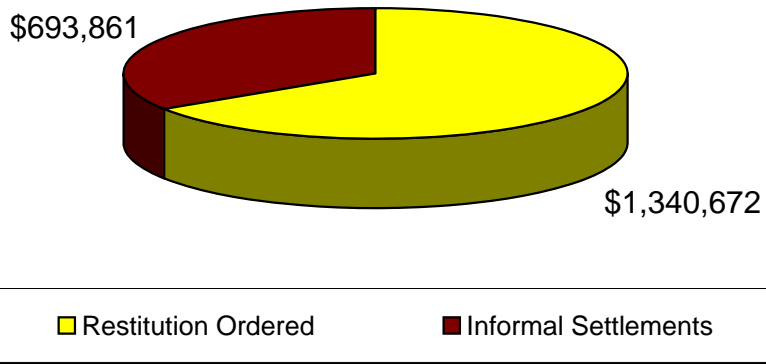
Note: Each of the individual categories listed above represents the results received in 2006 of cases which were scheduled for an O.A.L. hearing. The totals include the results of some cases that had an O.A.L. hearing in 2005 but the settlement or Final Decision was received in 2006.

New Car Lemon Law

Restitution Ordered Thru the O.A.L. in 2006

vs.

Manufacturer Informal Settlements in 2006



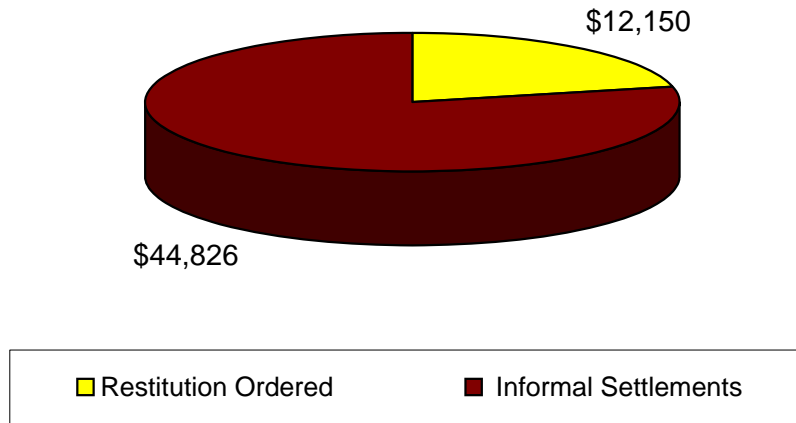
Note: Restitution Ordered includes "pre-hearing" settlements which accompany an OAL judge's decision.

Used Car Lemon Law

Restitution Ordered Thru the O.A.L. in 2006

vs.

Dealer Informal Settlements in 2006



Used Car Lemon Law - Covered Items

Unlike the New Car Lemon Law, the Used Car Lemon Law only covers vehicle components that 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. In addition, the coverage depends on the used vehicle’s mileage and has some significant exceptions. As with a New Car Lemon Law claim, the consumer must prove a continuing defect that substantially impairs vehicle use, value or safety.

Used Car Cases Received in 2006 by Nature of Complaint

Nature of Complaint	Number of Used Car Complaints
Engine	44
Transmission	21
Front Wheel Drive	5
Rear Wheel Drive	0
Other	57
TOTAL	127

Used Car Lemon Law - Enforcement Activity

Used Car dealers are required to have an active license with the Motor Vehicle Commission. Any person or business which sells or offers for sale three or more used motor vehicles in a single year is considered to be a “dealer” under the Used Car Lemon Law and is expected to operate in full compliance of the law and accompanying regulations. Dealers are also required to submit \$.50 for every used car sold to a consumer. Payments are to be mailed to the Division of Consumer Affairs on an annual basis.

In 2006, the Office of Consumer Protection, in conjunction with the Used Car Lemon Law Unit, successfully filed Consent Orders and Final Orders against used car dealers alleged to have violated one or more of the existing laws or regulations, for a total amount of **\$ 90,593.33** in penalties, costs and consumer restitution.

New Car Lemon Law - Covered Items

Defects of items that are covered under the manufacturer's warranty are also covered under the New Car Lemon Law. Most manufacturer warranties will not cover items that wear out as a result of normal use and require periodic replacement, like brake pads for example. Check your warranty booklet for details on what is covered. Also, be aware that tires are usually covered under a separate warranty and honored by the tire manufacturer and not the vehicle manufacturer. Defects in your tires would therefore not be covered under the New Car Lemon Law. Neither the New Car Lemon Law or the Used Car Lemon Law covers defects which are the result of abuse, neglect or unauthorized modifications of the motor vehicle by anyone other than the manufacturer or its dealer.

Covered Vehicles

	New Car Lemon Law	Used Car Lemon Law
Motorcycles	YES	NO
Motor Homes	YES	NO
Leased Vehicles	YES	NO
Commercial Vehicles	NO	NO

Motorcycles - Motorcycles are considered a "motor vehicle" by definition under the New Car Lemon Law and are therefore covered. They are not covered under the Used Car Lemon Law.

Motor Homes - The New Car Lemon Law covers motor homes except that it excludes defects of items considered to be part of the living facilities.

Leased Vehicles - Leased vehicles are covered under the New Car Lemon Law only.

Commercial Vehicles - Motor vehicles registered commercially and/or used predominantly for commercial purposes are **NOT COVERED** by either the New or Used Car Lemon Law. Registered owners of commercial vehicles may seek relief for vehicle defects by filing a private action in Superior Court or through an informal dispute settlement procedure, such as arbitration, if one is in place by the dealer or the manufacturer.

New Car Cases Received in 2006 by Nature of Complaint

Nature of Complaint	Number of New Car Complaints †
Transmission	20
Water Leak	17
Stalls / Loses Power	15
Brakes	15
Starting / Ignition	14
Electrical	13
Noises	11
Air Bags	11
Check Engine Light	10
Odor	5
Engine	4
Lights	4
Vibrations / Shakes	4
Alignment / Drifts R/L	4
Hesitation	4
Battery	4
Front End	3
Steering	3
Engine Block	2
Air Conditioner	2
Oil Leak	2
Struts / Suspension	2
Heating	2
Clutch	2
Radio	2
Convertible Top	2
OTHER*	12

* Miscellaneous problem not listed above.

† Note, some consumer complaints allege more than one defect. However, each complaint received is assigned only one “nature of complaint” code, which is based on the most prominent defect alleged by the consumer, and is reflected only once in the above chart.

2006 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 2006 Annual Report for the Lemon Law 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 2006.

New Car Cases Closed in 2006 Results by Manufacturer

<u>Manufacturer</u>	<u>Reimbursed</u>	<u>Dismissed</u>	<u>Withdrawn</u>	<u>Settlement</u>	<u>Not Qualified</u>
Acura	0	1	1	3	1
Audi	0	0	2	5	0
BMW	0	0	1	4	2
Bourget's Bike Works	0	0	0	1	0
Cadillac	0	0	2	3	0
Chevrolet	0	0	2	5	2
DaimlerChrysler	0	4	15	22	15
Ford	1	4	8	9	3
General Motors	0	1	4	7	2
Honda	0	0	2	1	2
Hummer	0	0	2	1	0
Hyundai	0	1	2	2	1
Infiniti	0	0	1	2	0
KIA	0	0	2	3	0
Lamborghini	0	0	0	1	0
Land Rover	0	0	2	0	1
Lexus	0	1	0	1	0
Maserati	0	0	0	1	0
Mazda	1	1	0	3	0
Mercedes	0	2	2	1	4
Nissan	0	2	4	10	4
Pontiac	0	0	0	2	0
Saab	0	0	0	0	2
Saturn	0	0	1	1	1
Subaru	0	0	1	0	1
Suzuki	0	0	0	2	0
Toyota	0	1	5	1	0
Volkswagon	0	0	4	3	0
Volvo	0	0	0	1	0
Winnebago	0	0	1	0	0
TOTALS	2	18	64	95	41

Grand Total Consumer Restitution Since Inception

New Car + Used Car
Including Informal Settlements

3 - Year Snapshot

	<u>As of 2004 Year End</u>	<u>As of 2005 Year End</u>	<u>As of 2006 Year End</u>
Total Reimbursements/Refunds	\$ 27,311,079.05	\$ 28,566,602.03	\$ 29,897,230.70
Total Replacement Value	<u>\$ 17,294,453.90</u>	<u>\$ 17,791,413.41</u>	<u>\$ 18,344,735.08</u>
Grand Total Consumer Restitution	\$ 44,605,532.95	\$ 46,358,015.44	\$ 48,241,965.78

\$ 48,241,965.78



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:

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