

**New Jersey Motor Vehicle Warranty Act**

**The Lemon Law**

**2007 Annual Report**



**State of New Jersey**

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

**Jon S. Corzine**

*Governor*

**Anne Milgram**  
*Attorney General*

**David Szuchman**  
*Director*

# Message From The 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 promptly 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 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 18 years, a total of over \$50 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 2007.

I am pleased to present the Lemon Law Unit's 2007 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](tel:973-504-6226).

Sincerely,

David Szuchman  
*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 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 2<sup>nd</sup> 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 that a defect currently exists and that it substantially impairs the vehicle's use, value or safety. 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.

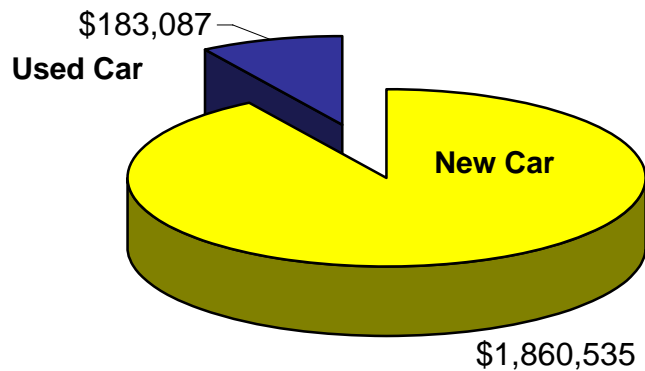
The administrative law judge has 20 days to render an Initial Decision. The Initial Decision gets mailed to all parties, including the Director of the Division of Consumer Affairs. The Division Director may adopt, modify or reject the judge's decision and has 15 days to issue a Final Decision in the 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 Jersey Lemon Law Unit answers thousands of calls for assistance each year and processes several hundred applications for a hearing. Most Lemon Law cases are settled with the manufacturer or the dealer once an application is filed.

## Unit Activity in 2007

	<u>New Car</u>	<u>Used Car</u>	<u>Total</u>
Phone Inquiries	3,709	3,005	6,714
Applications Received	136	111	247
Total Cases Opened	135	146	281
Total Cases Closed	148	136	284
<b>Total Reimbursements</b>	\$ 1,860,535	\$ 183,087	\$ 2,043,622

## Restitution in 2007 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 more New Car Lemon Law applications are received than Used Car 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 - 2007

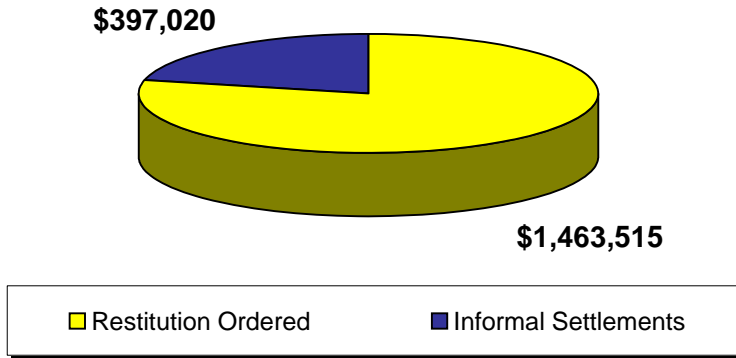
	<u>New Car</u>	<u>Used Car</u>	<u>Total</u>
Replacement Vehicles	6	2	8
Reimbursements / Repairs & Extended Service Plans	12	16	28

### O.A.L. Hearings - 2007

	<u>New Car</u>	<u>Used Car</u>	<u>Total</u>
O.A.L. Decisions			
• Reimbursements	4	4	0
• Dismissed in Favor of Manuf.	13	0	13
• <u>Pre-Hearing Settlements</u> :			
- Reimbursements	33	0	33
- Replacement Vehicles	17	2	19

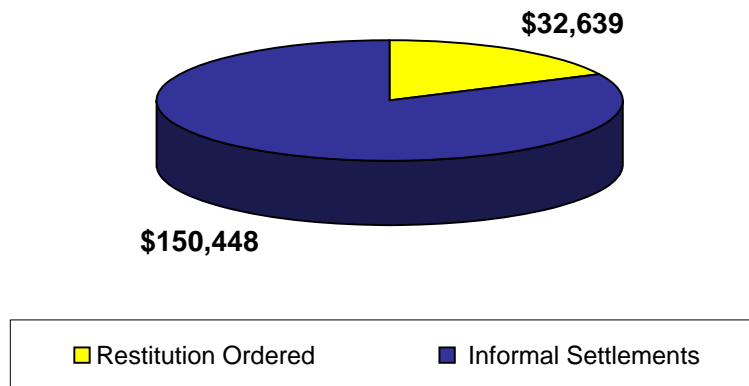
**Note:** Each of the individual categories listed above represents the results received in 2007 of cases which were scheduled for an O.A.L. hearing. The totals include the results of some cases that had an O.A.L. hearing in 2006 but the settlement or Final Decision was received in 2007.

**2007 - New Car Lemon Law**  
**Restitution Ordered Thru the O.A.L.**  
**vs.**  
**Manufacturer Informal Settlements**



**Note:** Restitution Ordered includes "pre-hearing" settlements which accompany an OAL judge's decision. In a "pre-hearing" settlement, the judge will issue an Initial Decision which will **order** the parties to abide by the settlement.

**2007 - Used Car Lemon Law**  
**Restitution Ordered Thru the O.A.L.**  
**vs.**  
**Dealer Informal Settlements**



## 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 parts of 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. As with a New Car Lemon Law claim, the consumer must prove a continuing defect that substantially impairs vehicle use, value or safety.

Nature of Complaint	Number of Used Car Complaints
Engine	32
Transmission	17
Front Wheel Drive	2
Rear Wheel Drive	0
Other	95
TOTAL	146

## Used Car Dealers - Enforcement Activity by the Division

All used car dealers are required to have an active license with the Motor Vehicle Commission. Under the Used Car Lemon Law, 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” and is expected to operate in full compliance of the Used Car Lemon Law and the Consumer Fraud Act. Dealers are required to submit \$ .50 for every used car sold to a consumer and payments are to be mailed to the Division of Consumer Affairs on an annual basis.

In 2007, the Division of Consumer Affairs successfully filed signed Consent Orders against used car dealers alleged to have violated one or more of the existing laws or regulations governing used car sales, for a total amount of \$ 153,065 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.

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### **Covered Vehicles**

	<b>New Car Lemon Law</b>	<b>Used Car Lemon Law</b>
Motorcycles	YES	NO
Motor Homes	YES	NO
Leased Vehicles	YES	NO
Commercial Vehicles	NO	NO

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### **New Car Dealers - Enforcement Activity by the Division**

All new car dealers are required to have an active license with the Motor Vehicle Commission. A new car dealer license allows the dealer to sell both new and used cars. Dealers are expected to be in full compliance with the New Car and Used Car Lemon Laws and the Consumer Fraud Act.

In 2007, the Division of Consumer Affairs successfully filed signed Consent Orders against new car dealers alleged to have violated one or more of the existing laws or regulations governing motor vehicle sales, for a total amount of \$ 329,219 in penalties, costs and consumer restitution.

## New Car Cases Received in 2007 by Nature of Complaint

Total = 135 Cases Opened

Nature of Complaint			Number of New Car Complaints †
Transmission			21
Stalls / Loses Power			10
Brakes			10
Starting / Ignition			10
Water Leak			9
Noises			9
Check Engine Light			9
Electrical			8
Engine			5
Vibrations / Shakes			5
Steering			5
Window			4
Rear End			3
Alignment / Drifts R/L			3
Other (not applicable)			3
Engine Block			2
Struts / Suspension			2
Convertible Top			2
Air Bags			2
Tire Pressure			2
Paint Defect	1	Door Lock	1
Navigation System	1	Overheating	1
Seatbelt	1	Oil Pressure	1
Air Leak	1	Odor	1
Air Conditioner	1	Radio	1
		Battery	1

† 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 therefore reflected only once in the above chart.

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## **2007 New Car Cases Results by Manufacturer**

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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 2007 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 2007.

## New Car Cases Closed in 2007 Results by Manufacturer

<u>Manufacturer</u>	<u>Reimbursed</u>	<u>Dismissed</u>	<u>Withdrawn</u>	<u>Settlement</u>	<u>Not Qualified</u>
Acura	0	0	1	2	1
Audi	0	0	1	0	0
Bentley	0	0	0	1	0
BMW	0	0	0	2	1
Buick	0	0	1	1	1
Cadillac	0	0	1	3	2
Chevrolet	0	0	1	6	1
DaimlerChrysler	0	3	5	25	3
Ford	1	1	5	4	6
General Motors	0	1	1	4	1
Harley Davidson	0	0	1	0	0
Honda	1	0	6	5	1
Hummer	0	0	1	2	0
Hyundai	1	1	1	1	0
Infiniti	0	0	1	0	0
Jaguar	0	0	1	1	0
KIA	0	1	1	1	2
Land Rover	0	0	0	1	2
Lexus	0	2	0	0	1
Mazda	0	0	1	1	1
Mercedes	0	1	0	3	2
Nissan	0	0	2	1	1
Saab	1	0	2	0	0
Saturn	0	0	0	0	1
Subaru	0	1	0	0	0
Suzuki	0	0	0	2	0
Volkswagon	0	1	2	2	1
Winnebago	0	1	0	0	0
	<u>Reimbursed</u>	<u>Dismissed</u>	<u>Withdrawn</u>	<u>Settlement</u>	<u>Not Qualified</u>
<b>TOTALS</b>	4	13	35	68	28

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# Lemon Law

## Grand Total Consumer Restitution Since Inception

New Car + Used Car  
Including Informal Settlements

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### 3 - Year Snapshot

	<u>As of 2005 Year End</u>	<u>As of 2006 Year End</u>	<u>As of 2007 Year End</u>
Total Reimbursements/Refunds	\$ 28,566,602.03	\$ 29,897,230.70	\$ 31,269,320.46
Total Replacement Value	<u>\$ 17,791,413.41</u>	<u>\$ 18,344,735.08</u>	<u>\$ 19,016,266.98</u>
Grand Total Consumer Restitution	\$ 46,358,015.44	\$ 48,241,965.78	\$ 50,285,587.44

**\$ 50,285,587.44**



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



**Jon S. Corzine, *Governor***  
**Ann Milgram, *Attorney General***  
**David Szuchman, *Director***

**Diana Petrella, *Lemon Law Unit Supervisor***

**Lemon Law Staff:** Todd Applegate      Lena Holland  
                                 Sam Toto                              Jackie Allen  
                                 Nelida O'Neill

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

**Phone:** 973-504-6226  
**Fax:** 973-273-8005  
**E-mail:** [lemonlaw@dca.lps.state.nj.us](mailto:lemonlaw@dca.lps.state.nj.us)  
**Website:** [www.njconsumeraffairs.gov](http://www.njconsumeraffairs.gov)

