

Henry McMaster
Governor

Kevin A. Shwedo
Executive Director

State of South Carolina

Department of Motor Vehicles

July 8, 2019

The Honorable William M. "Bill" Hixon
Post Office Box 11867
Columbia, South Carolina 29211

Dear Representative Hixon,

Following the June 19, 2019 Economic Development, Transportation, and Natural Resources Subcommittee meeting, you asked the following of the DMV:

1. Does the DMV have the authority to cancel/suspend driver licenses or vehicle registrations due to outstanding dishonored check debt? If so:
 - a. Has the agency ever employed that strategy?
 - b. Why does the agency choose not to do this now?
2. For the last three fiscal years, how much of the dishonored check debt recovered by the DMV was collected through the Department of Revenue's debt setoff program? Please provide dollar amount and percentage of total.
3. Do you post the consequences of having a check returned (including associated fees and the "No Pay, No Play" policy) in DMV branch offices?
4. Please provide any further details you are able to obtain about the method of check processing used by North Carolina's DMV, which was mentioned in the meeting on June 19, 2019.

Please allow this letter to serve as a response to the inquiries above.

Question 1

South Carolina Code of Laws §56-1-285 gives the agency the authority to "revoke or refuse to renew the driving privilege of a person for failure to remit a tax or fee administered by the department. Upon payment of all taxes and fees administered by the department, and the payment of any applicable fee, the department may reinstate a person's driving privilege."

Furthermore, §56-3-350 (5) gives the agency the authority to refuse to register a vehicle if "the required fee has not been paid." This statute dates from 1949 and 1969. Looking at the structure of the statute, it appears that the intent was to address initial payment and was not intended to deal with bounced checks. This statute does not clearly state the agency may revoke or suspend a vehicle's registration.

Code of Laws §56-3-870, which was enacted in 1950 and 1951, states, "If an uncertified check is accepted by the Department of Motor Vehicles as payment for the fees due on account of the issuance of license plates and such check is returned to the Department unpaid for any cause whatsoever, the Department may suspend or cancel the registration and license [plate] purchased by check and repossess the registration card, license plates or other documents issued by the

Department, and the applicant-owner shall pay the Department the amount of ten dollars to cover the cost of the repossession and collection if the license and registration are suspended or cancelled.” This statute is in Chapter 3, which deals with vehicles and not driver’s licenses.

- a) Currently, the agency places, what it calls, a “customer level stop” on the record of a person who tries to pay for a DMV service using a bad check. A customer who has this “stop” on his record cannot complete future DMV services (with the exception of a free identification card for voting purposes) until he remits payment for the bad check. Even so, once a customer pays for the service that led to the “customer level stop,” the DMV places an alert for three years on the individual’s record that it will not accept personal checks during this time. If a customer has a “customer level stop” on his or her record, the customer’s driver’s license is still active and is not suspended. So, if a law enforcement officer, for example, stops this customer, the license would still show as valid and active for the officer.
- b) Part of the challenge with suspending a driver’s license or vehicle registration (license plate) without notifying the customer is if a law enforcement officer stops the customer, the customer may be taken to jail for having a suspended license or registration. The DMV must give customers an adequate notice if suspension action is to be taken. For example, under §56-1-240, the agency mails a letter to a customer who need to clear an out-of-state suspension explaining he has 60 days to clear said suspension before action is taken on his South Carolina-issued driver’s license.

In reference to the revocation of a driver’s license as stated in §56-1-285 with the word “revoke,” §56-1-10 (13) defines “‘revocation of driver’s license’ means the termination by formal action of the Department of Motor Vehicles of a person’s driver’s license or privilege to operate a motor vehicle on the public highways, which privilege to operate is not subject to renewal or restoration, except that an application for a new license may be presented and acted upon by the department.” The wording of §56-1-285 is a problem when it mentions “revoke.”

Question 2

Fiscal Year	DOR Setoff Payment**	Total Yearly Dishonored Check Amount Collected	% of Yearly Dishonored Checks Collected through DOR Setoff**
2017	\$86,918.41	\$421,724.88	21%
2018	\$78,512.94	\$711,607.08	11%
2019*	\$52,066.45	\$458,807.58	11%

*The total dishonored checks collected for FY19 are estimated. June 2019 revenue has not been finalized.

**This total is cumulative of all checks owed during all previous years. This is not necessarily the amount due solely in FY listed.

Question 3

As of this response, the consequences of having a check returned are not posted in agency branches throughout the state. However, the agency has found that any increase in signage has diminished the effectiveness of other signage in its offices. The agency does currently have this information on its website: <http://www.scdmvonline.com/Fees>, and it's open to editing this page to more fully explain "No Pay, No Play" if warranted.

Question 4

The DMV recently initiated an AAMVA (American Association of Motor Vehicle Administrators) survey with the intent of determining the best available options to reduce dishonored check debt. This survey was sent to the North Carolina Division of Motor Vehicles first to better understand its dishonored check policy. Its answers are attached to this letter. The DMV has asked other jurisdictions to answer the following questions by August 1, 2019.


1. Does your agency currently accept payments by check?
2. If yes, what type of check payments does your agency accept?
 - a. Paper checks
 - b. Electronic checks
 - c. Both
3. If electronic check payments are accepted, when are they accepted?
 - a. Point-of-sale locations (face-to-face transactions)
 - b. Online
 - c. Both
4. If you accept electronic check payments at point-of-sale locations, does your agency have the ability to put a "hold" on funds to ensure payment?
5. Is there a minimum and/or maximum of checks you will accept? If yes, what is the minimum and/or maximum amount?
6. If electronic check payments are accepted either at point-of-sale or online, is there a fee associated with the electronic payment?
7. If yes, is the fee assessed to the customer?
8. If a check is returned for non-payment, how are collections handled?
 - a. In-house
 - b. Through a third party collection agency

9. What is your agency's percentage of collections on returned checks?
10. Does your agency collect a fee for checks returned for non-payment? If yes, what is the amount of the fee?
11. Is any action taken against a customer's driver's license or vehicle registration/license plate in regards to the returned check?
12. If a customer has a check returned for non-payment, do you accept future payments by check from the customer?

The SCDMV is willing to share the completed AAMVA survey responses with you if desired.

The agency is happy to be of further assistance if additional questions arise.

Regards,



Kevin A. Shwedo
Executive Director, SCDMV

AAMVA Survey Responses from NCDMV

1. Does your agency currently accept payments by check?

Yes.

2. If yes, what type of check payments does your agency accept?
 - a. Paper checks
 - b. Electronic checks
 - c. Both

We accept both.

3. If electronic check payments are accepted, when are they accepted?
 - a. Point-of-sale locations (face-to-face transactions)
 - b. Online
 - c. Both

Online only. The only electronic check payments that we accept come from our dealers, but the money goes through a clearinghouse first (CVR/TRIVIN) and is then sent to DMV.

4. If you accept electronic check payments at point-of-sale locations, does your agency have the ability to put a "hold" on funds to ensure payment?

N/A

5. Is there a minimum and/or maximum of checks you will accept? If yes, what is the minimum and/or maximum amount?

No

6. If electronic check payments are accepted either at point-of-sale or online, is there a fee associated with the electronic payment?

DMV doesn't, but the clearinghouse charges the dealers for providing this service.

7. If yes, is the fee assessed to the customer?

N/A

8. If a check is returned for non-payment, how are collections handled?
 - a. In-house
 - b. Through a third party collection agency

Collections are handled in house

9. What is your agency's percentage of collections on returned checks?

Within the first year I would say we collect about 60% of our money back. Two to three years, I would estimate 75%-80% we collect. The block that's on their account doesn't give them a choice. They have to pay us if they want to receive services.

10. Does your agency collect a fee for checks returned for non-payment? If yes, what is the amount of the fee?

Yes, the penalty is 10% of what the check was written for. If the check is less than \$100, the penalty is a flat \$10. Some returned checks don't receive penalties. Depends on why they were returned. NSF, account closed, unknown, holding funds/frozen account, refer to maker, and chargebacks all receive penalties when billed. If the debt isn't paid within 30 days, interest will be applied every 30 days (not sure of the percentage for interest).

11. Is any action taken against a customer's driver's license or vehicle registration/license plate in regards to the returned check?

Once we bill the customer for a bad check, a block is put on their DMV account and they cannot receive any services from DMV until it is paid in full. If the check paid [is] for a DL service, the customer's DL will be suspended if they don't pay the bad debt within the allotted time given. Once we receive payment, their DL is restored. If the check paid [is] for vehicle service, their plates stay active.

12. If a customer has a check returned for non-payment, do you accept future payments by check from the customer?

Yes, if they pay for the returned check within the first 30 days. If we receive payment after 30 days, they are put in a cash only status and cannot write checks or do any online business with us for five years.