



STATE OF DELAWARE
DEPARTMENT OF FINANCE
DIVISION OF REVENUE
CARVEL STATE BUILDING
820 N. FRENCH STREET
P.O. BOX 8911
WILMINGTON, DELAWARE 19899-8911

DIVISION OF REVENUE

AUGUST 19, 1999

TECHNICAL INFORMATION MEMORANDUM 99-3

SUBJECT: MOTOR VEHICLE DEALER BONDING REQUIREMENTS

**CONTACT: RONALD A KAMINSKI
(302) 577-8445**

This Technical Information Memorandum defines the new bonding requirements for motor vehicle dealers who provide self-financing without interest charges on the retail installment sales of motor vehicles. Motor vehicle dealers who provide self-financing with an interest charge continue to be subject to the regulations of the State Bank Commissioner and are not affected by this regulation.

Any motor vehicle dealer who is not required to provide a surety bond to the Banking Commissioner, and who, as a retail seller, self-finances any sale of a motor vehicle to a retail buyer without charging interest to the buyer must supply an original surety bond to the Division of Revenue as a condition of applying for or renewing a Delaware business license as a Motor Vehicle Dealer. The surety bond in the amount of \$25,000, payable to the State of Delaware must be issued by a corporation authorized to conduct business in this State. The term of the bond shall be continuous with the license period and the expiration date of the bond shall not be earlier than December 31st of the initial application year or December 31st of the year for which such license is being renewed.

The Division of Revenue will accept surety bonds in any format provided: 1) The bond is made payable to the State of Delaware, 2) The bond is in the amount of \$25,000 and 3) The bond shall not expire earlier than December 31st of the year in which it is issued. The Division will also accept a cash bond or an irrevocable letter of credit issued by a Delaware financial institution in lieu of the surety bond. Sample bonds are included with this regulation.


William M. Remington
Director of Revenue

MOTOR VEHICLE DEALER BOND

DIVISION OF REVENUE
P.O. BOX 8911
820 N. FRENCH STREET
WILMINGTON DE 19801



BOND NO. _____

Know All Men by These Presents, that we _____

as Principal, and _____, a corporation duly incorporated under the laws of the State of _____ as Surety, are held and firmly bound unto the State of Delaware in the sum of **TWENTY-FIVE THOUSAND** Dollars (\$25,000), lawful money of the United States of America for the payment of which, well and truly to be made, we bind ourselves, our heirs, executors, administrators, successors, and assigns, jointly and severally, firmly by these presents:

SEALED WITH OUR SEALS and dated this _____ day of _____ in the year of _____.

WHEREAS, the above named Principal is conducting business as a Motor Vehicle Dealer in Delaware and pursuant to the provisions of Chapter 30 of the Delaware Code is subject to certain liabilities under §3005(b) of said Title to the State of Delaware and whereas, this bond is an amount of \$25,000, is undertaken to guarantee payment to the State of Delaware of said liabilities.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION IS SUCH that the Motor Vehicle Dealer must maintain this bond in full force for the period of time that such Motor Vehicle Dealer operates such business within this State. The bond is for the benefit of consumers injured by any wrongful act, omission, default, fraud, or misrepresentation by the licensed retail seller in the course of conducting business as a Motor Vehicle Dealer. No cancellation of this surety bond shall be effective unless written notice of its intent to cancel is filed with the Delaware Division of Revenue at least 30 days before the date upon which the cancellation is to take effect.

Signed, sealed and delivered in the presence of

Principal

Indemnity Company

Attorney-in-Fact

TO BE FILLED IN BY PRINCIPAL

Delaware License No. _____ Employer Federal Id. No. _____

**RECEIPT FOR
MOTOR VEHICLE DEALER
CASH BOND**

DIVISION OF REVENUE
P.O. BOX 8911
820 N. FRENCH STREET
WILMINGTON DE 19801



RECEIVED OF _____,
a motor vehicle dealer in the State of Delaware, this _____ day of _____,
in the year _____, \$25,000 (Check No. _____ / U.S. Currency) in payment of a
cash bond in satisfaction of the aforesaid motor vehicle dealer's bonding obligations under Chapter 30
of Title 30 of the Delaware Code.

For the Division of Revenue

Motor Vehicle Dealer

Federal Employer's Identification No. _____

Delaware Division of Revenue
820 N. French Street
Wilmington, DE 19899

To:

NEW BONDING REQUIREMENTS FOR MOTOR VEHICLE DEALERS

House Bill 163 creates a new bonding requirement for motor vehicle dealers. Any motor vehicle dealer who is not required to provide a surety bond to the Banking Commissioner, and who, as a retail seller, self-finances any sale of a motor vehicle to a retail buyer without charging interest to the buyer must supply an original surety bond to the Delaware Division of Revenue as a condition of applying for or renewing a Delaware business license as a Motor Vehicle Dealer. The surety bond in the amount of \$25,000, payable to the State of Delaware must be issued by a corporation authorized to conduct business this State. The term of the bond shall be continuous with the license period and the expiration date of the bond shall not be earlier than December 31st of the initial application year or December 31st of the year for which such license is being renewed. Please see Technical Information Memorandum 99-3 which is attached for additional details.

ALL MOTOR VEHICLE DEALERS MUST COMPLETE THE FOLLOWING AND RETURN TO THE ABOVE ADDRESS

1) Do you self-finance the sale of motor vehicles to your retail customers?
Yes _____ No _____

(If you answered "NO" to question #1, Skip question 2 & Item 3, sign and return to above address, otherwise answer questions # 2 & 3)

2) Do you charge interest on your retail installment sales of motor vehicles?
Yes _____ No _____

(If you answered "Yes" to question #2, Skip item #3, sign and return to the above address.)

3) If you answered "No" to question #2, you are required to supply a bond in the amount of \$25,000 as a condition for maintaining or renewing your license as a Motor Vehicle Dealer. The bond that you are supplying may not expire before December 31, 1999. Sign this document and return with your bond to the above address.

Name

Title

Date