

Auto Dealer (MVD) Bonds

Auto Dealer Bonds are among the most common commercial surety bonds on the market. These surety bonds help protect states and consumers against auto dealers, ensuring they operate according to state laws and regulations. These bonds are required in order for a dealer to obtain a license. There are several names for auto dealer bonds, including MVD bonds, DMV bonds, user car dealer bonds or simply auto dealer bonds.

Every state has its own MVD bond form and its own surety bond amount. Expiration and effective dates also change depending on geography. Only the individual state can lower or raise the amount of the surety bond. Costs can vary greatly, depending on location, state requirements and the age of a given dealership.

Auto dealer bonds take effect, for example, should the dealership be found to be misrepresenting their merchandise, not forwarding sales tax payments to the state, using coercion or unethical business practices to sell vehicles, and a host of other offenses.

The process for obtaining MVD bonds is similar to other surety bonds. Surety companies will examine the past practices, financial health, management structure and other company aspects before deciding whether to issue an auto dealer bond.

Currently, the market has tightened a bit for MVD bonds, although qualified dealers can still typically garner a lower rate. Dealers with less than sterling credit will likely face higher premiums, as sureties often consider MVD bonds more high risk than others commercial bonds. Sureties process an exorbitant number of auto dealer bonds every year, which helps keep bond rates competitive.

It is definitely in a consumer's best interest to work with bonded and licensed auto dealers. Not only is it the law in most areas, but the bond offers consumers another layer of protection. The bond ensures that the dealer has been approved by a third party (the insurance or bond company) as being reasonably financially stable. Additionally, should something go wrong during a transaction, the consumer can be assured that the bond company will be able to step in and improve or resolve the situation.

There are also a handful of states that require bonds for mobile home dealers.