



**Last Update:** May 31, 2002

**Part 2:** Industry Operating Standards

## **NAAA Water/Flood Damage Policy**

Vehicles are frequently exposed to moisture during their ordinary operation, maintenance, and reconditioning. Occasionally, such exposure may leave residual marks or indicators similar to those left by exposure or immersion of the vehicle in floodwater. In determining what conditions require disclosure or in arbitrating vehicles for flood exposure/damage it is critical that the total condition of the vehicle be considered.

### **ARBITRATION INSPECTION**

A complete inspection of the vehicle should include a VIN history check, and may involve contacting previous owners where warranted. Some conditions that may indicate possible flood damage are:

- Strong musty odor in interior or luggage compartment. \*
- Surface rust under dash or seats on unfinished steel brackets, frames or springs. \*
- Dampness in seat cushions, headliner, visors, and other upholstered components. \*
- Mud, silt or sludge build-up in wheel wells, inside bumpers, hinge boxes, door openings/sills, door drain holes, under carpets or luggage compartment floor mats. \*\*
- Surface rust on underbody components, brake rotors/drums, exhaust system, pinch welds, brake lines, chassis components. \*\*\*
- Mud or sludge build-up inside door panels, behind luggage compartment side walls, beneath dash, inside glove box, etc.
- High water marks on door panels, upholstery, trunk interior, or head or tail light lenses.
- The deposit of debris such as silt, grass, and small twigs.
- Accumulation of silt/rust inside major mechanical components.
- Extremely rusty wiring harness, fuse boxes, etc.

Because the stigma of flood damage is somewhat permanent and is so damaging to the overall value of the vehicle, it is vitally important that a systematic and complete inspection be performed by personnel qualified to appropriately evaluate each condition in the context of the total condition and history of the vehicle.

The following guidelines should be followed in disclosing and arbitrating vehicles for water or flood damage.

### **DISCLOSURE NOT REQUIRED**

No disclosure is required nor is arbitration allowed for the following types of water exposure, provided that none of the components outlined below are damaged:

- Rain, snow or sleet due to open windows, doors or tops or leaking seals.
- Car wash or rinse water.
- Carpet or upholstery shampooing or cleaning.
- Stream, pond, puddle or floodwater that does not rise above the rocker panel or otherwise

enter the passenger compartment.

Stream, pond, puddle or floodwater that enters the luggage compartment, but does not damage any electrical components (such as lighting or wiring harness) or does not enter the passenger compartment.

## **DISCLOSURE REQUIRED**

Disclosure is required and arbitration shall be allowed under the following conditions:

The title has been correctly branded indicating flood history of the vehicle

Any of the following components have been damaged due to immersion:

Front or rear lighting or wiring harnesses

Engine and its major components

Transmission and differential

Dash instrument panel and wiring

Passenger seat cushions

Power seat or window motor

CD changer or other major sound system components

Disclosure of flood damage is required even if a vehicle is sold AS IS.

## **RECOMMENDED DISCLOSURES**

The recommended disclosure is:

**Flood Damage** This declaration should be made whenever a condition exists indicating existing or repaired water/flood damage requiring disclosure. This vehicle should be sold AS IS. The declaration is required even if the vehicle is sold AS IS.

*\*Some carpets and upholstery are badly stained or soiled. This may require hard scrubbing with hot water and strong chemicals during the detail process. In this event excess water and chemicals may be used and these conditions may be present. These signs alone are not proof of flood damage. In many cases carpet wetness or dampness and odors in the trunk area and interior are misdiagnosed as flood damage.*

*\*\*Many vehicles are operated on unimproved, dirt and gravel roads. Many are subjected to off-road conditions. Thus mud, silt, and sludge build-up may be normal and should not in itself be considered flood damage. Interior dust and dirt accumulated during normal operation may become muddy during the detail process.*

*\*\*\*Light surface rust is common on exposed metal surfaces and is not sufficient alone to prove flood exposure. The absence of rust on exposed metal should also be considered, although not conclusive, as evidence of no flood exposure.*