



The importance of understanding what the lights mean in the various auction sales channels are still very important! I revised the old article to reflect the latest version of the National Auto Auction Association’s Arbitration “Sale Light System” and its usage in both the “Arbitratable Podcast and this article. According to the policy, the “Auction has a standard light/video display system to describe the condition and/or disclosures related to the vehicle being sold.” The system is defined as:

Green Light – “Ride and Drive:”

- The green light signals that this vehicle is guaranteed under the conditions outlined in this policy by the seller. Any defects or issues requiring disclosure per this policy should be announced using the green and yellow lights. The yellow light is used to supplement the green

Announcement /Light Legend			
Announcements:	Light Usage Recommendation		
	Green	Yellow	Red
Ride & Drive Only	✓	N/A	N/A
Ride & Drive with Caution Announcement	✓	✓	N/A
Limited Guarantee Only	N/A	✓	N/A
Limited As-is Only	N/A	N/A	✓

Announcement /Light Legend			
Announcements:	Light Usage Recommendation		
	Green	Yellow	Red
Ride & Drive Only	✓	N/A	N/A
Ride & Drive with Caution Announcement	✓	✓	N/A
Limited Guarantee Only	N/A	✓	N/A
Limited As-is Only	N/A	N/A	✓

light to exempt defects that are being announced. An example would be a vehicle sold under the green light but with a defective transmission. The appropriate announcement would be “Green light vehicle with the yellow light caution for the transmission.”

Yellow Light – “Announcements:”

- This light is an indication to the Buyer that the Auctioneer or Selling Representative has made announcements that qualify/clarify the condition or equipment and limit arbitration of this vehicle in conjunction with the green light or when “limited guarantee” is announced.

Announcement /Light Legend			
Announcements:	Light Usage Recommendation		
	Green	Yellow	Red
Ride & Drive Only	✓	N/A	N/A
Ride & Drive with Caution Announcement	✓	✓	N/A
Limited Guarantee Only	N/A	✓	N/A
Limited As-is Only	N/A	N/A	✓

Red Light – “Limited As-Is:”

- Vehicles selling under the red light will only qualify for arbitration under the rules outlined in this policy. (As-Is dollar amount, model years, and mileage are subject to local auction policy).

Announcement /Light Legend			
Announcements:	Light Usage Recommendation		
	Green	Yellow	Red
Ride & Drive Only	✓	N/A	N/A
Ride & Drive with Caution Announcement	✓	✓	N/A
Limited Guarantee Only	N/A	✓	N/A
Limited As-is Only	N/A	N/A	✓

Blue Light – “Title Attached/Title Unavailable/Title Absent:”

- This light is used to announce that the title is not present (auction managed location) at the time of the sale. For Auction rules regarding titles please refer to the Title Arbitration Policy section. If “title attached/unavailable/absent” is not announced, a vehicle could be arbitrated for no title in the absence of auction company policy. The blue light is used for the title only. This light must be used when the title is going to be late in conjunction with green or red light.

When determining disclosures to would-be buyers, the seller must first determine which sale light to use. Ideally, the sale light should be determined by the total condition of the vehicle and arbitration risk. The condition report, vehicle history and mechanical status is a great start. For example, a late-model vehicle with normal wear and tear that is mechanically sound would tend to be considered a green light vehicle. Conversely, an older model with more wear and tear and a mechanical issue with a wholesale repair cost over \$600 (per policy) would tend to be sold with the red light on. As explained earlier, another vehicle sold under the green light but with a defective transmission would require both green and yellow lights on. Some issues require disclosure regardless of which light is on. Please refer to appendix 1 of the NAAA Arbitration Policy.

Some caveats...

Some sellers do not want the arbitration liability (who does?) so they may attempt to develop a disclosure that exempts them from everything. This, however, is not within the guidelines of the NAAA policy. If a seller uses a 'shotgun style' announcement, but the vehicle has an undisclosed defect for which a disclosure is required by NAAA policy, a claim would be valid, and the seller would be liable. It is very important both sellers and buyers understand the nature of the transaction via the sale light. As a buyer, the amount of recourse is limited from an arbitration point of view. Auction products like the 'post-sale inspection' may not be available for vehicles sold under specific announcements and the red light.

The arbitration policy can be found on NAAA's website under the "Policy" tab at NAAA.com

The Arbitratable Podcast with Matt Arias can be found on [YouTube/Arbitratable](https://www.youtube.com/channel/UCq1D3P8W1K1K1K1K1K1K1K1).