



House Office Building, 9 South
Lansing, Michigan 48909
Phone: 517/373-6466

FORWARDING OF VEHICLE CERTIFICATE OF TITLE

House Bill 5365 as introduced
First Analysis (4-10-02)

Sponsor: Rep. Samuel Buzz Thomas
Committee: Commerce

THE APPARENT PROBLEM:

The Department of State says that some vehicle dealers retain possession of the certificate of title when they sell a vehicle in order to illegally circumvent standard repossession procedures when a purchaser defaults on a loan. (The department sends the title to the dealer for transmission to the customer. This allows the dealer -- as lender -- to verify that a lien has been placed on the title.) When this happens, the department says, the purchaser does not get the proper notice of repossession and, when the vehicle once again sells the vehicle, does not get the difference between the sale price and the loan amount, as the law requires. The department also cites instances of dealers holding the title after selling and offering financing on the vehicle and then finding out it cannot itself get financing from a lender. In these cases, says the department, the dealer might illegally retrieve the vehicle and get out of their obligation under the financing contract. To address such problems, legislation has been proposed that would require a vehicle dealer to mail or deliver a certificate of title to the purchaser of the vehicle within five days of receiving the title.

THE CONTENT OF THE BILL:

The bill would amend the Michigan Vehicle Code to require a vehicle dealer to mail or deliver a certificate of title to a purchaser (or transferee) not more than five days after receiving the certificate of title from the secretary of state.

MCL 257.217 and 257.234

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the bill would have no fiscal impact on state or local government. (HFA analysis dated 3-18-02)

ARGUMENTS:

For:

The Department of State says that the bill will "protect consumers from vehicle dealers who hold the certificate of title in order to circumvent proper repossession procedures . . . or who engage in vehicle 'spot delivery' where a lender refuses to 'buy the paper' for some reason, and the dealer fails to obtain promised financing". The bill would require a vehicle dealer to forward a vehicle's certificate of title to the purchaser within five days of receiving the title from the Department of State.

POSITIONS:

The Department of State supports the bill. (4-9-02)

Auto Dealers of Michigan, LLC, supports the bill. (4-9-02)

House Bill 5365 (4-10-02)

Analyst: C. Couch

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.