



**House
Legislative
Analysis
Section**

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**FORWARDING OF VEHICLE
CERTIFICATE OF TITLE**

**House Bill 5365 as enrolled
Public Act 552 of 2002
Second Analysis (8-5-02)**

**Sponsor: Rep. Samuel Buzz Thomas
House Committee: Commerce
Senate Committee: Transportation and
Tourism**

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.

The bill also contains two other transportation-related provisions:

- It would amend Section 217 of the code to require that a vehicle be designated as a "flood vehicle" on the certificate of title when the vehicle was a flood vehicle or had been issued a flood certificate of title in another state. (Public Act 485 of 2002, House Bill

5804, deals with flood titles and adds that designation to the code, which already permitted special certificates for rebuilt, salvage, or scrap vehicles. The analysis of House Bill 5804 by the House Legislative Analysis Section dated 4-10-02 explains that issue.)

- It would amend Section 717 to allow the director of the State Transportation Department, a county road commission, or a local authority to issue a special permit to a person operating a vehicle or vehicle combination that was not more than 106 inches in width, including load, and was used solely to move new motor vehicles or parts or components between facilities that 1) manufactured or assembled the vehicles, parts, or components; 2) were located within 10 miles of each other; and 3) were located within the city limits of the same city, with the city located in a county with a population of more than 400,000 but less than 500,000 in the most recent federal decennial census.

MCL 257.217 et al.

FISCAL IMPLICATIONS:

The House Fiscal Agency reports that the 5-day provision in the bill would have no fiscal impact on state or local government. (HFA analysis dated 4-10-02)

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

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'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.

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.