

Senate Fiscal Agency
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SFA**BILL ANALYSIS**

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House Bill 5365 (Substitute S-1 as reported)
House Bill 5804 (Substitute S-1 as reported)
Sponsor: Representative Samuel Buzz Thomas (H.B. 5365)
Representative Clarence E. Phillips (H.B. 5804)
House Committee: Commerce
Senate Committee: Transportation and Tourism

Date Completed: 6-13-02

RATIONALE

Under the Michigan Vehicle Code, a vehicle may not be sold or offered for sale by a dealer unless the dealer has a properly assigned title or other ownership document. When a person purchases a vehicle from a dealer, the dealer must apply for a new title and certificate of registration in the purchaser's name.

Apparently, there have been a few cases in which vehicle dealers retained possession of a vehicle's certificate of title after selling the vehicle and took part in unscrupulous business practices such as improper repossession procedures. In order to avoid such problems, some people believe that a vehicle dealer should be required to forward the certificate of title to the purchaser within a reasonable time.

In addition, under the Code, the Secretary of State must issue special certificates of title to rebuilt, salvage, or scrap vehicles from another state or jurisdiction. It has been suggested that a vehicle also be issued a flood certificate of title if it was designated and issued one from another state or jurisdiction. According to the Department of State, since Michigan currently does not recognize flood titles, flood-damaged vehicles can be brought in from out-of-State for retitling and sale under a normal certificate of title. As a result, consumers might unknowingly purchase vehicles damaged by water.

CONTENT

House Bill 5365 (S-1) would amend the Michigan Vehicle Code to require a vehicle dealer to mail a certificate of title to a purchaser within five days after

receiving it from the Secretary of State. The bill also would require the Secretary of State to issue a flood certificate of title to a vehicle.

House Bill 5804 (S-1) would amend the Michigan Vehicle Code to require a vehicle to be designated as a flood vehicle on a certificate of title, if it had such a title from another state or jurisdiction. The bill would take effect October 1, 2002.

House Bill 5365 (S-1)

The bill would require a vehicle dealer to mail or deliver a certificate of title to a purchaser or transferee within five days after receiving the certificate of title from the Secretary of State.

Further, the bill would add a requirement that the Secretary of State issue a flood certificate of title to a vehicle brought into Michigan from another state or jurisdiction, if that vehicle had a flood title from the other state or jurisdiction. An application for a certificate of title would have to include whether a vehicle was a flood vehicle, or if another state had previously issued the vehicle a flood certificate of title.

The bill also would require vehicle owners or lessees that are partnerships or limited liability companies to include their business address on an application for a certificate of title. Currently, this requirement applies only to firms, associations, and corporations.

House Bill 5804 (S-1)

Currently, the Secretary of State must issue a rebuilt, salvage, or scrap certificate of title to a vehicle brought into the State from another state or jurisdiction that has a rebuilt, salvage, or scrap certificate of title issued by that state or jurisdiction. The bill would require the Secretary of State also to issue a flood certificate of title to a flood vehicle from another state or jurisdiction. Additionally, a certificate of title must contain on its face certain information, including whether the vehicle is a salvage, rebuilt, or scrap vehicle from another state or jurisdiction. The bill would include flood vehicles in this provision.

The Code requires that certificates of title for police vehicles, vehicles owned by a political subdivision of the State, and salvage, rebuilt, and scrap vehicles be different in color from the certificates of title for all other vehicles. The bill also would require that the titles for flood vehicles be different in color from the titles for all other vehicles.

"Flood vehicle" would be defined as a vehicle that was submerged in water to the point that water entered the passenger compartment or trunk over the sill of the trunk floor pan or doorsill, or a vehicle acquired by an insurance company as part of the settlement of a water damage claim.

MCL 257.217 & 257.234 (H.B. 5365)
257.222 et al. (H.B. 5804)

ARGUMENTS

(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)

Supporting Argument

By revising a vehicle to be designated as a "flood vehicle" on a certificate of title, if it met the proposed definition, the bills would provide useful information and greater protection to consumers. Since Michigan does not brand vehicles as flood vehicles and does not recognize flood titles from other states, flood-damaged and water-damaged cars can be brought in from other states for retitling and sale under a regular certificate of title. Since water-damaged vehicles are prone to premature rust, engine damage, and other problems, consumers should be fully aware of

the potential for this trouble before purchasing the vehicles.

Supporting Argument

By requiring a vehicle dealer to forward a vehicle's certificate of title to the purchaser within five days of receiving the title, House Bill 5365 (S-1) would protect consumers from vehicle dealers who might retain the certificate of title to engage in unscrupulous business practices.

Legislative Analyst: Nobuko Nagata

FISCAL IMPACT

House Bill 5365 (S-1)

The bill would have no fiscal impact on State or local government.

House Bill 5804 (S-1)

Currently, special title certificates are available for rebuilt, salvage, and scrap vehicles. The bill would expand the possible designations to include "flood vehicles". This change would necessitate one-time computer programming costs for the generation of such certificates of title.

The bill would have no fiscal impact on local government.

Fiscal Analyst: Jessica Runnels

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.