

MICHIGAN VEHICLE CODE (EXCERPT)
Act 300 of 1949

257.235b Possession of certificate of title by inventory lender for vehicle subject to inventory loan; written agreement; release of certificate of title by used or secondhand vehicle dealer's inventory lender; limitation; failure to release vehicle title; registration with secretary of state; applicability of section to certain licensed dealers; applicability of MCL 257.235; definitions.

Sec. 235b. (1) A used or secondhand vehicle dealer may voluntarily enter into a written agreement with an inventory lender allowing the inventory lender to retain in its possession the certificate of title for a vehicle that is subject to an inventory loan if all of the following conditions have been met:

(a) The used or secondhand vehicle dealer posts a notice on the used or secondhand vehicle window disclosing the existence of the used or secondhand vehicle dealer's inventory loan for the vehicle. The notice under this subdivision shall include the name, address, telephone number, and internet address of the used or secondhand vehicle inventory lender in a manner and of a size sufficient to alert potential buyers of the existence of inventory loan, contact information for the holder of that inventory loan, and that the inventory lender holds the title to the vehicle in its possession. The notice under this subdivision shall be in a form and manner as prescribed by the secretary of state.

(b) The used or secondhand vehicle dealer maintains a color copy of the certificate of title, either in paper or electronic form, at the used or secondhand vehicle dealer's place of business. The color copy of the certificate of title shall indicate on its face that it is a copy. The color copy of the title and a disclosure or notice of the vehicle inventory lender's possession of the title shall be presented to the buyer at the time of purchase in paper or electronic form.

(c) The used or secondhand vehicle dealer maintains a paper or electronic copy of the inventory loan agreement between the used or secondhand vehicle dealer and the vehicle inventory lender, along with the inventory list, which shall be not more than 5 days old. These documents shall be made available to the secretary of state upon the request of the secretary of state.

(2) A used or secondhand vehicle dealer's inventory lender shall release the certificate of title to the used or secondhand vehicle dealer, the used or secondhand vehicle dealer's designee, or the secretary of state, as applicable, not more than 2 banking business days after the used or secondhand vehicle dealer's inventory lender receives 1 of the following:

(a) The outstanding principal balance and any other fees and charges due on the vehicle under the inventory loan.

(b) A written request from the used or secondhand vehicle dealer with proof of full payment evidencing that the vehicle has been sold to a buyer in the ordinary course of business under section 9320 of the uniform commercial code, 1962 PA 174, MCL 440.9320, or a substantially similar law of another state.

(c) A written request from the purchaser and proof of full payment evidencing that the purchaser's status as a buyer in ordinary course of business under section 9320 of the uniform commercial code, 1962 PA 174, MCL 440.9320, or a substantially similar law of another state.

(d) A written request from the secretary of state.

(3) A used or secondhand vehicle dealer's inventory lender that fails to release a vehicle title as required under subsection (2) may be ordered to pay an administrative fine of \$500.00.

(4) A used or secondhand vehicle inventory lender that holds a certificate of title for a vehicle shall register with the secretary of state in a form and manner as prescribed by the secretary of state to provide its location and contact information. No fee shall be charged for registration under this subsection.

(5) This section applies only to dealers licensed under this act that solely sell used or secondhand vehicles and does not apply to a dealer licensed under this act that sells new motor vehicles or both new motor vehicles and used or secondhand vehicles.

(6) Section 235 applies to used or secondhand vehicle dealers under this section only to the extent that section 235 does not conflict with this section.

(7) As used in this section:

(a) "Inventory lender" means a third party engaged in the business of providing financing to a used or secondhand vehicle dealer for the acquisition or retention of vehicles that are held for sale or lease by the used or secondhand vehicle dealer in the ordinary course of the used or secondhand vehicle dealer's business and has filed a financing statement with the secretary of state evidencing the third party's security interest in the used or secondhand vehicle dealer's inventory and the proceeds of that inventory.

(b) "License" means the applicable license under section 248.

History: Add. 2012, Act 498, Eff. Mar. 28, 2013.