

Legislative Analysis



USED VEHICLES: INVENTORY LENDERS COULD RETAIN VEHICLE TITLE UNTIL SALE

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House Bill 5668

Sponsor: Rep. Bradford C. Jacobsen

Committee: Commerce

Complete to 6-4-12

A SUMMARY OF HOUSE BILL 5668 AS INTRODUCED 5-23-12

Under the bill, a used vehicle dealer could enter a voluntary agreement with an inventory lender allowing the lender to retain possession of the certificate of title for a vehicle subject to an inventory loan if certain conditions are met. The bill would amend the Michigan Vehicle Code (at MCL 257.217 & 235).

The inventory lender would subsequently have to release the certificate of title to the used vehicle dealer, the dealer's designee, and the Secretary of State when one of the following occurred: the lender received the principal balance and any other fees and charges due; the lender received the written request from the dealer with proof of full payment as evidence that the vehicle had been sold or a similar written request from the purchaser; or a written request from the Secretary of State. The failure to release a vehicle title could result in a civil fine of \$500.

The bill would require a used vehicle inventory lender to register with the Secretary of State in order to provide its location and contact information. There would be no fee for this registration.

The bill specifies that it applies solely to a used vehicle dealer whose capital stock is not owned, in whole or in part, by an individual who also owns any capital stock in an entity holding a new vehicle dealer license.

The voluntary agreement could be entered into if *all* of the following conditions are met: (1) the dealer posts a notice on the used vehicle window disclosing the existence of the dealer's inventory loan for the vehicle; (2) the dealer maintains a color copy of the certificate of title, either in paper or in electronic form at the dealer's place of business; and (3) the dealer maintains a paper or electronic copy of the inventory loan agreement between the dealer and lender, along with the vehicle inventory list, which could be no more than five days old; these documents would have to be made available to the Secretary of State upon request.

The bill also would impose a \$100 transfer fee (instead of the usual \$15) on used vehicle dealers that failed to apply for a title and to transfer registration plates and secure a certificate of registration in a timely manner.

FISCAL IMPACT:

House Bill 5668 would have an indeterminate fiscal impact on the Secretary of State. Any administrative costs realized under the provisions of the bill would be covered in the normal course of business and at current funding levels. The increase in transfer fees to \$100 for the transactions indicated under the bill would have a positive fiscal impact on the Secretary of State. At this time it is unknown how many transactions will take place and no overall fiscal impact can be estimated. To the extent that any civil fines are assessed and collected under the provisions of the bill, there would be a positive fiscal impact on the General Fund.

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