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REGISTRATION AND TITLE OF MOTOR VEHICLE

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MINNESOTA
LEGISLATIVE RESEARCH COMMITTEE

REGISTRATION AND TITLE
OF
MOTOR VEHICLES

Research Report issued pursuant to Proposal No. 41:

A PROPOSAL that the Legislative Research Committee study and analyze the present method of registering, licensing, and transferring ownership of, and other interests in, motor vehicles within the State of Minnesota and in other states; the relative advantages and disadvantages of alternative methods in use in states having a system wherein certificate is issued, in connection with the registration of a motor vehicle, which constitutes proof of ownership thereof and of encumbrances thereon.

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B R I E F L Y

The procedure for registering, licensing, and transferring ownership of motor vehicles varies among the states but, broadly speaking, these procedures can be classified as the Title Method and the Non-title Method. At the present time 32 states use the Title Method of registration and 16, including Minnesota, employ the Non-title Method.

Under the Title Method of registration the owner of a motor vehicle when he registers his motor vehicle for the first time receives both a Certificate of Title, which is evidence of proof of ownership, and a registration card, which indicates he has complied with motor vehicle taxation laws. The title certificate is good for as long as the vehicle remains in the hands of the original owner but the registration card must be renewed annually. Liens or encumbrances against the vehicle are listed on the title certificate and in 17 states a title certificate which lists a lien is held by the lienholder until satisfaction of the lien. Under the Non-title Method the motor vehicle owner receives only a registration card. Liens or encumbrances against the vehicle are not listed on registration cards which also are evidence of ownership, but are filed with county or city officials.

Under the Title Method of registration for complete protection it is necessary that the licensing agency be the central filing source of all motor vehicle liens and encumbrances. Sixteen Title States require motor vehicle liens to be filed with the motor vehicle department. This enables the state agency to maintain records to provide the buyer or mortgagee of any vehicle registered in the state with complete information about the ownership of the vehicle. In the sixteen other Title States where liens are not recorded with the licensing agency, but are filed with appropriate county or city officials, information in respect to liens or encumbrances is not always completely accurate and up to date, and therefore, the title certificate may not be any more of an absolute proof of ownership than the registration card is in Minnesota.

In Minnesota the registration card is the only proof of ownership issued by the state licensing agency. Liens and encumbrances against the vehicle are filed with county or city officials. The buyer of a vehicle previously registered must either rely upon the good faith of the seller in regard to prior liens or else undertake a complicated investigation to determine the existence of liens and encumbrances.

Various federal and state agencies, as well as private business associations, have participated in promulgating a uniform motor vehicle code to serve as a basis for uniform motor vehicle regulation among the states. Minnesota's method of registration does not meet the code's recommended standards of issuing a Certificate of Title as proof of ownership nor does the state licensing agency serve as the central filing source of all liens or encumbrances against motor vehicles. The code also contains provisions for the lienholder to retain the title certificate in his possession until satisfaction of the lien.

The establishment of a central lien-filing section in the state motor vehicle division and the issuing of title certificates to owners of motor vehicles in Minnesota would not require much reorganization in the present motor vehicle division. However, the additional duties would entail added expenses and increases in personnel. To meet the costs of these increased services, additional fees would have to be levied.

The methods used for registering, licensing, and transferring the ownership of motor vehicles differ from state to state. Broadly speaking, these methods could be broken down into Title States and Non-title States, but within these two broad categories the procedure employed varies considerably.

Minnesota is classified as a Non-title State and its procedure in respect to motor vehicle registration and title is described briefly before discussion of methods used in other states.

Motor Vehicle Registration and Transfer in Minnesota

As mentioned previously, Minnesota is not a Title State; that is, the state motor vehicle division does not issue a Certificate of Title to the owner of a motor vehicle. In this state, the Certificate of Registration serves the purpose of the title certificate.

The present Minnesota law requires that every owner of a motor vehicle, which is not specifically exempted by law, must register his vehicle annually with the Secretary of State or one of his agents. Applications for renewal of registration must be filed between October 1 and November 15 preceding the year for which the tax is levied. Each registration year expires December 31.

Registration Procedure - - In his original application for registration of his motor vehicle, the owner is required to furnish his name and address, the nature of his ownership, the type of motor vehicle, the year of the model, the engine and car number, the weight of the vehicle in pounds, and other pertinent information required by the registrar. When furnishing the information for the first time, the owner must certify under oath that the statements are true and accurate. When the owner is applying for re-registration of his vehicle, the necessary information is taken from his registration card which he is required to present to the registrar each time he renews his registration.

Upon payment of the necessary motor vehicle tax and the approval of the application by the registrar, the owner is issued a registration card and a set of number plates whose numbers correspond to the numbers listed on the registration card. The owner is required to sign the Certificate of Registration and retain the certificate to present when applying for a renewal of registration or to record a transfer of ownership.

The registration card is printed on both sides. On the front side is listed information about the make, motor number, serial number, model and type of the motor vehicle; the amount of tax paid; the name and address of the owner; the new and previous year's plate numbers issued the vehicle; and a space for the owner's signature. On the reverse side of the registration card are listed forms for the transfer of ownership and application

for registration by the new owner. The registration card is evidence of two things: (1) all registration taxes and fees have been paid up to date and (2) the registered owner is in legal possession of the vehicle.

Transfer of Ownership Procedure - - The registration card is the transfer document used in the transfer of ownership of the motor vehicle. In event the registered owner transfers the ownership of his registered motor vehicle through a sale or otherwise, he is required to fill in the form (Bill of Sale) on the reverse side of the certificate and to have his signature witnessed by a notary public. The buyer is also required to fill in the reverse side of the certificate marked Application for Transfer and his signature must also be witnessed by a notary public. The registered owner is required within seven days to forward the endorsed certificate to the Secretary of State's office where the notice of transfer and the application for new registration are effected and a new certificate of registration is issued the new owner. The license plates remain on the vehicle for the remainder of the current registration year.

When motor vehicles from out-of-state are brought into Minnesota to be registered, the owner is required to furnish the registration certificate and/or certificate of title issued the vehicle in the other state.

In the event the transfer of ownership is made to a dealer, special provisions are provided for the registration of the car while in the dealer's possession.

The Secretary of State as state registrar of motor vehicles is required to keep a suitable record of all motor vehicles registered and furnish such information to the public when requested.

Reported Disadvantages of the Minnesota System of Transfer of Ownership

It is frequently reported by dealers, finance companies, and purchasers of motor vehicles transferred to them that it is difficult to determine under the Minnesota system of transfer and registration whether the title to the vehicle they purchased or received as a trade-in is free from encumbrances. Liens are not recorded on the registration card issued by the state motor vehicle division and therefore, when the car is transferred, the purchaser must either rely upon the good faith of the seller or undertake a complicated investigation to determine if the title to the car is free. Generally speaking, the word of the seller is relied upon.

Recording of Automobile Liens in Minnesota - - Minnesota law requires that all chattel mortgages and conditional sales contracts must be filed with the office of the County Register of Deeds or the city clerk (dependent upon population and certain salary factors) in the county of the owner's residence or in the county where the property is situated at the time of taking on the encumbrance if the owner is a non-resident. This law applies to liens on motor vehicles.

Difficulty of Tracing Past Liens - - Under the present arrangement in Minnesota the registration card and the word of the seller are the only proof of ownership and the non-existence of liens a buyer has available to him. To determine the existence of any liens or encumbrances upon the vehicle, the buyer must obtain the present and past residences of the owner and check the records of the Register of Deeds or city clerk in the counties or cities where the owner now or has resided. This means the buyer must trace all past movements of the owner, as well as any previous owners, if the car has been previously transferred to determine if there are liens against the vehicle. In the event the vehicle is purchased and a lien is discovered, the new owner may find himself in a position of having to satisfy the lien in order to save his investment.

Motor Vehicle Registration and Transfer of Ownership in Other States

Appendix Table A presents a summary of the provisions for the registration, licensing, and transferring of ownership of motor vehicles in all the states. This information was compiled from a digest and description of state motor vehicle registration and transfer laws.

Title States - - The term Title State refers to the method utilized by some states of issuing to the owner (either the legal owner or the registered owner) of a motor vehicle a Certificate of Title or Ownership which constitutes proof of ownership and shows the existence of liens or encumbrances upon the vehicle. In addition, the owner is issued a registration receipt or certificate which shows he has complied with motor vehicle registration laws for the current year. The registration certificate or receipt must be renewed annually. The Certificate of Title is valid for as long as the present owner retains possession of the car. In the event of a transfer of ownership through a sale or satisfaction of a lien, the Certificate of Title, properly endorsed, is returned to the state motor vehicle division and a new certificate is issued the new owner or the satisfaction of the lien is noted on the document. In some of the Title States, the state licensing agency is the central recording agency for liens on motor vehicles, while in others the liens are filed with appropriate county or city officials. Again in some of the Title States the Certificate of Title is issued to the legal owner if there is a lien on the vehicle, while in other Title States the registered owner retains possession of the Certificate irregardless of whether a lien appears on the document. Also in some of the Title States, the registration certificate and the title certificate are both necessary to effect a transfer of the vehicle while in others only the title certificate is needed and the registration certificate remains with the original owner. These differences in procedures and methods will be treated in greater detail subsequently in this report.

At present, thirty-two states (see Appendix Table A) register titles. Among these thirty-two are the neighboring states of Wisconsin, North Dakota, and South Dakota.

Title State Method - - In the thirty-two states referred to as Title States, the state motor vehicle division or a county office designated by law as the licensing agency issues both a Certificate of Title and a Certificate of Registration when the vehicle is registered for the first time. The Certificate of Title is, as the name implies, a document evidencing ownership of the vehicle and the registration card is a receipt to indicate that the vehicle is registered and the motor vehicle tax has been paid according to the laws of the state. The registration card must be renewed annually but the Certificate of Title or Ownership, as it is referred to in some states, is valid as long as the motor vehicle remains in the hands of the original legal or registered owner.

In the Title States the evidence of lien is endorsed on the Certificate of Title and the Certificate is held by the mortgagee or the registered owner. A transfer of the Certificate of Title to the mortgagee can take place at any time during the year without affecting the registration or ownership of the car.

Liens or encumbrances upon the vehicle are listed on all of the title certificates in the 32 Title States, but the method of recording liens is not consistent. In order for the state to be able to give accurate information at all times on encumbrances against a motor vehicle, it is necessary that the licensing agency also record all liens against the vehicle. At the present time, only sixteen states of the thirty-two Title States require that all liens upon motor vehicles must be filed with the licensing agency.

In the sixteen remaining Title States, which do not provide for central filing, the liens which appear on the title certificate are derived only from the sworn statement of the applicant. Such lien may be registered with the appropriate local official and thus be a valid encumbrance but may not be shown on the Certificate of Title. To be sure that there is no lien on the vehicle, it would be necessary to check local offices recording such documents. In those states which do not require central filing of liens with the licensing agency, the title certificate may not give the purchaser more proof of ownership than the registration certificate gives in Non-title States. This is because the owner may be able to place liens against the vehicle without notifying the department, and therefore, such liens would not appear on the title certificate or in their records. This means that the purchaser, the finance company, or dealer in these Title States, as in Minnesota, must rely upon the good faith of the seller or else they must follow almost the identical procedure as would be necessary in Minnesota to determine if there was a lien against the vehicle.

Therefore, actually only sixteen of the forty-eight states provide complete title protection to the purchaser or mortgagee of a motor vehicle. Because of this important difference, the Title States are further broken down into those states which do and do not require the filing of all liens with the licensing agency and this procedure is described below.

Registration in Title States Which Provide for Central Filing of Auto Liens - - Sixteen states provide that all motor vehicle liens or encumbrances must be filed with the licensing agency (state or local, dependent upon whether motor vehicle registration is decentralized in the state). Under this method of procedure a central agency has records to provide the buyer of the vehicle complete information in respect to liens which may cloud the title. An additional safeguard is employed in nine of these states (Arkansas, Colorado, Florida, Idaho, New Jersey, Ohio, Texas, Utah and Virginia) where the title certificate which shows a lien is retained by the lienholder or mortgagee until the lien is satisfied. This gives added protection to any future mortgagee or purchaser, since the seller must have the title certificate in his possession in order to sell or mortgage his vehicle. When the seller or mortgagor does have the title certificate in his possession, the buyer knows no liens exist against the vehicle.

In California, Pennsylvania, and Nevada, the title certificates are retained by the legal owner but list liens recorded against the vehicle. (Legal owner and registered owner may differ as when a vehicle is sold on a Conditional Sales Contract.) Delaware law provides that the lienholder has a right to retain possession of the title certificate until satisfaction of the lien or he may designate that the certificate be forwarded to the registered owner. In the remaining three states, Arizona, Montana, and New Mexico, the registered owner retains possession of the certificate.

Registration in Title States Which Do Not Provide for Central Filing of Liens - - In the sixteen Title States which do not provide for the central filing of liens upon motor vehicles with the licensing agency such liens are filed with the appropriate city or county officials. Liens which appear upon the title certificate in these states are only the liens which the owner has reported either under oath or in his application. Of the Title States in this group, five, Oregon¹, North Dakota¹, North Carolina¹, Nebraska, and Maryland, require that a title certificate which lists a lien be held by the lienholder. This prevents the registered owner from taking on further encumbrances against the vehicle since he does not have the title certificate in his possession, if there is a lien on the vehicle. However, in the remaining eleven states, the title certificate is mailed to the registered owner or to the person designated by the registered owner. In these eleven states, as in Minnesota, the dealer or the person taking the mortgage must rely upon the good faith of the seller or mortgagor or else undertake an investigation similar to that which would be necessary in Minnesota to determine if the title was clear. The title certificate in these states may be no more evidence of absolute ownership than the registration card is in Minnesota.

Transfer of Ownership Method in Title States - - There are, broadly speaking, four different procedures utilized by the thirty-two Title States in transferring ownership and registration of a motor vehicle. They are as follows:

1. Title certificate is held by legal owner.

(1) The Certificate of Title is the transfer document and must be endorsed by both the seller and buyer. The registration certificate (not endorsed) accompanies the endorsed title certificate in the application for re-registration by the new owner. The license plates remain on the transferred vehicle. Eight Title States, California, Florida, Montana, Nevada, New Mexico, Oklahoma, Oregon, and Texas, use this method of transfer.

(2) The Certificate of Title is the only document needed to effect a transfer and must be endorsed by both the buyer and seller. Both the registration certificate and the license plates remain with the seller. Under this procedure the previous owner may then apply the tax he has paid and the plates to another vehicle for the remainder of the current registration year, providing he pays any additional amount necessary because of any change in type or weight of motor vehicle. This method of transfer is utilized in the eleven states of Colorado, Illinois, Indiana, Kansas, Maryland, Missouri, New Jersey, Ohio, Pennsylvania, West Virginia, and Wyoming.

(3) Both the registration certificate and title certificate must be endorsed by the buyer and/or seller. The endorsed registration certificate is returned to the licensing agency in some of the states or in others is given to the buyer by the present owner. The endorsed title certificate is given the buyer at time of delivery. The buyer, in turn, presents the endorsed title certificate (and in some states, the endorsed registration certificate) when applying for re-registration of the vehicle. The license plates remain with the vehicle. Seven states, Arizona, Delaware, Idaho, Michigan, North Carolina, South Dakota, and Washington, employ this method for transferring ownership.

(4) The remaining six states utilize one of the procedures outlined in items (1), (2), or (3), with minor changes or exceptions. The transfer of ownership method used in Arkansas, Nebraska, and Virginia, is identical to the method described in item (3) with the exception that the license plates remain with the owner in these states. In Wisconsin and Utah the procedure employed is identical to the one described in item (1) with the exception that the owner retains the license plates. In these five states the seller (the previous owner) may then attach the plates to another vehicle he may want to register after paying any additional fee (because of change in weight, etc.) which may be needed. He is credited with the tax he has already paid on the previous vehicle. In North Dakota the method used is similar to item (2) with the exception that the license plates remain on the vehicle and the registration certificate becomes null and void at time of transfer and cannot be used again.

Non-Title States - - The states which do not issue a Certificate of Title to owners of motor vehicles within their borders are referred to as Non-title States. These states, numbering sixteen in 1950 (see Appendix Table A), issue only a Certificate of Registration or a similar document to indicate that the owner has complied with the state law in registering

his vehicle and has paid the tax thereon. The registration card serves also as proof of ownership and must be transferred to the buyer or returned to the motor vehicle division in event the vehicle is sold or transferred in any manner. Liens and encumbrances against motor vehicles in these states are generally filed with appropriate county or city officials and are not listed on the registration certificate or filed with the motor vehicle division of the state.

Non-Title State Method of Registration and Transfer - - The method of registration and transfer of ownership in the sixteen Non-title States is similar to the Minnesota system outlined previously. The registered owner receives either a registration card or receipt to indicate that he has complied with the state motor vehicle registration and taxation laws. In twelve of these states (including Minnesota) the registration certificate or part thereof is used to transfer ownership in the vehicle. In addition, in Massachusetts the owner must file a written Notice of Intent to sell at least four days prior to the actual delivery and sales date. In the remaining four Non-title States, special forms are provided by the licensing agency to transfer a vehicle. In seven of the sixteen Non-title States, the plates remain with the owner, and in nine (including Minnesota) the plates remain on the vehicle at time of transfer. In those Non-title States where the plates remain with the owner he may use them on another vehicle he may want to register providing he pays any additional fee necessary because of change in classification.

The purchaser in order to determine the existence of liens in Non-title States must follow a procedure similar to the one in Minnesota. All liens are recorded with a county or city official and these offices must be checked, if the buyer or mortgagee does not want to rely upon the word of the seller or the mortgagor.

Broad Classification of State Motor Vehicle Registration Procedure

Broadly speaking, the forty-eight states could be divided into the following three categories in relation to their method of registering, licensing, and transferring ownership of a motor vehicle:

<u>Title States Which Require Central Filing of Auto Liens With the Licensing Agency</u>	<u>Title States Which Do Not Require Central Filing of Auto Liens</u>	<u>Non-Title States</u>
Arizona	Illinois	Alabama
Arkansas*	Indiana	Connecticut
California*	Kansas	Georgia
Colorado*	Maryland*	Iowa
Delaware	Michigan	Kentucky
Florida*	Missouri	Louisiana
Idaho*	Nebraska*	Maine
Montana	North Carolina*	Massachusetts
Nevada*	North Dakota*	Minnesota
New Jersey*	Oklahoma	Mississippi
New Mexico	Oregon*	New Hampshire
Ohio*	South Dakota	New York
Pennsylvania*	Washington	Rhode Island
Texas*	West Virginia	South Carolina
Utah*	Wisconsin	Tennessee
Virginia*	Wyoming	Vermont

* Certificate of Title is held by lienholder or legal owner until satisfaction of the encumbrance.

Advantage of Title Method with Central Filing of Liens

In order to give proper protection to dealers, finance companies, and purchasers of used cars from the hazards of unknown prior liens on the vehicles they purchase, it is necessary that the licensing agency be the central filing source of all motor vehicle liens. It has been found that in those states where title certificates are issued but where liens are recorded with county or city officials, the certificates do not afford proper protection to purchasers or mortgagees. In a booklet prepared to acquaint dealers and finance companies with the provisions of all the states' registration and transfer laws, dealers in states where liens are not filed with the licensing agency are warned that "lien statements shown on the certificate of title may not be relied upon since such statement is derived only from the applicant's affidavit made under penalty. Therefore, it is necessary to see the original bill of sale to check for possible conditional sale contract and it is also necessary to check with the County Recorder's office . . . for possible chattel mortgages."¹ The Certificate of Title in these states in effect provides

1. Recording & Statistical Corporation. Automobile Titles and Transfers 1950, A summary of the laws and regulations of all the states of the United States . . . 1950, statement taken from quote under Indiana law, p. 65.

only extra paper work for both the licensing agency and the registered owner. The title method of registration to be effective requires central filing of motor vehicle liens with the licensing agency. This assures the listing of all liens on the vehicle on the title certificate.

In those states where all motor vehicle liens must be recorded and filed with the licensing agency, the purchaser or mortgagee can rely upon the lien information listed on the certificate. The purchaser is able to receive all pertinent information about the vehicle from one state or local agency. While it may take the information four or five days (in larger states where they have central registration on the state level) to reach outlying communities from the state capitol, it would be much harder to obtain the information and it would take much longer if the purchaser would have to check in two or three county seats where the seller has previously resided.

Advantage of Lienholder Holding Title Certificate

Another safeguard employed in some of the Title States is the mailing of the title certificate which lists a lien to the lienholder until satisfaction of the lien. Under this arrangement the seller or mortgagor of a motor vehicle would have to have in his possession both the registration certificate and the title certificate before attempting to sell or obtain money on his vehicle.

Disadvantage of Title and Central Filing of Liens

Two of the more frequent criticisms leveled against issuance of title and the central recording of motor vehicle liens is the cost and the delay in furnishing such information to dealers, finance companies and purchasers.

Of these two, the cost factor is the more valid argument. The establishment of a central lien-filing section in the state motor vehicle division would entail added expenses and increases in personnel. Any increased service by the state to the public requires more funds from the citizens to pay for the services. To meet these expenditures either a special title fee would have to be levied against every registered owner in the state, as well as fees for recording liens and transfers, or else funds would have to come from present motor vehicle revenues. In regard to the latter, it should be pointed out that there would be a question of constitutionality of expending motor vehicle tax funds for this purpose.

Added fees or taxes are not always popular with the public. The title fee and transfer and recording fees would have to be sufficient to handle the administrative costs.

Table I presents the 1948 passenger car registrations in the sixteen states which require central filing of motor vehicle liens and the fees

which these states charge for issuing the original certificate of title, a duplicate, and for recording a transfer. Fees for registration cards are not included. Generally speaking, the transfer fee averaged \$1 in the states but it ranged from 50¢ in Texas to \$2.25 in New Jersey.¹

TABLE I

1948 PASSENGER CAR REGISTRATION AND TITLE FEES IN TITLE STATES WHICH REQUIRE FILING OF MOTOR VEHICLE LIENS WITH THE LICENSING AGENCY

State	Total Passenger Car Registrations*	Fees for Certificate of Title**		
		Orig.	Dupli- cate	Trans- fer
Arizona	161,547	\$1	50¢	\$1
Arkansas	256,527	50¢	50¢	50¢
California	3,194,226	\$1	\$1	\$1
Colorado	354,748		\$1	\$1
Delaware	68,240	\$1	50¢	\$1 (if no lien) \$1.50 (if lien thereon)
Florida	616,432	\$1	50¢	\$1
Idaho	156,979	\$1	50¢	50¢
Montana	145,800	\$1	50¢	\$1
Nevada	47,328	\$1	50¢	\$1
New Jersey	1,112,470		\$1	\$1.50 (absolute cert.) \$2.25 (financed cert.)
New Mexico	126,458	\$1	\$1	\$1
Ohio	2,096,623	75¢	75¢	\$1
Pennsylvania	2,131,326	\$2	\$1	\$2
Texas	1,774,498	25¢		50¢
Utah	164,538	\$1	\$1	\$1
Virginia	610,301	\$1	\$2	\$1

* Figures obtained from Automobile Manufacturers Association, Automobile Facts and Figures, 29th Edition, 1949.

** Fees obtained from Automobile Club of Southern California, Summary of Motor Vehicle Acts 1950.

There were 1,070,729 motor vehicles registered in Minnesota in 1949.² It would be difficult to determine what percentage of these registered vehicles were bought on an installment basis, but the percentage would be high since the purchase of an automobile represents a large outlay in ready cash.

1. In New Jersey for a financed certificate the fee is \$2.25 and a fee of \$1.50 is charged for transferring a certificate without a lien.
2. Figure obtained from State Motor Vehicle Division in Secretary of State's office.

Some motor vehicle owners would question the desirability of such fees since they feel that the safeguard is set up to protect the few at the expense of the many. They point out that the percentage of owners who sell their vehicles without notifying the prospective purchaser of the existence of liens on the vehicle is small. These owners feel that the problem could be solved by merely increasing and enforcing the penalties for selling mortgaged property rather than through increased state administration and thus, increased taxes.

Assuming that Minnesota would levy a fee corresponding to the average fee of \$1 levied by the present Title States for issuing original Certificates of Title, the State would collect \$1,070,729 based upon the 1949 registration of 1,070,729 passenger cars, busses, motorcycles, and trucks. The State would not collect this amount of revenue annually, however, since many owners retain ownership of their vehicles for two or more years and certificates of title are only issued for each change of ownership. Additional revenues would be collected from fees charged for issuing a duplicate certificate, for recording liens, and for transferring ownership. It is difficult to estimate receipts from this source.

The amount of revenue obtained from fees of this type should be sufficient to handle costs of administering a title method of registration with central recording, but probably would have to be adjusted in the light of experience to cover approximate cost.

As for the second factor of delay, there is less justification for this argument. As was pointed out previously, it might require perhaps four to five days for such information to reach outlying communities in the state but it might take longer for the purchaser or mortgagee to check records under the present system to determine the existence of liens.

The size of the state and the number of motor vehicle registrations within the state seem to have little relationship to the success of the method in other states. The system is in use in California (which leads all other states in the number of passenger car registrations), Pennsylvania, Ohio (local level), and Texas. All of these four states reported passenger car registrations over one and one-half million in 1948 and both Texas and California are considerably larger in area than Minnesota.

Of the total 32,261,454 passenger car registrations in 1948 in the forty-eight states, 13,018,041 registrations or 40.4% were made in states where the licensing agency issues a Certificate of Title and requires central filing of all motor vehicle liens.

The Uniform Motor Vehicle Code Provisions

The uniform motor vehicle law originally adopted in 1925 was recommended for state enactment as the foundation for uniform motor vehicle

regulation. Since that date, the code has been revised in 1930, 1934, 1938, and 1944 with each revision taking into account changed conditions and administrative experience. Various federal and state agencies and private business associations, such as the American Automobile Association, the Automobile Manufacturers Association, American Transit Association, and many more, actively participated in promulgating and revising the code. The code has been endorsed by the President's Highway Safety Conference.

The code consists of five acts each dealing with one phase of motor vehicle regulation. These are: (1) the Registration and Anti-theft Act, (2) Drivers' License Act, (3) the Civil Liability Act, (4) the Safety Responsibility Act, and (5) the Rules of the Road Act.

Recommended Method of Registration - - The registration act of the uniform motor vehicle code provides for a centralized department of motor vehicles on the state level which would be responsible for all phases of motor vehicle regulation. The following method of registration was recommended:

(1) All motor vehicles in the state must be registered annually with the registration year expiring December 31. Minnesota follows this procedure.

(2) Upon application for registration the owner receives a registration card. The registration card contains information about the owner, the vehicle, and carries the number assigned the vehicle by the department. The card must be carried in the vehicle at all times. The reverse side of the registration card contains forms for notifying the department of any transfer of ownership in the vehicle. The registration card must be renewed annually. Minnesota follows this procedure.

(3) In addition to the registration card, the department also issues for each motor vehicle in the state a title certificate which constitutes proof of ownership. The title certificate contains similar information to that listed on the registration card, as well as providing space for recording all liens and encumbrances upon the vehicle. On the reverse side of the certificate are listed space for the owner's signature and forms for the transfer of title in the vehicle. The title certificate is mailed to the registered owner unless there is a lien listed on the certificate and then it is mailed to the first lienholder. The Certificate of Title need not be renewed annually but remains valid until transfer of title or ownership. Minnesota does not issue a separate title certificate.

(4) All liens or encumbrances upon motor vehicles to be valid must be recorded and filed with the state motor vehicle department. Every transfer of title (taking on of a lien, satisfaction of a lien, transfer of ownership, etc.) must be recorded in the department. Minnesota does not provide for central registration of liens.

Recommended Transfer of Ownership Method - - Under the uniform code, both the registration card and the title certificate are utilized as transfer

documents. The registration card is endorsed (giving the name of buyer, date, etc.) on the reverse side by the registered owner (seller) and returned by him to the state motor vehicle department. At the time of delivery, the owner and buyer both endorse the reverse side of the title certificate and this document is delivered to the buyer. The new owner, in turn, presents the title certificate to the state motor vehicle department in applying for re-registration of the car. The uniform code contains two proposals on the disposition of license plates in a change of ownership. Either the plates remain with the owner and can be applied to another vehicle he may want to re-register or they remain with the vehicle and the new owner is credited with payment of the tax. Under the latter arrangement the previous owner will have to pay the motor vehicle tax pro-rated on a monthly basis if he wants to register another vehicle.

Minnesota Administration Not in Compliance with Uniform Motor Vehicle Code

The Minnesota method of registration, as discussed previously in this report, does not meet certain recommended standards of motor vehicle registration administration as set up in the uniform code. The state motor vehicle division does not issue a Certificate of Title nor does it serve as the central filing source of all liens or encumbrances upon motor vehicles in the state.

The code was devised to provide the foundation for uniform motor vehicle regulation in the states. Thirty-two states have adopted the title provisions of the code and sixteen of these thirty-two states have set up procedures for central recording of liens which are almost in complete agreement with the code.

The establishment of these recommended methods of registration and transfer of ownership in Minnesota would not require much reorganization on the state level. In this state motor vehicle registration is already centralized in state government. To meet the standards of the code, the State would have to assume the additional duties of issuing Certificates of Title and recording of liens against motor vehicles.

Motor vehicles may be moved across county and/or state lines and uniformity of regulation and registration between states results in better protection to the public.

Lien-filing laws which are set up in Minnesota apply to all types of liens on all types of property. The laws are more enforceable when applied to real estate and personal property of a less mobile nature.

The present method of registration in Minnesota does not materially hinder the practice of selling mortgaged motor vehicles. Purchasers, dealers, and finance companies would rather rely upon the word of the seller or mortgagor than go through the complicated procedure necessary in this state

to determine the existence of liens upon the vehicle. While these purchasers find that the word of the seller is good in most cases, experience has demonstrated that some individuals will sell their vehicles without indicating the existence of liens upon it. The extent to which this practice is carried on is not definitely known. In these instances some purchasers may find it necessary to pay off the lien in order to protect their investment.

A method of registration of titles which provides for central filing of motor vehicle liens with the central motor vehicle department and the mailing of title certificates which indicate liens upon the vehicle to the lienholder, gives better protection to the public. This increased service will cost additional money which must be paid by someone.

APPENDIX TABLE A: STATE MOTOR VEHICLE REGISTRATION AND TRANSFER LAWS

State	Licensing Department	Reg. Cert.	Title Cert.	Liens Listed On Title Cert.	Auto Liens Recorded		Holder of Title Cert. Listing Lien	Trans. Document		License Plates Remains With		Notice of Transfer Reported By		Deadline For Reporting		Special Provisions Dealers
					Lic. Agency	Co. or City Off.		Reg. Cert.	Title Cert.	Owner	Vehicle	Reg. Owner	Buyer	Transfer	Re-Reg.	
Ala.	Co. Probate Judges & Motor Vehicle Div., Dept. of Revenue	No ¹	No	---	---	X	---	---	---	---	X	X	X	5 days	---	---
Ariz.	Motor Vehicle Div., State Highway Dept.	Yes	Yes	Yes	X	---	Registered Owner	X ²	X ²	---	X	X ²	X ²	immed.	10 days	X
Ark.	Motor Vehicle Div., Dept. of Revenues	Yes	Yes	Yes	X	---	First Lienholder	X ²	X ²	X	---	X ²	---	---	5 days	X
Calif.	Motor Vehicle Dept.	Yes	Yes	Yes	X	---	Legal Owner	---	X	---	X	X	---	immed.	10 days	X
Colo.	Motor Vehicle Div., Dept. of Revenue	Yes	Yes	Yes ⁴	X ⁴	---	First Mortgagee	---	X	X	---	---	X	---	10 days	X
Conn.	Motor Vehicle Dept.	Yes	No	---	---	X	---	X ⁵	---	X	---	X	---	24 hrs.	---	---
Del.	Motor Vehicle Div., State Highway Dept.	Yes	Yes	Yes	X	---	Designated On Lien	X ²	X ²	---	X	X	---	immed.	---	X
Fla.	Motor Vehicle Dept.	Yes	Yes	Yes	X	---	Lienholder	---	X	---	X	---	X	---	5 days	X
Ga.	Motor Vehicle Unit, Dept. of Revenue	Yes	No	---	---	X ⁶	---	X ⁶	---	---	X	---	X	---	immed.	---
Idaho	Dept. of Law En- forcement	Yes	Yes	Yes	X	---	Lienholder	X ²	X ²	---	X	X	---	immed.	---	X
Ill.	Secretary of State	Yes	Yes	Yes ⁷	---	X	Designated By Owner	---	X ⁸	X	---	X ⁸	---	10 days	---	X
Ind.	Secretary of State	Yes	Yes	Yes ⁹	---	X ¹⁰	Designated By Owner	---	X	X	---	---	X	---	5 days	X
Iowa	Co. Treasurers & Public Safety Dept.	Yes	No	---	---	X	---	X	---	---	X	X	X	immed.	immed.	---
Kans.	Vehicle Dept., Highway Commission	Yes	Yes	Yes ⁹	---	X	Registered Owner	---	X	X	---	---	X	---	10 days	X
Ky.	Co. Clerks & Div. of Local Relations, Dept. of Revenue	Yes	No	---	---	X	---	X ¹¹	---	---	X	X ¹¹	---	immed.	---	---
La.	Dept. of Revenue	Yes	No	---	---	X ¹⁰	---	X	---	---	X	---	X	---	immed.	X
Me.	Secretary of State	Yes	No	---	---	X	---	X	---	X	---	X	---	immed.	---	X
Md.	Motor Vehicle Dept.	Yes	Yes	Yes ⁹	---	X ¹⁰	Lienholder	---	X	X	---	---	X	---	10 days	X
Mass.	Reg. of Motor Vehicles Dept. of Public Works	Yes ¹³	No	---	---	X ¹⁰	---	X ¹³	---	X	---	X	---	immed.	---	X
Mich.	Secretary of State	Yes ¹⁴	Yes ¹⁴	Yes ⁹	---	X	Designated By Owner	X	X	---	X	---	X	---	10 days	X

(Continued)

APPENDIX TABLE A (Cont.)

State	Licensing Department	Reg. Cert.	Title Cert.	Liens Listed On Title Cert.	Auto Liens Recorded		Holder of Title Cert. Listing Lien	Trans. Document		License Plates Remains With		Notice of Transfer Reported By		Deadline For Reporting		Special Provisions Dealers
					Lic. Agency	Co. or City Off.		Reg. Cert.	Title Cert.	Owner	Vehicle	Reg. Owner	Buyer	Transfer	Re-Reg.	
Minn.	Secretary of State	Yes	No	---	---	X	---	X	---	---	X	X	---	7 days	---	X
Miss.	Co. Clerks & Motor Vehicle Comptroller	Yes	No	---	---	X ¹⁵	---	---	---	---	X	---	X	7 days	---	X
Mo.	Secretary of State	Yes	Yes	Yes ⁹	---	X ¹⁰	Registered Owner	---	X	X	---	---	X	---	5 days ¹²	X
Mont.	Reg. of Motor Vehicles	Yes	Yes	Yes	X	---	Registered Owner	---	X	---	X	---	X	---	10 days	X
Nebr.	Co. Treasurers & Motor Vehicle Div., Public Works Dept.	Yes	Yes	Yes ¹⁷	---	X	Lienholder	X ¹⁸	X ¹⁸	X	---	X	X	---	10 days	X
Nev.	Motor Vehicle Dept.	Yes	Yes	Yes	X	---	Legal Owner	---	X	---	X	---	X	---	10 days	X
N. H.	Motor Vehicle Dept.	Yes	No	---	---	X	---	X	---	X	---	X	---	immed.	---	---
N. J.	Motor Vehicle Div., Dept. of Law & Public Safety	Yes	Yes	Yes ¹⁹	X	---	Lienholder ¹⁹	---	X	X	---	---	X	5 days	---	X
N. Mex.	Motor Vehicle Dept.	Yes	Yes	Yes	X	---	Registered Owner	---	X	---	X	X	---	immed.	---	X
N. Y.	Motor Vehicle Bureau, Taxation & Finance	Yes	No	---	---	X	---	---	---	X	---	---	X	---	---	X
N. C.	Motor Vehicle Dept.	Yes	Yes	Yes ⁹	---	X	Legal Owner	X	X	---	X	---	X	---	20 days	X
N. Dak.	Reg. of Motor Vehicles Highway Dept.	Yes	Yes	Yes ⁹	---	X ¹⁰	Legal Owner	---	X	---	X	---	X	---	---	X
Ohio	Co. Clerks & Motor Vehicle Bureau, Highway Dept.	Yes	Yes	Yes	X	---	Lienholder	---	X	X	---	---	X	---	3 days	X
Okla.	Motor Vehicle Div., Tax Commission	Yes	Yes	Yes ⁹	---	X	Registered Owner	---	X	---	X	---	X	---	10 days	X
Oreg.	Secretary of State	Yes	Yes	Yes ⁹	---	X ¹⁰	Legal Owner	---	X	---	X	---	X	---	10 days	X
Penn.	Motor Vehicle Bureau, Dept. of Revenue	Yes	Yes	Yes	X	---	Legal Owner	---	X	X	---	---	X	---	15 days	X
R. I.	Reg. of Motor Vehicles, Executive Dept.	Yes	No	---	---	X ¹⁰	---	X	---	X	---	X	---	immed.	---	X
S. C.	Motor Vehicle Div., Highway Dept.	Yes	No	---	---	X	---	---	---	---	X	X	---	immed.	15 days	X
S. Dak.	Secretary of State	Yes	Yes	Yes ⁹	---	X	Registered Owner	X ²	X ²	---	X	X	---	immed.	10 days	X

(Continued)

APPENDIX TABLE A (Cont.)

State	Licensing Department	Reg. Cert.	Title Cert.	Liens Listed On Title Cert.	Auto Liens Recorded		Holder of Title Cert. Listing Lien	Trans. Document		License Plates Remain. With		Notice of Transfer Reported By		Deadline For Reporting		Special Provisions Dealers
					Lic. Agency	Co. or City Off.		Reg. Cert.	Title Cert.	Owner	Vehicle	Reg. Owner	Buyer	Transfer	Re-Reg.	
Tenn.	Co. Clerks & Dept. of Finance & Taxation	Yes	No	---	---	X ¹⁰	---	---	23	---	X	X	X	immed.	---	---
Tex.	Motor Vehicle Div., Highway Dept.	Yes	Yes	Yes ¹⁹	X	---	Lienholder ¹⁹	---	3	X	---	---	X	---	10 days	---
Utah	Motor Vehicle Div., Tax Commission	Yes	Yes	Yes	X	---	Lienholder	---	3	X	X	---	X	---	---	X
Vt.	Motor Vehicle Dept.	Yes	No	---	---	X	---	X	---	X	---	X	---	immed.	24 hrs.	---
Va.	Motor Vehicle Div., Finance Dept.	Yes	Yes	Yes	X	---	Lienholder	X ²	X ²	X	---	X ²	X ²	---	immed.	X
Wash.	Motor Vehicle Div., Dept. of Licenses	Yes	Yes	Yes ⁹	---	X	As Requested	X	X	---	X	---	X	---	10 days	X
W. Va.	Motor Vehicle Dept., Road Commission	Yes	Yes	Yes ⁹	---	X	Registered Owner	---	X	X	---	---	X	---	10 days	X
Wis.	Motor Vehicle Dept.	Yes	Yes	Yes ⁹	---	X	Registered Owner	---	3	X	X	---	X	---	5 days	---
Wyo.	Secretary of State	Yes	Yes	Yes ⁹	---	X	As Directed	---	X	X	---	---	X	---	10 days	X

1. No Certificates of Registration or Title are issued. Only receipt for license tags is given. Transfer is made on a special form issued for that purpose.
2. The endorsed Certificate of Registration is sent to the motor vehicle division by the registered owner while the endorsed certificate of Title is given by the owner to the purchaser at time of delivery.
3. The Certificate of Registration must accompany the Certificate of Ownership or Title in application for registration by the new owner.
4. Effective as of August 1, 1949.
5. The Certificate of Registration must be accompanied by a written notice under oath containing transfer information.
6. Upon transfer, the owner, under oath, must make a statement of any or all liens against the motor vehicle.
7. The lien shown on the title certificate reflects the sworn statement of applicant for title. A lien might exist as a recorded chattel mortgage without showing on the certificate. The usual practice in Illinois is to insist upon a new certificate showing lien.
8. The owner is required to send a statement of sale showing date, registration number, and information about the auto and purchaser. The Certificate of Title is presented by the new owner when applying for new license.
9. Statement of all liens or encumbrances upon the car which are included on the title certificate are derived only from the application.
10. Chattel mortgages only. Conditional sales are listed on the bill of sale (therefore, the original Certificate of Title) or are not recognized in the State.
11. The Certificate of Registration must be accompanied by bill of sale executed in triplicate--2 copies to purchaser and the third delivered by the seller immediately to the licensing agency. One of the copies given to the purchaser is retained by him and the other is presented to the licensing agency when applying for re-registration.
12. With the former owner's permission, the purchaser may retain use of plates on motor vehicle for the number of days listed.
13. A resident of Massachusetts must file a Notice of Intent at least four days before actual sale is made.
14. No certificates of registration or title are issued by the Secretary of State until presentation of evidence or receipt for payment of state sales tax have been made.
15. In Mississippi conditional sales contracts need not be recorded until three years after buyer has had possession. Chattel mortgages are recorded at once.
16. The seller executes a transfer form in triplicate with the new owner retaining the original and the County Sheriff's the others. The seller also must furnish a written memorandum listing information about the vehicle, address of seller, buyer and two well-known persons as witnesses. The memorandum is recorded by the County Clerk and registration certificate issued on this basis.
17. Liens to be valid must be recorded on the title certificate.
18. The registration certificate is endorsed by both the owner and purchaser and is mailed immediately along with application for new card to County Treasurer. The Certificate of Title is endorsed by the owner and delivered to the purchaser at time of delivery.
19. The holder of a clear title to a vehicle will hold an original certificate of ownership. If the car is financed, the original certificate is in the hands of lienholder and the owner retains duplicate copy. The original copy is the only transferable form.
20. Chattel mortgages must also be filed with the County Clerk.
21. The Renewal Stub, part of the Certificate of Registration is filled in by the owner and presented to the purchaser of the vehicle. The other half of the Certificate of Registration is retained by owner.
22. The Motor Vehicle Division has a special form to be used when transferring ownership. The Certificate of Registration is not endorsed but is sent to the licensing agency the the registered owner.
23. The Taxation and Finance Dept. has a special form for transfer of ownership which is issued to the purchaser upon payment of a fee and notification of transfer. The registration certificate is retained by the seller.