

BILL ANALYSIS

Senate Research Center
77R2426 DWS-D

S.B. 1042
By: Ellis, Rodney
State Affairs
3/30/2001
As Filed

DIGEST AND PURPOSE

Currently, when a vehicle is purchased through a loan, the Texas Department of Transportation (TXDOT) issues and mails the original paper title to the lender or lienholder and a duplicate, non-negotiable paper title to the vehicle owner as required by state law. The lienholder receives, files, and stores the title until the loan is paid, at which time the lienholder must then retrieve, sign, and provide the title to the vehicle owner. TXDOT issues about 2.6 million titles each year to lienholders which accounts for about \$936,000 annually in printing and mailing fees. As proposed, S.B. 1042 allows TXDOT to issue electronic titles to lienholders instead of paper titles.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Department of Transportation in SECTION 1 (Section 501.117, Transportation Code) in this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Chapter 501F, Transportation Code, by adding Section 501.117, as follows:

Sec. 501.117. ELECTRONIC LIEN SYSTEM. Requires the Texas Department of Transportation (department) by rule to develop a system under which a security interest in a motor vehicle may be perfected, assigned, discharged, and canceled electronically instead of by record maintained on a certificate of title. Provides that participation by a lien holder in the system is voluntary. Requires the department to publish and distribute procedures for using the system to county assessor-collectors and to financial institutions and other potential motor vehicle lienholders. Provides that the provisions of this chapter relating to perfecting, assigning, discharging, and canceling a security interest in a motor vehicle by record maintained on a certificate of title do not apply to the extent the security interest is governed by rules adopted under this section.

SECTION 2. Effective date: September 1, 2001.

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