

BILL ANALYSIS

Senate Research Center
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S.B. 1193
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Transportation
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Issue:

Currently, there are no statutory protections for a consumer to receive a vehicle title who purchases a motor vehicle, has paid the necessary title fees, and the dealership goes out of business.

Proposed Statutory Change:

S.B. 1193 creates Section 501.0236, Transportation Code, which would allow for the protection of people who buy a motor vehicle from a dealership, have paid the required title fees, and have proof of payment to be able to obtain their rightful title in the instance that a dealership has gone out of business.

S.B. 1193 would allow consumers in this situation to go to the Texas Department of Motor Vehicles (TxDMV) and apply for their vehicle title. The consumer would provide proof that they had already paid the fee when they applied through the dealer, and all fees are waived.

In addition, S.B. 1193 amends Sections 503.033(a) and (d), Transportation Code, to increase the minimum required surety bond. The bond the dealer holds is designed to cover the fees that would be waived during the pendency of title being delivered to the consumer, since the waived fees for the consumer comes out of the dealer's surety bond, the fees would then be paid to the state.

S.B. 1193 would also grant TxDMV the necessary rulemaking authority to implement this section.

The legislative intent is to protect vulnerable consumers who have taken the necessary steps in obtaining a vehicle title by preventing the consumer from being denied a title if the dealership has gone out of business.

As proposed, S.B. 1193 amends current law relating to the liability of and issuance of titles and permits for motor vehicles purchased from motor vehicle dealers that go out of business.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Texas Department of Motor Vehicles in SECTION 1 (Section 501.0236, Transportation Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter B, Chapter 501, Transportation Code, by adding Section 501.0236, as follows:

Sec. 501.0236. ISSUANCE OF TITLE AND PERMITS WHEN DEALER GOES OUT OF BUSINESS. (a) Provides that this section applies only to a person who is the purchaser of a motor vehicle for which the dealer is required to apply for a title for the

vehicle under Section 501.0234 (Duty of Vehicle Dealer on Sale of Certain Vehicles) and does not apply for the title because the dealer has gone out of business.

(b) Authorizes a purchaser to whom this section applies to apply for a title in the manner prescribed by the Texas Department of Motor Vehicles (TxDMV) by rule and on expiration of the buyer's tag issued to the purchaser under Section 503.063 (Buyer's Temporary Tags), a 30-day permit under Section 502.095 (One-Trip or 30-Day Trip Permits).

(c) Requires an application for a title under this section to include a release of any recorded lien on the motor vehicle unless the only recorded lienholder is a dealer described by Subsection (a).

(d) Requires

TxDmv to waive the payment of fees for a title issued to a purchaser described by this section, if the purchaser can show that fees for a title were paid to the dealer and one 30-day permit issued to a purchaser described by this section.

(e) Authorizes TxDMV, notwithstanding Section 503.033(e) (relating to the liability imposed on a surety), to recover against the surety bond executed by the dealer under Section 503.033 the amount of any fee waived for a title or permit issued under this section.

(f) Requires TxDMV to adopt the rules necessary to implement this section.

SECTION 2. Amends the heading to Section 503.033, Transportation Code, to read as follows:

Sec. 503.033. SURETY BOND REQUIRED; LIABILITY OF SURETY.

SECTION 3. Amends Sections 503.033(a) and (d), Transportation Code, as follows:

(a) Prohibits TxDMV from issuing or renewing a motor vehicle dealer general distinguishing number or a wholesale motor vehicle auction general distinguishing number unless the applicant provides to TxDMV satisfactory proof that the applicant has purchased a properly executed surety bond in the amount of \$50,000 with a good and sufficient surety approved by TxDMV, rather than unless the applicant provides to TxDMV satisfactory proof that the applicant has purchased a properly executed surety bond in the amount of \$25,000 with a good and sufficient surety approved by TxDMV or other security under Subsection (c) (relating to TxDMV accepting and receiving certain deposits in lieu of the surety bond).

(d) Authorizes a person to recover against a surety bond, rather than a surety bond or other security, if the person obtains against a person issued a motor vehicle dealer general distinguishing number or a wholesale motor vehicle auction general distinguishing number a judgment assessing damages and reasonable attorney's fees based on an act or omission on which the bond is conditioned that occurred during the term for which the general distinguishing number was valid.

SECTION 4. Effective date: September 1, 2019.