

Electronic Lien & Title

Because large financial institutions must store and account for thousands of paper motor vehicle title certificates, they are seeking to ease this burden. Some jurisdictions have suggested an ["electronic lien."](#) Essentially, an electronic lien is shown only on the motor vehicle agency's data base, and no paper certificate of title is issued. Unfortunately, most motor vehicle title laws were enacted long before the dawn of the computer age, and only contemplated the issuance of a paper certificate of title, with liens noted on the face of the title document.

In order to assist jurisdictions interested in electronic liens, the Model Law Working Group has drafted this model legislation. The legislation is straightforward and needs no extensive comment. It is not intended to change the statutory perfection method in the jurisdictions. For example, if the jurisdiction's statute requires that a lien is perfected upon filing a completed notice of lien form with the tax collector or the department, that method of perfection would still be required. What changes is what happens after the notice is filed.

Model Legislation on Electronic Liens

Notwithstanding any requirement in this chapter that a lien on a motor vehicle shall be noted on the face of the certificate of title, if there are one or more liens or encumbrances on the motor vehicle or [mobile home], the department may electronically transmit the lien to the first lienholder and notify the first lienholder of any additional liens. Subsequent lien satisfactions may be electronically transmitted to the department and shall include the name and address of the person satisfying the lien. When electronic transmission of liens and lien satisfactions is used, a certificate of title need not be issued until the last lien is satisfied and a clear certificate of title is issued to the owner of the vehicle. When a vehicle is subject to an electronic lien, the certificate of title for the vehicle shall be considered to be physically held by the lienholder for purposes of compliance with state or federal odometer disclosure requirements. A duly certified copy of the Department's electronic record of the lien shall be admissible in any civil, criminal or administrative proceeding in this state as evidence of the existence of the lien.