

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 778

(Senator Ready)

Finance

Environment and Transportation

Vehicle Laws - Liens - Electronic Recording

This bill requires a lien release pertaining to a motor vehicle to be filed electronically with the Motor Vehicle Administration (MVA) within five business days, as specified. The bill also requires (rather than authorizes) MVA to develop and implement an electronic system for recording and releasing security interests. The electronic system may provide for the electronic transmission of publicly available electronic vehicle records. A motor vehicle lienholder must file electronically with MVA (1) each of its liens and (2) when a lien is paid in full, the lien release. However, these requirements do not apply to a lienholder that is not regularly engaged in the business or practice of financing motor vehicles. **The bill takes effect January 1, 2021.**

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State finances or operations.

Local Effect: The bill is not anticipated to materially affect local finances or operations.

Small Business Effect: Minimal.

Analysis

Bill Summary: Subject to approval of MVA, a service provider (*i.e.*, a dealer or title service agent licensed under Title 15 of the Transportation Article or a qualified owner of a fleet) may electronically submit a security interest filing with MVA on behalf of a registered owner or lienholder. MVA must adopt regulations to govern the electronic transmission of security interest information as authorized by the bill.

Current Law:

Retail Installment Sales – Cancellation of Contract and Release of Security

After the buyer has paid all sums due under an agreement, the holder (*i.e.*, the seller) must deliver (or mail) to the buyer within 15 days of receiving a written request from the buyer:

- a signed statement that describes the goods and states that all payments due (or to become due) under the agreement are paid in full;
- good and sufficient instruments to release all security interests in the goods and collateral security owned by the buyer; and
- good and sufficient assignments and instruments necessary to vest the buyer with complete evidence of the title.

Closed End Credit – Requirements upon Loan Repayment

Within a reasonable time after a loan to a consumer borrower has been repaid in full (and all other obligations under the agreement, note, or other evidence of the loan have been fulfilled), a credit grantor must:

- indelibly mark with the word “paid” or “canceled” and return to the consumer borrower each agreement, note, or other evidence of the loan; or
- furnish the consumer borrower with a written statement that identifies the loan transaction and states that the loan has been paid in full and release any recorded mortgage, deed of trust, security agreement, or other lien securing the loan.

The release must be in writing and prepared at the expense of the credit grantor.

If the credit grantor does not record the release, the credit grantor must furnish the consumer borrower with the release in a recordable form. If the credit grantor records the release, the credit grantor must furnish the consumer borrower with a copy of the release.

If a fee is collected by a credit grantor for the recording of a release, the release must be recorded by the credit grantor and any portion of the fee not paid to a governmental entity for recording the release must be refunded to the borrower. If a fee is not collected by the credit grantor for the recording of a release, the credit grantor is not obligated to record the release.

Electronic Issuance of Certificate of Title

MVA is authorized (but not required) to develop and implement an electronic system for the issuance of certificates of title and the recording and releasing of security interests. The electronic system may provide for:

- recording titling and registration data without the issuance of a certificate of title; and
- recording and releasing liens without the issuance of a security interest filing.

The electronic system may provide for the electronic transmission of vehicle data to and from service providers. MVA must adopt regulations to govern the electronic transmission of titling and registration information.

Electronic Transmission of Titling and Registration Information

Subject to the approval of MVA, a service provider may (1) issue permanent registration plates to the transferee or renew the registration of a vehicle if the service provider has electronically transmitted the proper titling and registration information to MVA, or a designated agent and (2) charge the transferee or the registered owner of the vehicle a fee for the actual cost to the service provider of the electronic transmission service.

MVA must adopt regulations to (1) govern the electronic transmission of titling and registration information and (2) determine the appropriate level of the fee that may be charged by service providers for the electronic transmission service.

Background: MVA advises it currently has a process in place to record lien releases electronically. However, the program is voluntary.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 1033 (Delegates Stein and Lehman) - Environment and Transportation.

Information Source(s): Maryland Department of Labor; Maryland Department of Transportation; Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2020
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