

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1044

2005 HOUSE TRANSPORTATION

HB 1044

2005 HOUSE STANDING COMMITTEE MINUTES

BILL NO. HB 1044

House Transportation Committee

☐ Conference Committee

Hearing Date January 6, 2005

Tape Number	Side A	Side B	Meter #
1	x		0.5-11.3

Committee Clerk Signature



Minutes:

Rep. Weisz, Chairman opened the hearing on HB 1044 a bill for an Act to amend and reenact sections 39-05-05-16.1, 39-05-17, and 39-05-33 of the North Dakota Century Code, relating to the filing of liens on a motor vehicle; to repeal section 39-05-17.1 of the North Dakota Century Code, relating to the delivery of a certificate of title; and to provide a penalty.

Tim Dawson, L/C, staffs the interim transportation committee and as such I am here to explain 1044. I am not here for or against the bill. We did a study on recording and discharging liens on motor vehicles and this is the bill that came from it. There are three differences between liens and titles; the first is the application for a title, the second is the transfer or release of title and the 39-05-05 Application for Certificate of Title and you can see it is all cleanup. The second time it comes up is in Section 2 and all that section is cleanup except Sub Section 3 on the top of page 4. (He quoted 39-05-16.1 #3.) Section 3 deals with the transfer of title saying the department may use an electronic lien notification procedure in lieu of sending a certificate of title to a

lienholder. Sub Section 2 is the insertion of new language that was repealed on Section 5 of the bill on Page #5 Section 39-05-17.1. On the bottom of page 4 line 29 & 30 which repeats what is said at the top that the department may use and electronic lien notification procedure in lieu of a certificate of title to the lien holder. (3.6)

Chairman Weisz asked if there were any questions; there were none.

Chairman Weisz asked if there were anyone here in support of HB 1044.

Keith Magnusson, Deputy Director for Driver and Vehicle Services with NDDOT, explained how the DOT does the titles now; in the ideal world when you pay off a lien they send you your title with the lien released right on the title or a separate document that you have to mail to the DOT to have the lien taken off. The problem that is happening with is the lender holding the title. When we went through this study and this is one we had a request for with our vehicle registration title insurance this is one thing we can adapt pretty easy to that. What we would do is when we get this application for title and a lien we would send an electronic notification to the lender that they have a lien and the bank examiner should be use to that by now since they do this in other states. When they release the lien they will send an electronic notification back to us, then we will send a clean copy of the title without the lien out to the vehicle owner. Then we know the vehicle owner gets it. We would work through an intermediate company and there are two major ones and we would have to spend a little money to interface with that company and lenders who would want to use it; and it would be voluntary, will pay that company. If we would set up this whole system ourselves it would cost \$200,000-\$300,000 and we do not have that kind of money. There are some lenders that want to do this and it cuts down on paperwork; less delay and less confusion and prevents the lien holder from losing the title, or they did not look

for it because it was cheaper to get a duplicate title. One bank in Grand Forks had to get 5,000 duplicate titles. If they would have had electronics we would have had a record and could have duplicated them. It cost them about \$25,000. S & L failures in 1980s had a number of auto loans and when they went under they lost all those titles; it might be in a warehouse in Pennsylvania. There is really no changes to the legal system and it is voluntary and we do have letter of support from US Bank and we have turned those in to committee. They originally approached us with letter of support large auto lenders and asked them if they were interested and we heard from Nissan, Chase, Capital Credit Union and it is a service we would like to offer. (8.1)

Chairman Weisz asked until the title is released no one is getting a title until the lien is paid off.

Keith Magnusson: No, we would just hold it and it would be just an electronic signal going back and forth.

Chairman Weisz asked if there was any need to speed this up or an emergency clause or people that want this tomorrow?

Keith Magnusson: No, we need to work on this and the companies and we are not going to favor one company over another.

Chairman Weisz asked if there were any other questions:

Rep. Vigesaa asked if some lenders can handle it and some cannot handle the electronic filing now with your staff.

Keith Magnusson said we will be able to handle it

Rep. Vigesaa. The dealerships that do the additional work would there be any changes for them.

Keith Magnusson said no not on this end and we are working with dealers to get input if they want.

Rep. Hawken asked about a fee of \$5; is that comparable with other states; more or less? Made note that our fee is significantly lower than other states and if that would be a where we could pick up that money.

Keith Magnusson said it was considerably lower than other states, but that we are not looking at an appropriations for this and can get this out of our budget to do this and we will have some savings.

Chairman Weisz asked if once you are on line, will those costs go down?

Keith Magnusson responded that this is a one time cost to do our NSA's; not an ongoing operation.

Chairman Weisz asked if there were any further questions? Any in opposition?(11.3)

Discussion:

Rep. Meyer: for clarification the hard copy of the title will be held with the DOT.

Chairman Weisz said any one using the electronic notification there will be no title issued to anyone, it stays with DOT and once the lien is released the title will go to the owner of the vehicle.

Rep. Meyer asked if that lender would notify the DOT that they want all theirs by electronic transfer or will it be on an individual basis?

Chairman Weisz responded that all their liens will be done by electronic notification with a program through DOT and they will work those things out. Pointed out that is voluntary by each lender too.

Rep. Thorpe moved a do pass. Seconded by **Rep. Hawken**.

Further discussion:

Page 5

House Transportation Committee

Bill/Resolution Number 1044

Hearing Date January 6, 2005

Rep. Weiler(39.1) Wondering about how much the savings in postage would be.

Chairman Weisz said they are not yet, but over time with mailing back and forth so \$15,000 is the cost to the department to set up the vender that does this; after that there is a cost savings to the DOT relative to what they are doing now. It is not great, but is a savings.

Rep. Weiler wanted to know why it shows a savings to the county and cities? Why.

Chairman Weisz assumed it would be in recording costs.(42.8)

Motion made by Rep. Thorpe; Seconded by Rep. Hawkens

Action: Yes 15 No 0 Absent 0 Rep. Dosch Carrier

FISCAL NOTE
Requested by Legislative Council
12/17/2004

Bill/Resolution No.: HB 1044

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures					\$15,000	
Appropriations					\$15,000	

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			(\$3,450)	(\$2,100)				

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

It is estimated we will need \$15,000 to implement the provisions of this bill.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The \$15,000 estimated cost of this bill will be for one-time computer programming costs to develop the interface and reporting system with lenders who participate in the electronic lien process authorized in this bill. We do not expect any further ongoing operational costs.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name: Keith Kiser
Phone Number: 328-2725

Agency: NDDOT
Date Prepared: 01/03/2005

Date: 1-6-05
Roll Call Vote #: 1

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1044

House Transportation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

No Pass

Motion Made By

Rep. Thorpe

Seconded By

Rep. Hawken

Representatives	Yes	No	Representatives	Yes	No
Rep. Weisz - Chairman	✓		Rep. Delmore	✓	
Rep. Hawken - Vice Chair.	✓		Rep. Meyer	✓	
Rep. Bernstein	✓		Rep. Schmidt	✓	
Rep. Dosch	✓		Rep. Thorpe	✓	
Rep. Iverson	✓				
Rep. Kelsch	✓				
Rep. Owens	✓				
Rep. Price	✓				
Rep. Ruby	✓				
Rep. Vigasaa	✓				
Rep. Weiler	✓				

Total (Yes)

15

No

0

Absent

0

Floor Assignment

Rep. Dosch

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 6, 2005 11:08 a.m.

Module No: HR-03-0116
Carrier: Dosch
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1044: Transportation Committee (Rep. Weisz, Chairman) recommends DO PASS
(15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1044 was placed on the
Eleventh order on the calendar.

2005 SENATE TRANSPORTATION

HB 1044

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1044

Senate Transportation Committee

☐ Conference Committee

Hearing Date 3-3-05

Tape Number	Side A	Side B	Meter #
1		x	0-920
2	x		975-1060

Committee Clerk Signature

Mary K Monson

Minutes:

Chairman Trenbeath opened the hearing on HB 1044 relating to the filing of liens on a motor vehicle; the delivery of a certificate of title; and to provide a penalty.

Tim Dawson (Legislative Council, Interim Transportation Committee) This bill came from a study of alternative means for recording and discharging liens. Bill 1044 addresses two major issues: (1) When a bank releases a lien, it mails that lien to the owner of the motor vehicle.

If the Certificate of Title with the released lien on it is lost, it creates a problem when trying to sell the vehicle. (2) The banks have to store these documents and find them which takes time.

This bill draft is a lot of cleanup except on page 4, line 3-4, and at the bottom of the page on lines 29-30. Lines 3-4 says that if a lien holder uses an electronic system he must use the rules set up by the Department. The system doesn't have to be used. The goal of the Department would be to make a system that people would want to use. The repeal section, Section 39-05-17.1 has been included on page 4, lines 15-17. It was more properly placed there.

Senator Espegard asked if the timeline on page 4, lines 15-17, was a reasonable time.

Tim Dawson said that was the repealed section that was brought back in. It's brought back in with the same time period that has been used to this date and will continue to be used.

Senator Espegard speculated that, if he sold a car to someone, he must get the endorsed release of lien transferred within 15 days.

Tim Dawson said that was correct.

Senator Nething asked for clarification on page 5, line 18.

(Meter 550) Discussion on the repealed section 39-05-17.1 and the language that was transferred. The language that wasn't transferred dealt with multiple lien holders which was already addressed earlier in the cleanup section.

Keith Kiser (Director of the Motor Vehicle Division, DOT) See attached testimony in support of HB 1044.

The hearing on HB 1044 was closed.

Tape 2 Side A (Meter 975)

Senator Espegard motioned a **Do Pass** on HB 1044. Seconded by **Senator Bercier**.

Roll call vote 6-0-0. **Passed**. Floor carrier is **Senator Bercier**.

This bill was rereferred to Appropriations.

Date: 3-3-05
Roll Call Vote #:

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO 1044

Senate

TRANSPORTATION

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken *Do Pass* *Refer to Appropriations*
Motion Made By *Sen. Espegard* Seconded By *Sen. Bercier*

Senators	Yes	No	Senators	Yes	No
Senator Espegard	✓		Senator Bercier	✓	
Senator Mutch	✓		Senator Warner	✓	
Senator Nething	✓				
Senator Trenbeath, Chairman	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment *Senator Bercier*

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 3, 2005 1:23 p.m.

Module No: SR-39-4070
Carrier: Bercier
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1044: Transportation Committee (Sen. Trenbeath, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1044 was rereferred to the Appropriations Committee.

2005 SENATE APPROPRIATIONS

HB 1044

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1044

Senate Appropriations Committee

☐ Conference Committee

Hearing Date March 10, 2005

Tape Number	Side A	Side B	Meter #
2	a		294

Committee Clerk Signature



Minutes:

Vice Chairman Bowman called the hearing to order on HB 1044.

Tim Dawson, Legislative Council, neutrally discussed HB 1044. He indicated this bill came about as a result of the Interim Council Meeting. It is a language cleanup bill regarding motor vehicle liens and titles.

Senator Lindaas asked if this eliminates paper titles. The response was it does not eliminate the title but cuts down on the paperwork to track the title.

Senator Bowman asked who kept the title.

Keith Kaizer, Director, Motor Vehicle Division, Department of Transportation, testified on HB 1044 indicating that mechanically if lenders are participating, DOT is notified by the lien holder when lien is incurred and when it is paid, when it is sold to a third party, DOT has the title information and issue a paper title on the vehicle.

Senator Chirstmann asked for clarification on the costs savings and why cities and counties are losing money, whether there could be a fee charged for the title, and whether it was just a savings for the loaning institution. The response was that it saves time in making so many duplicate titles. To add a fee would be a legislative option.

Senator Thane asked about the turnaround time. The response was that from the time information reaches DOT to the time the owner receives the title should be 5-8 days.

Senator Bowman asked if hackers could get in and titles would be lost, is there a backup system and will it cost more for the technology to do this. The response was that it is part of the ITD system technician and \$15,000 will be covered by the fiscal note.

Senator Bowman asked if there was any problems with this bill. The response was no, it is being done in other states.

Senator Mathern asked if it wasn't possible this would save money. The response was no, there is a fixed dollar amount involved.

Senator Andrist asked if an electronic title couldn't be done from the beginning. The response was that titles are done on a secure paper, no other states had gone that way entirely.

Vice Chairman Bowman closed the hearing on HB 1044.

Senator Andrist moved for a DO PASS, **Senator Fischer** seconded, discussion followed. A roll call vote was taken with 10 YES, 2 no, 3 absent. **Representative Bercier** of transportation will carry the bill.

Date
Roll Call Vote #:

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 1044

Senate SENATE APPROPRIATIONS

Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken

Do Pass

Motion Made By

Andrist

Seconded By

Fischer

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	✓		SENATOR KRAUTER Ab		
VICE CHAIRMAN BOWMAN		✓	SENATOR LINDAAS	✓	
VICE CHAIRMAN GRINDBERG	✓		SENATOR MATHERN	✓	
SENATOR ANDRIST	✓		SENATOR ROBINSON	✓	
SENATOR CHRISTMANN	✓	✓	SEN. TALLACKSON Ab		
SENATOR FISCHER					
SENATOR KILZER	✓				
SENATOR KRINGSTAD	✓				
SENATOR SCHOBINGER Ab					
SENATOR THANE	✓				

Total (Yes)

10

No

2

Absent

3

Floor Assignment

TRN

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 11, 2005 7:49 a.m.

Module No: SR-44-4712
Carrier: Bercier
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1044: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS
(10 YEAS, 2 NAYS, 3 ABSENT AND NOT VOTING). HB 1044 was placed on the
Fourteenth order on the calendar.

2005 TESTIMONY

HB 1044

SENATE TRANSPORTATION COMMITTEE

March 3, 2005

**North Dakota Department of Transportation
Keith Kiser, Motor Vehicle Director**

HB 1044

Chairman Trenbeath and members of the Senate Transportation Committee: NDDOT supports HB 1044, which provides lenders the option to receive an electronic notification of a lien on a vehicle rather than receive a paper certificate of title. HB 1044 is the result of an interim Transportation Committee study of alternative methods to record and discharge liens on vehicles. The study was authorized in SCR 4011.

During the interim study, the Motor Vehicle Division worked closely with the Legislative Council and the Transportation Committee to craft this bill. During the hearings, we presented information about how the bill would be implemented and that we anticipated it would have little or no impact on the Motor Vehicle Division. We also shared letters of interest from both North Dakota lenders and multi-state and national lenders.

Electronic notation of liens has become increasingly popular with lending institutions, particularly those that are multi-state or national in scope. Lenders like it because it saves them the trouble of filing and subsequently retrieving certificates of title. Lost titles are a common problem for large lenders and we issue many duplicate titles. Electronic notation can also benefit the Motor Vehicle Division by reducing the number of titles that we issue.

This legislation is permissive, and does not require any lender to participate in the program unless they so choose. Lenders who choose to participate will do so through one of several companies that offers the service. The companies would receive an electronic notification from our office whenever we record a lien for one of their clients. The company then either retains the information for the lender or forwards the information to the lender. When the lien is paid, our office would be electronically notified and we would issue and mail a title to the vehicle owner.

A real-life example of where electronic lien notification would have been extremely helpful occurred when the bank in Grand Forks burned during the flood in 1997. The bank lost all of their titles in the fire and flood, and had to apply to our office for over 5,000 duplicate titles in the subsequent months and years. Participation in electronic lien notification would have eliminated this problem.

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