

SESSION OF 2007

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2373

As Amended by Senate Committee on
Transportation

Brief*

HB 2373, as amended, would:

- Provide that on and after July 1, 2007, only one lien could be taken or accepted for vehicles with a gross vehicle weight rating of 26,000 pounds or less for an obligation to be secured on a certificate of title;
- Exempt refinancing of a loan from the limitations imposed on liens as set forth in the bill; and
- Ensure that a second lien could not be perfected upon a motor vehicle title.

The bill would take effect upon publication in the *Kansas Register*.

Background

HB 2373 was proposed by the Kansas Automobile Dealer's Association (KADA). In the House Transportation Committee the President of KADA indicated that the issue came to the attention of the KADA in the spring of 2006 when several of its members in the Sedgwick County market area traded for vehicles and paid off the primary lien only to be notified by the Kansas Department of Revenue at a later date that a second lien had been perfected on the vehicle. By that time, the vehicle had been traded in, had been sold, wholesaled or auctioned.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Another conferee who testified in support of the bill before the House Committee was the spokesperson of the Kansas Bankers Association (KBA). She said that KBA's concern stemmed from the fact that without "real time" (a time period that reflects a more timely filing of a lien) recording of all liens, many original lenders will be unaware that another lien has been placed on the property unless and until foreclosure of the loan should occur. She noted that in most cases, the chances of both loans being paid successfully is reduced when there are two loans being secured by one vehicle. This conferee also expressed support for the amendment that would exempt refinancing of a loan from the restrictions of the bill.

The conferee who appeared in opposition before the House Committee was the spokesman of Tiger Financial Management, LLC, Wichita, Kansas. He proposed clarifying language used in connection with liens.

The House Committee amendment with regard to a security interest on a vehicle was agreed to by the conferees. It would ensure that a second lien will not be perfected on a motor vehicle title.

The conferees who appeared in support of the bill before the Senate Transportation Committee included the Legislative Council of Kansas Automobile Dealers Association and the spokesman of the Kansas Bankers Association. The Director of Vehicles expressed support for the bill.

The Senate Transportation Committee amended the bill by:

- Adding the provision which would restrict the one-lien requirement on vehicles with a gross vehicle weight rating of 26,000 pounds or less;
- Making the bill effective upon publication in the *Kansas Register*; and

- Adopting a technical amendment proposed by the Revisor.

The fiscal note prepared by the Kansas Department of Revenue indicates that it is not possible to estimate the impact that this bill would have upon State highway revenues. The Department indicates that it is possible that applications for secured titles would be reduced but the question is speculative at this time.