

BILL ANALYSIS

Senate Research Center

H.B. 2575
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Transportation & Homeland Security
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Section 501.117 (Electronic Lien System), Transportation Code, requires the Texas Department of Motor Vehicles (TxDMV) to establish an electronic system for perfecting, assigning, discharging, and canceling security interests in motor vehicle titles. Participation by a lienholder in the system is voluntary by statute.

The electronic lien system has been established and is running well, utilizing a competitive mix of vendors that lienholders use as electronic intermediaries with the system. However, only a fraction of the 2.3 million liens that could be handled by the system each year are being executed through the voluntary system, even though that system can handle substantial increases without new resources.

The bill would reduce costs and improve the titling process by authorizing TxDMV to require participation by a lienholder in the electronic lien system.

H.B. 2575 amends current law relating to the Texas Department of Motor Vehicles' electronic lien system.

RULEMAKING AUTHORITY

Rulemaking authority is expressly granted to the Department of Motor Vehicles in SECTION 1 (Section 501.117, Transportation Code) of this bill.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 501.117, Transportation Code, by amending Subsection (a) and adding Subsections (d), (d-1), (d-2), (e), and (f), as follows:

(a) Authorizes the Department of Motor Vehicles (TxDMV) to establish categories of lienholders that may participate in the electronic lien system (system), and except as provided by this section, to require a lienholder to participate in the system. Deletes existing text providing that participation by a lienholder in the system is voluntary.

(d) Prohibits TxDMV from requiring a depository institution, as defined by Section 180.002 (Definitions), Finance Code, to participate in the system if TxDMV has issued fewer than 100 notifications of security interests in motor vehicles to the depository institution during a calendar year.

(d-1) Prohibits TxDMV from requiring a depository institution, as defined by Section 180.002, Finance Code, to participate in the system:

(1) during 2011, if TxDMV issues fewer than 200 notifications of security interests in motor vehicles to the depository institution between September 1, 2011, and December 31, 2011; and

(2) during 2012, if the depository institution was exempt under Subdivision (1) and TxDMV issues fewer than 200 notifications of security interests in motor vehicles to the depository institution in 2012.

(d-2) Provides that this subsection and Subsection (d-1) expire January 1, 2013.

(e) Requires TxDMV by rule to establish a reasonable schedule for compliance with the requirements of Subsection (a) for each category of lienholder that TxDMV requires to participate in the system.

(f) Prohibits TxDMV from prohibiting a lienholder from using an intermediary to access the system, or require a lienholder to use an intermediary to access the system.

SECTION 2. Effective date: September 1, 2011.