

MINUTES OF THE SENATE TRANSPORTATION COMMITTEE.

The meeting was called to order by Chairperson Senator Les Donovan at 8:30 a.m. on February 6, 2002 in Room 245-N of the Capitol.

All members were present except: Senator Ed Pugh

Committee staff present: Emalene Correll, Legislative Research Department
Bruce Kinzie, Revisor of Statutes
Marian F. Holeman, Committee Secretary

Conferees appearing before the committee: Sheila Walker, Dir. Div. Of Vehicles, KDOR
M. H. Moser, Mgr., Titles & Registration, KDOR
Dennis Wilson, Johnson Co. Treasurer
Martha Smith, Exec.Dir., KMHA
Don McNeely, Pres., KADA

Others attending: See attached list

SB 449: Concerning electronic certificates of title

Chairman Donovan welcomed the visiting county treasurers and asked Ms. Walker to introduce Mr. Moser, Division of Vehicles, Manager, Titles and Registration who testified in support of the bill which proposes an electronic lien and paperless title program or ELT system. Kansas would become a title holding state until all liens or security interests are removed. This will not only change processing methods, but will eliminate notary requirements for transfer of ownership on titles. He enumerated benefits of the system and also pointed out that nationwide, motor vehicle agencies are moving toward electronic processes to enhance customer service and provide more efficient government (Attachment 1). Members discussed problems inherent in current system and recognized this proposal would go far toward alleviating problems. Manufacturer's certificate will be given to customers to obtain licenses. He also explained lending institutions have 10 days to release liens when vehicles are paid off and also a process currently exists to solve disappearing lending institutions. Fiscal note indicates some loss of revenue because of the reduced duplication and reissuance of titles. Expenditure could fluctuate depending on whether updates to the Vehicle Information Processing System/Computer Assisted Mass Appraisal Fund of KDOR is done by in house or contract staff. There would be some savings realized in postage costs and number of titles printed

Dennis Wilson, Johnson County Treasurer and former legislator, testified in support of **SB 449** (Attachment 2). As a County Treasurer he feels they really need this bill to be enacted. Positive benefits far outweigh any perceived negatives. In his opinion, this is one of the most meaningful pieces of legislation to come before the legislature this year. He wished to commend the Division for their progressiveness.

The Kansas Bankers Association provided written testimony in support of **SB 449** (Attachment 3). Martha Smith, Executive Director Kansas Manufactured Housing Association advised they have discussed their industry's issues with Ms. Walker and are very comfortable with the bill and urge it be passed. Don McNeely, President, Kansas Automobile Dealers Association advised they also support the bill, but had a question regarding how branded title information would be handled. He was advised of the various ways this would be handled. Hearing closed on **SB 449**.

Approval of minutes

Senator Jackson moved to approve minutes of the February 5, 2002 meeting. Senator Salmans seconded the motion. Motion carried.

The meeting adjourned at 9:20 a.m.

Next meeting is scheduled for February 7, 2002.

**SENATE TRANSPORTATION COMMITTEE
GUEST LIST
DATE: FEBRUARY 6, 2002**

NAME	REPRESENTING
George Barbee	Comm. Bankers & Consumer Credit
DENNIS WILSON	JOHNSON COUNTY TREASURER
Kathy Olsen	Ks Bankers Assn
Marlow Moser	KDOR
Sheela Walker	KDOR - DMV
Dutrie Albert	" "
Elizabeth Schleicher	Federico Consulting
LYNN SCARROW	TW Co TREAS
Carolyn Heasty	Sumner Co Trea
PATTY McDONALD	Cowley Co TREAS
Karen Brooks	Cowley Co.
Pat Wells	Douglas Co. Treasurer
Nancy Weeks	Naskell Co. Treasurer
Cheryl Wedruski	Rawlins Co treasurer
Donna Applebury	Thomas Co Treasurer
Sharon Shaker	Greeley Co. Deputy Treasurer
Wenne Kohler	Sherman City Deputy
Shirley Miller	Sturman Co Treasurer
Leine M. Legachoff	Washington County Treasurer
Edwina Buss	Rocks County Treasurer
Jusan Roudybush	Ellsworth Co. Deputy Treas.
GARY DAVENPORT	KS MOTOR CARRIERS ASSN
Deann Williams	KS MOTOR CARRIERS ASSOC.

SENATE TRANSPORTATION COMMITTEE

GUEST LIST

DATE: FEBRUARY 6, 2002

NAME	REPRESENTING
Wanda Jean Smith	KATA
Amy Woods	Deputy Co Treas. Riley Co
Gayle Shields	Miami Co. Treasurer
Joan Walker	Lincoln Co Treasurer
Kitty Simmons	Seward Co. Deputy Treas
Eileen King	Riley County Treasurer
Sherry Wood	Seward County Treasurer
Kevin Davis	Am. Family Ins.
Joan Hale	Decatur County Treasurer
Dolores Jenik	Cheyenne Co. Treasurer
Diane Bentley	Greeley Co. Treasurer
John Nung	Trego Co. Treasurer
Sharon Wiley	Allen Co. Treas.
Neal Parrish	BUTLER CO. TREAS.
Susan Turner	Deputy Butler Co Treas
Marla Glasow	Cherokee Co Deputy Treas.
Jimmy Brown-Ducker	Stanton Co. Treasurer
Curtis	KS AUTOMOBILE DEALERS ASSN.

Titles and Registrations/Dealer Licensing
Mathew H. Moser, Manager
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66626-0001



Division of Vehicles

(785) 296-3621
FAX (785) 296-3852
Hearing Impaired TTY (785) 296-8924
Web Site: www.ksrevenue.org/dmv

MEMORANDUM

TO: Chairman Les Donovan
Members of the Senate Transportation Committee

FROM: Mathew H. Moser, Manager *Mathew H. Moser*
Titles & Registrations

DATE: February 6, 2002

SUBJECT: Senate Bill 449 – Electronic Liens and Paperless Titles

Mr. Chairman, members of the Committee, I am Mathew Moser, Manager of the Title and Registration Bureau for the Division of Vehicles. I want to thank you for the opportunity to testify in support of Senate Bill 449, regarding electronic liens and paperless titles.

SB 449 proposes an electronic lien and paperless title program for Kansas, which will significantly change the way liens and certificates of titles are processed. It also eliminates the notary requirement for a transfer of ownership on titles.

Large financial institutions across the nation are storing and accounting for thousands of paper titles. In an effort to make this process more secure and accurate, some institutions began working with state motor vehicle departments and created the electronic lien and paperless title concept, otherwise known as ELT. An ELT system provides the ability to electronically exchange lien and title information directly between financial institutions and jurisdictions. Titles are held in an electronic format until all liens are released, and then the paper title is produced.

An ELT process in Kansas would provide participating institutions the ability to file Notice of Security Interests and lien releases directly with the Division of Vehicles through an electronic application. The institutions benefit through reductions in filing, retrieval and mailing of paper titles, reductions in storage space requirements, as well as faster and more accurate records.

The Division would have less paperwork to process and see a reduction in postage, and the use of secure forms. The Division would also benefit through maintenance of a more accurate database, reductions in exposure to liability for data entry errors, and improvement in the timeliness of data exchange.

Existing authority in K.S.A. 135(c)(5) already allows electronic lien filing and releases. SB 449 grants the Division of Vehicles new authority to create electronic titles whenever a lien or security interest is filed. The title would stay in an electronic format until all liens are satisfied, and a title will only be produced when it is free and clear of all encumbrances.

1-1
Senate Transportation Committee
Date: 02-06-02
Attachment: 1

Kansas will in effect become a title holding state whenever there is a lien or security interest involved. This bill will be an enhancement in customer service for lien holders by helping to ensure that a transfer of ownership does not occur without the lienholder's knowledge or consent.

In addition, SB 449 eliminates duplicate paper titles for those that have already been issued and have a lien. A customer will not be able to obtain a duplicate title until all liens have been released.

In all ELT systems, contingencies to produce titles are provided for. Typically, turn around time for production of a title is twenty-four to forty-eight hours. The rule and regulation authority in SB 449 would permit the Division to address these types of special needs and circumstances when a title with a lien needs to be produced.

Some vehicle owners may have to adjust to not receiving paper titles, so the state can maintain an electronic copy instead. But the benefits outweigh that particular challenge. In summary, the benefits of paperless titles and electronic lien filing are:

- The state will see a reduction in the number of duplicate and reissued titles.
- The number of data entry errors will decrease.
- The state will issue titles more efficiently, improving quality assurance.
- Secured parties will be able to file their liens electronically.
- Financial institutions will be provided more security, as titles will be "paperless" until a lien is paid.
- Once a lien is paid off, the title will be issued.

Motor vehicle agencies across the nation are moving more and more toward electronic processes to enhance customer service and provide more efficient government. In the next few months, the Kansas Division of Vehicles will be implementing on-line vehicle registrations. The next logical step in providing electronic services to our citizens is the implementation of electronic for liens and titles.

Currently, there are eight states that are using ELT systems in partnership with numerous financial institutions, and one state is in the development stage. We appreciate your consideration for adding the Kansas Division of Vehicles to the list of progressive states in the country.

Again, thank you for permitting my appearance today. I will be pleased to attempt to answer any questions you may have.



Johnson County, Kansas

OFFICE OF THE COUNTY TREASURER

To: Senator Les Donovan, Chairman
Senator Larry Salmans, Vice-Chairman
Members, Senate Transportation Committee

From: Dennis Wilson, Johnson County Treasurer

Date: February 6, 2002

Subject: **Support for SB 449 Motor Vehicle Provisions**

As the Johnson County Treasurer, I would like to express my support for SB 449, which authorizes the state Division of Motor Vehicles to retain electronic certificates of title when a lien or other security interest is present and repeals the notarization requirement on motor vehicle title assignments.

Currently, any liens or security interests in a motor vehicle are reflected in its certificate of title. When the lien or security interest is removed, a new certificate of title must be issued for the vehicle. SB 449 would allow the state Division of Motor Vehicles to hold certificates of title electronically until such time as all liens are removed, thereby saving the significant administrative burden and cost of routinely issuing multiple paper certificates of title.

In addition, current state law requires that assignment of a motor vehicle certificate of title must be executed by the seller before a notary public. As of January 1999, however, only 9 states still required notarization of motor vehicle title assignments. Because few states still require notarization, residents who buy a motor vehicle – particularly motor vehicles purchased out of state – and apply to have it titled in Kansas are often unaware or confused about this requirement. These purchasers must re-engage the seller and make multiple trips to the local Department of Motor Vehicles, frustrating customers and slowing down the titling process. Repealing the requirement that motor vehicle title assignments be notarized would align Kansas with most of its surrounding states and improve customer relations.

I believe the changes proposed in SB 449 would reduce unnecessary costs and administrative burden, enhance efficiency, and improve DMV customer service for both state and local governments. For these reasons, I support SB 449 and urge the committee to recommend the bill favorable for passage.

Thank you for your time and consideration.

SENATE TRANSPORTATION
COMMITTEE -DATE: 2-06-02
ATTACHMENT: 2

2-1



February 6, 2002

To: Members of the Senate Transportation Committee

From: Kathleen Taylor Olsen, Kansas Bankers Association

Re: SB 449 – Electronic Certificates of Title

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to present written testimony today in support of the provisions of **SB 449** which would authorize the use of electronic certificates of title with regard to motor vehicles and manufactured and mobile homes.

As we understand this bill, as long as a certificate of title indicates that there is a lien or security interest in the vehicle or home, the Department of Revenue, Division of Vehicles would hold that title electronically until the lien is released. At that time, a paper title would be issued to the owner.

We believe moving into the electronic age of record keeping is a great idea. There are many examples of how this will bring certainty and reduce fraud with regard to such certificates of title. For lenders, it will resolve the uncertainty about knowing whether or not the borrower/owner of the property has taken the paperwork in to register the vehicle or home and have a certificate of title (properly listing the lender as a lienholder) issued. It will also cure the problems caused by a lost or stolen certificate of title.

We look forward to working with the Director of Vehicles in the next year to provide what help we can to make this a seamless process with benefits to not only lenders but also to the property owners. With that said, we urge the favorable passage of **SB 449**.

3-1

SENATE TRANSPORTATION
COMMITTEE -DATE: 2-06-02
ATTACHMENT: 3