

Legislative Analysis



AUTO LOANS: INCLUDE ELECTRONIC FINANCE FEE

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 6175 (Substitute H-1)

Sponsor: Rep. Joe Hune

Committee: Insurance

First Analysis (6-19-06)

BRIEF SUMMARY: The bill would amend the Motor Vehicle Sales Finance Act so that fees paid for the electronic titling and registration of a motor vehicle could be included in a motor vehicle installment sales contract.

FISCAL IMPACT: There is no fiscal impact on the State of Michigan or its local units of government.

THE APPARENT PROBLEM:

A new state pilot program allows some licensed car dealers to use Department of State-approved software to issue license plates, tabs, and permits at the point of sale. The system has been developed by CVR (Computerized Vehicle Registration), a company that, according to its website, automates transactions taking place between vehicle dealerships and state registration agencies. The firm says, it "achieves these transactions by connecting automobile, motorcycle, and recreational vehicle dealers directly to the government system via a secure and reliable high-speed network." The aim of the system being piloted is to reduce paperwork, lessen the likelihood of errors, and limit the number of visits to Department of State offices by vehicle dealers.

The agreement between the Department of State and CVR reportedly allows dealers to charge a \$24 fee to buyers who choose to use the service, with \$12 going to the dealer and \$12 to SVR. Currently, registration fees can be included in installment sales agreements (auto loans), but auto dealers apparently cannot include this new fee in installment sales agreements without an amendment to the act that regulates such agreements. This is said to be hampering the implementation of the pilot program.

THE CONTENT OF THE BILL:

The bill would amend the Motor Vehicle Sales Finance Act so that fees paid for the electronic titling and registration of a motor vehicle could be included in a motor vehicle installment sales contract.

Specifically, the bill allows the entity selling a motor vehicle under an installment sale contract to include fees payable to any third party authorized by the secretary of state and to the seller for electronic titling and registration of the motor vehicle, if the buyer of a motor vehicle elects to title or register the motor vehicle electronically.

MCL 492.117

BACKGROUND INFORMATION:

Information on CVR is available on its website at: <http://www.cvrreg.com/index.asp>

ARGUMENTS:

For:

Allowing a fee for the electronic titling and registering of motor vehicles to be included in installment sales contracts will remove an impediment to the success of a pilot program being operated by the Department of State and CVR (Computerized Vehicle Registration), a private firm. To be eligible, the fee would require DOS approval. The fees paid to the state for registration are already covered under the act, but there is no reference to the additional fee for electronic service. As is currently the case with other fees, buyers could elect to pay the new fee separately, outside of the installment sale contract.

POSITIONS:

The Office of Financial and Insurance Services (OFIS) supports the substitute. (6-14-06)

The Department of State has indicated support for the bill. (6-15-06)

The Auto Dealers of Michigan have indicated support for the bill. (6-15-06)

Legislative Analyst: Chris Couch
Fiscal Analyst: Richard Child

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