### **As Introduced**

# 130th General Assembly Regular Session 2013-2014

H. B. No. 64

### **Representative Cera**

Cosponsors: Representatives Rogers, Hood

## A BILL

| Го | amend sections 1548.20, 4503.13, and 4519.68 of  | 1 |
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|    | the Revised Code to provide that if a secured    | 2 |
|    | party does not convey to the owner of a motor    | 3 |
|    | vehicle, watercraft, outboard motor, off-highway | 4 |
|    | motorcycle, or all-purpose vehicle a physical    | 5 |
|    | certificate of title after the security interest | 6 |
|    | has been discharged, the owner may obtain one    | 7 |
|    | physical certificate of title from a clerk of a  | 8 |
|    | court of common pleas at no charge.              | 9 |

### BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF OHIO:

| Section 1. That sections 1546.20, 4503.13, and 4519.66 of the      | ΤU |
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| Revised Code be amended to read as follows:                        | 11 |
|  |    |
| Sec. 1548.20. (A) Chapter 1309. of the Revised Code does not       | 12 |
| permit or require the deposit, filing, or other record of a        | 13 |
| security interest covering a watercraft or outboard motor for      | 14 |
| which a certificate of title is required. Any security agreement   | 15 |
| covering a security interest in a watercraft or outboard motor, if | 16 |
| it is accompanied by delivery of a manufacturer's or importer's    | 17 |
| certificate and followed by actual and continued possession of     | 18 |
| that certificate by the holder of the instrument, or, in the case  | 19 |

| of a certificate of title, if a notation of the security agreement | 20 |
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| has been made by a clerk of a court of common pleas on the face of | 21 |
| the certificate of title or the clerk has entered a notation of    | 22 |
| the agreement into the automated title processing system and a     | 23 |
| physical certificate of title for the watercraft or outboard motor | 24 |
| has not been issued, shall be valid as against the creditors of    | 25 |
| the debtor, whether armed with process or not, and against         | 26 |
| subsequent purchasers, secured parties, and other lienholders or   | 27 |
| claimants. All security interests, liens, mortgages, and           | 28 |
| encumbrances entered into the automated title processing system in | 29 |
| relation to a particular certificate of title, regardless of       | 30 |
| whether a physical certificate of title is issued, take priority   | 31 |
| according to the order of time in which they are entered into the  | 32 |
| automated title processing system by the clerk. Exposure for sale  | 33 |
| of any watercraft or outboard motor by its owner, with the         | 34 |
| knowledge or with the knowledge and consent of the holder of any   | 35 |
| security interest, lien, mortgage, or encumbrance on the           | 36 |
| watercraft or outboard motor, shall not render the security        | 37 |
| interest lien, mortgage, or encumbrance ineffective as against the | 38 |
| creditors of the owner or against holders of subsequent security   | 39 |
| interests, liens, mortgages, or encumbrances upon the watercraft   | 40 |
| or outboard motor.   | 41 |

(B) If a secured party presents evidence of the security 42 interest to a clerk of a court of common pleas together with the 43 certificate of title, if a physical certificate of title for the 44 watercraft or outboard motor exists, and the fee prescribed by 45 section 1548.10 of the Revised Code, the clerk, unless the secured 46 party specifically requests the clerk not to issue a physical 47 certificate of title, shall issue a new original certificate of 48 title from the automated title processing records. The new 49 certificate shall indicate the security interest and the date of 50 the security interest. The clerk also shall note the security 51 interest and its date in the clerk's files and enter that 52

| information into the automated title processing system, and on     | 53 |
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| that day shall notify the chief of the division of watercraft. The | 54 |
| clerk shall indicate by appropriate notation on the security       | 55 |
| agreement itself the fact that the security interest has been      | 56 |
| noted on the certificate of title.                                 | 57 |

(C) If a security interest is fully discharged as a result of 58 its holder's receipt of good funds in the correct amount and if 59 the holder holds a physical certificate of title, the holder shall 60 note the discharge of the security interest over the holder's 61 signature on the face of the certificate of title, or, if there is 62 not sufficient space for the notation on the face of the 63 certificate of title, the holder shall note the discharge over the 64 holder's signature on a form prescribed by the chief. Except as 65 otherwise provided in this section, prior to delivering the 66 certificate of title to the owner, the holder or the holder's 67 agent shall convey the certificate of title or a separate sworn 68 statement of the discharge of the security interest and any 69 additional information the chief requires to a clerk. The 70 conveyance shall occur not more than seven business days after the 71 date good funds in the correct amount to fully discharge the 72 security interest have been credited to an account of the holder, 73 provided the holder has been provided accurate information 74 concerning the watercraft or outboard motor. Conveyance of the 75 certificate of title or separate sworn statement of the discharge 76 within the required seven business days may be indicated by 77 postmark or receipt by a clerk within that period. If the 78 79 discharge of the security interest appears to be genuine, the clerk shall note the discharge of the security interest on the 80 face of the certificate of title, if it was so conveyed, and note 81 it in the automated title processing system. 82

If a security interest is fully discharged as a result of its 83 holder's receipt of good funds in the correct amount and the 84

| holder does not hold a physical certificate of title, when the     | 85 |
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| holder notifies a clerk of the discharge of its security interest, | 86 |
| the holder at that time also may request the clerk to issue a      | 87 |
| physical certificate of title to the watercraft or outboard motor. | 88 |
| The request shall specify whether the clerk is to send the         | 89 |
| certificate of title directly to the owner or to the holder or the | 90 |
| holder's agent for transmission to the owner. If such a request is | 91 |
| made, the clerk shall issue a physical certificate of title and    | 92 |
| send it to the specified person.                                   | 93 |

The clerk shall not honor such a request for a physical 94 certificate of title if it is not made by the holder at the same 95 time as the holder's notification to the clerk of the discharge of 96 its security interest. 97

- (D)(1) In all cases, a secured party may choose to present a 98 clerk with evidence of a security interest via electronic means, 99 and the clerk shall enter the security interest into the automated 100 title processing system. A secured party also may choose to notify 101 a clerk of the discharge of its security interest via electronic 102 means, and the clerk shall enter the cancellation into the 103 automated title processing system.
- (2) In the case of a security interest that is being 105 satisfied by a watercraft dealer to whom a certificate of title is 106 being transferred, the cancellation of the security interest shall 107 occur during the course of the transfer. The dealer shall submit a 108 discharge request to the secured party. A discharge request shall 109 include good funds in the correct amount to fully discharge the 110 security interest and accurate information concerning the 111 watercraft or outboard motor. 112
- (3)(a) Upon receiving a discharge request that complies with
  division (D)(2) of this section, except as otherwise provided in
  this division, a secured party shall convey the certificate of
  title, with the discharge of the security interest noted on its
  116

| face, to the dealer within seven business days after the date good | 117 |
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| funds in the correct amount to fully discharge the security        | 118 |
| interest have been credited to an account of the secured party.    | 119 |
| If a secured party is unable to convey to the dealer a             | 120 |

If a secured party is unable to convey to the dealer a 120 certificate of title within the required seven business days, the 121 secured party instead shall convey to the dealer an affidavit 122 stating that the security interest has been discharged, together 123 with payment for a duplicate certificate of title, within that 124 period. 125

- (b) Conveyance of a certificate of title, or affidavit and 126 required payment, from a secured party to a dealer under the 127 circumstances described in division (D)(3)(a) of this section 128 within the required seven business days may be indicated by a 129 postmark within that period. 130
- (4) A secured party is liable to a dealer for a late fee of
  ten dollars per day for each certificate of title, or affidavit
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  and required payment, conveyed to the dealer more than seven
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  business days but less than twenty-one days after the date
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  specified in division (D)(3)(a) of this section and, from then on,
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  twenty-five dollars per day until the certificate of title, or
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  affidavit and required payment, are conveyed to the dealer.
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- (E) If Regardless of whether a physical certificate of title 138 has not been issued for a watercraft or outboard motor and, if all 139 the security interests relating to that watercraft or outboard 140 motor have been discharged and if the secured party does not 141 convey to the owner of the watercraft or outboard motor a physical 142 certificate of title with the discharge noted on the certificate, 143 the owner of the watercraft or outboard motor may obtain a one 144 physical certificate of title for the watercraft or outboard motor 145 from the clerk of any court of common pleas upon without payment 146 of the fee specified in section 1548.10 of the Revised Code. The 147 owner of the watercraft or outboard motor thereafter may obtain a 148

| interest in a motor vehicle held as inventory for sale by a      | 179 |
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| dealer. The security interest has priority over creditors of the | 180 |
| dealer as provided in Chapter 1309. of the Revised Code without  | 181 |
| notation of the security interest on a certificate of title,     | 182 |
| without entry of a notation of the security interest into the    | 183 |
| automated title processing system if a physical certificate of   | 184 |
| title for the motor vehicle has not been issued, or without the  | 185 |
| retention of a manufacturer's or importer's certificate.         | 186 |

(B) Subject to division (A) of this section, any security 187 agreement covering a security interest in a motor vehicle, if a 188 notation of the agreement has been made by a clerk of a court of 189 common pleas on the face of the certificate of title or the clerk 190 has entered a notation of the agreement into the automated title 191 processing system and a physical certificate of title for the 192 motor vehicle has not been issued, is valid as against the 193 creditors of the debtor, whether armed with process or not, and 194 against subsequent purchasers, secured parties, and other 195 lienholders or claimants. All security interests, liens, 196 mortgages, and encumbrances entered into the automated title 197 processing system in relation to a particular certificate of 198 title, regardless of whether a physical certificate of title is 199 issued, take priority according to the order of time in which they 200 are entered into the automated title processing system by the 201 clerk. Exposure for sale of any motor vehicle by its owner, with 202 the knowledge or with the knowledge and consent of the holder of 203 any security interest, lien, mortgage, or encumbrance on it, does 204 not render that security interest, lien, mortgage, or encumbrance 205 ineffective as against the creditors of that owner, or against 206 holders of subsequent security interests, liens, mortgages, or 207 encumbrances upon that motor vehicle. 208

The secured party, upon presentation of evidence of a 209 security interest to a clerk of a court of common pleas, together 210

with the certificate of title if a physical certificate of title 211 for the motor vehicle exists, and the fee prescribed by section 212 4505.09 of the Revised Code, may have a notation of the security 213 interest made. Unless the secured party specifically requests the 214 clerk not to issue a physical certificate of title and instead to 215 issue an electronic certificate of title, the clerk shall issue, 216 over the clerk's signature and seal of office, a new original 217 certificate of title from the automated title processing records 218 that indicates the security interest and the date of the security 219 interest. 220

If a security interest is fully discharged as a result of its 221 holder's receipt of good funds in the correct amount and if the 222 holder holds a physical certificate of title, the holder shall 223 note the discharge of the security interest on the face of the 224 certificate of title over the holder's signature, or over the 225 holder's signature on a form prescribed by the registrar of motor 226 vehicles when there is no space for the discharge on the face of 227 the certificate of title. Except as otherwise provided in this 228 section, prior to delivering the certificate of title to the 229 owner, the holder or the holder's agent shall convey the 230 certificate of title or a separate statement of the discharge of 231 the security interest to a clerk. The conveyance shall occur not 232 more than seven business days after the date good funds in the 233 correct amount to fully discharge the security interest have been 234 credited to an account of the holder, provided the holder has been 235 provided accurate information concerning the motor vehicle. 236 Conveyance of the certificate of title or separate statement of 237 the discharge within the required seven business days may be 238 indicated by postmark or receipt by a clerk within that period, 239 or, in the case of a written confirmation that is sent 240 electronically as provided in division (C)(1) of this section, by 241 the date of the electronic mail or other electronic communication. 242 If the discharge of the security interest appears to be genuine, 243

| the cler | k shall | note the cance  | llation of | the security interest on 2 | 244 |
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| the face | of the  | certificate of  | title, if  | it was so conveyed, and    | 245 |
| note it  | in the  | automated title | processing | g system. 2                | 246 |

If a security interest is fully discharged as a result of its 247 holder's receipt of good funds in the correct amount and the 248 holder does not hold a physical certificate of title, when the 249 holder notifies a clerk of the discharge of its security interest, 250 the holder at that time also may request the clerk to issue a 251 physical certificate of title to the vehicle. The request shall 252 specify whether the clerk is to send the certificate of title 253 directly to the owner or to the holder or the holder's agent for 254 transmission to the owner. If such a request is made, the clerk 255 shall issue a physical certificate of title and send it to the 256 specified person. 257

The clerk shall not honor such a request for a physical 258 certificate of title if it is not made by the holder at the same 259 time as the holder's notification to the clerk of the discharge of 260 its security interest.

- (C)(1) In all cases, a secured party may choose to present a 262 clerk with evidence of a security interest via written 263 confirmation through electronic means, and the clerk shall enter 264 the security interest into the automated title processing system. 265 A secured party also may choose to notify a clerk of the discharge 266 of its security interest via electronic means, and the clerk shall 267 enter the cancellation into the automated title processing system. 268
- (2) In the case of a security interest that is being 269 satisfied by a dealer to whom a certificate of title is being 270 transferred, the cancellation of the security interest shall occur 271 during the course of the transfer. The dealer shall submit a 272 discharge request to the secured party. A discharge request shall 273 include good funds in the correct amount to fully discharge the 274 security interest and accurate information concerning the motor 275

| vehicle.     | 276 |
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| V CIII CI C. | 270 |

(3)(a) Upon receiving a discharge request that complies with 277 division (C)(2) of this section, if the current automated title 278 processing system record indicates that a physical title exists 279 for that motor vehicle, a secured party shall convey the physical 280 certificate of title, with the discharge of the security interest 281 noted on its face, to the dealer within seven business days after 282 the date good funds in the correct amount to fully discharge the 283 security interest have been credited to an account of the secured 284 party. 285

If a secured party is unable to convey to the dealer the 286 physical certificate of title within the required seven business 287 days, the secured party instead shall convey to the dealer an 288 affidavit stating that the security interest has been discharged, 289 together with payment for a duplicate certificate of title, within 290 that period. If the current automated title processing system 291 record for a motor vehicle indicates that an electronic title 292 exists for that motor vehicle, the secured party shall convey to 293 the dealer within the required seven business days written 294 confirmation that the security interest has been satisfied. 295

- (b) Conveyance of a physical certificate of title, or 296 affidavit and required payment, or written confirmation that the 297 security interest has been satisfied from a secured party to a 298 dealer under the circumstances described in division (C)(3)(a) of 299 this section within the required seven business days may be 300 indicated by a postmark within that period or, in the case of a 301 written confirmation that is sent electronically, the date of the 302 electronic mail or other electronic communication. 303
- (4) A secured party is liable to a dealer for a late fee of ten dollars per day for each physical certificate of title, or affidavit and required payment, or written confirmation that the security interest has been satisfied that is conveyed to the 307

| dealer more than seven business days but less than twenty-one days | 308 |
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| after the date specified in division (C)(3)(a) of this section     | 309 |
| and, from then on, twenty-five dollars per day until the physical  | 310 |
| certificate of title, or affidavit and required payment, or        | 311 |
| written confirmation that the security interest has been satisfied | 312 |
| is conveyed to the dealer.   | 313 |

- (D) Notwithstanding any provision of Chapter 1310. of the 314 Revised Code or of any other law, the lease of a motor vehicle or 315 trailer does not constitute a conditional sale or create a 316 security interest merely because the lease agreement permits or 317 requires the lessor, at the end of the lease term, to adjust the 318 rental price to either a higher or a lower amount by reference to 319 the amount the lessor realizes upon the sale or other disposition 320 of the motor vehicle or trailer. 321
- (E) If Regardless of whether a physical certificate of title 322 has not been issued for a motor vehicle and, if all the security 323 interests relating to that motor vehicle have been discharged and 324 if the secured party does not convey to the owner of the motor 325 vehicle a physical certificate of title with the discharge noted 326 on the certificate, the owner of the motor vehicle may obtain a 327 one physical certificate of title for the motor vehicle from the 328 clerk of any court of common pleas upon without payment of the fee 329 specified in section 4505.09 of the Revised Code. The owner of the 330 motor vehicle thereafter may obtain a duplicate physical 331 certificate of title for the motor vehicle from the clerk of any 332 court of common pleas upon payment of the fee specified in section 333 4505.09 of the Revised Code. 334
- (F) If a clerk of a court of common pleas, other than the 335 clerk of the court of common pleas of the county in which the 336 owner of a motor vehicle resides, enters a notation of the 337 existence of, or the cancellation of, a security interest relating 338 to the motor vehicle, the clerk shall transmit the data relating 339

| to the notation to the automated title processing system.          | 340 |
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| (G) The registrar of motor vehicles, in accordance with            | 341 |
| Chapter 119. of the Revised Code, shall adopt rules governing the  | 342 |
| electronic transmission of security interest and other information | 343 |
| under this section. In adopting the rules, the registrar shall     | 344 |
| confer with the clerks of the courts of common pleas.              | 345 |
| (H) As used in this section:                                       | 346 |
| (1) "Accurate information" means the make and model of the         | 347 |
| motor vehicle, its vehicle identification number, and the name and | 348 |
| address of its owner as they appear on the certificate of title    | 349 |
| that is to be conveyed.  | 350 |
| (2) "Dealer" has the same meaning as in section 4517.01 of         | 351 |
| the Revised Code.  | 352 |
| (3) "Good funds" includes cash, or a wire transfer, cashier's      | 353 |
| check, certified check, draft, money order, or teller's check      | 354 |
| issued by an insured financial institution, or a dealer's check    | 355 |
| for which the secured party has received funds that are available  | 356 |
| for withdrawal pursuant to "Availability of Funds and Collection   | 357 |
| of Checks (Regulation CC), " 12 C.F.R. 229.                        | 358 |
| (4) "Inventory" has the same meaning as in section 1309.102        | 359 |
| of the Revised Code.   | 360 |
| (5) "Electronic certificate of title" means an electronic          | 361 |
| record stored in the automated title processing system that        | 362 |
| established ownership of a motor vehicle, as well as any security  | 363 |
| interest that exists in that motor vehicle.                        | 364 |
| (6) "Written confirmation" means a communication from a            | 365 |
| secured party to a motor vehicle dealer regarding the secured      | 366 |
| party's security interest in a motor vehicle. A written            | 367 |
| confirmation may be either a physical document or an electronic    | 368 |
| communication such as electronic mail. Both types of written       | 369 |

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confirmation may be conveyed under this section.

sec. 4519.68. (A)(1) Chapter 1309. of the Revised Code does 371
not permit or require the deposit, filing, or other record of a 372
security interest covering an off-highway motorcycle or 373
all-purpose vehicle, except as provided in division (A)(2) of this 374
section. 375

- (2) Chapter 1309. of the Revised Code applies to a security 376 interest in an off-highway motorcycle or all-purpose vehicle held 377 as inventory, as defined in section 1309.102 of the Revised Code, 378 for sale by a dealer. The security interest has priority over 379 creditors of the dealer as provided in Chapter 1309. of the 380 Revised Code without notation of the security interest on a 381 certificate of title, without entry of a notation of the security 382 interest into the automated title processing system if a physical 383 certificate of title has not been issued, or without the retention 384 of a manufacturer's or importer's certificate. 385
- (B) Subject to division (A) of this section, any security 386 agreement covering a security interest in an off-highway 387 motorcycle or all-purpose vehicle, if a notation of the agreement 388 has been made by a clerk of a court of common pleas on the face of 389 the certificate of title or if the clerk has entered a notation of 390 the agreement into the automated title processing system if a 391 physical certificate of title has not been issued, is valid as 392 against the creditors of the debtor, whether armed with process or 393 not, and against subsequent purchasers, secured parties, and other 394 lienholders or claimants. All security interests, liens, 395 mortgages, and encumbrances entered into the automated title 396 processing system in relation to a particular certificate of 397 title, regardless of whether a physical certificate of title is 398 issued, take priority according to the order of time in which they 399 are entered into the automated title processing system by the 400

| clerk. Exposure for sale of any off-highway motorcycle or          | 401 |
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| all-purpose vehicle by its owner, with the knowledge or with the   | 402 |
| knowledge and consent of the holder of any security interest,      | 403 |
| lien, mortgage, or encumbrance on it, does not render the security | 404 |
| interest, lien, mortgage, or encumbrance ineffective as against    | 405 |
| the creditors of the owner, or against holders of subsequent       | 406 |
| security interests, liens, mortgages, or encumbrances upon the     | 407 |
| off-highway motorcycle or all-purpose vehicle.                     | 408 |

The secured party, upon presentation of evidence of a 409 security interest to a clerk of a court of common pleas, together 410 with the certificate of title if a physical certificate of title 411 for the off-highway motorcycle or all-purpose vehicle exists, and 412 the fee prescribed by section 4519.59 of the Revised Code, may 413 have a notation of the security interest made. Unless the secured 414 party specifically requests the clerk not to issue a physical 415 certificate of title and instead to issue an electronic 416 certificate of title, the clerk, over the clerk's signature and 417 seal of office, shall issue a new original certificate of title 418 from the automated title processing system that indicates the 419 security interest and the date of the security interest. 420

If a security interest is fully discharged as a result of its 421 holder's receipt of good funds in the correct amount and if the 422 holder holds a physical certificate of title, the holder shall 423 note the discharge of the security interest over the holder's 424 signature on the face of the certificate of title, or over the 425 holder's signature on a form prescribed by the registrar of motor 426 vehicles when there is no space for the discharge on the face of 427 the certificate of title. Except as otherwise provided in this 428 section, prior to delivering the certificate of title to the 429 owner, the holder or the holder's agent shall convey the 430 certificate of title or a separate sworn statement of the 431 discharge of the security interest to a clerk. The conveyance 432

| shall occur not more than seven business days after the date good | 433 |
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| funds in the correct amount to discharge fully the security       | 434 |
| interest have been credited to an account of the holder, provided | 435 |
| the holder has been provided accurate information concerning the  | 436 |
| off-highway motorcycle or all-purpose vehicle. Conveyance of the  | 437 |
| certificate of title or separate sworn statement of the discharge | 438 |
| within the required seven business days may be indicated by       | 439 |
| postmark or receipt by a clerk within that period. If the         | 440 |
| discharge of the security interest appears to be genuine, the     | 441 |
| clerk shall note the cancellation of the security interest on the | 442 |
| face of the certificate of title, if it was so conveyed, and also | 443 |
| shall note it in the automated title processing system.           | 444 |

If a security interest is fully discharged as a result of its 445 holder's receipt of good funds in the correct amount and the 446 holder does not hold a physical certificate of title, when the 447 holder notifies a clerk of the discharge of its security interest, 448 the holder at that time also may request the clerk to issue a 449 physical certificate of title to the off-highway motorcycle or 450 all-purpose vehicle. The request shall specify whether the clerk 451 is to send the certificate of title directly to the owner or to 452 the holder or the holder's agent for transmission to the owner. If 453 such a request is made, the clerk shall issue a physical 454 certificate of title and send it to the specified person. 455

The clerk shall not honor such a request for a physical 456 certificate of title if it is not made by the holder at the same 457 time as the holder's notification to the clerk of the discharge of 458 its security interest.

(C) In all cases, a secured party may choose to present a 460 clerk with evidence of a security interest via electronic means, 461 and the clerk shall enter the security interest into the automated 462 title processing system. A secured party also may choose to notify 463 a clerk of the discharge of its security interest via electronic 464

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