

OFFICE OF THE DIRECTOR
DEPARTMENT OF MOTOR VEHICLES
P.O. BOX 932328
SACRAMENTO, CA 94232-3280



TITLE 13: DEPARTMENT OF MOTOR VEHICLES

NOTICE IS HEREBY GIVEN

The Department of Motor Vehicles (department) proposes to adopt Sections 153.00, 153.02, 153.04, 153.06, 153.08, 153.10, 153.12, 153.14, 153.16, 153.18, 153.20, 153.22, 153.24, 153.26 and 153.28 in Article 3.0, Chapter 1, Division 1, Title 13 of the California Code of Regulations, regarding the Electronic Lien and Title Program to implement provisions relating to section 4450.5 of the Vehicle Code.

PUBLIC HEARING

A public hearing regarding this proposed regulatory action is not scheduled. However, a public hearing will be held if any interested person or his or her duly authorized representative requests a public hearing to be held relevant to the proposed action by submitting a written request to the contact person identified in this notice no later than 5:00 p.m., fifteen (15) days prior to the close of the written comment period.

DEADLINE FOR WRITTEN COMMENTS

Any interested party or his or her duly authorized representative may submit written comments relevant to the proposed regulations to the contact person identified in this notice. All written comments must be received at the department no later than midnight, **February 25, 2020**, the final day of the written comment period, in order for them to be considered by the department before it adopts the proposed regulation.

AUTHORITY AND REFERENCE

The department proposes to adopt these regulations under the authority granted by Vehicle Code sections 1651 and 4450.5, in order to implement Vehicle Code section 4450.5.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

Vehicle Code section 4450.5 directs the department to develop an Electronic Lien and Title program, in consultation with stakeholders, that would require lienholders' title information be stored electronically, if the department determines that such a program is cost effective compared to its paper system.

In 1989, the department developed its Electronic Lien and Title pilot program and participation was voluntary. General Motors Acceptance Corporation was the first lienholder to join.

Under the Electronic Lien and Title program, when the department receives an application for title or registration showing the lienholder's name, address, and Electronic Lien and Title ID number an electronic lien record is produced, by the department, in lieu of a paper title. A web-based connectivity system was implemented to allow for Secure File Transfer between software vendors/service providers and the department.

Vehicle Code sections 1801 and 1801.1 authorize the department to allow a person to submit any document required to be submitted to the department by using electronic media deemed feasible by the department instead of requiring the actual submittal of the original document. Vehicle Code section 1801.1(c) authorizes the department to, among other things, establish security standards and technological requirements, or terms and conditions, including methods of authentication for electronically submitted signatures.

This proposed action would implement Vehicle Code section 4450.5 and make specific the forms an Electronic Lien and Title Program service provider applicant and lienholder applicant must submit to the department to apply to become a participant. Additionally, this proposed action would specify program administration structure.

ANTICIPATED BENEFITS OF THE PROPOSED REGULATION

This action will benefit the welfare of California residents and worker safety by reducing titling fraud of vehicles.

CONSISTENCY AND COMPATIBILITY WITH STATE REGULATIONS

During the process of developing these regulations, the department conducted a search for similar regulations on the topic of the electronic lien and title program and has concluded that the proposed regulations are neither inconsistent nor incompatible with existing state regulations.

COMPARABLE FEDERAL STATUTES OR REGULATIONS

The department conducted a review of federal regulations related to the electronic lien and title program and has determined that there are no comparable federal regulations.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated by reference:

- Electronic Lien and Title (ELT) Program Service Provider Application, REG 670 (NEW 1/2019)
- Electronic Lien and Title (ELT) Service Provider Permit, REG 672 (NEW 1/2019)
- Electronic Lien and Title (ELT) Program Lienholder Application, REG 671 (NEW 1/2019)
- Electronic Lien and Title (ELT) Program Information Security and Disclosure Statement Service Provider/Lienholder Employee, REG 677 (NEW 1/2019)
- Electronic Lien and Title (ELT) Program Information Security and Disclosure Statement Service Provider/Lienholder Firm, REG 678 (NEW 1/2019)
- Electronic Lien and Title (ELT) Lienholder Permit, REG 672 F (NEW 1/2019)
- Electronic Lien and Title (ELT) Program Change Request, REG 673 (NEW 1/2019)
- Electronic Lien and Title (ELT) Program Withdrawal Request, REG 674 (NEW 1/2019)

These documents will not be published in the California Code of Regulations because it would be impractical and cumbersome to do so; however, the documents are readily available to interested parties by contacting the department representative identified below.

Economic and Fiscal Impact Determinations

The department has made the following initial determinations concerning the proposed regulatory action:

- *Cost or Savings to Any State Agency:* None.
- *Other Non-Discretionary Cost or Savings to Local Agencies:* None.
- *Costs or Savings in Federal Funding to the State:* None.
- *Cost to any local agency or school district requiring reimbursement pursuant to Gov. Code section 17500 et seq.:* None.
- *Effects on Housing Costs:* None.
- *Impacts Directly Affecting Businesses:* The proposed adoptions will require lienholders who hold an interest in California titled vehicles to participate.
- *Significant, Statewide Adverse Economic Impact Directly Affecting Business, Including the Ability of California Businesses to Compete with Businesses in Other States:* None.
- *Cost Impact on Representative Private Persons or Businesses:* While the department does not anticipate a cost impact to the lending industry, the department does anticipate fiscal and economic benefits as they will no longer have to store and manage paper documents.
- *Small Business Impact:* This proposed action will affect small businesses in the same manner it will affect any business.
- *Local Agency/School Districts Mandate:* The proposed regulation action will not impose a mandate on local agencies or school districts, or a mandate that requires reimbursement pursuant to Part 7 (commencing with section 17500) of Division 4 of the Government Code.

Results of the Economic Impact Statement

The department has determined that this proposed action will not affect the creation or elimination of jobs within the state, the creation of new businesses or the elimination of existing businesses within the state, or the expansion of businesses currently doing business within the state.

This action will benefit the welfare of California residents and worker safety by reducing titling fraud of vehicles.

PUBLIC DISCUSSION OF PROPOSED REGULATIONS

A pre-notice workshop, pursuant to Government Code section 11346.45, is not required because the issues addressed in the proposal are not so complex or large in number that they cannot easily be reviewed during the comment period.

ALTERNATIVES CONSIDERED

The department must determine that no reasonable alternative considered by the department or that has otherwise been identified and brought to the attention of the department would be more effective in carrying out the purpose for which the action is proposed, or would be effective as and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law.

CONTACT PERSON

Any inquiries or comments concerning the proposed rulemaking action may be addressed to:

Tracy Brazil, Regulations Analyst
Department of Motor Vehicles
Legal Affairs Division
PO Box 932382, MS C-244
Sacramento, CA 94232-3820

Any inquiries or comments concerning the proposed rulemaking action requiring more immediate response may use:

Telephone: (916) 657- 8919
Facsimile: (916) 657-6243
E-Mail: LADRegulations@dmv.ca.gov

In the event the contact person is unavailable, inquiries should be directed to the following back-up person:

Shelly Johnson Marker, Chief of Staff
Department of Motor Vehicles
Telephone: (916) 657-6469

AVAILABILITY OF STATEMENT OF REASONS AND TEXT OF PROPOSED REGULATIONS

The department has prepared an Initial Statement of Reasons for the proposed regulatory action, and has available all the information upon which the proposal is based. The contact person identified in this notice shall make available to the public upon request the Express Terms of the proposed regulatory action using underline or italics to indicate additions to, and strikethrough to indicate deletions from the California Code of Regulations.

The contact person identified in this notice shall also make available to the public, upon request, the Final Statement of Reasons and the location of public records, including reports, documentation and other materials related to the proposed action. In addition, the above-cited materials (the Notice of Proposed Regulatory Action, the Initial Statement of Reasons, and Express Terms) may be accessed at <http://www.dmv.ca.gov/portal/dmv/detail/about/lad/regactions>.

AVAILABILITY OF MODIFIED TEXT

Following the written comment period, and the hearing if one is held, the department may adopt the proposed regulations substantially as described in this notice. If modifications are made which are sufficiently related to the originally proposed text, the fully modified text, with changes clearly indicated, shall be made available to the public for at least 15 days prior to the date on which the department adopts the resulting regulations. Request for copies of any modified regulations should be addressed to the department contact person identified in this notice. The department will accept written comments on the modified regulations for 15 days after the date on which they are first made available to the public.