# CHAPTER 23

**BONDS AND ALTERNATIVES**

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CHAPTER 23

BONDS AND ALTERNATIVES

23.000 Introduction (CVC §§4157, 9923, and 9924)

The Department of Motor Vehicles (DMV) may accept an applicant’s Statement of Facts (REG 256) form, a motor vehicle or vessel bond, or a bond alternative to support the issuance of a California title when regular evidence of ownership for the vehicle or vessel is not obtainable.

The value of the vehicle or vessel and type of application determines which document is required.

When a bond is required for registration of a vehicle or vessel, the:

- Bond **must** be for an amount equal to the market value of the vehicle/vessel. The market value is determined by taking the midpoint value between the wholesale and retail values shown in a recognized industry motor vehicle valuation and pricing handbook.
- Application **must** include a REG 256 completed by the applicant stating the reason for submitting a bond.
- Bond may be submitted by the applicant or another person.

**Note:** A bond with the preprinted signature and notary acknowledgment of the surety is acceptable. However, the signature and acknowledgment of the principal **must** be original.

Vehicles—Accept a motor vehicle bond for any vehicle, including one from another state or country, when regular evidence of ownership is not obtainable. This includes an application to convert a nontransferable (goldenrod) registration. A foreign vehicle ownership bond **is not** mandatory for vehicles from another state or country, but **is** acceptable.

Vessels—Accept a vessel bond or a motor vehicle bond with a rider attached covering the vessel.

The REG 256 and the vehicle or vessel bond or bond alternative must be conditioned to protect DMV, the applicant, and any future owner against loss resulting from any defect in, or undisclosed claim upon, ownership of the vehicle or vessel.

23.005 Definitions

**Acknowledgement**—A formal declaration made before an authorized officer, such as a notary public, by the person who executed the instrument, confirming the validity of the person and the signature of such person, and that the person executed the instrument of their own free will.

**Affidavit**—A written declaration made under oath.
23.005 Definitions, continued

**Certification**—A written confirmation of a true, accurate, and/or genuine written document.

**Penal Sum**—The maximum dollar amount for which the surety is liable under the provisions of a bond.

23.010 Diligent Effort Process

When the documents required to establish evidence of ownership are unobtainable, an applicant must submit a Statement of Facts (REG 256) form to substantiate their ownership of the vehicle. In specific cases, the applicant will also be required to submit a certified letter and a motor vehicle bond, vessel bond, or bond alternative.

**IMPORTANT:** A REG 256 cannot be completed by a dealer, dismantler, or registration service on behalf of their customer.

**Use the following chart to determine when the diligent effort process is required:**

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<th><strong>If the Applicant Cannot Provide Evidence of Ownership and the</strong></th>
<th><strong>Then</strong></th>
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<tr>
<td>• Value of the vehicle is $5,000 or more&lt;br&gt;• Value of the vessel is $2,000 or more&lt;br&gt;• Application is a transfer of vehicle with nontransferable registration (goldenrod) regardless of value&lt;br&gt;• Release from the legal owner/lienholder cannot be obtained, regardless of value</td>
<td>The diligent effort/bond process is required and the following must be submitted: &lt;br&gt;• A certified letter, returned to the sender unclaimed and unopened, as evidence of a diligent effort. If after 30 days the sender has not received a response, a postal receipt acknowledging receipt of the letter by the addressee may be accepted. &lt;br&gt;• A REG 256 from the applicant stating: &lt;br&gt;  —What effort was made to contact the last owner(s) of record to obtain evidence of ownership and any supporting documents required, and why it was not obtainable. &lt;br&gt;  —How, when, and from whom the vehicle or vessel was acquired. &lt;br&gt;  —The vehicle or vessel is free of liens not indicated on the application. &lt;br&gt;  —The current value of the vehicle or vessel and how it was determined. If the value was determined by an appraisal, that appraisal must also accompany the REG 256. &lt;br&gt;• A motor vehicle/vessel bond or a bond alternative.</td>
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### 23.010 Diligent Effort Process, continued

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<th>If the Applicant Cannot Provide Evidence of Ownership and the</th>
<th>Then</th>
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<tr>
<td>• Value of the vehicle is $4,999 or less</td>
<td>The diligent effort/bond <strong>is not</strong> required and the following must be submitted:</td>
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<tr>
<td>• Value of the vessel is $1,999 or less</td>
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**Note:** The diligent effort satisfies the application requirements for supporting documents, including the seller’s odometer disclosure. The REG 256 **cannot** be completed by a dealer, dismantler, or registration service on behalf of a customer.

### 23.015 Document Acceptability

**Title**—A photocopy of the title document is **not** acceptable for transfer of ownership.  
**Manufacturer’s Certificate/Statement of Origin (MCO/MSO)**—The original or duplicate copy (not a photocopy) of the certificate/statement of origin issued by the manufacturer is acceptable.  
**Court Document**—The original, certified copy, or photocopy of a court document is acceptable.  
**Other Documents**—The following may be accepted in lieu of the original document:  
• A photocopy or fax copy of a form may be accepted, provided the information and the signature on the form are **original**.  
• A handwritten/typed copy of a document bearing a certification that the document is a true copy.  

**Exception:** Repetitive information, such as the make, year, and model, may be a copy when multiple applications are submitted. Critical information, such as the last digits of the vehicle identification number and signatures, **must** be original.
23.020 Motor Vehicle Ownership Surety Bond (CVC §§4157, 38050 and CCR §152)

A Motor Vehicle Ownership Surety Bond (REG 5057) form or a bond alternative must be submitted when the required supporting evidence of ownership is not available and at least one of the following conditions exist:

- Value of the vehicle is $5,000 or more.
- Value of the vessel is $2,000 or more.
- Vehicle is nontransferable (goldenrod).
- Release from the legal owner/lienholder cannot be obtained.
- Application is being submitted by a dealer, dismantler, or registration service.

A REG 5057 is acceptable for a:

- Vehicle or vessel when regular evidence of ownership is unobtainable and a bond is required, including a vehicle or vessel from another state or country.
- Vessel provided the REG 5057 correctly identifies the vessel, has a rider attached covering the vessel, and is issued by an admitted surety insurer authorized to do business in California by the Department of Insurance.

The bond must be obtained for the fair market value of the vehicle or vessel, as determined by one of the following:

- Written appraisal provided by a California or other state-licensed dealer, motor vehicle insurance representative, or yacht and shipbroker.
- A REG 256 giving the valuation based on information provided in a recognized industry motor vehicle valuation and pricing handbook, such as the Kelley Blue Book. The REG 256 must also include:
  - The lowest and highest price valuations added together and divided by two, to get the average price of the vehicle which shall be used as the fair market value of the vehicle or vessel.
  - Any information required for the diligent effort.

Example: 1,000+2,000=3,000, 3,000÷2=1,500. Fair market value=$1,500.

Note: The bond must be signed by the surety and the signature must be notarized. A bond preprinted with the surety’s signature and notary acknowledgement is not acceptable.

Bond forms are available on DMV’s website at www.dmv.ca.gov/forms.
23.025 **Motor Vehicle or Vessel Bond Alternatives (CCP §§995.710-995.770)**

In lieu of submitting a bond for a vehicle or vessel, a Vehicle, Vessel, or Off-Highway Vehicle Title Deposit Agreement and Assignment (REG 5059) form may be submitted for each deposit with one of the following:

### Lawful Money of the United States (Cash Deposit)

The cash deposit shall be:

- Maintained by DMV in an interest-bearing trust account.
- In the form of cash, cashier’s check, certified check, bank money order, traveler’s check, or personal check.
- A personal check is not valid until the check has cleared the bank.

**Note:** If no proceedings are pending to enforce the liability of the account then, on demand, the state shall pay quarterly to the depositor any interest on the deposited amount when earned in accordance with the terms of the account.

**The procedures below must be followed:**

- Send all required documents to DMV headquarters.
- Send the receipt and REG 5059 to the Accounting Unit, Attn: Special Funds in DMV headquarters for safekeeping.

### Bearer Bond or Bearer Note of the United States or the State of California

The bearer bond or note shall have a market value:

- Equal to, or in excess of, the amount that would be required to be secured by a bond issued by an admitted surety company.
- Agreed upon by stipulation of the principal and beneficiary or, if the bonds or notes are given in an action or proceeding and the principal and beneficiary are unable to agree, the market value shall be determined by a court order.

Additional bearer bond information can be found in CCP §995.720.
23.025  Motor Vehicle or Vessel Bond Alternatives, continued

Certificate of Deposit

The certificates shall:

• Be payable to the State of California.

• Have a monetary amount not exceeding the federally insured amount issued by banks or savings associations that are:
  — Authorized to do business in California.
  — Insured by the Federal Deposit Insurance Corporation (FDIC).

• Show the name and address of the financial firm holding the deposit and be endorsed (signed) by the firm.

• Show the effective date.

• Be for a term of three years or, when there is no provision for the term of the assignment, it must remain valid until surrendered by DMV (assignee).

Assignment as Security

An assignment as security can be a:

• Savings account.

• Investment certificate or share account.

• Certificate for funds or share accounts.

Savings Account

The savings account shall:

• Be assigned to DMV (assignee).

• Have a monetary amount not exceeding the federally insured amount, together with evidence of the deposit in the savings accounts with banks:
  — Authorized to do business in California.
  — Insured by the Federal Deposit Insurance Corporation (FDIC).

• Be equal in value to the sum of money of the bond requested or the retail value of the vehicle/vessel in lieu of a bond, which allows them to earn interest on the security (deposit) during the time it is held.

• Be accompanied by the account passbook.

• Include the name of the person posting the assignment (assignor) and their signature.
23.025 Motor Vehicle or Vessel Bond Alternatives, continued

Investment Certificate or Share Account
The investment certificate or share account shall:

• Be assigned to DMV.
• Have a monetary amount not exceeding the federally insured amount, issued by the saving associations:
  — Authorized to do business in this state.
  — Insured by the Federal Deposit Insurance Corporation (FDIC).

Certificate for Fund or Share Account
The certificate for funds or share account shall:

• Be assigned to DMV.
• Have a monetary amount not exceeding the federally insured amount, issued by the union, as defined in California Financial Code §14002, whose share deposits are guaranteed by one of the following:
  — The National Credit Union Administration.
  — Any other agency approved by the Department of Financial Institutions.

Additional Information
All deposits are to have a face value, or in the case of bearer bonds or notes, have a market value, equal to or in excess of the amount that would be secured by the surety bond.

The value of the vehicle or vessel is determined by one of the following:

• Vehicles– a written appraisal provided by a California or other state-licensed dealer or motor vehicle insurance representative.
• Vessels– a written appraisal provided by a California or other state-licensed yacht and shipbroker.
• A REG 256 giving the valuation based on information provided in a recognized industry motor vehicle valuation and pricing handbook, such as the Kelley Blue Book. The REG 256 must also include:
  — The lowest and highest price variations added together and divided by two, to get the average price of the vehicle which shall be used as the fair market value of the vehicle.
  
  **EXAMPLE:** \[1,000 + 2,000 = 3,000, \frac{3,000}{2} = 1,500\], Fair market value=$1,500.
  — Any information required for the diligent effort.

**NOTE:** The depositor does not have to be the principal.
23.025 Motor Vehicle or Vessel Bond Alternatives, continued

For all deposit forms, the following must be submitted:

- A REG 5059, in duplicate.
- The appropriate deposit form.
- A REG 256 form giving the value and diligent effort information.
- All forms and fees normally required to complete the application.

The procedures below must be followed:

- Send one copy of the REG 5059 and the appropriate deposit form to the Accounting Unit, Attn: Special Funds.
- Include the second copy of the REG 5059, a copy of the deposit form, and the REG 256 stating the value and diligent effort information with the application.
- Send the complete application to DMV headquarters. However, when lawful money is submitted the application may be cleared, if appropriate.

23.030 Notarized Documents

Notary Expiration Date—A California notary’s commission date is required for notarized signatures on:

- An Application for Duplicate or Paperless Title (REG 227) form.
- A Lien Satisfied/Legal Owner/Title Holder Release (REG 166) form, submitted in conjunction with a REG 227.

Officers of the Armed Forces—Commissioned officers on active duty with the U.S. Armed Forces may perform all notary public acts for any person serving in or with the U.S. Armed Forces and/or their spouse, wherever they are stationed (CCC §1183.5). This includes:

- U.S. Army or Air Force—Any officer approved by the Judge Advocate General.
- U.S. Marine Corps—Any officer at or above the rank of captain.
- U.S. Navy or Coast Guard—Any commanding officer or executive officer of a ship, shore station, or establishment, and any officer at or above the rank of lieutenant, senior grade.

23.035 Return of Motor Vehicle or Vessel Bond Alternatives (CCP §4158)

A motor vehicle or vessel bond alternative may be returned to the applicant if the following apply:

- The vehicle/vessel has ceased to be registered in this state for at least three years.
- The currently valid California certificate of ownership is being surrendered to DMV.
23.035 Return of Motor Vehicle or Vessel Bond Alternatives, continued

Return of Lawful Money of the United States (Cash Deposit)
An Application for Refund (ADM 399) form, may be submitted to DMV for a refund of the cash deposit to the address shown on the ADM 399.

Return of a Bearer Bond, Certificate of Deposit, and Assignment as Security
The depositor must send a written request for the return of the certificates of deposit, bearer bonds, investment certificates, share accounts, or savings account to DMV at:
Department of Motor Vehicles
Registration Processing Units, MS C271
PO Box 942869
Sacramento, CA 94269-0001

23.040 Salvage Vehicles (CVC §11515)
A motor vehicle bond must be used when a regular title is not available for a vehicle reported sold as salvage. The bond amount must be for the amount of the payoff to the insured plus the amount paid by the salvage buyer.

EXAMPLE: If the payoff to the insured is $2,100, and the amount paid by the salvage buyer is $300, the amount of the bond must be $2,400.

NOTE: A motor vehicle bond is not required if an acceptable Unobtainable Title Certification for Issuance of Salvage/Nonrepairable Certificate (REG 492) form is submitted by an insurance company in place of evidence of ownership documents. Do not return the application on a report of deposit of fees (RDF) to request a motor vehicle bond, a lien satisfied (when there is a lien holder on record), or an out-of-state title (if the vehicle was titled in another state).

23.045 Specially Constructed (SPCNS) Vehicle or Vessel
A vehicle or vessel bond is required for an SPCNS vehicle or vessel built from an altered vehicle, component parts of an altered vehicle or vessel (registered or formerly registered in California or any other state), or from materials not previously part of another vehicle (wheels and tires excluded) to which an assigned vehicle identification number (VIN) license plate is issued, unless one of the following conditions exist:

• The evidence of ownership documents submitted identify a VIN which can be verified against the vehicle.

• The value of the completed vehicle is $4,999 or less.
23.045 Specially Constructed (SPCNS) Vehicle or Vessel, continued

- The value of the vehicle’s major component parts (engine, frame, transmission, body) for which bills of sale cannot be obtained is $4,999 or less.

- The value of the completed vessel is $1,999 or less.

- The value of the vessel’s component parts (engine, hull, and all component parts for the navigation and/or comfort of crew or passengers), for which bills of sale cannot be obtained is $1,999 or less.

Original evidence of ownership such as invoices, receipts, or bills of sale for materials used in constructing the vehicle must be submitted as part of the application.

Copies of documents, such as invoices, receipts, or bills of sale for materials purchased in bulk for construction of “homemade” vehicles or vessels may, at the office manager’s discretion, be accepted if accompanied by a A Statement of Facts (REG 256) form, the applicant indicating the materials were purchased for use in constructing the vehicle or vessel.

23.050 Unavailable Legal Owners

A motor vehicle bond may be accepted in lieu of the release by the legal owner/lienholder when all efforts to contact the legal owner/lienholder to obtain a release of interest or lien satisfied have been exhausted. A bond is required regardless of the vehicle or vessels value.

If the legal owner is an individual, the following must be submitted:

- Evidence of the applicant’s attempt to obtain the legal owner’s release in the form of a returned and unopened certified letter. The postal receipt acknowledging receipt of the letter by the addressee may be accepted in situations where a certified letter is delivered, but after 30 days the sender has not received a response.

- A Statement of Facts (REG 256) form stating the current retail value of the vehicle or vessel and the diligent effort information.

- A motor vehicle or vessel bond or bond alternative for the value of the vehicle or vessel.

- Fees due.

The procedure below must be followed:

- Process as a clearing transaction, once all required items are submitted.
23.050  Unavailable Legal Owners, continued

If the legal owner is a dealer out of business (DOB), the following must be submitted:

• A lien satisfied from the DOB legal owner or evidence of their attempt to obtain the lien satisfied in the form of a returned and unopened certified letter.
  — If after 30 days the sender has not received a response, a postal receipt acknowledging receipt of the letter by the addressee may be accepted.

• A Statement of Facts (REG 256) form, completed by the applicant stating the current retail value of the vehicle and the diligent effort information.

• If a lien satisfied from the DOB legal owner is not submitted, a motor vehicle or vessel bond or bond alternative for the value of the vehicle is required.

• Fees due.

The procedures below must be followed:

• Determine that the dealer is out of business by running an Occupational Licensing Inquiry (OLI) on the dealer name or number. The contact person for a DOB is the owner shown on the record.

• Give the applicant the owner’s name and telephone number from the OLI.

• Print “DOB MM/DD/YYYY see OLI attached,” on line 2 of the REG 227.

• Attach the OLI printout to the application.

• Collect a motor vehicle or vessel bond or bond alternative with the application.

• Process as a clearing transaction.

Note: Do not use this procedure if the OLI record does not indicate DOB. Give the applicant the dealer’s address and telephone number so that a lien satisfied from the dealer may be obtained.

If the legal owner is a bank or a financial or lending institution, the following must be submitted:

• A lien satisfied from the DOB legal owner or evidence of their attempt to obtain the lien satisfied in the form of a returned and unopened certified letter.
  — If after 30 days the sender has not received a response, a postal receipt acknowledging receipt of the letter by the addressee may be accepted.

• A REG 256 stating the current retail value of the vehicle and the diligent effort information.

• Fees due.
23.050  **Unavailable Legal Owners, continued**

For vehicles two model years old or newer:

- Electronic lien and title (ELT) legal owner of record participants must continue to use the appropriate ELT process to release the lien or transfer legal ownership.

- If the legal owner of record is not an ELT participant and the original Certificate of Title is lost, the legal owner must apply for a duplicate title using a Application for Duplicate or Paperless Title (REG 227) form.

- REG 227. The lien can then be released upon receipt of the new title and mailed to the registered owner.

- The address of the legal owner cannot be changed when applying for a duplicate title. This should be done prior to requesting a duplicate title.

- If the legal owner refuses to assist the registered owner, the registered owner must follow the procedures Diligent Effort Process section in this chapter. Forward the paperwork to DMV headquarters.

**The procedures below must be followed:**

- If the application is complete, except for the legal owner’s release, forward the transaction to DMV headquarters.

- Inform the applicant that DMV headquarters will research the application to determine whether or not a financial institution or a successor exists and will advise them of any additional requirements.

23.055  **Undocumented Vessel Surety Bond (CVC §9923, CCR §190.03)**

An Undocumented Vessel Surety Bond (REG 5058) form, or a bond alternative must be submitted when the required supporting evidence of ownership is not available and at least one of the following conditions exist.

- The value of the vessel is $2000 or more.
- A release from the legal owner/lienholder cannot be obtained.
- An application is being submitted by a dealer, dismantler, or registration service.

A Motor Vehicle Ownership Surety Bond (REG 5057) form is acceptable for any vessel, including a vessel from another state or country, provided the REG 5057 correctly identifies the vessel, has a rider attached covering the vessel, and is issued by an admitted surety insurer authorized to do business in California by the Department of Insurance.
23.055 **Undocumented Vessel Surety Bond, continued**

The bond must be obtained for the fair market value of the vessel, as determined by one of the following:

- A written appraisal provided by a California or other state-licensed yacht and shipbroker.
- A Statement of Facts (REG 256) form giving the valuation based on information provided in a recognized industry motor vehicle valuation and pricing handbook, such as the *Kelley Blue Book*. The REG 256 must also include:
  - The lowest and highest price variations added together and divided by two, to get the average price of the vehicle which shall be used as the fair market value of the vehicle.
  - **Example:** 1,000+2,000=3,000, 3,000÷2=1,500. Fair market value=$1,500.
  - Any information required for the diligent effort.

**Note:** The bond must be signed by the **surety** and the signature must be notarized. A bond **preprinted** with the surety’s signature and notary acknowledgement is **not acceptable**.

Bond forms are available on DMV’s website at [www.dmv.ca.gov/forms](http://www.dmv.ca.gov/forms).