

MINUTES OF THE HOUSE TRANSPORTATION COMMITTEE

The meeting was called to order by Chairman Gary Hayzlett at 1:30 P.M. on February 7, 2007 in Room 519-S of the Capitol.

All members were present.

Committee staff present:

Hank Avila, Kansas Legislative Research  
Bruce Kinzie, Revisor of Statutes Office  
Betty Boaz, Committee Assistant

Conferees appearing before the committee:

Don McNeely, President, KS Automobile Dealers Association  
Kathy Olsen Representing KS Bankers Association  
Thomas Steele, Tiger Financial Management Services, LLC

Others attending:

See attached list.

Vice Chairman Virgil Peck opened the Committee meeting. He opened the hearing on **HB 2373**.

**HB 2373 - Certificates of title, second lien.**

Vice Chair Peck recognized Don McNeely, President of the Kansas Automobile Dealers Association as the first proponent. Mr. McNeely said passage of **HB 2373** would limit the number of liens on a certificate of title in Kansas after July 1, 2007 to one. Current law allows for up to two liens on a certificate of title. According to Mr. McNeely (Attachment #1) this bill is needed to protect the purchasers of motor vehicles, including dealers and individuals, from having a lien attached to a certificate of title after a transaction for sale has been concluded. Mr. McNeely concluded by saying that the Kansas Automobile Dealers Association believes legislation such as **HB 2373** is not only appropriate, but absolutely necessary to protect the integrity of the motor vehicle title process for dealers and individual consumers alike. Mr. McNeely introduced Pat Barnes, General Counsel for the Kansas Automobile Dealers Association. Mr. Barnes spoke briefly to the Committee about the Uniform Commercial Code entitled, Article 9 and other related issues and the implications on this bill.

Chairman Hayzlett introduced Kathy Olsen representing the Kansas Bankers Association. According to Ms. Olsen (Attachment #2) the perfection of security interests is governed by a body of law under the Uniform Commercial Code entitled, Article 9. She said perfection is important with regard to a security interest in that it is how a lender protects itself against claims from competing creditors and other third parties. With regard to vehicles, the way a lender perfects its security interest is by getting its lien noted on the certificate of title representing that vehicle. She said this bill will not prevent a lender from taking a second lien on a vehicle, but it will prevent the lender from “perfecting” its second lien. In other words, a borrower may still obtain financing and use his or her vehicle as collateral, but the lender will not be able to perfect its security interest.

There were no other proponents of **HB 2373** so Chairman Hayzlett called for the first opponent.

Thomas Steele, Tiger Financial Management, LLC, Wichita, KS, said his company objects to **HB 2373** (Attachment #3) in its present form. He said the proposed amendments create internal inconsistencies which should be harmonized with the existing language of the statute. Mr. Steele suggested the wording, “...On or after July 1, 2007, only one perfected lien shall be taken or accepted...” According to Mr. Steele, without the correction the proposed bill requires a lender obtaining a second security interest on a motor vehicle to file the application for a lien on the vehicle then, two sentences later, prohibits that same filing.

There were no other opponents to this bill so the Chairman closed the hearing on **HB 2373**. The Chairman asked Mr. Steele and Mr. McNeely to meet after the Committee meeting to resolve their differences.

There being no further business before the Committee, Chairman Hayzlett adjourned the meeting. The next scheduled meeting will be on February 13, 2007 at 1:30 p.m. in Room 519-S.