



Lien Solutions

Title processing in person-to-person motor vehicle transactions

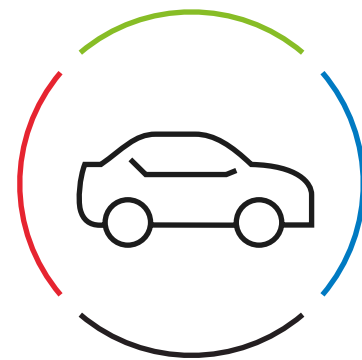
The value of best practices and expert support



By Rick Vanko

The used vehicle market in the United States remains fertile, and financing person-to-person vehicle transactions represents an opportunity for lenders of all sizes.

As with all asset-backed lending, it's essential for lending institutions to protect their investments in financed motor vehicles by perfecting their interests. That means conducting the necessary due diligence and making the appropriate title filings in relevant jurisdictions to properly establish a security interest in those assets. But many companies are not prepared to address the unique demands and complexities that can come with motor vehicle title processing. These can include the need to deal with motor vehicle departments (DMV) in many jurisdictions and to make sense of a broad range of varying rules and requirements. As it stands, the processes and protocols within many lending institutions have not been optimized to mitigate risk and ensure valuable protections for financial investments in the motor vehicle space. As a leading provider of lien services, Lien Solutions has developed decades of expertise that can inform best practices for sound lending—we share some of them here.





It's no secret, the DMV is no fun



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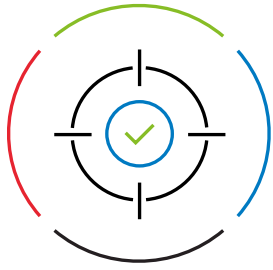
While new, dealer-purchased transactions are largely handled between the dealer and the DMV, financiers of person-to-person transactions have to make sure for themselves that their interests are perfected. That means dealing with the DMV to conduct titling, which is a prospect that many companies, like many individuals, don't relish, given the reality of often complex requirements that must be understood and managed if a lender's interests are to be truly protected. That includes the overall frustration: "I hate all things DMV." And, it extends to specific issues: "I don't ever know what's needed from the customer to bring to the closing table to complete these loans."

The fact is that dealing with the DMV is complex. And for lenders, that means more than just a headache. There are real financial ramifications to understanding what's required for which kinds of vehicles and in what jurisdictions. Details can include different forms for different offices, and different kinds of documents for specific types of vehicles and uses. For example, if a small business is financing a truck, will that truck require apportioned plates that allow it to be operated in multiple states? Depending on its use, should a vehicle be titled as consumer or commercial in the first place? In some cases, such as agricultural equipment, you may need to determine whether a tag and title are needed or if a UCC would suffice. These are just a few of the many considerations you may need to address.

Getting any of the specifics wrong can result in rejected filings and the need to repeat steps, costing both time and money. That's why it's so important to have access to expert support that's grounded in hands-on experience with DMVs around the country. An expert, full service lien solution provider can save you a great deal of time and frustration because the relevant jurisdictional knowledge has already been sourced. And market leaders integrate those understandings into innovative automated tools to further speed the process of perfection. Having access to solutions and systems where the details are already built in can expedite and streamline the process and ensure more dependable results.

As one customer at a large bank says, "My job is to close loans, ensure the bank's interest are 100% secure; I don't know, nor do I want to know, how to work with the DMV." Letting a service provider deal with the DMV allows a financial company to focus on its core business while also ensuring that due diligence and appropriate filings are done to achieve perfection.

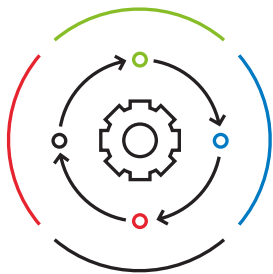
From estimate to perfection



One area where an expert provider can strip out complexity is the estimate process. This can be one of the most onerous parts of a transaction and a primary cause of pain for lenders. Understanding what fees, taxes, and surcharges need to be paid can also vary depending on location, type of vehicle, and intended use. For example, if fees are based on the gross weight of a vehicle, are you prepared to calculate what those will be? Will fees be paid directly by the borrower or funded in the loan itself? The questions and answers can quickly become complicated.

Here, again, the help of an expert can be key. A provider engaged across all jurisdictions already has the hands-on knowledge that could cost you valuable time and resources to learn. They can quickly determine what vehicle information and documents are required to title, and are able to break out the corresponding costs from jurisdictional fees to taxes. They can also help you orchestrate how these will be paid; for example, if a customer pays taxes directly, or if the costs can be bundled and funds disbursed accordingly.

Variability is the enemy of perfection



While working effectively with the DMV is core to vehicle titling, ensuring a smooth path to perfection starts with a lender's internal operations. Your own processes and protocols are key to mitigating risk, whether you're handling just a few vehicle loans or an extensive portfolio.

This applies from the very first steps. Sound lending begins with due diligence, and that includes collecting the right information from the customer. Incorrect information can compromise the protections you put in place; for example, if a customer's name is not indicated precisely in a filing. Additionally, missing data can lead you to have to repeat steps and re-file. Being sure to get it right the first time not only saves time, it can save money associated with penalties and re-filing. That means knowing exactly what information is required for a particular filing in a specific jurisdiction. As those requirements vary, you may find yourself having to source different information from customers for different transactions. Having the guidelines and protocols in place not only streamlines your own operations, but translates into a better experience for customers.

Knowing who is responsible for what, and when, is also important. Some lenders prepare title documents, but allow them to be filed by the customer. But this means that a vital step is left out of your control. If a customer forgets or neglects to complete a filing, you will not obtain the benefits of the perfection you seek. And, if a customer does file but the filing is rejected by the DMV, you may not realize that perfection is not in place. At the very least, it's important to confirm that filings have been completed. And, in many cases, it's best for a lender to take the extra time to oversee the actual filing itself.

These are just a few of the concerns that can be addressed by establishing well thought out best practices for your organization. Not only can they help mitigate financial risk, they can give your people the clarity and confidence to execute deals more seamlessly.



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Stay protected



Achieving perfection for your interest in motor vehicles is an important part of making sure you are protected, and a fundamental feature of sound lending. But, dealing with the DMV can be time-consuming and frustrating, and can involve widely varying obligations based on the customer, the vehicle, and the applicable jurisdiction. Having access to expert support can expedite the process and ensure more accurate results. At the same time, clearly defining your own internal procedures and protocols is a critical best practice that can also save time and costs. It can help ensure the due diligence on which you base your lending decisions, and reduce errors and repeated steps throughout the process. Whether it's dealing with the DMV or your own customers, knowing what's required, and how to best meet those obligations, is an important part of managing risk and optimizing your financial position when financing motor vehicles.



About the authors

Rick Vanko is Product Manager for iLien Motor Vehicle at Lien Solutions. He has more than 25 years of experience supporting the Lien Solutions portfolio of automated lien and risk management products, and the key financial services and mortgage clients that use them.

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