



Vehicle Title Fraud

Effect

Credit unions incur large financial losses when title fraud occurs. The vehicle or boat involved in the fraud is often sold multiple times prior to the financial institution being alerted to the fraud, creating losses for multiple parties when litigation ensues.

Several incidents of “title washing” have recently occurred in addition to other forms of vehicle fraud. Title fraud continues to increase in both frequency and organization. Michigan’s paper-based system and current title holding system are contributing to the problem.

The current legislation would not only move Michigan away from the current paper based vehicle titling system, it also streamlines the placement and release of security interests. Transitioning Michigan to a centralized, electronic system would leverage improved technology to allow for quick and secure electronic title checks for member institutions and would help to minimize “title washing”.

Status/MCUL Position

In late April, Senate Bills 915, 916, 917, and 918, were introduced by Sen. Tom Casperson (R-Escanaba), Sen. Mile Nofs (R-Battle Creek), Sen. Steve Bieda (D-Warren), and Sen. Jack Brandenburg (R-Harrison Twp.). This bi-partisan package of bills that will transition Michigan from a paper based title-holding state, toward a full electronic and centralized titling state, was unanimously referred to the committee as a whole and currently awaits consideration on the Senate floor.

While drafting the current language, MCUL & Affiliates CEO Dave Adams and representatives from the MCUL’s Government Affairs team met with Secretary of State Ruth Johnson to discuss title fraud issues and concerns, and the Secretary’s legislative team made a full presentation to the MCUL State and Federal Issues Working Group.

The MCUL strongly supports the current package of bills, and plans to continue to work in tandem with the SOS to support much needed reforms in state law to help minimize title fraud.

Background

Title fraud occurs when the title (the Certificate of Ownership that shows who owns the vehicle) doesn’t accurately report important information about the history of a vehicle or boat.

Michigan is one of only nine states that are “non-title holding” states, in which titles are mailed to the owner rather than the lien holder. These states include: Arizona, Kentucky, Maryland, Michigan, Minnesota, New York, Oklahoma, South Dakota and Wisconsin.

Members of the State and Federal Issues Workgroup expressed concern with Michigan’s current title holding process and encouraged the department to transition Michigan to a “title holding state”, and to utilize improved technology that would allow quick and secure electronic title checks for member institutions. The department recently met with several vendors. Secretary of State Ruth Johnson is interested in transitioning the department to a new electronic vendor and moving Michigan towards a “title holding” state.