

House Study Bill 633 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
TRANSPORTATION BILL BY
CHAIRPERSON BYRNES)

A BILL FOR

1 An Act relating to the activities of motor vehicle dealers,
2 including the electronic submission of applications for
3 motor vehicle registration and issuance of certificates of
4 title, the furnishing of surety bonds, and the assessment of
5 documentary fees, and making a penalty applicable.
6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 321.20, subsections 2 and 3, Code 2016,
2 are amended to read as follows:

3 2. Notwithstanding contrary provisions of **this chapter**
4 or **chapter 326** regarding titling and registration by means
5 other than electronic means, the department ~~may~~ shall, by
6 July 1, 2017, develop and implement a program to allow for
7 electronic applications, titling, registering, and ~~electronic~~
8 ~~funds transfer~~ transfers for vehicles subject to registration
9 in order to improve the efficiency and timeliness of the
10 processes and to reduce costs for all parties involved. The
11 program shall also provide for the electronic submission of any
12 statement required by this section, except where prohibited by
13 federal law.

14 3. The department shall adopt rules on the method for
15 providing signatures for applications and statements required
16 by this section that are made by electronic means.

17 Sec. 2. Section 321.20, Code 2016, is amended by adding the
18 following new subsection:

19 NEW SUBSECTION. 4. Notwithstanding this section or any
20 other provision of law to the contrary, if the program required
21 by subsection 2 is not implemented by July 1, 2017, an owner
22 of a vehicle subject to registration may apply to the county
23 treasurer of any county in the state for registration and
24 issuance of a certificate of title regardless of the owner's
25 county of residence or the county where the primary users of
26 the vehicle are located.

27 Sec. 3. Section 322.4, subsection 1, paragraph g, Code 2016,
28 is amended to read as follows:

29 *g.* Before the issuance of a motor vehicle dealer's license
30 to a dealer engaged in the sale of vehicles for which a
31 certificate of title is required under **chapter 321**, or the
32 issuance of a temporary permit under section 322.5, subsection
33 6, paragraph "b", the applicant shall furnish a surety bond
34 executed by the applicant as principal and executed by a
35 corporate surety company, licensed and qualified to do business

1 within this state, which bond shall run to the state of Iowa,
2 be in the amount of ~~fifty~~ five hundred thousand dollars and
3 be conditioned upon the faithful compliance by the applicant
4 as a dealer with all of the statutes of this state regulating
5 or applicable to the business of a dealer in motor vehicles,
6 and indemnifying any person who buys a motor vehicle from the
7 dealer from any loss or damage occasioned by the failure of the
8 dealer to comply with any of the provisions of [chapter 321](#) and
9 this chapter, including but not limited to the furnishing of
10 a proper and valid certificate of title to the motor vehicle
11 involved in a transaction. The bond shall also indemnify any
12 motor vehicle purchaser from any loss or damage caused by the
13 failure of the dealer to comply with the odometer requirements
14 in [section 321.71](#), regardless of whether the motor vehicle was
15 purchased directly from the dealer. The bond shall be filed
16 with the department prior to the issuance of a license or
17 permit. The aggregate liability of the surety, however, shall
18 not exceed the amount of the bond.

19 Sec. 4. NEW SECTION. **322.19A Documentary fee.**

20 1. For purposes of this section, "*documentary fee*" means a
21 fee that may be charged to a customer by a motor vehicle dealer
22 for the preparation of documents related to an application for
23 motor vehicle registration and issuance of a certificate of
24 title, and the performance of other services for the customer
25 related to the sale of a motor vehicle. "*Documentary fee*" does
26 not include any costs or fees charged to a motor vehicle dealer
27 or a dealer's customer by a third party.

28 2. A motor vehicle dealer may charge a documentary fee not
29 to exceed one hundred fifty dollars for each motor vehicle
30 sold in a transaction. Beginning January 1, 2017, and each
31 year thereafter, the maximum documentary fee permitted by
32 this section shall be subject to a rate adjustment equal to
33 the percentage change in the consumer price index for all
34 urban consumers for the most recent available twelve-month
35 period published in the federal register by the United States

1 department of labor, bureau of labor statistics. On or before
2 December 15 of each year, the department shall publish a notice
3 of the new maximum documentary fee permitted for the following
4 calendar year.

5 3. After the department has implemented a statewide
6 program pursuant to section 321.20, subsection 2, the maximum
7 documentary fee permitted by subsection 2 shall be reduced by
8 twenty-five dollars. The reduction shall be reflected in the
9 notice published by the department pursuant to subsection 2.

10 4. A motor vehicle dealer who charges a documentary fee to
11 a customer shall provide the following notice to the customer,
12 which notice shall be included in any retail installment
13 contract with the customer:

14 DOCUMENTARY FEE. A DOCUMENTARY FEE IS NOT AN OFFICIAL FEE.
15 A DOCUMENTARY FEE IS NOT REQUIRED BY LAW, BUT MAY BE CHARGED TO
16 A BUYER FOR THE PREPARATION OF DOCUMENTS AND THE PERFORMANCE OF
17 SERVICES RELATED TO THE SALE OF A MOTOR VEHICLE. THE MAXIMUM
18 AMOUNT THAT MAY BE CHARGED FOR A DOCUMENTARY FEE IS DETERMINED
19 BY IOWA CODE SECTION 322.19A. THIS NOTICE IS REQUIRED BY LAW.

20 EXPLANATION

21 The inclusion of this explanation does not constitute agreement with
22 the explanation's substance by the members of the general assembly.

23 Current law permits, but does not require, the department
24 of transportation (DOT) to develop and implement a program
25 allowing for the electronic submission of applications and the
26 electronic transfer of funds for motor vehicle registration
27 and issuance of certificates of title. This bill requires
28 the DOT to develop and implement the program by July 1,
29 2017. The bill also requires the program to provide for the
30 electronic submission of related statements required by law.
31 If the program is not implemented by July 1, 2017, an owner
32 of a vehicle subject to registration may apply to the county
33 treasurer of any county in the state for registration and
34 issuance of a certificate of title regardless of the owner's
35 county of residence or the county where the primary users of

1 the vehicle are located.

2 Code section 322.4 sets forth certain application
3 requirements for a motor vehicle dealer's license. One such
4 requirement is that the applicant furnish a surety bond. This
5 bill increases the required amount of the surety bond from
6 \$50,000 to \$500,000.

7 The bill provides that a motor vehicle dealer may charge
8 a documentary fee not to exceed \$150 for the preparation
9 of documents related to the application for motor vehicle
10 registration and issuance of a certificate of title, and the
11 performance of other services related to the sale of a motor
12 vehicle. Beginning January 1, 2017, the maximum permitted
13 documentary fee is subject to a rate adjustment equal to the
14 percentage change in the consumer price index. The bill
15 requires the DOT to publish, on or before December 15 of each
16 year, a notice of the new maximum documentary fee permitted
17 for the following calendar year. The bill provides that
18 the maximum documentary fee shall be reduced by \$25 after
19 implementation of the program allowing for the electronic
20 submission of applications and the electronic transfer of funds
21 for motor vehicle registration and issuance of certificates of
22 title. The bill requires a motor vehicle dealer who charges a
23 documentary fee to a customer to provide the customer a legal
24 notification related to the fee, which notification shall be
25 included in any retail installment contract with the customer.
26 By operation of law, a violation of the documentary fee
27 requirements of the bill is a simple misdemeanor punishable
28 by a fine of not less than \$250 nor more than \$1,500, or by
29 imprisonment not to exceed 30 days.