



To: Kentucky Joint Interim Judiciary Committee

From: Kentucky Automobile Dealers Association

Date: July 12, 2019

Re: Title Lien Perfection – KRS 186A.120

The purpose of coming before you today is to discuss a simple language change to KRS 186A.120 which would provide significant protections to dealers based on the following:

- Current law requires that a lien be perfected in the county of residence of the customer
- Some areas of the state have unclear and overlapping county boundaries with regard to certain addresses, post offices and streets
- Customers often misstate or are unsure of their county of residence because it is unclear to them based on their postal address
- The county clerks are not always able to clearly verify a county address when this occurs resulting in a lien being perfected in the wrong county
- Incorrect county information will be printed on the title in Frankfort
- A year or two later, if the customer files for bankruptcy, the bankruptcy attorneys will discover this error and deem the lien perfection invalid
- The dealer will then be liable for paying off the loan balance and essentially having to ‘buy-back’ the vehicle
- This occurs with relative frequency in some areas of the state and is a liability that should not be occurring on the part of the dealer

Our proposed language change looks to provide a ‘safe harbor’ when a dealer perfects the lien in the county as verified by the KY Driver’s License. This maintains the integrity of the current process, while adding a protection to the dealer for acting in good faith in determining this information based on customer data and available information.

Included for your review is an example of issues in the Tri-Counties area that have been experienced by one of our dealers.