



HOUSE BILL 870: Cert. of Title/Manuf. Home Changes.

**This Bill Analysis
reflects the contents
of the bill as it was
presented in
committee.**

2016-2017 General Assembly

Committee:	Senate Judiciary II	Date:	June 8, 2016
Introduced by:	Rep. Jordan	Prepared by:	Bill Patterson
Analysis of:	PCS to Second Edition H870-CSTGf-41		Committee Co-Counsel

SUMMARY: *The Proposed Committee Substitute for House Bill 870 would clarify the procedure for renewing, releasing, and canceling security interests on the certificate of title for a manufactured home, and would revise the cost calculation used in determining whether a lien agent must be appointed for leased real property being improved by the installation of a manufactured home.*

The PCS modifies the Second Edition of the bill by:

- Providing immunity to DMV from claims under the Torts Claim Act based on DMV reliance on a renewal application submitted pursuant to new G.S. 20-58.3A.
- Adding new Section 5 authorizing a \$15.00 fee to renew a security interest on a certificate of title or to remove a security interest from a certificate of title.
- Adding new Section 6 changing the procedure by which a manufactured home that has become an improvement to real property may be separated from the land.
- Deleting a provision authorizing a study of manufactured housing title and security interests by the Legislative Research Commission.
- Making other technical and clarifying changes.

BILL ANALYSIS:

Section 1 of the PCS would incorporate by reference, for purposes of Chapter 20 (Motor Vehicles), the definition of "manufactured home" found in Chapter 143, Article 9A (NC Manufactured Housing Board).¹

In addition, Section 1 would modify the definitions of "house trailer" and "recreational vehicle" used in Chapter 20 to exclude manufactured homes, but would include them within the meaning of the term "vehicle" unless the context requires otherwise, or as otherwise provided in statutes governing the process by which a manufactured home placed on a permanent foundation becomes an improvement to real property.²

Section 2 would amend G.S. 20-58 to require an application for notation of a security interest on a manufactured home's certificate of title to state the secured obligation's maturity date, and to require the Division of Motor Vehicles (DMV) to include the maturity date on the certificate of title, in DMV public records, and in any reports regarding the certificate of title provided to third parties by DMV.

¹ "A structure, transportable in one or more sections, which, in the traveling mode, is eight feet or more in width or is 40 feet more in length, or when erected on site, is 320 or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning and electrical systems contained therein." G.S. 143-143.9(6).

² G.S. 20-109.2, G.S. 47-20.6, G.S. 47-20.7.

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Section 3 would enact a new G.S. 20-58.3A to provide for automatic expiration of a security interest and to establish a procedure for renewal of a security interest on manufactured homes.

An unsatisfied security interest in a manufactured home that is not perfected in accordance with G.S. 20-58(c) (added by Section 2) would automatically expire 30 years after the date of issuance of the original certificate of title, unless a different maturity date is stated on the title.

An unsatisfied security interest in a manufactured home that is perfected in accordance with G.S. 20-58(c) would automatically expire:

- (1) if the perfection has not been renewed, on the earlier of 90 days after the stated maturity date or 15 years plus 180 days after the date of issuance of the original certificate, or
- (2) if the perfection has been renewed, on the earlier of 10 years after the date of the renewal, 90 days after the original maturity date (if not extended), or 90 days after any extended maturity date.

Section 3 provides a procedure for a secured party to renew the perfection of a security interest, but requires written consent of the borrower to any extension of the maturity date.

Section 3 also provides that DMV is not subject to a claim under the State Tort Claims Act based on its reliance on any application for renewal of a security interest on a manufactured home submitted by a third party pursuant to G.S. 20-58.3A.

Section 4 would provide a method by which the owner of a vehicle who has satisfied the secured debt can obtain a cancellation of the security interest when it is impossible for the owner to obtain a release from the secured party.

Section 5 would authorize the DMV to charge a \$15.00 fee for renewing a security interest on a certificate of title or removing a security interest from a certificate of title.

Section 6 would amend G.S. 20-109.2(d) to provide that when an owner of a manufactured home that has become an improvement to real property applies for a new certificate of title in connection with separating the manufactured home from the real property, the owner must submit to DMV verification of the identity of the current owner of the real property upon which the manufactured home was located. DMV would be required to issue the new title in the name of the current owner of the real property upon which the manufactured home was located.

Section 7 would amend G.S. 44A-11.1, which requires appointment of a lien agent for improvements to real property when the cost of the undertaking is \$30,000 or more, to provide that when improvements to a real property leasehold are limited to the purchase, transportation or setup of a manufactured home for which there is a current certificate of title, the purchase price of the home is not included in calculating the costs of the undertaking.

Sections 8 and 9 would make conforming changes to statutes requiring designation of a lien agent as a condition precedent to issuance of building permits for improvements to real property where the cost of work is \$30,000 or more, to provide that when improvements to a real property leasehold are limited to the purchase, transportation or setup of a manufactured home, with a current certificate of title, the purchase price of the home must be excluded in calculating the costs of the undertaking.

EFFECTIVE DATE: Section 6 becomes effective August 1, 2016, and applies to titles issued on or after that date. The remainder of this act becomes effective July 1, 2017.

Susan Sitze, counsel to House Judiciary II, substantially contributed to this summary.