

AN ACT concerning transportation.

**Be it enacted by the People of the State of Illinois,
represented in the General Assembly:**

Section 5. The Illinois Vehicle Code is amended by changing Section 3-114 as follows:

(625 ILCS 5/3-114) (from Ch. 95 1/2, par. 3-114)

Sec. 3-114. Transfer by operation of law.

(a) If the interest of an owner in a vehicle passes to another other than by voluntary transfer, the transferee shall, except as provided in paragraph (b), promptly mail or deliver within 20 days to the Secretary of State the last certificate of title, if available, proof of the transfer, and his application for a new certificate in the form the Secretary of State prescribes. It shall be unlawful for any person having possession of a certificate of title for a motor vehicle, semi-trailer, or house car by reason of his having a lien or encumbrance on such vehicle, to fail or refuse to deliver such certificate to the owner, upon the satisfaction or discharge of the lien or encumbrance, indicated upon such certificate of title.

(b) If the interest of an owner in a vehicle passes to another under the provisions of the Small Estates provisions of the Probate Act of 1975 the transferee shall promptly mail or deliver to the Secretary of State, within 120 days, the last certificate of title, if available, the documentation required under the provisions of the Probate Act of 1975, and an application for certificate of title. The Small Estate Affidavit form shall be furnished by the Secretary of State. The transfer may be to the transferee or to the nominee of the transferee.

(c) If the interest of an owner in a vehicle passes to another under other provisions of the Probate Act of 1975, as

amended, and the transfer is made by a representative or guardian, such transferee shall promptly mail or deliver to the Secretary of State, the last certificate of title, if available, and a certified copy of the letters of office or guardianship, and an application for certificate of title. Such application shall be made before the estate is closed. The transfer may be to the transferee or to the nominee of the transferee.

(d) If the interest of an owner in joint tenancy passes to the other joint tenant with survivorship rights as provided by law, the transferee shall promptly mail or deliver to the Secretary of State, the last certificate of title, if available, proof of death of the one joint tenant and survivorship of the surviving joint tenant, and an application for certificate of title. Such application shall be made within 120 days after the death of the joint tenant. The transfer may be to the transferee or to the nominee of the transferee.

(e) The Secretary of State shall transfer a decedent's vehicle title to any legatee, representative or heir of the decedent who submits to the Secretary a death certificate and an affidavit by an attorney at law on the letterhead stationery of the attorney at law stating the facts of the transfer.

(f) Repossession with assignment of title. In all cases wherein a lienholder has repossessed a vehicle by other than judicial process and holds it for resale under a security agreement, and the owner of record has executed an assignment of the existing certificate of title after default, the lienholder may proceed to sell or otherwise dispose of the vehicle as authorized under the Uniform Commercial Code. Upon selling the vehicle to another person, the lienholder need not send the certificate of title to the Secretary of State, but shall promptly and within 20 days mail or deliver to the purchaser as transferee the existing certificate of title for the repossessed vehicle, reflecting the release of the lienholder's security interest in the vehicle. The application for a certificate of title made by the purchaser shall comply

with subsection (a) of Section 3-104 and be accompanied by the existing certificate of title for the repossessed vehicle. The lienholder shall execute the assignment and warranty of title showing the name and address of the purchaser in the spaces provided therefor on the certificate of title or as the Secretary of State prescribes. The lienholder shall complete the assignment of title in the certificate of title to reflect the transfer of the vehicle to the lienholder and also a reassignment to reflect the transfer from the lienholder to the purchaser. For this purpose, the lienholder is specifically authorized to complete and execute the space reserved in the certificate of title for a dealer reassignment, notwithstanding that the lienholder is not a licensed dealer. Nothing herein shall be construed to mean that the lienholder is taking title to the repossessed vehicle for purposes of liability for retailer occupation, vehicle use, or other tax with respect to the proceeds from the repossession sale. Delivery of the existing certificate of title to the purchaser shall be deemed disclosure to the purchaser of the owner of the vehicle.

(f-5) Repossession without assignment of title. Subject to subsection (f-30), in ~~in~~ all cases wherein a lienholder has repossessed a vehicle by other than judicial process and holds it for resale under a security agreement, and the owner of record has not executed an assignment of the existing certificate of title, the lienholder shall comply with the following provisions:

(1) Prior to sale, the lienholder shall deliver or mail to the owner at the owner's last known address and to any other lienholder of record, a notice of redemption setting forth the following information: (i) the name of the owner of record and in bold type at or near the top of the notice a statement that the owner's vehicle was repossessed on a specified date for failure to make payments on the loan (or other reason), (ii) a description of the vehicle subject to the lien sufficient to identify it, (iii) the right of the

owner to redeem the vehicle, (iv) the lienholder's intent to sell or otherwise dispose of the vehicle after the expiration of 21 days from the date of mailing or delivery of the notice, and (v) the name, address, and telephone number of the lienholder from whom information may be obtained concerning the amount due to redeem the vehicle and from whom the vehicle may be redeemed under Section 9-623 of the Uniform Commercial Code. At the lienholder's option, the information required to be set forth in this notice of redemption may be made a part of or accompany the notification of sale or other disposition required under Section 9-611 of the Uniform Commercial Code, but none of the information required by this notice shall be construed to impose any requirement under Article 9 of the Uniform Commercial Code.

(2) With respect to the repossession of a vehicle used primarily for personal, family, or household purposes, the lienholder shall also deliver or mail to the owner at the owner's last known address an affidavit of defense. The affidavit of defense shall accompany the notice of redemption required in subdivision (f-5)(1) of this Section. The affidavit of defense shall (i) identify the lienholder, owner, and the vehicle; (ii) provide space for the owner to state the defense claimed by the owner; and (iii) include an acknowledgment by the owner that the owner may be liable to the lienholder for fees, charges, and costs incurred by the lienholder in establishing the insufficiency or invalidity of the owner's defense. To stop the transfer of title, the affidavit of defense must be received by the lienholder no later than 21 days after the date of mailing or delivery of the notice required in subdivision (f-5)(1) of this Section. If the lienholder receives the affidavit from the owner in a timely manner, the lienholder must apply to a court of competent jurisdiction to determine if the lienholder is entitled to possession of the vehicle.

(3) Upon selling the vehicle to another person, the lienholder need not send the certificate of title to the Secretary of State, but shall promptly and within 20 days mail or deliver to the purchaser as transferee (i) the existing certificate of title for the repossessed vehicle, reflecting the release of the lienholder's security interest in the vehicle; and (ii) an affidavit of repossession made by or on behalf of the lienholder which provides the following information: that the vehicle was repossessed, a description of the vehicle sufficient to identify it, whether the vehicle has been damaged in excess of 33 1/3% of its fair market value as required under subdivision (b) (3) of Section 3-117.1, that the owner and any other lienholder of record were given the notice required in subdivision (f-5) (1) of this Section, that the owner of record was given the affidavit of defense required in subdivision (f-5) (2) of this Section, that the interest of the owner was lawfully terminated or sold pursuant to the terms of the security agreement, and the purchaser's name and address. If the vehicle is damaged in excess of 33 1/3% of its fair market value, the lienholder shall make application for a salvage certificate under Section 3-117.1 and transfer the vehicle to a person eligible to receive assignments of salvage certificates identified in Section 3-118.

(4) The application for a certificate of title made by the purchaser shall comply with subsection (a) of Section 3-104 and be accompanied by the affidavit of repossession furnished by the lienholder and the existing certificate of title for the repossessed vehicle. The lienholder shall execute the assignment and warranty of title showing the name and address of the purchaser in the spaces provided therefor on the certificate of title or as the Secretary of State prescribes. The lienholder shall complete the assignment of title in the certificate of title to reflect the transfer of the vehicle to the purchaser and also a

reassignment to reflect the transfer from the lienholder to the purchaser. For this purpose, the lienholder is specifically authorized to execute the assignment on behalf of the owner as seller if the owner has not done so and to complete and execute the space reserved in the certificate of title for a dealer reassignment, notwithstanding that the lienholder is not a licensed dealer. Nothing herein shall be construed to mean that the lienholder is taking title to the repossessed vehicle for purposes of liability for retailer occupation, vehicle use, or other tax with respect to the proceeds from the repossession sale. Delivery of the existing certificate of title to the purchaser shall be deemed disclosure to the purchaser of the owner of the vehicle. In the event the lienholder does not hold the certificate of title for the repossessed vehicle, the lienholder shall make application for and may obtain a new certificate of title in the name of the lienholder upon furnishing information satisfactory to the Secretary of State. Upon receiving the new certificate of title, the lienholder may proceed with the sale described in subdivision (f-5)(3), except that upon selling the vehicle the lienholder shall promptly and within 20 days mail or deliver to the purchaser the new certificate of title reflecting the assignment and transfer of title to the purchaser.

(5) Neither the lienholder nor the owner shall file with the Office of the Secretary of State the notice of redemption or affidavit of defense described in subdivisions (f-5)(1) and (f-5)(2) of this Section. The Office of the Secretary of State shall not determine the merits of an owner's affidavit of defense, nor consider any allegations or assertions regarding the validity or invalidity of a lienholder's claim to the vehicle or an owner's asserted defenses to the repossession action.

(f-7) Notice of reinstatement in certain cases.

(1) Subject to subsection (f-30), if ~~if~~, at the time of

repossession by a lienholder that is seeking to transfer title pursuant to subsection (f-5), the owner has paid an amount equal to 30% or more of the deferred payment price or total of payments due, the owner may, within 21 days of the date of repossession, reinstate the contract or loan agreement and recover the vehicle from the lienholder by tendering in a lump sum (i) the total of all unpaid amounts, including any unpaid delinquency or deferral charges due at the date of reinstatement, without acceleration; and (ii) performance necessary to cure any default other than nonpayment of the amounts due; and (iii) all reasonable costs and fees incurred by the lienholder in retaking, holding, and preparing the vehicle for disposition and in arranging for the sale of the vehicle. Reasonable costs and fees incurred by the lienholder include without limitation repossession and storage expenses and, if authorized by the contract or loan agreement, reasonable attorneys' fees and collection agency charges.

(2) Tender of payment and performance pursuant to this limited right of reinstatement restores to the owner his rights under the contract or loan agreement as though no default had occurred. The owner has the right to reinstate the contract or loan agreement and recover the vehicle from the lienholder only once under this subsection. The lienholder may, in the lienholder's sole discretion, extend the period during which the owner may reinstate the contract or loan agreement and recover the vehicle beyond the 21 days allowed under this subsection, and the extension shall not subject the lienholder to liability to the owner under the laws of this State.

(3) The lienholder shall deliver or mail written notice to the owner at the owner's last known address, within 3 business days of the date of repossession, of the owner's right to reinstate the contract or loan agreement and recover the vehicle pursuant to the limited right of

reinstatement described in this subsection. At the lienholder's option, the information required to be set forth in this notice of reinstatement may be made part of or accompany the notice of redemption required in subdivision (f-5)(1) of this Section and the notification of sale or other disposition required under Section 9-611 of the Uniform Commercial Code, but none of the information required by this notice of reinstatement shall be construed to impose any requirement under Article 9 of the Uniform Commercial Code.

(4) The reinstatement period, if applicable, and the redemption period described in subdivision (f-5)(1) of this Section, shall run concurrently if the information required to be set forth in the notice of reinstatement is part of or accompanies the notice of redemption. In any event, the 21 day redemption period described in subdivision (f-5)(1) of this Section shall commence on the date of mailing or delivery to the owner of the information required to be set forth in the notice of redemption, and the 21 day reinstatement period described in this subdivision, if applicable, shall commence on the date of mailing or delivery to the owner of the information required to be set forth in the notice of reinstatement.

(5) The Office of the Secretary of State shall not determine the merits of an owner's claim of right to reinstatement, nor consider any allegations or assertions regarding the validity or invalidity of a lienholder's claim to the vehicle or an owner's asserted right to reinstatement. Where a lienholder is subject to licensing and regulatory supervision by the State of Illinois, the lienholder shall be subject to all of the powers and authority of the lienholder's primary State regulator to enforce compliance with the procedures set forth in this subsection (f-7).

(f-10) Repossession by judicial process. In all cases wherein a lienholder has repossessed a vehicle by judicial

process and holds it for resale under a security agreement, order for replevin, or other court order establishing the lienholder's right to possession of the vehicle, the lienholder may proceed to sell or otherwise dispose of the vehicle as authorized under the Uniform Commercial Code or the court order. Upon selling the vehicle to another person, the lienholder need not send the certificate of title to the Secretary of State, but shall promptly and within 20 days mail or deliver to the purchaser as transferee (i) the existing certificate of title for the repossessed vehicle reflecting the release of the lienholder's security interest in the vehicle; (ii) a certified copy of the court order; and (iii) a bill of sale identifying the new owner's name and address and the year, make, model, and vehicle identification number of the vehicle. The application for a certificate of title made by the purchaser shall comply with subsection (a) of Section 3-104 and be accompanied by the certified copy of the court order furnished by the lienholder and the existing certificate of title for the repossessed vehicle. The lienholder shall execute the assignment and warranty of title showing the name and address of the purchaser in the spaces provided therefor on the certificate of title or as the Secretary of State prescribes. The lienholder shall complete the assignment of title in the certificate of title to reflect the transfer of the vehicle to the purchaser and also a reassignment to reflect the transfer from the lienholder to the purchaser. For this purpose, the lienholder is specifically authorized to execute the assignment on behalf of the owner as seller if the owner has not done so and to complete and execute the space reserved in the certificate of title for a dealer reassignment, notwithstanding that the lienholder is not a licensed dealer. Nothing herein shall be construed to mean that the lienholder is taking title to the repossessed vehicle for purposes of liability for retailer occupation, vehicle use, or other tax with respect to the proceeds from the repossession sale. Delivery of the existing certificate of title to the purchaser

shall be deemed disclosure to the purchaser of the owner of the vehicle. In the event the lienholder does not hold the certificate of title for the repossessed vehicle, the lienholder shall make application for and may obtain a new certificate of title in the name of the lienholder upon furnishing information satisfactory to the Secretary of State. Upon receiving the new certificate of title, the lienholder may proceed with the sale described in this subsection, except that upon selling the vehicle the lienholder shall promptly and within 20 days mail or deliver to the purchaser the new certificate of title reflecting the assignment and transfer of title to the purchaser.

(f-15) The Secretary of State shall not issue a certificate of title to a purchaser under subsection (f), (f-5), or (f-10) of this Section, unless the person from whom the vehicle has been repossessed by the lienholder is shown to be the last registered owner of the motor vehicle. The Secretary of State may provide by rule for the standards to be followed by a lienholder in assigning and transferring certificates of title with respect to repossessed vehicles.

(f-20) If applying for a salvage certificate or a junking certificate, the lienholder shall within 20 days make an application to the Secretary of State for a salvage certificate or a junking certificate, as set forth in this Code. The Secretary of State shall not issue a salvage certificate or a junking certificate to such lienholder unless the person from whom such vehicle has been repossessed is shown to be the last registered owner of such motor vehicle and such lienholder establishes to the satisfaction of the Secretary of State that he is entitled to such salvage certificate or junking certificate. The Secretary of State may provide by rule for the standards to be followed by a lienholder in order to obtain a salvage certificate or junking certificate for a repossessed vehicle.

(f-25) If the interest of an owner in a mobile home, as defined in the Mobile Home Local Services Tax Act, passes to

another under the provisions of the Mobile Home Local Services Tax Enforcement Act, the transferee shall promptly mail or deliver to the Secretary of State (i) the last certificate of title, if available, (ii) a certified copy of the court order ordering the transfer of title, and (iii) an application for certificate of title.

(f-30) Bankruptcy. If the repossessed vehicle is the subject of a bankruptcy proceeding or discharge:

(1) the lienholder may proceed to sell or otherwise dispose of the vehicle as authorized by the Bankruptcy Code and the Uniform Commercial Code;

(2) the notice of redemption, affidavit of defense, and notice of reinstatement otherwise required to be sent by the lienholder to the owner of record or other lienholder of record under this Section are not required to be delivered or mailed;

(3) the requirement to delay disposition of the vehicle for 21 days, (i) from the mailing or delivery of the notice of redemption under subdivision (f-5)(1) of this Section, (ii) from the mailing or delivery of the affidavit of defense under subdivision (f-5)(2) of this Section, or (iii) from the date of repossession when the owner is entitled to a notice of reinstatement under subsection (f-7) of this Section, does not apply;

(4) the affidavit of repossession that is required under subdivision (f-5)(3) shall contain a notation of "bankruptcy" where the affidavit requires the date of the mailing or delivery of the notice of redemption. The notation of "bankruptcy" means the lienholder makes no sworn representations regarding the mailing or delivery of the notice of redemption or affidavit of defense or lienholder's compliance with the requirements that otherwise apply to the notices listed in this subsection (f-30), and makes no sworn representation that the lienholder assumes liability or costs for any litigation that may arise from the issuance of a certificate of title

based on the excluded representations;

(5) the right of redemption, the right to assert a defense to the transfer of title, and reinstatement rights under this Section do not apply; and

(6) references to judicial process and court orders in subsection (f-10) of this Section do not include bankruptcy proceedings or orders.

(g) A person holding a certificate of title whose interest in the vehicle has been extinguished or transferred other than by voluntary transfer shall mail or deliver the certificate, within 20 days upon request of the Secretary of State. The delivery of the certificate pursuant to the request of the Secretary of State does not affect the rights of the person surrendering the certificate, and the action of the Secretary of State in issuing a new certificate of title as provided herein is not conclusive upon the rights of an owner or lienholder named in the old certificate.

(h) The Secretary of State may decline to process any application for a transfer of an interest in a vehicle hereunder if any fees or taxes due under this Act from the transferor or the transferee have not been paid upon reasonable notice and demand.

(i) The Secretary of State shall not be held civilly or criminally liable to any person because any purported transferor may not have had the power or authority to make a transfer of any interest in any vehicle or because a certificate of title issued in error is subsequently used to commit a fraudulent act.

(Source: P.A. 91-893, eff. 7-1-01; 92-807, eff. 1-1-03.)