



AUTOMOTIVE PRACTICE GROUP

# ALERT

## NOTICE TO CAR DEALERSHIPS OFFERING VEHICLE FINANCING IN PENNSYLVANIA

By Michael G. Menkowitz

All lenders who regularly offer vehicle financing must enroll by July 10, 2008, in the Electronic Lien and Title Program (ELT Program) of the Department of Transportation of the Commonwealth of Pennsylvania (PennDOT) in order to perfect liens and receive Pennsylvania titles. Any lender who fails to participate in the ELT Program risks rejection of its requests to record liens on Pennsylvania vehicle titles.

The ELT Program requires that qualifying lenders, such as car dealers that offer vehicle financing, contract with a PennDOT-approved third-party service in order to electronically connect to PennDOT. Currently there are three approved service providers: (1) VINtek, Inc., (2) FDI Collateral Management, and (3) PDP Group, Inc. Lenders can enroll in the program by downloading, completing, and submitting Form MV-37, the "Application for Enrollment" from the PennDOT Web site at [www.dmv.state.pa.us](http://www.dmv.state.pa.us). The lenders must complete the application form and forward it to any one of the approved service providers. Once PennDOT receives a completed form from the third-party service provider, the lienholder is added to the database and becomes an official ELT participant.

The law mandates participation of all lenders seeking title perfection in Pennsylvania, except for individual lienholders and businesses that do not normally provide vehicle financing. Out-of-state lienholders who are in the business or practice of financing vehicles purchased by Pennsylvania residents and titled in Pennsylvania, are also required to participate in the ELT Program. Dealers who wish to avoid the requirements of the ELT Program may designate an individual at the dealership to be named as lienholder on all

titles. However, this individual will be required to participate in the ELT Program since the individual is considered to be a lienholder normally engaged in the practice of financing vehicles.

The ELT Program was signed into Pennsylvania law, under Act 113, on July 10, 2006, and provided a two-year period for qualifying lenders to transition from a voluntary pilot to a mandatory program. The ELT Program is a cost-saving program that will benefit lienholders by providing next-day electronic notification verifying the perfection of liens. As a participant in the ELT Program, the lienholder can perform a variety of transactions with PennDOT including:

- verifying liens on specific titles or VIN numbers
- rejecting liens when recorded in error
- rejecting changed vehicle data when there is no corresponding record in the lienholder's file
- updating an owner's address
- releasing liens
- converting an electronic title to a paper title
- converting existing paper titles with liens to an electronic title with lien

For more information, contact a member of Fox Rothschild's Automotive Practice Group or visit us on the Web at [www.foxrothschild.com](http://www.foxrothschild.com).

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