

§705. Release of security interest

1. Release on satisfaction. Upon satisfaction of the security interest of the lienholder, the lienholder shall, within 14 days of receipt of funds intended to satisfy the security interest of the lienholder, execute a release of the security interest in the space provided on the certificate. The lienholder shall:

A. Release the certificate of title, certificate of salvage or certificate of lien to the subordinate lienholder if one is named; [PL 1993, c. 683, Pt. A, §2 (NEW); PL 1993, c. 683, Pt. B, §5 (AFF).]

B. If the lien was satisfied in conjunction with the sale of the vehicle and there is no subordinate lienholder, release and deliver the certificate of title, certificate of salvage or certificate of lien to the owner or to a person who delivers to the lienholder an authorization from the owner to receive the certificate; or [PL 2003, c. 240, §2 (AMD).]

C. Deliver the certificate to the owner and notify the Secretary of State that the lien has been satisfied. [PL 1993, c. 683, Pt. A, §2 (NEW); PL 1993, c. 683, Pt. B, §5 (AFF).]
[PL 2003, c. 240, §2 (AMD).]

2. Prior lienholder. If the certificate of title, certificate of salvage or certificate of lien is in the possession of a prior lienholder, the satisfied lienholder shall execute a release and deliver it to the owner or to a person who delivers to the lienholder an authorization from the owner to receive the release.

Upon the satisfaction of a subordinate security interest in a vehicle for which the certificate of title, certificate of salvage or certificate of lien is in the possession of a prior lienholder, the lienholder whose security interest is satisfied shall execute, within 10 days after demand and, in any event, within 20 days, a release in the form the Secretary of State prescribes and mail or deliver the release to the owner or any person who delivers to the lienholder an authorization from the owner to receive that release. The subordinate lienholder whose security interest is satisfied shall mail or deliver a copy of the release to the first lienholder named in the certificate of title or certificate of salvage for the vehicle and shall notify the Secretary of State that the lien has been satisfied in a manner prescribed by the Secretary of State.

[PL 1993, c. 683, Pt. A, §2 (NEW); PL 1993, c. 683, Pt. B, §5 (AFF).]

3. Assumed release of lien. Except for liens on manufactured housing, the Secretary of State, at the Secretary of State's discretion, may assume that any lien with a lien date more than 66 months old has been satisfied as provided in this subsection. The Secretary of State shall provide notice to the lienholder by both regular mail and certified mail, return receipt requested, that the lien will be assumed to be satisfied unless the lienholder objects in writing within 30 days of either receipt of the notice, as evidenced by the return receipt, or 45 days of mailing by the Secretary of State in the event the lienholder refuses delivery of the notice by certified mail. The notice must identify the vehicle by year, make, model and vehicle identification number and must include the date of the lien and the name of the owner as of the date of the lien.

[PL 2005, c. 678, §11 (AMD); PL 2005, c. 678, §13 (AFF).]

4. Remedies. The remedies set forth in this section are in addition to those set forth in section 668.

A. The owner and subordinate lienholder, if any, may recover \$1,000 in each case from a lienholder who fails to release the security interest and deliver the certificate of title, certificate of lien or certificate of salvage within 14 days of receipt of funds intended to satisfy the security interest of the lienholder under this section, unless, within the 14-day time period, the lienholder notifies the owner that satisfaction of the security interest is in dispute. [PL 2003, c. 240, §3 (AMD).]

B. If a lienholder fails to release the security interest and deliver the certificate of title, certificate of lien or certificate of salvage within 14 days after demand under this section and has not notified the owner that satisfaction of the security interest is in dispute, the Secretary of State may revoke the certificate and issue a replacement certificate omitting the security interest upon receipt of a statement by the owner that 14 days have elapsed since demand for release of the security interest was made and the owner has not been notified by the lienholder that satisfaction of the security interest is in dispute. Submission of a false statement to the Secretary of State under this subsection is a Class E crime. [PL 2003, c. 240, §3 (AMD).]

[PL 2003, c. 240, §3 (AMD).]

5. Manufactured housing or tiny home. This subsection governs satisfaction of a security interest in manufactured housing or a tiny home.

A. Upon satisfaction of a security interest in manufactured housing or a tiny home, the lienholder whose security interest is satisfied shall execute, within 60 days, a release in the form the Secretary of State prescribes and mail or deliver the release to the owner or any person who delivers to the lienholder an authorization from the owner to receive that release. The lienholder shall also within 60 days of satisfaction of its security interest notify the Secretary of State in the form the Secretary of State prescribes that the lien has been satisfied. [PL 2019, c. 650, §9 (AMD).]

B. The owner and subordinate lienholder, if any, may each recover \$1,000 from a lienholder who fails to release the security interest and notify the Secretary of State that the lien has been satisfied within the 60-day time period under paragraph A. [PL 2009, c. 435, §13 (NEW).]

[PL 2019, c. 650, §9 (AMD).]

6. Failure to satisfy security interests. If a licensed dealer takes a vehicle in trade on the purchase of another vehicle and there is an outstanding security interest, the licensed dealer shall satisfy all outstanding security interests within 10 days.

Violation of this subsection is a Class E crime.

[PL 2011, c. 356, §17 (NEW).]

SECTION HISTORY

PL 1993, c. 683, §A2 (NEW). PL 1993, c. 683, §B5 (AFF). PL 1995, c. 482, §A16 (AMD). PL 1997, c. 776, §27 (AMD). PL 2001, c. 671, §16 (AMD). PL 2003, c. 240, §§2,3 (AMD). PL 2003, c. 295, §1 (AMD). PL 2005, c. 678, §11 (AMD). PL 2005, c. 678, §13 (AFF). PL 2009, c. 435, §13 (AMD). PL 2011, c. 356, §17 (AMD). PL 2019, c. 650, §9 (AMD).

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