

OKC Attorney Jonathan L. Rogers Gavel to Gavel: Changing Lanes

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On July 1, Oklahoma aligned its motor vehicle title law with the majority of the other states in the U.S. by becoming a "Title Holder" state. At its core, this legislation most significantly changes that vehicle owner will not physically receive the paper title to their vehicle, boat, or RV when it is used as collateral. Instead, the "lienholder" (typically the lender providing financing for the vehicle) will receive the title to the vehicle as evidence of its lien.

Prior to this legislation, Oklahoma was a "Non-Title Holder State." This meant that each owner held the physical title from the moment they acquired the vehicle and outstanding liens were noted on that title. Because these titles and notations could be lost or manipulated, one could never be completely sure if the correct lien notations would appear on the titles. Understandably, this ambiguity generated anxiety for many buyers and lenders.

Oklahoma's new law provides that the vehicle title be physically or electronically delivered to the lienholder having the "primary perfected security interest" or the biggest stake in the vehicle. First, this statute introduces electronic vehicle title to Oklahoma and dramatically reduces the risk of title being altered, destroyed or lost. Second, lenders and prospective buyers both benefit from an added degree of clarity because an owner will be required to fully pay off any outstanding lien prior to receiving the vehicle's title. Therefore, lenders can ensure their debt is satisfied before releasing any liens, and buyer can ensure title is clear because a seller could not have acquired the physical title without satisfying outstanding obligations.

As Oklahomans acclimate to this new process, there will be some complications, such as the additional steps required to complete the private sale of a vehicle with an outstanding loan. Because lienholders will hold title until the loan is fully repaid, sellers entering into private transactions will need to coordinate with their lender and the buyer in order to complete the sale. As it may take several weeks for some lenders to process loan payoffs and distribute the vehicle title, buyers may express some anxiety not walking away from the transactions with the title in hand. To assuage these nerves, sellers should provide written confirmation of the sale (such as in a bill of sale) and close the sale of the vehicle at a local branch of their seller's lender to ensure their lender's involvement with the sale.

Attorneys

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