



Changes in Alabama: S.B. 151

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Change is coming to the way manufactured homes are titled in Alabama. Prior to October 2006, in order to obtain or cancel a replacement certificate of title for a manufactured home, a settlement agent would run the VIN (serial number) with the Alabama Department of Motor Vehicles to determine the last known owner of record and the last known lienholder. If the DMV report reflected that the manufactured home had never been titled or the last known owner of record did not match the foreclosed borrower's name, then the creditor could submit an application to the DMV and attach a surety bond with a value of one and one-half of the book value of the manufactured home. The DMV would then issue a replacement certificate of title.

In October 2006, the DMV changed its interpretation of the law to require that a lawsuit be filed in the county in which the manufactured home was located in order to secure and simultaneously cancel the replacement title. This change led to an enormous increase in costs and time borne by the creditor in carrying costs. In most cases, the litigation lasted from 6-18 months and cost thousands of dollars. Fortunately, in May 2009, the Alabama legislature passed a bill that will eliminate the need to file a lawsuit in order to obtain a replacement certificate of title or a certificate of cancellation.

This new law goes into effect on January 1, 2010. It allows an owner or a lienholder of a

"qualified" manufactured home seeking to obtain a certificate of title to file with the Alabama Department of Revenue a surety bond if the department is not satisfied as to the ownership of the manufactured home. (Qualifying homes must be not more than 20 model years old, must be permanently affixed to a parcel of real property, and the ownership of the home and real property must be identical.) The bond must be in the amount of \$50,000 if the manufactured home is less than 10 model years old, and the bond is \$25,000 for all manufactured homes 10 years old or older. The bond will cost \$10 for every \$1,000 the bond insures; thus, a \$25,000 surety bond will cost \$250 and a \$50,000 bond will cost \$500.

The bond must be conditioned to indemnify any prior owner or lienholder and any subsequent purchaser or person acquiring a security interest in the home against any expense, loss, or damage by reason of the issuance of the certificate of title or certificate of cancellation. Any such interested person has a right of action to recover on

the bond for any breach of its conditions, but the aggregate liability cannot exceed the amount of the bond. The bond, and any accompanying deposits, will be returned after three years, or before three years if the home is no longer in Alabama and the certificate of title has been issued to another state.

This new law will greatly increase the efficiency of the titling process of manufactured homes in Alabama. No longer will obtaining a replacement certificate of title or a certificate of cancellation cost thousands of dollars and take months of time to litigate.

In addition, the new law has a provision whereby a certificate of title will no longer be required as a means of conveyance for any manufactured home that is more than 20 years old. The owner of the manufactured home may simply convey its interest through a bill of sale, as the manufactured home would have lost most of its value. These changes will be welcomed by all who own or have interests in manufactured homes in Alabama. ■

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