

BILL ANALYSIS

Senate Research Center
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S.B. 2245
By: West
Transportation
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AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

Current Transportation Code statute found in Section 501.053 provides the process to apply for a bonded title. A bonded title is sometimes sought when a title is not pursued through the title application process found in Transportation Code Section 501.023.

A person in possession of a vehicle may apply for a bonded title (Transportation Code, Section 501.053) when they do not have the automobile's title that officially confirms ownership. The process requires the person to secure a surety bond which serves as a form of insurance to protect the interest of any previous owners or lienholders of the vehicle.

However, according to the Texas Department of Motor Vehicles (TxDMV), the bonded title process provides opportunities for title disputes, fraud, and vehicle theft. S.B. 2245 would further secure the bonded title process, protecting lienholders and previous owners. Once approved, the title bond is valid for three years. Within that time, a person with a legitimate claim on a vehicle is entitled to pursue a claim against the bond.

S.B. 2245 would amend Section 501.053 of the Transportation Code by adding a provision that allows an applicant to apply for a bonded title under certain circumstances when the lienholder has gone out of business without reassigning the lien and by requiring TxDMV to notify any recorded owner or lienholder of the bonded title application. If the person who filed the application is not a licensed dealer, TxDMV cannot issue a title until 30 days after the application was submitted.

However, if any recorded owner or lienholder objects within the 30-day period, the TxDMV cannot issue the title. Even if 30 days has passed without objection, an interested person may pursue legal action to recover against the bond if a valid claim arises.

As proposed, S.B. 2245 amends current law relating to procedures for the issuance of a bonded title for a motor vehicle.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 501.053, Transportation Code, by amending Subsections (a) and (c) and adding Subsections (b-1) and (b-2), as follows:

(a) Authorizes a person, as an alternative to the procedure provided by Section 501.052 (Hearing on Refusal to Issue or Revocation or Suspension of Title; Appeal), to obtain a bonded title for a motor vehicle (title) by filing a bond with the Texas Department of Motor Vehicles (TxDMV) if the vehicle is in the possession of the applicant and:

(1) makes no changes to this subdivision;

(2) makes a nonsubstantive change to this subdivision;

(3) the person provides a release of all liens less than 10 years old, rather than all liens with bond; or

(4) the lienholder of any lien less than 10 years old has gone out of business, the security interest on the vehicle was not transferred to or otherwise acquired by another person, and the applicant provides sufficient evidence of those facts in the form and manner prescribed by TxDMV rule.

(b-1) Requires TxDMV, on receipt of a bond filing under this Section 501.053 (Filing of Bond as Alternative to Hearing), to notify any recorded owner or lienholder of the vehicle of the bond filing.

(b-2) Provides that, if a person who files a bond under this section does not hold a general distinguishing number issued under Subchapter B (General Distinguishing Number), Chapter 503 (Dealer's and Manufacturer's Vehicle License Plates), TxDMV is:

(1) authorized only to issue title on or after the 30th day after the date on which the person submits an application for title under Section 501.023 (Application for Title); and

(2) prohibited from issuing title if any recorded owner or lienholder with an interest in the vehicle objects to the issuance of the title.

(c) Provides that failure to object to the issuance of title under Subsection (b-2)(2) does not waive the right of an interested person to bring an action to recover on the bond filed under this section.

SECTION 2. Makes application of this Act prospective.

SECTION 3. Effective date: September 1, 2025.