



Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

February 12, 2020

Industry Letter: Compliance with Law Requiring Immediate Release of Liens Upon Clearance of Payment

To All New York State-Regulated Financial Institutions Financing Motor Vehicle Sales in New York:

The New York State Department of Motor Vehicles (“DMV”) has reported to the New York State Department of Financial Services (the “Department”) complaints from auto dealers that some financial institutions financing the sales of motor vehicles in New York State take as long as ten weeks to release liens on vehicles after having received payment in full.

In 2006, the Department issued guidance reminding lenders of their legal obligation to release liens immediately upon clearance of payment. Failure to timely release liens on vehicles after having received payment in full is a violation of Section 2121 of the New York Vehicle and Traffic Law (“NYVTL”) which provides, in part:

“Upon the satisfaction of a security interest in a vehicle the lienholder shall immediately upon clearance of payment execute a release of his security interest in a manner prescribed by the commissioner and mail or deliver the release to the owner or any person who delivers to the lienholder an authorization from the owner to receive the certificate...” (emphasis added)

Delayed lien releases can adversely impact dealers’ ability to sell trade-in vehicles and potentially limit the number of vehicles that dealers can make available to consumers. It is therefore imperative that lenders comply with the NYVTL by releasing liens immediately upon clearance of payment. Non-compliance is unacceptable, especially considering the ease of complying with the law.

DMV offers, and encourages all motor vehicle lenders to participate in, its Electronic Lien Transfer Program (“ELT”), which enables immediate electronic postings of liens and lien releases (visit <https://dmv.ny.gov/forms/mv909.pdf> and <https://dmv.ny.gov/regulated-businesses/recording-or-removing-lien-title-using-elt> to learn about the ELT program and registration).

In light of reports of long delays in releases of liens, the Department is updating its 2006 guidance regarding “prompt delivery of certificate of title” and directs all regulated financial institutions financing motor vehicle sales to release liens no later than three business days after clearance of payment or face consequences from the Department for violation of the immediate release requirement. Furthermore, with respect to any existing unreleased liens that should have been



Department of Financial Services

ANDREW M. CUOMO
Governor

LINDA A. LACEWELL
Superintendent

released, the Department directs all regulated financial institutions financing motor vehicle sales to come into compliance with NYVTL Section 2121 and remedy any existing delays in the release of such liens within sixty days from the date of this directive.

Sincerely,

A handwritten signature in blue ink that reads "Linda A. Lacewell".

Linda A. Lacewell, Superintendent
New York State Department of Financial Services