

1979 WL 43005 (S.C.A.G.)

Office of the Attorney General

State of South Carolina

May 18, 1979

*1 James D. McNair
President
Farmers and Merchants Bank
167 Laurens Street, S.W.
Post Office Box 416
Aiken, South Carolina 29801

Dear Mr. McNair:

Mr. Patterson has referred your letter concerning lien notations on motor vehicle certificates of title to this Office for response. You present a situation in which a lender agrees to lend money to a customer for the purpose of purchasing an automobile. Due to certain arrangements between the lender and the customer, the amount of the lien is recorded on the car's certificate of title as '\$1.00 +.' The customer grants a security interest in the automobile to the lender in order to secure repayment of the loan. You ask whether the notation '\$1.00 +' on the title certificate effects the security interest for the entire balance due on the contract in the event the lender seeks to liquidate the collateral.

As between the lender and the customer, absent any third party interests, the title notation has no effect on the lender's right to foreclose in the event of default. That right is governed by the security agreement between the two parties. A more difficult problem arises when the customer sells or transfers the vehicle to another party or when other creditors seek to enforce their rights against the customer. [Section 56-19-620 of the Code of Laws of South Carolina \(1976\)](#) provides that, . . . a security interest in a vehicle of a type for which a certificate of title is required is not valid against creditors of the owner or subsequent transferees or lienholders of the vehicle unless perfected as provided in this article.

[Section 56-19-630 of the Code](#) sets forth the procedure for perfecting a security interest in a motor vehicle:

A security interest is perfected by the delivery to the Department of the existing certificate of title, if any, an application for a certificate of title containing the name and address of the lienholder and the date of his security agreement and the required fee. It is perfected as of the time of its creation if the delivery is completed within ten days thereafter, otherwise, as of the time of the delivery.

This section contains no requirement that the amount of any lien be disclosed for the purposes of perfection. Since perfection controls the rights of conflicting creditors in the collateral, it appears that the notation '\$1.00 +' would not, in itself, prohibit your realizing the full amount of your security interest, provided, of course, all necessary steps of perfection have been taken. This conclusion is supported by a similar provision in the Uniform Commercial Code which also does not require disclosure of the amount of the security interest in the financing statement in order to perfect the security interest by filing. See, § 36-9-402 of the Code. It should also be noted that Section 56-19-690 of the Code specifically provides a procedure whereby details of a lienholder's interest, including the amount of indebtedness secured, may be obtained by the owner of the vehicle or by another lienholder.

*2 Please excuse the delay in answering your inquiry, however, if this Office can be of any further assistance please do not hesitate to ask.

Very truly yours,

Richard B. Kale, Jr.
Assistant Attorney General

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