

## **FINAL STATEMENT OF REASONS**

### **1) The Update to the Initial Statement of Reasons**

Subsection (a) is amended to remove the words “at or” and subsection (b) is amended to remove the word “under” and replace with “at \$4,000 or less.” The amendments will ensure consistency with Civil Code section 3072 which identifies lien sales requirements for vehicles valued at \$4,000 or less.

Subsection (b) is amended to reduce the fee from \$1.49 to \$1.00. Vehicle Code section 1685(c)(2) requires the department to round the fee to the nearest whole dollar, however, in the proposed text, the department inadvertently identified the fee to be consistent with the costing information. The department has amended the adopted text to reflect the fee reduced to the nearest dollar. This is a non-substantive change that is necessary to comply with the statutory mandate to round the fee to the nearest whole dollar.

The department made the following modifications and provided them for a 15-day comment period:

Subsection (a)(2) is amended to remove the phrase “or reasonably should know” as this provision is not enforceable by the department.

Subsection (c), as originally proposed, explained the department may assign a vehicle value by using the vehicle market value used to determine the most current vehicle license registration fee. The use of the word “may” was vague so the department amended subsection (c) to make clear that, except as otherwise required by statute, the department shall assign a vehicle value based on the market value of the vehicle that was used to determine the most current vehicle license registration fee.

Subsection (c), as originally proposed, noted the vehicle value determination did not apply to a vehicle that has been ordered removed, towed, or stored by a public agency, as specified in subsection (c)(1); if the title has been branded as salvaged, taxi, police, non-USA, warranty return, or remanufactured before the expiration of the most current vehicle registration, as specified in subsection (c)(2); or if the department receives an application for salvage certificate or nonrepairable vehicle certificate, as specified in subsection (c). The department is removing these provisions and will base vehicle value solely on the market value used in the most current vehicle license registration fee. This amendment prevents the department from having to create carve outs for every potential situation where a vehicle value is contested. Using the vehicle license fee broadly will be clear and consistent.

Subsection (d) is amended to remove the word “may” and replace with “shall.” This change will remove ambiguity related to valuing vehicles that were ordered removed, towed, or stored.

Subsection (e), as originally proposed, allowed vehicles whose titles were branded or for which an application for salvage certificate or nonrepairable vehicle certificate has been received by the department, to be valued on a case by case basis. This provision is repealed to be consistent with

the repeal of subsections (c)(2) and (c)(3). The department will use the vehicle license fee to determine the vehicle's value.

## **2) Imposition of Mandate on Local Agencies or School Districts**

The department's regulatory action amending Section 158.50 in Article 3.0, Chapter 1, Division 1, of Title 13, does not impose any mandate on local agencies or school districts and imposes (1) no cost or savings to any state agency, (2) no cost to any local agency or school district that is required to be reimbursed under Part 7 (commencing with Section 17500) of Division 4 of the Government Code, (3) no other discretionary cost or savings to local agencies, and (4) no cost or savings in federal funding to the state. No studies or data were relied upon to make this determination.

## **3) Summary of Comments Received and Department Response**

The proposal was noticed on September 20, 2024, and made available to the public from September 20, 2024 through November 4, 2024. The department received one written comment during the 45-day comment period received jointly from the California Tow Truck Association, the Emergency Road Service Coalition of America, the Official Police Garages of Los Angeles, and the California Lien Agents Association. Below are the comments received and the department's responses.

The commenters question whether the new fees in the regulation of \$1.49 and \$39 is ultimately recoverable from the vehicle owners themselves, and if so, how. The commenters go on to explain that law enforcement agencies, such as the California Highway Patrol (CHP), contract their towing-related responsibilities to individual towing companies. All fees are pre-approved by the law enforcement agency, and it is the vehicle owner who is ultimately responsible for paying fees related to towing and storage. Government entities generally would need to approve rate increases, which will ultimately be shouldered by the vehicle owners, who are oftentimes low-income individuals. Therefore, specific additional statutory or regulatory authorization will likely be required to recover these new proposed fees from vehicle owners.

- *Department's Response:* This comment is irrelevant to this regulatory action. The fees related to the CHP and other law enforcement agencies are not related to a lien sale. Lien sales must be conducted by the lienholder and are applied on a case-by-case basis. The fees are not related to the towing contacts they have with other agencies.

Civil Code section 3072 fails to contain the same recovery language as provided in Civil Code section 3071 and is less clear whether the \$1.49 could be recovered by the vehicle owner. The commenters urge the department to make it clear, either through regulation or through statute, that the new fees may also be redeemable from the vehicle owner, regardless of the vehicle's value.

- *Department's Response:* Vehicle Code section 1811 authorizes the department to sell all or part of its records at a charge sufficient to cover the cost of the copies. Currently, registration information requests for lien sales are charged a fee of \$5.00 per request. This action is reducing that fee to \$1.00. Additionally, Civil Code section 3074

authorizes a lienholder to charge a fee for lien sale preparations and the department does not have the authority to override these provisions by regulation. Moreover, this comment is asking the department for legal advice in interpreting relevant statutes. The commenter will need to seek their own legal counsel to ascertain the answer to their question.

Civil Code section 3074 authorizes a lienholder to charge “a fee for lien sale preparations” not to exceed \$70 for vehicles valued at \$4,000 or less and a fee \$100 for vehicles valued above \$4,000. The commenters ask for clarity whether the fees are a “filing fee” per section 3071, a “lien sale preparation” fee per section 3074, or both, that may be recovered from the vehicle owner.

- *Department’s Response:* The commenter first references the “filing fee” provided in Civil Code section 3071, then references a “lien sale preparation fee.” However, Civil Code section 3074 does not establish a “lien sale preparation fee.” That section does allow a lienholder to “charge a fee for lien sale preparations,” provided the fees charged by the lienholder do not exceed the established limits. Additionally, this comment is asking the department for legal advice in interpreting relevant statutes. The commenter will need to seek their own legal counsel to ascertain the answer to their question.

If the DMV determines that tow companies may recover these increased fees under section 3074, the current maximum authorized amounts of \$100 and \$70 will need to be increased to accommodate these proposed additional fees. These current authorized amounts are typically already being fully utilized due to existing expenses related to the lien sale process, including advertising, labor, and additional required preparations and backend work. The commenters urge the department to either include within this regulatory proposal specific authorization to recover an additional administrative fee specifically for these new proposed fees, or seek legislation to allow for a recovery amount that exceeds the current caps.

- *Department’s Response:* The department rejects this comment and will continue to rely on Civil Code section 3074, related to lienholders recouping costs for lien sales. Furthermore, the department does not have statutory authority to establish additional administrative fees.

Commenters noted a potential oversight related to vehicles valued at exactly \$4,000, as Civil Code section 3071 applies to vehicles determined to be over \$4,000 and Civil Code section 3072 applies to vehicles valued at \$4,000 or less, however, proposed section 158.50(a) references “vehicles valued at or over \$4,000...” The commenter notes the discrepancy will need to be resolved in this regulatory proposal.

- *Department’s Response:* The department agrees and has changed the regulatory text to ensure consistency with Civil Code section 3072. Subsection (a) is amended to remove the words “at or” and subsection (b) is amended to remove the word “under” and replace with “at \$4,000 or less.”

Commenters seek clarification on how the department will account for the loss in value related to damaged vehicles.

- *Department's Response:* The department will not account for the loss in vehicle value related to damaged vehicles. The department amended the originally proposed regulation to make clear that a vehicle's value will be based solely on the vehicle license fee. This change will ensure all vehicles are valued consistently.

Commenters seek clarification regarding the documentation necessary to dispute a market value determination made by the department for damaged vehicles.

- *Department's Response:* The department is amending the originally proposed regulation to remove special circumstances that would alter a vehicle's value. Instead, the department will require all vehicles to be valued according to the vehicle license fee. This process will remove the need to dispute a vehicle value.

The commenters provide additional lien sale reform suggestions, including increasing the long lien threshold from \$4,000 to \$7,000, extending the allowable timeframe for lien sales, allowing for law enforcement reappraisals, adding registered mail options for international owners/transfers, allowing nonrepairable, nonrevivable, dismantled, or technical compliance VLT stop vehicles to be processed under Vehicle Code section 22851.6, and addressing ongoing issues with the Declaration of Opposition.

- *Department's Response:* These suggestions cannot be implemented through regulation. Statutory changes are necessary.

#### **4) Summary of Comments Received on the Modified Regulatory Text and Department's Response**

The department modified the originally proposed text and provided notice on August 15, 2025. The notice of modification and the modified text were posted on the department's website on August 13, 2025 and made available to the interested party who submitted comment during the 45-day comment period on August 13, 2025. The 15-day comment period began on August 15, 2025 and ended on September 1, 2025. There were no comments received during the 15-day comment period.

#### **5) Determination of Alternatives**

This regulation will establish consistency in the way vehicles are valued prior to a lien sale being conducted. This regulation will reduce fraud that occurs when vehicles are incorrectly valued. The department has determined that no reasonable alternative considered by the department or that has otherwise been identified and brought to the attention of the department would be more effective in carrying out the purpose for which the action is proposed, or would be effective as and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provisions of law.