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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-FIFTH
SESSION**

HOUSE FILE No. 2870

February 14, 2008

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The bill was read for the first time and referred to the Transportation Finance Division

1.1 A bill for an act
1.2 relating to motor vehicles; creating limited security interest for cosigner of
1.3 loan agreement to purchase motor vehicle; amending Minnesota Statutes 2006,
1.4 sections 168A.05, by adding a subdivision; 168A.16.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2006, section 168A.05, is amended by adding a
1.7 subdivision to read:

1.8 Subd. 7a. Interest of cosigner. (a) A person described in paragraph (c) who cosigns
1.9 with another person a loan agreement as surety to enable the other person to obtain an
1.10 installment loan for purchasing a vehicle defined in section 168.011 as a passenger vehicle,
1.11 pickup truck, or van, holds and reserves a security interest in the vehicle to the extent of
1.12 costs necessarily incurred by the cosigner.

1.13 (b) Costs "necessarily incurred" are those costs incurred by the cosigner on behalf of
1.14 the owner in possession, and only include:

1.15 (1) an installment payment made to prevent default on the loan agreement;

1.16 (2) payment of the annual registration tax required under section 168.013 or the
1.17 sales tax required under chapter 297B; or

1.18 (3) payment of a claim by a court for unpaid fines and court costs resulting from
1.19 an offense committed by the owner in possession and arising out of the operation of
1.20 the vehicle.

1.21 (c) Paragraph (a) applies only to a cosigner who:

1.22 (1) is listed as an owner on the vehicle's certificate of title;

1.23 (2) is not in possession of the vehicle;

- 2.1 (3) has access to the motor vehicle only with the permission of the owner in
2.2 possession; and
- 2.3 (4) does not reside in the same household as the owner in possession of the motor
2.4 vehicle.
- 2.5 (d) The security interest reserved under this subdivision:
- 2.6 (1) is subordinate to a security interest held under section 168A.04, subdivision
2.7 2; and
- 2.8 (2) does not affect the rights of a prior secured party under a security agreement.

2.9 Sec. 2. Minnesota Statutes 2006, section 168A.16, is amended to read:

2.10 **168A.16 INAPPLICABLE LIEN OR SECURITY INTEREST.**

2.11 (a) Sections 168A.01 to 168A.31 do not apply to or affect:

2.12 (1) a lien given by statute or rule of law to a supplier of services or materials for
2.13 the vehicle;

2.14 (2) a lien given by statute to the United States;

2.15 (3) a security interest in a vehicle created by a manufacturer or dealer who holds
2.16 the vehicle for sale.

2.17 (b) Sections 168A.17 to 168A.19 do not apply to or affect a lien given by statute or
2.18 assignment to this state or any political subdivision of this state.

2.19 (c) Sections 168A.17 to 168A.19 do not apply to or affect a security interest reserved
2.20 under section 168A.05, subdivision 7a.