STATE OF CALIFORNIA—HEALTH AND WELFARE AGENCY

DEPARTMENT OF SOCIAL SERVICES
744 P Street, Sacramento, CA 95814

January 24, 1994

ALL-COUNTY LETTER NO. 94-05

TO: ALL COUNTY WELFARE DIRECTORS

REASON FOR THIS TRANSMITTAL

[ ] State Law Change
[ ] Federal Law or Regulation Change
[ ] Court Order
[X] Clarification Requested by One or More Counties
[ ] Initiated by CDSS

SUBJECT: MOTOR VEHICLE ENCUMBRANCES

REFERENCE: MPP SECTION 42-215.34 ACCEPTABLE EVIDENCE
MPP SECTION 42-215.4 DETERMINATION OF VALUE OF A MOTOR VEHICLE
MPP SECTION 42-215.6 ENCUMBRANCES

The purpose of this letter is to provide clarification to counties regarding motor vehicle encumbrances.

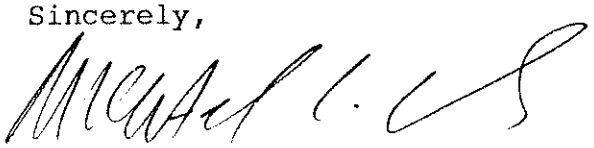
MPP Section 42-215.6 states in part that "encumbrances of record against any personal property are obligations for which property is security and include, but are not limited to loans..." This means that for a loan to qualify as an allowable encumbrance the lender must be registered with the Department of Motor Vehicles (DMV) as the legal owner of the motor vehicle. This requirement is dictated by Vehicle Code Sections 6300 et. seq. which establishes the exclusive method in California for having a legally enforceable interest in a motor vehicle. Failure or refusal of the applicant/recipient to show such a registered loan would result in the disallowance of the loan as an encumbrance of record.

In addition to providing proof of the DMV registration of the lienholder, the applicant/recipient must provide a copy of the agreement that specifies the terms of the loan. The agreement should (1) state that the motor vehicle is collateral for the loan, and, (2) specify the amount and duration of the loan, and the frequency of repayment (i.e., weekly, monthly, etc.).

To ensure that continuing cases comply with this regulation we suggest that counties review their caseload on an ongoing basis and take appropriate action. This could be done any time the case requires some type of action or at the time of the annual redetermination.

If you have any further questions on this issue, please call Henry Puga of the AFDC Policy Implementation Bureau at (916) 654-1068 or CALNET 464-1068.

Sincerely,



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