



DCU BULLETIN

Division of Credit Unions

Washington State Department of Financial Institutions

Phone: (360) 902-8701

FAX: (360) 704-6901

September 28, 2016

No. B-16-16

Practice of Using Power of Attorney for Vehicle Loans

In early August of 2016 the Department of Licensing (DOL) notified the Division of Credit Unions (Division) of an investigation of the questionable use of power of attorney forms for vehicle title transfers. The investigation pertained to the practice of a power of attorney (POA) signed by a credit union employee to transfer the credit union's interest in a vehicle. This Bulletin is to alert credit unions that rely upon power of attorney language within a consumer loan agreement as an actual power of attorney form. The DOL will now require a separate power of attorney to be signed by the member, not an employee of the credit union.

The investigation revealed the following practice:

- Member A signs the consumer loan agreement with the following POA authorization:

Additional Documents and Power of Attorney. You agree to sign any other documents, such as financing statements, applications for certificates of title, and certificates of title, to perfect our security interest. You agree to give us an irrevocable power of attorney to sign your name to title certificate(s) and to apply in your name for the issuance of a certificate or title to any motor vehicle you have given as collateral. To the extent permitted by applicable law, you agree we may endorse any check payable to you, if you refuse, you waive protest of such action.

- Credit union employee signs the POA for the member
- Credit Union sends POA to the DOL to support requested title transaction

- DOL investigated and determined POA was not signed by the member and is not accepted by the DOL

The DOL's concerns were the member was potentially unaware of the POA authorization clause and the scope of the loan document language was not a POA itself, only an agreement to provide a POA. Therefore, the DOL is not satisfied with this type of practice. The DOL will require the credit union to have a separate POA signed by the member.

If you have any questions regarding the change in practice, please contact Linda Jekel, Director, Division of Credit Unions, at (360) 902-8778 or linda.jekel@dfi.wa.gov.