

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2013

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HOUSE PRINCIPAL CLERK

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HOUSE DRH90061-MD-60A (03/13)

Short Title: Title Pledge Amendments. (Public)

Sponsors: Representatives Jeter and R. Moore (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ALLOW NONRECOURSE TITLE PLEDGE TRANSACTIONS INVOLVING
3 MOTOR VEHICLES.

4 The General Assembly of North Carolina enacts:

5 SECTION 1. Part 1 of Article 45 of Chapter 66 of the General Statutes reads as
6 rewritten:

7 "Part 1. Pawnbrokers and Cash Converters.

8 ...

9 "§ 66-387. Definitions.

10 The following definitions apply in this Part:

- 11 (1) Cash. – Lawful currency of the United States.
12 (2) Cash converter. – A person engaged in the business of purchasing goods
13 from the public for cash at a permanently located retail store who holds
14 himself or herself out to the public by signs, advertising, or other methods as
15 engaging in that business. The term does not include any of the following:
16 a. Pawnbrokers.
17 b. Persons whose goods purchases are made directly from
18 manufacturers or wholesalers for their inventories.
19 c. Precious metals dealers, to the extent that their transactions are
20 regulated under Part 2 of this Article.
21 d. Purchases by persons primarily in the business of obtaining from the
22 public, either by purchase or exchange, used clothing, children's
23 furniture, and children's products, provided the amount paid for the
24 individual item purchased is less than fifty dollars (\$50.00).
25 e. Purchases by persons primarily in the business of obtaining from the
26 public, either by purchase or exchange, sporting goods and sporting
27 equipment, provided the amount paid for the individual item
28 purchased is less than fifty dollars (\$50.00).
29 (3) Pawn or pawn transaction. – A written bailment of personal property as
30 security for a debt, redeemable on certain terms within 180 days, unless
31 renewed, and with an implied power of sale on default.
32 (4) Pawnbroker. – A person engaged in the business of lending money on the
33 security of pledged goods and who may also purchase merchandise for
34 resale from dealers and traders.
35 (5) Pawnshop. – The location at which, or premises in which, a pawnbroker
36 regularly conducts business.



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- 1 (6) Person. – Any individual, corporation, joint venture, association, or any
- 2 other legal entity, however organized.
- 3 (7) Pledged goods. – Tangible personal property which is one of the following:
- 4 a. Property other than a motor vehicle subject to registrations and
- 5 required to have a certificate of title by the Division of Motor
- 6 Vehicles, in which case the property shall be deposited with, or
- 7 otherwise actually delivered into, the possession of a pawnbroker in
- 8 the course of his business in connection with a pawn transaction.
- 9 b. A vehicle subject to registration and required to have a certificate of
- 10 title by the Division of Motor Vehicles, in which case the certificate
- 11 of title for the vehicle shall be deposited with, or otherwise actually
- 12 delivered into the possession of a pawnbroker in the course of his
- 13 business in connection with a pawn transaction.
- 14 (8) Purchase. – An item purchased from an individual for the purpose of resale
- 15 whereby the seller no longer has a vested interest in the item.

16 ...
17 **"§ 66-393. Pawnbroker fees; interest rates.**

18 (a) If Pledged Goods Do Not Include Vehicles. – No For transactions in which the
19 pledged goods do not include a vehicle that is subject to registration and that is required to have
20 a certificate of title by the Division of Motor Vehicles, no pawnbroker shall demand or receive
21 an effective rate of interest greater than two percent (2%) per month, and no other charge of
22 any description or for any purpose shall be made by the pawnbroker, except that the
23 pawnbroker may charge, contract for, and recover an additional monthly fee for the following
24 services, including but not limited to:

- 25 (1) Title investigation;
- 26 (2) Handling, appraisal, and storage;
- 27 (3) Insuring a security;
- 28 (4) Application fee;
- 29 (5) Making daily reports to local law enforcement officers; and
- 30 (6) For other expenses, including losses of every nature, and all other services.

31 ~~In~~ Except as provided in subsection (b) of this section, in no event may the total of the
32 above listed monthly fees on a pawn transaction exceed twenty percent (20%) of the principal
33 up to a maximum of the following:

34	First month	\$100.00
35	Second month	75.00
36	Third month	75.00
37	Fourth month and thereafter	50.00

38 (b) If Pledged Goods Include Vehicles. – For transactions, in which the pledged goods
39 include a vehicle that is subject to registration and that is required to have a certificate of title
40 by the Division of Motor Vehicles, no pawnbroker shall demand or receive an effective rate of
41 interest greater than twenty percent (20%) per month, and no other charge of any description or
42 for any purpose shall be made by the pawnbroker, except that the pawnbroker may charge,
43 contract for, and recover an additional monthly fee for the services set forth in subsection (a) of
44 this section and for advertising, salaries, and all other expenses incurred by the licensee. The
45 fee shall not be deemed interest for any purpose of law and shall be no more than twenty
46 percent (20%) of the original principal amount of the money advanced or of the total unpaid
47 balance due at the inception of any renewal of the agreement, as applicable. The interest and
48 fees provided for in this subsection shall be deemed earned, due, and owing as of the date of the
49 pawn transaction and a like sum shall be deemed earned, due, and owing on the same day of
50 each subsequent 30-day period.

1 (c) Interest and Fees Upon Renewal. – The interest and fees authorized under this Part
2 shall be calculated on the outstanding principal balance at each successive renewal or
3 continuation.

4 (d) Returned Check Fee Authorized. – In addition, pawnbrokers may charge fees for
5 returned checks as allowed by G.S. 25-3-506.

6 **"§ 66-394. Pawnbroker transactions.**

7 (a) Requirements for All Pawn Transactions. – In every pawn transaction:

- 8 (1) The original pawn contract shall have a maturity date of not less than 30
9 days, provided that nothing herein shall prevent the pledgor from redeeming
10 the property before the maturity date;
- 11 (2) Any personal property pledged to a pawnbroker in this State is subject to
12 sale or disposal when there has been no payment made on the account for a
13 period of 60 days past maturity date of the original contract; provided that
14 the contract between the pledgor and the pawnbroker is renewable if renewal
15 is agreed upon by both the parties;
- 16 (3) Every pawn ticket or receipt for such pawn shall have printed thereon the
17 provisions of subdivision (1) of this section which shall constitute: (i) notice
18 of such sale or disposal, (ii) notice of intention to sell or dispose of the
19 property without further notice, and (iii) consent to such sale or disposal.
20 The pledgor thereby forfeits all right, title and interest of, in, and to such
21 pawned property to the pawnbroker who thereby acquires absolute title to
22 the same, whereupon the debt is satisfied and the pawnbroker may sell or
23 dispose of the unredeemed pledges as his own property. Any sale or disposal
24 of property under this section terminates all liability of the pawnbroker and
25 vests in the purchaser the right, title, and interest of the borrower and the
26 pawnbroker;
- 27 (4) If the borrower loses his pawn ticket he shall not thereby forfeit his right to
28 redeem, but may, before the lapse of the redemption period, make an
29 affidavit with indemnification for such loss. The affidavit shall describe the
30 property pawned and shall take the place of the lost pawn ticket unless the
31 pawned property has already been redeemed with the original pawn ticket;
32 and
- 33 (5) A pledgor is not obligated to redeem pledged goods or make any payment on
34 a pawn transaction.

35 (b) Additional Requirements for Transactions Involving Motor Vehicles. – In every
36 pawn transaction in which the pledged goods include a vehicle that is subject to registration and
37 that is required to have a certificate of title by the Division of Motor Vehicles, the pawnbroker
38 shall do all of the following:

- 39 (1) Note its lien on the certificate of title.
- 40 (2) Release its lien on the certificate of title pursuant to G.S. 20-58.4 and return
41 the certificate of title to a pledgor upon payment of the full amount due the
42 pawnbroker on the pawn transaction.
- 43 (3) Require, beginning on the third renewal or continuation and at each
44 successive renewal or continuation thereafter, that the pledgor make a
45 payment of at least five percent (5%) of the original principal amount of the
46 money advanced, in addition to the interest and fees authorized under this
47 Part. Principal payment in excess of the five percent (5%) principal
48 reduction required by this subdivision shall be credited to the outstanding
49 principal on the day received. If, at the maturity of any renewal requiring a
50 principal reduction under this subdivision, the pledgor has not made
51 previous principal reductions adequate to satisfy the current required

1 principal reduction, and the pledgor cannot repay at least five percent (5%)
2 of the original principal balance and any outstanding interest and fees
3 authorized by this Part, the licensee may, but shall not be required to, defer
4 any required principal payment until the end of the title pledge agreement or
5 property pledge agreement. No further interest or fees may accrue on a
6 principal amount thus deferred.

7 **"§ 66-395. Prohibitions.**

8 (a) General Prohibitions. – A pawnbroker shall not:

- 9 (1) Accept a pledge from a person under the age of 18 years.
10 (2) Make any agreement requiring the personal liability of a pledgor in
11 connection with a pawn transaction.
12 (3) Accept any waiver, in writing or otherwise, of any right or protection
13 accorded a pledgor under this Part.
14 (4) Fail to exercise reasonable care to protect pledged goods from loss or
15 damage.
16 (5) Fail to return pledged goods to a pledgor upon payment of the full amount
17 due the pawnbroker on the pawn transaction. In the event such pledged
18 goods are lost or damaged while in the possession of the pawnbroker, it shall
19 be the responsibility of the pawnbroker to replace the lost or damaged goods
20 with merchandise of like kind and equivalent value. In the event the pledgor
21 and pawnbroker cannot agree as to replacement, the pawnbroker shall
22 reimburse the pledgor in the amount of the value agreed upon pursuant to
23 G.S. 66-391(b).
24 (6) Take any article in pawn, pledge, or as security from any person, which is
25 known to such pawnbroker to be stolen, unless there is a written agreement
26 with local or State law enforcement.
27 (7) Sell, exchange, barter, or remove from the pawnshop any goods pledged,
28 pawned, or purchased before the earlier of seven days after the date the pawn
29 ticket record is electronically reported in accordance with G.S. 66-391(d) or
30 30 days after the transaction, except in case of redemption by pledgor or
31 items purchased for resale from wholesalers.
32 (8) Operate more than one pawnshop under one license, and such shop must be
33 at a permanent place of business.
34 (9) Take as pledged goods any manufactured mobile home, recreational vehicle,
35 or motor vehicle other than a ~~motorcycle~~.motorcycle, except in accordance
36 with the provisions of this Part.

37 (a1) Prohibitions for Pawn Transactions Involving Motor Vehicles. – In a pawn
38 transaction in which the pledged goods include a vehicle that is subject to registration and that
39 is required to have a certificate of title by the Division of Motor Vehicles, the pawnbroker shall
40 not do any of the following:

- 41 (1) Enter into a pawn transaction in which the amount of money advanced,
42 when combined with the outstanding balance of all other outstanding
43 pawnbroker transactions that the pledgor has with the same pawnbroker that
44 are secured by a single title, exceeds five thousand dollars (\$5,000).
45 (2) Enter into a pawn transaction unless the pledgor presents a clear title to the
46 titled vehicle at the time that the pawn transaction is entered into. If a
47 licensee files a lien against the vehicle without possession of a clear title to
48 the property, the resulting lien shall be void.
49 (3) Enter into any pawn transaction with a borrower who is a military service
50 member unless the military service member obtains a written authorization
51 signed by the service member's company commander. A licensee shall

1 include a clear and concise statement in the loan documentation advising the
2 borrower that military service members must identify themselves as service
3 members and must obtain written authorization from their company
4 commander before entering a pawn transaction under this Part. The licensee
5 shall retain a copy of the borrower's military ID card and the company
6 commander's written authorization in the borrower's loan file. The borrower
7 shall attest (i) that he or she is or is not a military service member, (ii) that if
8 the borrower is a military service member, he or she has obtained a written
9 authorization from the company commander to enter the pawn transaction,
10 (iii) that all information presented to the licensee pertaining to the
11 requirements of this subsection is true and accurate to the best of the
12 borrower's knowledge. For purposes of this subdivision, the term "military
13 service member" shall include only service members on active duty.

14 (b) A cash converter shall not purchase from any person property which is known to the
15 cash converter to be stolen, unless there is a written agreement with local or State law
16 enforcement.

17 **"§ 66-396. Penalties.**

18 (a) Every person, firm, or corporation, their guests or employees, who shall knowingly
19 violate any of the provisions of this Part, shall, on conviction thereof, be deemed guilty of a
20 Class 2 misdemeanor. If the violation is by an owner or major stockholder or managing partner
21 of the pawnshop and the violation is knowingly committed by the owner, major stockholder, or
22 managing partner of the pawnshop, then the license of the pawnshop may be suspended at the
23 discretion of the court.

24 (b) The provision of subsection (a) of this section shall not apply to violations of
25 G.S. 66-395(a)(6) or G.S. 66-395(b) which shall be prosecuted under the North Carolina
26 criminal statutes.

27 (c) Any contract of pawn the making or collecting of which violates any provision of
28 this Part, except as a result of accidental or bona fide error of computation, shall be void, and
29 the licensee shall have no right to collect, receive or retain any interest or fee whatsoever with
30 respect to such pawn.

31 **"§ 66-397. Municipal or county authority.**

32 All of the counties and cities as defined by G.S. 160A-1 may by ordinance adopt the
33 provisions of this Part and may adopt such further rules and regulations as the governing bodies
34 of the counties and cities deem appropriate; provided, however, no county or city may regulate:

- 35 (1) Interest, fees, or recovery charges;
- 36 (2) Hours of operation, unless such regulation applies to businesses generally;
- 37 (3) The nature of the business or type of pawn transaction; or
- 38 (4) License fees in excess of rates set by the State.

39 **"§ 66-398. License renewal.**

40 Notwithstanding any provision of this Part to the contrary, any person, firm, or corporation
41 licensed as a pawnbroker on or before October 1, 1989, shall continue in force until the natural
42 expiration thereof and all other provisions of this Part shall apply to such license. Such
43 pawnbroker shall be eligible for renewal of his license upon its expiration or subsequent
44 renewals, provided such license complies with the requirements for renewal that were in effect
45 immediately prior to October 1, 1989.

46 **"§ 66-399. Bond.**

47 Every person, firm, or corporation licensed under this Part shall, at the time of receiving the
48 license, file with the city or county issuing the license a bond payable to such city or county in
49 the sum of five thousand dollars (\$5,000), to be executed by the licensee, and by two
50 responsible sureties or a surety company licensed to do such business in this State, to be
51 approved by the city or county, which shall be for the faithful performance of the requirements

1 and obligations pertaining to the business so licensed. The city or county may sue for forfeiture
2 of the bond upon a breach thereof. Any person who obtains a judgment against a pawnbroker
3 and upon which judgment execution is returned unsatisfied may maintain an action in his own
4 name upon the bond, to satisfy the judgment."

5 **SECTION 2.** This act is effective when it becomes law.