

## Senate Bill 535

By: Senators Hamrick of the 30th, Miles of the 43rd, Hudgens of the 47th, Bulloch of the 11th and Seabaugh of the 28th

**AS PASSED SENATE**

**A BILL TO BE ENTITLED  
AN ACT**

1 To amend Part 5 of Article 3 of Chapter 12 of Title 44 of the Official Code of Georgia  
2 Annotated, relating to pawnbrokers, so as to define terms; to require registration with the  
3 Governor's Office of Consumer Affairs; to provide for notification of repossession of a  
4 motor vehicle; to provide for redemption of the motor vehicle; to provide for a commercially  
5 reasonable sale; to provide for a return of surplus from the sale to the pledgor; to require a  
6 mandatory principal payment in certain situations; to provide for additional disclosures on  
7 motor vehicle title pawn tickets; to provide procedures for military members and their  
8 spouses; to provide for related matters; to provide for severability; to provide for an effective  
9 date; to repeal conflicting laws; and for other purposes.

10 **BE IT ENACTED BY THE GENERAL ASSEMBLY OF GEORGIA:**

11 **SECTION 1.**

12 Part 5 of Article 3 of Chapter 12 of Title 44 of the Official Code of Georgia Annotated,  
13 relating to pawnbrokers, is amended by inserting new paragraphs (1.1) and (1.2) in Code  
14 Section 44-12-130, relating to definitions relevant to pawnbrokers, to read as follows:

15 "(1.1) 'Motor vehicle title pawn' or 'title pawn' means a pawn transaction wherein the  
16 pawnbroker maintains possession of a motor vehicle certificate of title, and not the actual  
17 motor vehicle, pursuant to paragraph (5) of this Code section.

18 (1.2) 'Motor vehicle title pawn agreement' means a written agreement evidencing a motor  
19 vehicle title pawn."

20 **SECTION 2.**

21 Said part is amended by inserting a new Code Section 44-12-130.1 immediately following  
22 Code Section 44-12-130, relating to definitions relevant to pawnbrokers, to read as follows:

23 "44-12-130.1.

24 (a) Any business that offers or makes motor vehicle title pawns shall be required to register  
25 with the Governor's Office of Consumer Affairs. Such registration shall disclose the name

1 of the business, the name of the person or entity owning the business, the number of  
 2 repossessions of motor vehicles the business initiated in the previous year, and the address  
 3 of all locations operating within the State of Georgia. A reasonable fee for registration  
 4 shall be established by the Governor's Office of Consumer Affairs. The registration shall  
 5 be renewed every year.

6 (b) In addition to the information already required by subsection (a) of this Code section,  
 7 the following information for the preceding calendar year shall also be contained in the  
 8 annual registration:

9 (1) The total number of motor vehicle title pawns that were made by the business; and

10 (2) The average length in months of all motor vehicle title pawns by the business.

11 (c) The Governor's Office of Consumer Affairs shall produce an annual report based on  
 12 aggregate information provided by registrations for businesses that offer and make motor  
 13 vehicle title pawns from the previous year. The report shall be submitted to the Governor,  
 14 Lieutenant Governor, Speaker of the House, each member of the House Committee on  
 15 Banks and Banking, and each member of the Senate Banking and Financial Institutions  
 16 Committee. The report shall also be made available to the public. The report shall include  
 17 but not be limited to the following information from the previous calendar year:

18 (1) The total number of businesses that offer and make motor vehicle title pawns in  
 19 Georgia;

20 (2) The total number of motor vehicle title pawns made in Georgia;

21 (3) The average length in months of all motor vehicle title pawns in Georgia; and

22 (4) The total number of repossessions for motor vehicle title pawns that reached default."

### 23 SECTION 3.

24 Said part is further amended by striking Code Section 44-12-131, relating to pawn  
 25 transactions, in its entirety and inserting in its place the following:

26 "44-12-131.

27 (a)(1) All pawn transactions shall be for 30 day periods but may be extended or  
 28 continued for additional 30 day periods.

29 (2) A pawnbroker shall not lease back to the seller or pledgor any motor vehicle during  
 30 a pawn transaction or during any extension or continuation of the pawn transaction.

31 (3)(A) ~~Unless otherwise agreed, a~~ A pawnbroker has upon default the right to take  
 32 possession of the motor vehicle that is the subject of a motor vehicle title pawn  
 33 agreement. At least ten days prior to repossession, the pawnbroker shall send written  
 34 notice to the pledgor by certified mail or statutory overnight delivery, return receipt  
 35 requested, indicating that repossession may occur. The notice shall be sent to the  
 36 address provided to the pawnbroker by the pledgor at the time the motor vehicle title

1 pawn agreement was executed or the last address thereafter provided to the pawnbroker  
2 by the pledgor in writing. The pledgor shall be advised to remove all of his or her  
3 personal property from the vehicle before the repossession occurs. The pawnbroker  
4 need only send one such notice during the life of the title pawn transaction and any  
5 extensions thereof notwithstanding subsequent defaults. In taking possession, the  
6 pawnbroker or his the pawnbroker's agent may proceed without judicial process if this  
7 can be done without breach of the peace or may proceed by action.

8 (B) Notwithstanding any other law to the contrary, including but not limited to Code  
9 Section 44-14-403, if a pawnbroker obtains possession of a motor vehicle as permitted  
10 in subparagraph (A) of this paragraph, the pawnbroker shall send a notice to the pledgor  
11 by certified mail or statutory overnight delivery, return receipt requested, informing the  
12 pledgor that the pledgor has 20 days from the date of such notice to redeem the motor  
13 vehicle by paying to the pawnbroker all amounts owed. The amounts owed shall be  
14 disclosed to the pledgor and shall be calculated pursuant to the provisions of this  
15 subsection. During this 20 day period, the pledgor shall have the right to redeem the  
16 motor vehicle and certificate of title by paying to the pawnbroker the unpaid principal  
17 amount of the pawn, the unpaid interest, and pawnshop charges calculated at the rates  
18 charged by the pawnbroker in accordance with subparagraphs (A) and (B) of paragraph  
19 (4) of this subsection for each 30 day period from the date of the title pawn agreement  
20 through the date of repossession, plus the repossession and storage expenses permitted  
21 pursuant to subparagraph (C) of paragraph (4) of this subsection.

22 (C) In the event the pledgor does not redeem the motor vehicle within the 20 day  
23 redemption period required by subparagraph (B) of this paragraph, the pawnbroker  
24 shall sell the motor vehicle. The pawnbroker must sell the motor vehicle in a  
25 commercially reasonable manner within 60 days of the expiration of the 20 day  
26 redemption period. Any amount received from such sale in excess of the unpaid  
27 principal amount of the pawn, the unpaid interest and pawnshop charges calculated  
28 pursuant to subparagraph (B) of this paragraph, plus the repossession and storage  
29 expenses actually and reasonable incurred by the pawnbroker, shall be returned to the  
30 pledgor within 15 days. For the purposes of this subsection, a sale is made in a  
31 commercially reasonable manner if the sale is made at any generally known motor  
32 vehicle auction or otherwise in conformity with reasonable commercial practices  
33 among dealers in used motor vehicles.

34 (4)(A) During the first 90 days of any pawn transaction or extension or continuation  
35 of the pawn transaction, a pawnbroker may charge for each 30 day period interest and  
36 pawnshop charges which together equal no more than 25 percent of the principal  
37 amount advanced, with a minimum charge of up to \$10.00 per 30 day period.

1 (B) On any pawn transaction which is continued or extended beyond 90 days, a  
 2 pawnbroker may charge for each 30 day period interest and pawnshop charges which  
 3 together equal no more than 12.5 percent of the principal amount advanced, with a  
 4 minimum charge of up to \$5.00 per 30 day period.

5 (C) Notwithstanding any provision of this part to the contrary, prior to the  
 6 commencement of the fourth extension or continuation of a motor vehicle title pawn  
 7 agreement and prior to the commencement of each successive extension or continuation  
 8 thereafter, the pledgor shall be required to make a payment of at least 5 percent of the  
 9 original principal amount of the title pawn transaction in addition to the earned interest  
 10 and pawnshop charges authorized by this part. Interest and pawnshop charges  
 11 authorized by this part at each successive extension or continuation shall be calculated  
 12 on the outstanding principal balance. If at the commencement of any extension or  
 13 continuation requiring a principal reduction the pledgor has not made previous principal  
 14 reductions adequate to satisfy the current required principal reduction, and the pledgor  
 15 does not repay at least 5 percent of the original principal balance as well as any  
 16 outstanding interest and pawnshop charges, the pawnbroker may either, at its option,  
 17 decline to further extend or continue the pawn transaction and declare that the current  
 18 maturity date is the final maturity date or defer any required principal payment until a  
 19 future payment date. No further interest or pawnshop charges may accrue on any such  
 20 principal amount so deferred.

21 ~~(C)~~(D) In addition to the charges provided for in subparagraphs (A) and (B) of this  
 22 paragraph, in a pawn transaction or in any extension or continuation of a pawn  
 23 transaction involving a motor vehicle or a motor vehicle certificate of title, a  
 24 pawnbroker may charge the following:

25 (i) A fee equal to no more than any fee imposed by the appropriate state to register  
 26 a lien upon a motor vehicle title, but only if the pawnbroker actually registers such a  
 27 lien;

28 (ii) No more than \$5.00 per day in storage fees, but only if an actual repossession  
 29 pursuant to a default takes place on a vehicle which was not already in the  
 30 pawnbroker's possession and only for each day the pawnbroker must actually retain  
 31 possession of the motor vehicle; and

32 (iii) A repossession fee of \$50.00 within 50 miles of the office where the pawn  
 33 originated, \$100.00 within 51 to 100 miles, \$150.00 within 101 to 300 miles and a fee  
 34 of \$250.00 beyond 300 miles, but only if an actual repossession pursuant to a default  
 35 takes place on a vehicle which was not already in the pawnbroker's possession.

36 ~~(D)~~(E) If a pledgor or seller requests that the pawnbroker mail or ship the pledged item  
 37 to the pledgor or seller, a pawnbroker may charge a fee for the actual shipping and

1 mailing costs, plus a handling fee equal to not more than 50 percent of the actual  
2 shipping and mailing costs.

3 ~~(E)~~(F) In the event the pledgor or seller has lost or destroyed the original pawn ticket,  
4 a pawnbroker may, at the time of redemption, charge a fee equal to not more than  
5 \$2.00.

6 (5) No other charge or fee of any kind by whatever name denominated, including but not  
7 limited to any other storage fee for a motor vehicle, or any prepayment penalty, shall be  
8 made by a pawnbroker except as set out in paragraph (4) of this subsection.

9 (6) No fee or charge provided for in this Code section may be imposed unless a  
10 disclosure regarding that fee or charge has been properly made as provided for in Code  
11 Section 44-12-138.

12 (7)(A) Any interest, fees, or charges collected which are undisclosed, improperly  
13 disclosed, or in excess of that allowed by this subsection may be recovered by the  
14 pledgor or seller in an action at law in any superior court of appropriate jurisdiction.

15 (B) In any such action in which the pledgor or seller prevails, the court shall also award  
16 reasonable attorneys' fees, court costs, and any expenses of litigation to the pledgor or  
17 seller.

18 (C) Before filing an action under this Code section, the pledgor or seller shall provide  
19 the pawnbroker with a written notice by certified mail or statutory overnight delivery,  
20 return receipt requested, that such an action is contemplated, identifying any fees or  
21 charges which the pledgor or seller contends are undisclosed, improperly disclosed, or  
22 in excess of the fees and charges allowed by this Code section. If the court finds that  
23 during the 30 days following receipt of this notice the pawnbroker made a good faith  
24 offer to return any excess, undisclosed, or improperly disclosed charges, the court shall  
25 award reasonable attorneys' fees, court costs, and expenses of litigation to the  
26 pawnbroker.

27 (D) No action shall be brought under this Code section more than two years after the  
28 pledgor or seller knew or should have known of the excess, undisclosed, or improperly  
29 disclosed charges.

30 (b) Any interest, charge, or fees contracted for or received, directly or indirectly, in excess  
31 of the amounts permitted under subsection (a) of this Code section shall be uncollectable  
32 and the pawn transaction shall be void. All interest and the pawnshop charge allowed  
33 under subsection (a) of this Code section shall be deemed earned, due, and owing as of the  
34 date of the pawn transaction and a like sum shall be deemed earned, due, and owing on the  
35 same day of the succeeding month.

36 (c) A pledgor has the right to cancel the pledgor's obligation to make payments under a  
37 motor vehicle title pawn agreement until the close of the next business day immediately

1 following the day the pledgor signs a motor vehicle title pawn agreement if the pledgor  
 2 returns the original check or cash to the location where the pawn was originated. For the  
 3 purpose of this subsection, the term 'business day' means any day that the title pawn office  
 4 is open for business."

#### 5 SECTION 4.

6 Said part is further amended by striking Code Section 44-12-133, relating to manner of  
 7 keeping and inspection of permanent records of pawnbrokers, in its entirety and inserting in  
 8 its place the following:

9 "44-12-133.

10 Entries shall appear in ink and shall be in chronological order. No blank lines may be left  
 11 between entries. No obliterations, alterations, or erasures may be made. Corrections shall  
 12 be made by drawing a line of ink through the entry without destroying its legibility. The  
 13 book shall be open to the inspection of any duly authorized law enforcement officer,  
 14 including a representative from the Governor's Office of Consumer Affairs, during the  
 15 ordinary hours of business or at any reasonable time."

#### 16 SECTION 5.

17 Said part is further amended in Code Section 44-12-138, relating to restrictions on  
 18 advertising and required disclosures on pawn tickets, by substituting "(d)" for "(c)" in the  
 19 introductory language of subsection (b); by redesignating existing subsections (c), (d), and  
 20 (e) as subsections (d), (e), and (f), respectively; and by adding a new subsection (c) to read  
 21 as follows:

22 "(c) In addition to the information required by subsection (b) of this Code section, a  
 23 pawnbroker shall include the following additional disclosures on any motor vehicle title  
 24 pawn agreement:

- 25 (1) A statement that this pawn transaction is not intended to meet long-term financial  
 26 needs;
- 27 (2) A statement that this pawn transaction should only be used to meet short-term cash  
 28 needs;
- 29 (3) A statement that the borrower will be required to pay additional interest and fees if  
 30 he or she renews this pawn transaction rather than pay the pawn in full when due;
- 31 (4) A statement that the borrower is placing at great risk his or her continued ownership  
 32 of the personal property that he or she is pledging for this pawn transaction, including his  
 33 or her motor vehicle if that is the property being pledged;
- 34 (5) A statement that this is a higher interest transaction and that the pledgor should  
 35 consider what other lower cost options he or she may have;

1 (6) A statement that if the pledgor fails to repay the full amount of the pawn transaction  
 2 on or before the end of the maturity date or renewal of the pawn transaction the  
 3 pawnbroker may take possession of the property pledged and sell the property in the  
 4 manner provided by law;

5 (7) A statement that a pledgor has a right of rescission. Rescission means that a pledgor  
 6 may cancel his or her contract at no cost by returning the borrowed money by the end of  
 7 the business day immediately following the date of the pawn transaction. For the  
 8 purposes of this paragraph, the term 'business day' means any day the pawnbroker is open  
 9 for business;

10 (8) A statement that if the pledgor loses his or her copy of the title pawn agreement, he  
 11 or she should immediately advise the pawnbroker in writing; and

12 (9) A statement that complaints about the pawnbroker's actions can be made to the  
 13 Governor's Office of Consumer Affairs."

#### 14 **SECTION 6.**

15 Said part is further amended by adding a new Code Section 44-12-139 immediately  
 16 following Code Section 44-12-138, relating to restrictions on advertising and required  
 17 disclosures on pawn tickets, to read as follows:

18 "44-12-139.

19 In a motor vehicle title pawn transaction under this part involving a member of the United  
 20 States military or his or her spouse, the pawnbroker:

21 (1) Shall not contact the commanding officer of the military member or anyone in the  
 22 military member's chain of command in an effort to collect on a title pawn made by the  
 23 military member or his or her spouse;

24 (2) Shall be bound by the terms of any repayment agreement that the pawnbroker  
 25 negotiates through military or third-party counselors; and

26 (3) Shall cease the accrual of interest and pawnshop charges on the pledgor's pawn  
 27 transaction when the member of the military has been deployed to a combat or a combat  
 28 support post, or when a member of the reserves component of the armed forces or  
 29 National Guard has been called to active duty, provided such pledgor provides the  
 30 pawnbroker with proper documentary evidence of such deployment or status. The  
 31 cessation of interest and pawnshop charges shall continue for the duration of the  
 32 deployment or active duty status. During such period, the pawnbroker may not withhold  
 33 additional extension periods to the military pledgor and may not seek possession of the  
 34 pledgor's motor vehicle provided the military pledgor makes equal monthly payments  
 35 sufficient to repay the remaining principal within four months. The benefit provided by  
 36 this paragraph shall not apply if the member of the military had received orders regarding

1 his or her combat deployment or active duty status prior to taking out the motor vehicle  
2 title pawn."

3 **SECTION 7.**

4 In the event any section, subsection, sentence, clause, or phrase of this Act shall be declared  
5 or adjudged invalid or unconstitutional, such adjudication shall in no manner affect the other  
6 sections, subsections, sentences, clauses, or phrases of this Act, which shall remain of full  
7 force and effect as if the section, subsection, sentence, clause, or phrase so declared or  
8 adjudged invalid or unconstitutional were not originally a part hereof. The General  
9 Assembly declares that it would have passed the remaining parts of this Act if it had known  
10 that such part or parts hereof would be declared or adjudged invalid or unconstitutional.

11 **SECTION 8.**

12 This Act shall become effective on July 1, 2006.

13 **SECTION 9.**

14 All laws and parts of laws in conflict with this Act are repealed.