

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.