

AMENDED IN SENATE MAY 5, 2015

SENATE BILL

No. 285

Introduced by Senator Block
(Coauthors: Senators Galgiani and Vidak)
(Coauthor: Assembly Member Maienschein)

February 19, 2015

An act to amend Sections 21200, 21200.1, 21200.5, 21200.6, 21201, and 21201.2 of the Financial Code, relating to pawnbrokers.

LEGISLATIVE COUNSEL'S DIGEST

SB 285, as amended, Block. Pawnbrokers: compensation: loans.

Existing law regulates pawnbrokers and sets the maximum compensation charged or received by pawnbrokers on loans to their customers. A knowing violation of the provisions regulating pawnbrokers is a crime.

Existing law provides a schedule of maximum charges for 21 loan brackets for the first 3 months of any loan.

This bill, in that schedule, would consolidate the 21 loan brackets into 6 and set maximum charges within those brackets.

Existing law, among other things, limits the charge for the 4th and subsequent months of a loan to 2.5% per month on the unpaid balance, as specified.

This bill would increase the charge limit for the 4th and subsequent months to 3% per month.

Existing law permits a loan setup fee of the greater of \$5 or 2% of the loan amount, not to exceed \$10.

This bill would adjust the permitted loan setup fee to the greater of either \$5 or 3% of the loan amount, not to exceed \$30.

Existing law permits a pawnbroker to collect a handling and storage charge for certain pawned articles at the time property is redeemed. Existing law establishes the maximum amount, irrespective of the duration of the loan, that may be charged based on size of pawned articles, as specified, and prohibits a storage charge for any article that can be contained within one cubic foot.

~~This bill would instead provide that a pawnbroker may include the handling and storage charge when the pawnbroker issues a loan or any subsequent loan, as specified.~~ This bill would permit a pawnbroker to additionally charge a maximum of \$1 for handling and storage of any article that can be contained within one cubic foot.

Existing law requires a pawnbroker to notify the borrower at his or her last known address of the termination of the loan period, by a means for which verification of mailing or delivery of the notification can be provided by the pawnbroker, and provides for extending the right of redemption for a period of 10 days from the date that notice is mailed.

This bill would instead require the pawnbroker to provide that notification to the pledgor at his or her last known mailing or electronic address, by a means for which verification of mailing or, at the sole option of the pledgor, electronic transmission of the notification can be provided by the pawnbroker, as specified.

Because a knowing violation of these provisions by a pawnbroker would be a crime, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: yes.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 21200 of the Financial Code is amended
- 2 to read:
- 3 21200. (a) Except as otherwise provided in this chapter, no
- 4 pawnbroker shall charge or receive compensation at a rate
- 5 exceeding the sum of the following:

1 (1) Three percent per month on the unpaid principal balance of
2 any loan.

3 (2) A charge not exceeding three dollars (\$3) a month on any
4 loan when the monthly charge permitted by paragraph (1) would
5 otherwise be less.

6 (b) One month's interest may be charged for any part of the
7 month in which pawned property is redeemed.

8 SEC. 2. Section 21200.1 of the Financial Code is amended to
9 read:

10 21200.1. A loan setup fee of five dollars (\$5) or 3 percent,
11 whichever is greater, may be charged for each loan. However, the
12 maximum loan setup fee shall not exceed thirty dollars (\$30). Loan
13 setup fees are in addition to any other allowed charges.

14 SEC. 3. Section 21200.5 of the Financial Code is amended to
15 read:

16 21200.5. A pawnbroker may charge as prescribed in the
17 following schedule:

18

19 Schedule of Charges

20

21 (a) A charge not exceeding three dollars (\$3) may be made on
22 any loan for not more than three months which does not exceed
23 nineteen dollars and ninety-nine cents (\$19.99).

24 (b) A charge not exceeding six dollars (\$6) may be made on
25 any loan for not more than three months of twenty dollars (\$20)
26 or more, but not exceeding forty-nine dollars and ninety-nine cents
27 (\$49.99).

28 (c) A charge not exceeding nine dollars (\$9) may be made on
29 any loan for not more than three months of fifty dollars (\$50) or
30 more, but not exceeding seventy-four dollars and ninety-nine cents
31 (\$74.99).

32 (d) A charge not exceeding twelve dollars (\$12) may be made
33 on any loan for not more than three months of seventy-five dollars
34 (\$75) or more, but not exceeding ninety-nine dollars and
35 ninety-nine cents (\$99.99).

36 (e) A charge not exceeding fifteen dollars (\$15) may be made
37 on any loan for not more than three months of one hundred dollars
38 (\$100) or more, but not exceeding one hundred seventy-four dollars
39 and ninety-nine cents (\$174.99).

1 (f) A charge not exceeding 9 percent may be made on any loan
2 for not more than three months on any loan of one hundred
3 seventy-five dollars (\$175) or more, but not exceeding two
4 thousand four hundred ninety-nine dollars and ninety-nine cents
5 (\$2,499.99).

6 (g) The monthly charge for any extension of a written contract
7 required by Section 21201 or 21201.5 shall be computed in
8 accordance with the provisions of Section 21200.

9 (h) The schedule of charges prescribed by this section shall be
10 posted in a place clearly visible to the general public.

11 SEC. 4. Section 21200.6 of the Financial Code is amended to
12 read:

13 21200.6. (a) In addition to other allowed charges, ~~when a~~
14 ~~pawnbroker issues a loan or any subsequent loan as permitted by~~
15 ~~Section 21201.5, the pawnbroker may include a handling and~~
16 ~~storage charge for pawned articles. *at the time property is*~~
17 ~~*redeemed, a pawnbroker may collect a handling and storage*~~
18 ~~*charge for pawned articles.*~~ For any loan issued pursuant to Section
19 21201 or subsequent loan issued pursuant to Section 21201.5, the
20 maximum amount that may be charged pursuant to this section is
21 in accordance with the following schedule:

22 (1) One dollar (\$1) for any article that can be contained within
23 one cubic foot.

24 (2) Five dollars (\$5) for any article that cannot be contained
25 within one cubic foot but can be contained within three cubic feet.

26 (3) Ten dollars (\$10) for any article that cannot be contained
27 within three cubic feet but can be contained within six cubic feet.

28 (4) Twenty dollars (\$20) for any article that cannot be contained
29 within six cubic feet and one dollar (\$1) for each additional cubic
30 foot in excess of six cubic feet.

31 (b) For purposes of this section, cubic feet shall be determined
32 by multiplying the width of an article, at its greatest width, by the
33 depth of an article, at its greatest depth, by the height of an article,
34 at its greatest height.

35 SEC. 5. Section 21201 of the Financial Code is amended to
36 read:

37 21201. (a) Every loan made by a pawnbroker for which goods
38 are received in pledge as security shall be evidenced by a written
39 contract, a copy of which shall be furnished to the pledgor. The
40 loan contract shall provide a four-month loan period, shall set forth

1 the loan period and the date on which the loan is due and payable,
2 and shall clearly inform the pledgor of his or her right to redeem
3 the pledge during the loan period.

4 (b) Every loan contract shall contain the following notice, in at
5 least 8-point boldface type and circumscribed by a box,
6 immediately above the space for the pledgor's signature:

7 "You may redeem the property you have pledged at any time
8 until the close of business on ____ [fill in date four months from
9 date loan begins]. To redeem, you must pay the amount of the loan
10 and the applicable charges which have accrued through the date
11 on which you redeem."

12 (c) Every pawnbroker shall retain in his or her possession every
13 article pledged to him or her for a period of four months. During
14 such period the pledgor may redeem the articles upon payment of
15 the amount of the loan and the applicable charges. If the pledgor
16 and the pawnbroker agree in writing that the pawned property may
17 be stored off premises, following the request for redemption of
18 the loan, the pawnbroker shall return the pledged property to the
19 pledgor the next calendar day when both the pawnbroker's store
20 and the storage facility are open, not to exceed two business days.

21 (d) If any pledged article is not redeemed during the four-month
22 loan period as provided herein, and the pledgor and pawnbroker
23 do not mutually agree in writing to extend the loan period, the
24 pawnbroker shall notify the pledgor within one month after
25 expiration of the loan period. If the pawnbroker fails to notify the
26 pledgor within one month after the expiration of the loan period,
27 the pawnbroker shall not charge interest from the day after the
28 expiration of the one-month period. The pawnbroker shall notify
29 the pledgor at his or her last known mailing or electronic address
30 of the termination of the loan period, by a means for which
31 verification of mailing or, at the sole option of the pledgor,
32 electronic transmission of the notification can be provided by the
33 pawnbroker, and extending the right of redemption, during posted
34 business hours, for a period of 10 days from date of mailing or
35 electronic transmission of that notice. *Electronic notice of the*
36 *termination of the loan period shall be valid if the pledgor has*
37 *previously responded to an electronic communication sent by the*
38 *pawnbroker to the pledgor's last known electronic address*
39 *provided by the pledgor. Upon the initiation of each new or*
40 *replacement loan, the pledgor shall affirm that the current*

1 *electronic address on file with the pawnbroker is valid.* The 10-day
2 notice shall state, in substantially the same format as the following:
3 “If the tenth day falls on a day when the pawnshop is closed, the
4 time period is extended to the next day that the pawnshop is open.”

5 (e) The posted schedule of charges required pursuant to Section
6 21200.5 shall contain a notice informing the pledgor that if he or
7 she desires, the pawnbroker shall send the notice of termination
8 of the loan period by registered or certified mail with return receipt
9 requested, upon prepayment of the mailing costs.

10 (f) If any pledged article is not redeemed within the 10-day
11 notice period, the pawnbroker shall become vested with all right,
12 title, and interest of the pledgor, or his or her assigns, to the pledged
13 article, to hold and dispose of as his or her own property. Any
14 other provision of law relating to the foreclosure and sale of
15 pledges shall not be applicable to any pledge the title to which is
16 transferred in accordance with this section. The pawnbroker shall
17 not sell any article of pledged property until he or she has become
18 vested with the title to that property pursuant to this section.

19 (g) The sale of pledged property is a misdemeanor pursuant to
20 Section 21209.

21 SEC. 6. Section 21201.2 of the Financial Code is amended to
22 read:

23 21201.2. If the pledgor fails to redeem any pawned item during
24 the loan period, thereby obliging the pawnbroker to mail or
25 electronically transmit the notice required under Section 21201,
26 the pawnbroker may charge a fee of up to three dollars (\$3) for
27 services and costs pertaining to the preparation of the notice, in
28 addition to any other allowed charges.

29 SEC. 7. No reimbursement is required by this act pursuant to
30 Section 6 of Article XIII B of the California Constitution because
31 the only costs that may be incurred by a local agency or school
32 district will be incurred because this act creates a new crime or
33 infraction, eliminates a crime or infraction, or changes the penalty
34 for a crime or infraction, within the meaning of Section 17556 of
35 the Government Code, or changes the definition of a crime within
36 the meaning of Section 6 of Article XIII B of the California
37 Constitution.

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