

Senate Bill No. 1685

Passed the Senate August 13, 1998

Secretary of the Senate

Passed the Assembly July 16, 1998

Chief Clerk of the Assembly

This bill was received by the Governor this ____ day
of _____, 1998, at ____ o'clock __M.

Private Secretary of the Governor

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CHAPTER _____

An act to amend Sections 21051, 21201, and 21201.5 of, to repeal Sections 21200.5 and 21200.7 of, and to repeal and add Section 21200 of, the Financial Code, relating to pawnbrokers.

LEGISLATIVE COUNSEL'S DIGEST

SB 1685, Burton. Pawnbrokers: compensation.

Existing law provides generally that no pawnbroker shall charge or receive compensation at a rate exceeding the amounts contained in a specified schedule.

This bill would set up a 3-month loan period and revise and recast the maximum amount of charges and compensation that may be imposed and collected by a pawnbroker during the 3-month loan period or for monthly extensions thereof.

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

SECTION 1. Section 21051 of the Financial Code is amended to read:

21051. (a) The limitations with respect to rates and charges set forth in Section 21200 do not apply to any loan of a bona fide principal amount of two thousand five hundred dollars (\$2,500) or more if this section is not used for the purpose of evading this division.

(b) In determining whether a loan is a loan of the principal amount of two thousand five hundred dollars (\$2,500), Section 22054 shall apply.

SEC. 2. Section 21200 of the Financial Code is repealed.

SEC. 3. Section 21200 is added to the Financial Code, to read:

21200. (a) Except as otherwise provided in this chapter, the maximum amount a pawnbroker may charge for the three-month loan period and for each month that the loan is extended as provided in Section 21201 shall not exceed the following:



Loan amount	Charge for the three-month loan period	Charge for each month extended
Under \$ 20.00	\$ 3.00	\$ 1.00
\$ 20 to 24.99	4.00	1.00
25 to 39.99	5.00	1.00
40 to 49.99	6.00	1.00
50 to 64.99	7.50	1.00
65 to 74.99	8.50	2.00
75 to 99.99	10.00	2.00
100 to 124.99	12.50	2.00
125 to 149.99	13.50	3.00
150 to 224.99	15.00	4.00
225 to 324.99	20.00	5.00
325 to 449.99	25.00	7.00
450 to 599.99	35.00	10.00
600 to 799.99	45.00	13.00
800 to 999.99	55.00	17.00
1,000 to 1,199.99	70.00	21.00
1,200 to 1,499.99	85.00	24.00
1,500 to 1,799.99	100.00	28.00
1,800 to 2,099.99	120.00	32.00
2,100 to 2,499.99	140.00	35.00

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

(c) A charge not exceeding one dollar (\$1) for each month may be charged on any loan when the monthly charge permitted by this section would otherwise be less than one dollar (\$1).

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

SEC. 4. Section 21200.5 of the Financial Code is repealed.

SEC. 5. Section 21200.7 of the Financial Code is repealed.

SEC. 6. Section 21201 of the Financial Code is amended to read:

21201. Every loan made by a pawnbroker for which goods are received in pledge as security shall be



evidenced by a written contract, a copy of which shall be furnished to the borrower. The loan contract shall provide a three-month loan period, shall set forth the loan period and the date on which the loan is due and payable, and shall clearly inform the borrower of his or her right to redeem the pledge during the loan period.

Every loan contract shall contain the following notice, in at least 8-point bold face type and circumscribed by a box, immediately above the space for the borrower's signature:

“You may redeem the property you have pledged at any time until the close of business on ____ [fill in date three months from date loan begins]. To redeem, you must pay the amount of the loan and the applicable charges which have accrued through the date on which you redeem.”

Every pawnbroker shall retain in his or her possession every article pledged to him or her for a period of three months. During such period the borrower may redeem the articles upon payment of the amount of the loan and the applicable charges.

If any pledged article is not redeemed during the three-month loan period as provided herein, and the borrower and pawnbroker do not mutually agree in writing to extend the loan period, the pawnbroker shall notify the borrower within 30 days after expiration of the loan period. If the pawnbroker fails to notify the borrower within 30 days after the expiration of the loan period, the pawnbroker shall not charge interest from the day after the expiration of the 30-day period. The pawnbroker shall notify the borrower either by registered mail, or by certified mail, or by regular mail for which a certificate of mailing is issued by the United States Postal Service addressed to his or her last known address of the termination of the loan period, and extending the right of redemption, during posted business hours, for a period of 10 days from date of mailing of such notice. The 10-day



notice shall include a statement that:

“If the tenth day falls on a day when the pawnshop is closed, the time period is extended to the next day that the pawnshop is open.”

However, the posted schedule of charges required pursuant to Section 21200.5 shall contain a notice informing the borrower that if he or she desires, the pawnbroker shall send the notice of termination of the loan period by registered or certified mail with return receipt requested, upon prepayment of the mailing costs. If any pledged article is not redeemed within the 10-day notice period, the pawnbroker shall become vested with all right, title, and interest of the pledgor, or his or her assigns, to the pledged article, to hold and dispose of as his or her own property. Any other provision of law relating to the foreclosure and sale of pledges shall not be applicable to any pledge the title to which is transferred in accordance with this section. The pawnbroker shall not sell any article of pledged property until he or she has become vested with the title to that property pursuant to this section. The sale of pledged property is a misdemeanor pursuant to Section 21209.

SEC. 7. Section 21201.5 of the Financial Code is amended to read:

21201.5. (a) A pledgor may request, and a pawnbroker may consent to, a new loan to take effect upon or at any time after the expiration of the loan period stated in the original loan contract delivered to the pledgor under Section 21201. The pledgor shall pay in cash all of the charges and interest due under the original loan, and the remaining unpaid balance of the actual amount borrowed under the original loan shall be debited to the new loan on which the same article or articles are pledged. The loan to which the debit is applied shall be processed as a new loan and shall be deemed to be a new loan subject to loan origination fees, storage fees, and minimum fees when applicable. The new loan contract



required by Section 21201 shall disclose the amount of the original loan that is debited to the new loan.

(b) Any time a loan is rewritten as provided in subdivision (a) three times in succession following the original loan, no loan origination fee or storage fee shall be charged for the fourth loan period.



Approved _____, 1998

Governor

