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8 SYNOPSIS: Current law does not require pawn shops and
9 title loan companies to accept the remission of
10 principal payments on a loan at any time other than
11 the day that the interest is due on a loan.

12 This bill would require that pawn shops and
13 title loan companies accept principal payments on a
14 loan at any time during a 30-day renewable loan
15 period.

16
17 A BILL
18 TO BE ENTITLED
19 AN ACT

20
21 Relating to pawn shops and title loan companies; to
22 provide for the mandatory acceptance of principal payments on
23 pawn transactions and title loans; and to prohibit prepayment
24 penalties on the principal payments of pawn transactions and
25 title loans.

26 BE IT ENACTED BY THE LEGISLATURE OF ALABAMA:

1 Section 1. This act shall be known and may be cited
2 as the Alabama Title Loan Reduction Act.

3 Section 2. As used in this act, the following terms
4 shall have the following meanings:

5 (1) BORROWER. The owner of any title personal
6 property who pledges the property to a title lender pursuant
7 to a title loan agreement.

8 (2) PERSON. An individual, partnership, corporation,
9 joint venture, trust, association, or any legal entity.

10 (3) PLEDGED PROPERTY. Personal property the
11 ownership of which is evidenced and delineated by a state
12 issued certificate of title.

13 (4) TITLE LENDER. A person who has qualified to
14 engage in the business of making title loans and maintains at
15 least one title loan office in this state, or is otherwise
16 operating as a pawnbroker as defined in Section 5-19A-2, Code
17 of Alabama 1975.

18 (5) TITLE LOAN. A non-purchase money loan secured by
19 an unencumbered state-issued certificate of title or
20 certificate of ownership to personal property that is
21 designated as a title loan or otherwise as a pawn transaction
22 as defined in Section 5-19A-2, Code of Alabama 1975.

23 (6) TITLE LOAN AGREEMENT. A written agreement
24 between a borrower and a title lender in a form that complies
25 with the provisions of this act and the requirements of the
26 Alabama Pawn Shop Act.

1 Section 3. A borrower has the right to make a
2 principal payment towards the reduction of a title loan or
3 pawn transaction at any time during a 30-day renewable loan
4 period provided that:

5 (1) The borrower pays all interest payments due as
6 scheduled in the title loan or pawn transaction agreement.

7 (2) When an interest payment is not made timely as
8 due the following shall apply:

9 a. Payments made after the interest due date are
10 first applied to the interest payment and other applicable
11 fees due on account of the late interest payment.

12 b. The excess of such payment made after the
13 interest due date will be applied to the reduction of
14 principal due on a title loan or pawn transaction.

15 Section 4. The title lender shall accept principal
16 payments for the reduction of the balance of a title loan or
17 pawn transaction as follows:

18 (1) The title lender may not assess prepayment
19 penalties to the balance of a title loan or pawn transaction
20 for the remittance of principal payments made at any time
21 during a 30-day renewable loan period.

22 (2) The title lender will adjust the interest due
23 for the following 30-day renewable loan period to reflect the
24 following:

25 a. The prorated interest due on the principal loan
26 balance before a principal reduction payment is made.

1 b. The prorated interest due on the principal loan
2 balance after a principal reduction payment is made.

3 (3) The title lender will apply principal payments
4 as provided in Section 3.

5 Section 5. This act shall become effective on the
6 first day of the third month following its passage and
7 approval by the Governor, or its otherwise becoming law.