

Background/Summary: HB 500 is legislation that seeks to:

- 1) Create a level playing field for lending products such as loans, pawns and title pawns so that statute does not favor or advantage one type of lending over another;
- 2) Provide uniform protections for borrowers without regard to which type of lending product the consumer chooses;
- 3) Address the two objections raised by the title pawn industry on a similar bill last year that honors their request to not be subject to Georgia's APR cap and not be overseen by the Department of Banking and Financing.

Why This Bill Is Needed: Currently in Georgia, auto title pawn lending functions as a collateralized loan by lending money to a borrower against the asset of an automobile certificate of title. But because auto title loans are currently defined in statute as "pawns" not "loans", they are able to circumvent Georgia's usury statute (APR cap), which caps interest rates for all lending products in Georgia. Due to this definitional loophole, auto title pawns are also not subject to oversight by the Department of Banking and Finance or Georgia's refund of surplus statute as other lenders are. The result has been that the interest on this unregulated type of lending can reach as high as 300% interest, with an average APR of 187%, circumventing Georgia's APR cap and often trapping Georgians in a cycle of debt.

What this Bill Does/Closing the Pawn Definition Loophole: Importantly, despite being defined as a pawn, auto title lending also do not act like traditional pawns. Traditional pawns in Georgia require that the asset or collateral be left behind with the pawn broker until the terms of the pawn are satisfied. This legislation simply clarifies that in the event of an auto pawn, the pawn broker must maintain possession of the vehicle behind (in this case, the car), just like all other pawns. This allows the customer the option of an auto pawn, or, if they are unable to leave the car, a conventional loan that is governed according to existing Georgia statute.

What This Bill Does Not Do:

- 1) This bill does not impact any other provision of Georgia's lending or pawn statute. It is narrowly focused on auto title pawn definitions exclusively.
- 2) This bill does not add any new provisions to Georgia's code, but rather subjects an existing entity (Title Pawn) to existing Georgia code while closing the loophole that allows title pawns to circumvent Georgia's lending statute and APR cap that all other lenders are subject to.
- 3) This bill does not subject title pawns to oversight by the Department of Banking and Financing.
- 4) This bill does not subject title pawn to Georgia's usury statute if they are operating as a pawn.
- 5) This bill does not require any appropriations.

Other important Facts:

- 1) The Department of Defense, through the Military Lending Act in 2017 has already banned title pawn lending, or any lending at a greater than 36% interest rate, for all military and their families due to the harm it has caused our fighting force.
- 2) Twenty-one states (21), including North Carolina, Kentucky, Ohio, Pennsylvania and Montana currently outlaw title pawn lending outright, while an additional eight states heavily regulate the industry.
- 3) Title Pawn Lenders in Georgia settled a suit in 2023 for "illegal predatory lending to military families – sometimes even taking steps to hide evidence of its wrongdoing for \$15 million, and paid an additional \$9 million fine in 2016 for "luring consumers into more expensive loans with information that hid the true costs of the deal" and then "followed up with intrusive visits to homes and workplaces that put consumers' personal information at risk". They have also been the subject of a class action suit brought by in 2024 Georgia military family for illegal lending in which the soldier borrowed \$3,000 and had to pay back \$17,000 to recover their car.