



COMMISSIONER OF FINANCIAL REGULATION
ADVISORY NOTICE



August 30, 2017

State of Maryland
Department of Labor, Licensing and Regulation

COMMISSIONER OF FINANCIAL REGULATION

DIVISION OF OCCUPATIONAL AND PROFESSIONAL LICENSING, SECONDHAND
PRECIOUS METAL OBJECT DEALER AND PAWNBROKERS AGENCY

Advisory

**VEHICLE TITLE LOAN PROVIDERS IN THE STATE OF MARYLAND ARE SUBJECT TO
CONSUMER LENDING LAWS**

Please note that if your business is providing vehicle title loans, your business is subject to the provisions of the Maryland Consumer Loan Law, Maryland Installment loan laws and the corresponding investigatory and enforcement jurisdiction of the Commissioner of Financial Regulation ("Commissioner").

Vehicle Title Loans: Defined

A "vehicle title loan" is a loan transaction, which is subject to Maryland's credit regulations (Md. Code Ann., Com. Law Title 12 and Fin. Inst. Title 11), including all applicable interest rate and fee caps attendant thereto. Under a vehicle title loan, a lender makes a loan secured by a borrower's vehicle and the borrower continues to use the vehicle while repaying the loan.

Vehicle Title Loans are not Pawn Transactions

A "vehicle title loan" is not a pawn transaction, which is subject to the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act, Md. Code Ann., Bus. Reg. ("BR") § 12-101 et seq. (hereinafter "Pawnbrokers Act") [1]. Under the Pawnbrokers Act, a pawn transaction is defined as a loan of money by a pawn dealer on the deposit or pledge of personal property or other valuable thing, or a purchase by a pawn dealer of personal property or other valuable thing based on the condition of selling the item sold back to the consumer at a stipulated price (BR § 12-101 (h) (2014).

In order to qualify as a pledge, the pawn dealer must take possession of the personal property. [2].

Maryland Consumer Lending Law Applies to Vehicle Title Loans

The Maryland Consumer Loan Law ("MCLL") applies to "vehicle title loans" of \$6,000 or less [3]. The vehicle title loans made to consumers in Maryland are subject to MCLL, regardless of what the contract is called or how the loan terms are structured. Such loans involve secured loans made

by borrowers for personal, family or household purposes. Vehicle title loans are a type of secured consumer loan subject to MCLL, and non-exempt persons offering or making vehicle title loans to borrowers in Maryland are "consumer lenders" subject to the licensing, investigation, and enforcement authority of the Commissioner.

Questions about this Advisory can be directed to Jedd Bellman, Assistant Commissioner for Non-Depository Supervision at jedd.bellman@maryland.gov or (410) 230-6390.

[1] The Secondhand Precious Metal Object Dealers and Pawnbrokers Act is administered and enforced by the Secretary of the Department of Labor, Licensing and Regulation and not by the Commissioner of Financial Regulation. See generally BR § 12-101 et seq.

[2] Restatement (First) of Security § 1 Comment a. (Am. Law Inst., March 2016 update.)

[3] Vehicle title loans in excess of \$6,000 are subject to other credit and licensing laws governing installment loans in Maryland, including the licensing, investigation, and enforcement authority of the Commissioner.



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