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AB-2231 Pawnbrokers: education. (2023-2024)

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Assembly Bill No. 2231

CHAPTER 223

An act to amend, repeal, and add Section 21300 of, to add and repeal Section 21303.5 of, and to add and repeal Chapter 4 (commencing with Section 21400) of Division 8 of, the Financial Code, relating to pawnbrokers.

[Approved by Governor September 12, 2024. Filed with Secretary of State September 12, 2024.]

LEGISLATIVE COUNSEL'S DIGEST

AB 2231, Gipson. Pawnbrokers: education.

Existing law defines every person engaged in the business of receiving goods in pledge as security for a loan as a pawnbroker and requires those persons to apply to the chief of police, the sheriff, or the police commission for a license permitting the licensee to engage in the business of pawnbroker. Existing law requires the licensing authority to accept an application for and grant a license to engage in the business of pawnbroker, if the applicant has complied with specified requirements, including filing a surety bond and a financial statement, and if they have not been convicted of an attempt to receive stolen property or any other offense involving stolen property, as specified. Existing law also requires a pawnbroker to comply with a specified reporting requirement imposed upon secondhand dealers. Existing law creates the California Pawn and Secondhand Dealer System (CAPSS), a statewide, uniform, electronic reporting system that receives secondhand dealer reports and is operated by the Department of Justice. Existing law requires every secondhand dealer to electronically report daily, or no later than the next business day, after receipt or purchase of secondhand tangible personal property, to the CAPSS, all secondhand tangible personal property that they have purchased, taken in trade, taken in pawn, accepted for sale on consignment, or accepted for auctioning, as specified.

This bill, the Pawnbroker Education Act, would establish the California Pawnbroker Education Council, governed by a board of directors, as specified. The bill would require the council to establish fees sufficient to support its functions and to cover the reasonable regulatory costs of administering these provisions. The bill would require the council, on or before January 1, 2026, to develop and establish a standard course and curriculum in pawnbroker transactions that includes at least 8 hours of prelicensing education to be completed by an applicant for licensure, and 8 hours of continuing education to be completed by a licensee or their designated representative, as a condition precedent to being issued, or renewing, a pawnbroker's license. The bill would require the curriculum to meet minimum standards for compliance with state and federal law applicable to the pawnbroker business including, the CAPSS reporting requirements described above. The bill would require individuals, entities, agencies, and associations that propose to offer educational courses that satisfy the prelicensing and continuing education requirements determined by the council to apply for and obtain the approval of the council. The bill would require the council, beginning on January 1, 2026, to issue a certificate to an applicant for a pawnbroker license, or to a licensee applying for renewal of a pawnbroker license, who has satisfied the educational requirements, and to maintain records verifying completion of the educational requirements for at least 2 years. The bill would repeal these provisions on January 1, 2029.

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 21300 of the Financial Code is amended to read:

21300. (a) The chief of police, the sheriff, or, where appropriate, the police commission shall accept an application for and grant a license permitting the licensee to engage in the business of pawnbroker, as defined in Section 21000, at the address indicated on the application, to an applicant who has complied with the requirements of Sections 21303, 21303.5, 21304, and 21305 and has not been convicted of an attempt to receive stolen property or any other offense involving stolen property. Prior to the granting of a license, the licensing authority shall submit the application to the Department of Justice. If the Department of Justice does not comment on the application within 30 days thereafter, the licensing authority shall grant the applicant a license. All forms for application and licensure, and license renewal, shall be prescribed and provided by the Department of Justice. A fee shall be charged to the applicant by the Department of Justice, as specified in Section 21642.5 of the Business and Professions Code, for processing the initial license application and funding the single, statewide, uniform electronic reporting system set forth in Section 21628 of the Business and Professions Code. The licensing authority shall collect the fee and transmit the fee to the Department of Justice. In addition, the police chief, sheriff, or, where appropriate, the police commission, may charge a fee to the applicant not to exceed the actual costs incurred to process the application and to collect and transmit the fee charged by the Department of Justice.

(b) For the purposes of this section, "convicted" means a plea or verdict of guilty or a conviction following a plea of nolo contendere.

(c) Notwithstanding subdivisions (a) and (b), no person shall be denied a pawnbroker's license solely on the grounds that they violated any provision contained in Chapter 1 (commencing with Section 21000) or Chapter 2 (commencing with Section 21200), or any provision contained in Article 4 (commencing with Section 21625) or Article 5 (commencing with Section 21650) of Chapter 9 of Division 8 of the Business and Professions Code, unless the violation demonstrates a pattern of conduct.

(d) This section shall remain in effect only until January 1, 2029, and as of that date is repealed.

SEC. 1.5. Section 21300 is added to the Financial Code, to read:

21300. (a) The chief of police, the sheriff, or, where appropriate, the police commission shall accept an application for and grant a license permitting the licensee to engage in the business of pawnbroker, as defined in Section 21000, at the address indicated on the application, to an applicant who has complied with the requirements of Sections 21303, 21304, and 21305 and has not been convicted of an attempt to receive stolen property or any other offense involving stolen property. Prior to the granting of a license, the licensing authority shall submit the application to the Department of Justice. If the Department of Justice does not comment on the application within 30 days thereafter, the licensing authority shall grant the applicant a license. All forms for application and licensure, and license renewal, shall be prescribed and provided by the Department of Justice. A fee shall be charged to the applicant by the Department of Justice, as specified in Section 21642.5 of the Business and Professions Code, for processing the initial license application and funding the single, statewide, uniform electronic reporting system set forth in Section 21628 of the Business and Professions Code. The licensing authority shall collect the fee and transmit the fee to the Department of Justice. In addition, the police chief, sheriff, or, where appropriate, the police commission, may charge a fee to the applicant not to exceed the actual costs incurred to process the application and to collect and transmit the fee charged by the Department of Justice.

(b) For the purposes of this section, "convicted" means a plea or verdict of guilty or a conviction following a plea of nolo contendere.

(c) Notwithstanding subdivisions (a) and (b), no person shall be denied a pawnbroker's license solely on the grounds that they violated any provision contained in Chapter 1 (commencing with Section 21000) or Chapter 2 (commencing with Section 21200), or any provision contained in Article 4 (commencing with Section 21625) or Article 5 (commencing with Section 21650) of Chapter 9 of Division 8 of the Business and Professions Code, unless the violation demonstrates a pattern of conduct.

(d) This section shall become operative on January 1, 2029.

SEC. 2. Section 21303.5 is added to the Financial Code, to read:

21303.5. (a) On and after January 1, 2026, as a condition precedent to issuing a new pawnbroker's license, the applicant shall complete at least eight hours of preclicensing education approved by the California Pawnbroker Education Council pursuant to Chapter 4 (commencing with Section 21400) and submit to the licensing agency a certificate of completion issued by the council pursuant to Section 21409.

(b) On and after January 1, 2026, as a condition precedent to renewing a pawnbroker's license, the applicant shall complete at least eight hours of continuing education approved by the California Pawnbrokers Education Council pursuant to Chapter 4 (commencing with Section 21400) and submit to the licensing agency a certificate of completion issued by the council pursuant to Section 21409.

(c) This section shall remain in effect only until January 1, 2029, and as of that date is repealed.

SEC. 3. Chapter 4 (commencing with Section 21400) is added to Division 8 of the Financial Code, to read:

CHAPTER 4. Pawnbroker Education Act

21400. This chapter shall be known, and may be cited, as the Pawnbroker Education Act.

21401. The Legislature finds and declares all of the following:

(a) Pawnbroker businesses provide a valuable source of short-term credit for economically vulnerable consumers and the state's unbanked population, as everyone who seeks a pawn loan can borrow money regardless of creditworthiness.

(b) Individuals who use pawnbroker loans in this state use those loans for, among other things, paying for the necessities of life.

(c) The Legislature recognizes that education for licensed pawnbrokers, as defined in this chapter, will ensure the highest standards of conduct and compliance with state and federal laws applicable to pawnbroker businesses.

(d) In order to continuously improve the competence of licensed pawnbrokers, the Legislature encourages all licensees to regularly engage in continuing education related to the profession, as defined in this chapter.

21403. (a) The California Pawnbroker Education Council is hereby established to carry out the responsibilities and duties described in this chapter.

(b) The council shall be governed by a board of directors composed of, but not limited to, members who shall be chosen in the following manner:

(1) One member shall be a representative of the California Police Chiefs Association or California State Sheriffs' Association, unless those entities choose not to appoint a member to the council.

(2) One member shall be appointed by the Secondhand Dealer and Pawnbroker Unit of the Department of Justice, unless the department chooses not to appoint a member to the council.

(3) Four members shall be licensed pawnbrokers who are California residents selected by a professional society, association, or other entity, the membership of which is composed of licensed pawnbrokers. The professional society, association, or other entity shall have a dues-paying membership in California of at least 200 individuals, have been established in or before 2000, and have bylaws that require its members to comply with a code of ethics.

(4) One member shall be a licensed attorney who is a California resident selected by a professional society, association, or other entity described in paragraph (3).

(c) Each member of the board of directors shall serve a term of two years.

(d) The council may take any reasonable actions necessary to carry out the responsibilities and duties set forth in this chapter, including, but not limited to, hiring staff, entering into contracts, and developing policies, procedures, rules, and bylaws to implement this chapter.

(e) The council shall establish fees sufficient to support the functions of the council and to cover the reasonable costs of administering this chapter.

21405. (a) The council shall, on or before January 1, 2026, develop and establish a standard course and curriculum in pawnbroker transactions that shall include at least eight hours of prelicensing education to be taken by an applicant for licensure, and eight hours of continuing education to be taken by a licensee or their designated representative.

(b) The curriculum established by the council shall meet minimum standards for education in the following areas:

(1) Compliance with federal laws applicable to the pawnbroker business, including, but not limited to, bankruptcy, search and seizure, anti-money laundering, and lending laws.

(2) Compliance with state laws applicable to the pawnbroker business (Division 8 (commencing with Section 21000)) and the reporting requirements imposed upon secondhand dealers pursuant to Article 4 (commencing with Section 21625) of Chapter 9

of Division 8 of the Business and Professions Code.

(c) The curriculum may include any other training that the council deems to be relevant to the efficient and lawful operation of a pawnbroker business.

21407. (a) Individuals, entities, agencies, and associations that propose to offer educational courses that satisfy the preclicensing or continuing education requirements of this chapter shall apply for and obtain the approval of the council.

(b) The council shall develop policies, procedures, rules, or bylaws governing the requirements described in this chapter and the process for applying to become, approving, denying the approval of, imposing correction action upon, or withdrawing the approval of, an educational course provider. These policies, procedures, rules, or bylaws shall address topics including, but not limited to, what constitutes an acceptable curriculum and facility requirements.

21409. (a) Beginning on January 1, 2026, the council shall issue a certificate to an applicant for a pawnbroker license, or a licensee applying for renewal of a pawnbroker license, who has satisfied the educational requirements of this chapter.

(b) The council shall maintain records verifying completion of the initial preclicensing education and continuing education for a period of not less than two years.

21411. Nothing in this chapter authorizes the council to approve, deny, revoke, or suspend a license issued pursuant to Section 21300.

21413. This chapter shall remain in effect only until January 1, 2029, and as of that date is repealed.