

CHAPTER 40—H.F.No. 648

An act relating to commerce; regulating certain lenders that use motor vehicle titles of the borrower as collateral; proposing coding for new law in Minnesota Statutes, chapter 47.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **[47.602] MOTOR VEHICLE TITLE LOANS.**

Subdivision 1. **Definitions.** (a) The terms defined in this section have the meanings given them.

(b) "Automobile dealer" means a dealer, as defined in section 168.002, subdivision 6, and a used motor vehicle dealer.

(c) "Banking institution" means a banking institution, as defined in section 48.01, subdivision 2, and includes any bank, savings bank, savings association, or any subsidiary of any of them, that is subject to supervision by a federal regulatory agency.

(d) "Consumer loan" means a loan to a borrower which has a principal amount, or an advance on a credit limit, of \$1,000 or less and requires a minimum payment within 60 days of loan origination or credit advance of more than 25 percent of the principal balance or credit advance. For the purposes of this section, each new advance of money to a borrower under a consumer loan agreement constitutes a new consumer loan.

(e) "Credit union" includes a credit union, as defined under section 52.001, subdivision 4, and a federal credit union, as defined under section 52.001, subdivision 7.

Subd. 2. **Requirements.** A lender who is not a pawnbroker, as defined in section 325J.01, subdivision 4, and uses a title to a motor vehicle as collateral for making a consumer loan:

(1) must possess a valid license from the Department of Commerce as either an industrial loan and thrift company under chapter 53 or a regulated lender under chapter 56;

(2) must comply with all provisions of section 325J.095; and

(3) may not demand or collect interest, fees, or any other charges that in the aggregate exceed the amounts allowed to be demanded and collected under section 325J.07.

Subd. 3. **Exemptions.** This section does not apply to a banking institution, a credit union, an automobile dealer, or any transaction conducted under chapter 53C.

EFFECTIVE DATE. This section is effective August 1, 2013, and applies to credit extended on or after that date.

Presented to the governor May 3, 2013

Signed by the governor May 7, 2013, 10:42 a.m.