



Title Pledge Loan Agreements

What Are Title Pledge Agreements

Tennessee Code Annotated ("TCA") allows licensed lenders to conduct and operate business as title pledge lenders by this department pursuant to the Tennessee Title Pledge Act ("the Act") in TCA §45-15-101 et seq.

Title and property pledge agreements are thirty (30) day written agreements in which the lender agrees to make a loan of money to the consumer ("pledgor") and the pledgor in turn agrees to give the lender an unencumbered (free of lien) security interest in the titled personal property owned by the pledgor. The pledgor further agrees that the lender may keep physical possession of the certificate of title the entire length of the agreement. The pledgor regains their right to redeem the title by repaying the 30 day loan in full by complying with their pledge agreement.

Length of Contracts

Although, TCA §45-15-113(a) states, "title pledge agreements and property pledge agreements...shall not exceed thirty (30) days in length" an agreement may provide for additional thirty-day period renewals (which may occur automatically) unless one (1) of the following occurs between the lender and pledgor:

- ◆ pledgor pays all principal, interest and customary fees as agreed.
- ◆ pledgor surrenders possession, title and all other interest in and to titled personal property and certificate of title to lender.
- ◆ lender notifies pledgor in writing the agreement is not to be renewed; or
- ◆ pledgor defaults on any obligation pursuant to the agreement.

Rate of Interest and Charges

Section 45-15-111(a) of the Act specifies that the title pledge lender may contract for and receive an effective rate of interest not to exceed 2% per month; additionally, the lender may charge a fee equal to no more than 1/5 of the original principal amount (or unpaid balance in the case of renewals) to defray the ordinary costs of operating a title pledge office. Therefore, between the interest rate and fee assessments, the statute allows a maximum assessment of twenty-two percent (22%) per month on a title pledge agreement.

What Happens If I Can't Pay

If the agreement is not paid within the 30 day time frame of the contract, the lender can choose to automatically renew the agreement for another 30 day period. If they make this decision, the lender can assess another interest rate and fee charge for the "new" 30-day period. This is pursuant to language in TCA §45-15-111(a) where it is stated, "the interest and fees shall be deemed to be earned, due and owing as of the date of the title pledge agreement or property pledge agreement and a like sum shall be deemed earned, due and owing on the same day of each subsequent thirty-day period."

Pursuant to TCA §45-15-113(d), beginning with the third renewal and at each successive renewal thereafter, the pledgor or borrower, shall be required to make a payment of at least five percent (5%) of the original principal amount of the title pledge transaction, in addition to the interest rate and fees authorized by the Act.



Remember: This loan is not intended to meet long-term financial needs. You should use this loan only to meet short-term cash needs.

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