

SENATE BILL REPORT

SB 5613

AS REPORTED BY COMMITTEE ON COMMERCE & LABOR, MARCH 5, 1991

**Brief Description:** Regulating pawnbrokers and second-hand dealers.

**SPONSORS:** Senators Matson, Moore, McCaslin, McMullen, Snyder, Bauer, Vognild, Sutherland, Thorsness, Johnson and Hansen.

**SENATE COMMITTEE ON COMMERCE & LABOR**

**Majority Report:** That Substitute Senate Bill No. 5613 be substituted therefor, and the substitute bill do pass.

Signed by Senators Matson, Chairman; Anderson, Vice Chairman; McCaslin, McMullen, Moore, Murray, and Skratek.

**Staff:** Forrest Bathurst (786-7429)

**Hearing Dates:** February 21, 1991; March 5, 1991

**BACKGROUND:**

Current law regulates the business of pawnbrokers and second-hand dealers in Washington State.

A fixed place of business must be maintained by pawnbrokers. The statute requires both pawnbrokers and second-hand dealers to keep records on persons conducting transactions and on the items exchanged, establishes reporting procedures with local law enforcement departments and rules for retaining stolen property, directs that written documents be used in transactions, and requires a 90 day waiting period be kept before pledged property is sold. Rates of interest and fees charged by pawnbrokers are established in statute.

The regulating statute was last revised in 1984.

**SUMMARY:**

The definition of "pawnbroker" is expanded to include a person making loans secured by the purchase of personal property or the sale of personal property.

The definition of "second-hand dealer" is expanded to include people that conduct business at flea markets more than three times per year.

The definition of "transaction" is expanded to include trades.

"Loan term" is defined as a period of 30 days including the date a loan is made.

The definition of "negotiable written instruments" includes stocks, bonds, promissory notes, and personal checks. Negotiable written instruments shall not be considered as personal property for securing loans.

The identification numbers of the employee and store, the telephone number of the customer with whom a transaction is concluded, and the color of stones in pawned jewelry are included as information recorded at the time of a sale.

Upon request, pawnbrokers and second-hand dealers shall forward to the chief law enforcement officer of the city or county their records of transactions for the previous day. Pawnbrokers and second-hand dealers shall not be required to transfer this information to local law enforcement agencies in less than 24 hours, and the chief law enforcement officer shall determine the time period required within their jurisdiction. Reports may be transmitted electronically, on floppy disks, or other ways allowed by the chief law enforcement officer.

Law enforcement agencies shall provide written notice requesting pawnbrokers and second-hand dealers hold stolen property no later than 10 days after a verbal request. If written notice is not given within 10 days the stolen property need not be held for 120 days.

Pawnbrokers and second-hand dealers shall provide a 20 day written notice to law enforcement agencies before the expiration of the 120 day holding period for stolen property. If this 20 day notice is not sent to the law enforcement agency, the holding period shall automatically continue for another 120 days.

The law enforcement agency may extend the holding period another 120 days if written notice is given to the pawnbroker or second-hand dealer before the end of a holding period.

Personal property pledged to a pawn shop shall not be removed from the place of business within 30 days of receipt of the property. Property received by a second-hand dealer without a permanent business location shall not be removed for 30 days from the city or county in which it was received.

The fee schedule for pawnbrokers is revised to reflect the increased cost of doing business.

The length of time pawnbrokers must wait to sell a pledged item is reduced from 120 days after the loan date to 90 days after the loan date.

Pawnbrokers shall not be required to disclose the proceeds of the sale of pledged goods to the person who took out the loan.

Provisions of law pertaining to forfeited or foreclosed loans do not apply to pawnbrokers.

In any action brought by a pledgor, pawnbroker, or second-hand dealer to determine title to goods, the prevailing party is entitled to reasonable attorneys' fees and costs.

No item shall be accepted for pledge if any serial numbers or other identifying marks have been removed or altered.

Personal property shall not be purchased by a pawnbroker or second-hand dealer with the understanding it will be resold to the original seller at a predetermined price in an attempt to avoid the interest and fee schedules established by this act.

A bail bond business is subject to the provisions of this act if it accepts personal property as security for a bail bond.

**EFFECT OF PROPOSED SUBSTITUTE:**

The definition of "negotiable written instrument" is deleted from the bill. This deletion has the effect of allowing pawnbrokers to continue accepting stocks, bonds, checks, and promissory notes as personal property for securing loans.

The provisions of this act do not apply to bail bond businesses.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** requested February 14, 1991

**TESTIMONY FOR:**

This legislation is needed to adjust interest rates and fees to reflect the increased cost of operations and to remove unnecessary regulatory requirements.

**TESTIMONY AGAINST:**

Increased rates and fees are not required and the prohibition on accepting negotiable written instruments as personal property will not allow pawnbrokers to offer check cashing services.

**TESTIFIED:** Howard Zidell (pro); Sergeant Bernie Miller (pro); Cathy Hornbaker (pro); Fred Treadwell (pro); Gordon Walgren (con); Pat Agnew (con); John Miller (con); Darrel Wells (con)