

HOUSE BILL REPORT

HB 2090

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to fees for preparation of loan documents, pledges or reports by pawnbrokers and second-hand dealers.

Brief Description: Limiting fees charged by pawnbrokers and second-hand dealers.

Sponsors: Representatives Dellwo and R. Meyers.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, January 26, 1994,
DPS.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 16 members: Representatives Zellinsky, Chair; Scott, Vice Chair; Mielke, Ranking Minority Member; Dyer, Assistant Ranking Minority Member; Anderson; Dellwo; Dorn; Grant; R. Johnson; Kessler; Kremen; Lemmon; R. Meyers; Schmidt; Tate; and L. Thomas.

Staff: Charlie Gavigan (786-7340).

Background: Pawnbrokers and second-hand dealers are regulated by state law. In addition to provisions on recording business information and reporting to law enforcement officials, state law regulates the lending of money by pawnbrokers.

Pawnbrokers are authorized to receive interest and loan preparation fees up to statutory limits. For instance, for a loan of \$100, the maximum interest charge is \$3 per 30-day period; for a loan of \$100, the maximum loan fee is \$12. While statutory provisions intend that the loan fee be a one-time charge and that the loan be for one 30-day period with a minimum 60-day grace period, the ambiguous use of "term of the loan" could result in some confusion.

Summary of Substitute Bill: The statutory provisions regulating loans by pawnbrokers are modified. The provision

defining "term of the loan" (30 days) is clarified, and the loan period, which includes the term plus a minimum 60 day grace period, also is clarified. The existing requirement that a loan fee only be charged once per loan is re-enforced. Additional disclosures must be made to the customer, and pawnbrokers can refinance an existing loan by mail.

Substitute Bill Compared to Original Bill: The substitute bill does not eliminate the provision defining "term of the loan" as 30 days. Instead, "loan period" is defined to account for the grace period. Provisions are added to clarify that the loan fee can only be charged once per loan, to provide for additional disclosures to the customer, and to allow a refinance by mail.

Fiscal Note: Not requested.

Effective Date of Substitute Bill: Ninety days after adjournment of session in which bill is passed.

Testimony For: Clarification is needed regarding the term of the loan so that extra loan fees clearly are prohibited. Amendments are suggested to accomplish this more effectively, as well as to provide for better disclosure to the customer and to allow the customer to rewrite a loan by mail.

Testimony Against: None.

Witnesses: John Woodring, Bob Burton, and John Rinsheimer, Washington State Pawnbrokers Association (all support).