

FINAL BILL REPORT

HB 1012

C 133 L 95

Synopsis as Enacted

Brief Description: Regulating loans made by pawnbrokers.

Sponsors: Representative L. Thomas.

House Committee on Financial Institutions & Insurance
Senate Committee on Financial Institutions & Housing

Background: Pawnbrokers are regulated by state law, although local governments may enact more restrictive provisions. In addition to regulating business practices such as 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 likely intend that the loan fee be a one-time charge, that the loan be for one 30-day period plus a minimum 60-day grace period, and that interest be collected during the entire loan period, the ambiguous use of "term of the loan" in statutory changes made in 1991 could result in some confusion.

Summary: State law regulating loans by pawnbrokers is modified. The existing law is changed to clarify that the loan period, for which a loan fee can be charged only once and during which interest can be collected, includes the term of the loan (30 days) plus a minimum 60-day grace period. Additional disclosures must be made to the customer, and pawnbrokers can refinance an existing loan by mail.

Votes on Final Passage:

House	94	0
Senate	39	0

Effective Date: July 23, 1995