

# HOUSE BILL REPORT

## HB 2357

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### As Reported By House Committee On:

Financial Institutions & Insurance

**Title:** An act relating to the rates of interest and other fees charged by pawnbrokers.

**Brief Description:** Setting the rates of interest and other fees charged by pawnbrokers.

**Sponsors:** Representatives L. Thomas, Wolfe, Smith, Grant, DeBolt, Keiser and D. Sommers.

### Brief History:

#### Committee Activity:

Financial Institutions & Insurance: 1/21/98 [DP].

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## HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass. Signed by 7 members: Representatives L. Thomas, Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Benson; DeBolt; Keiser and Wensman.

**Minority Report:** Without recommendation. Signed by 1 member: Representative Sullivan.

**Staff:** Charlie Gavigan (786-7340).

**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 based on the amount of the loan (pawn). For instance, for a loan of \$50, the maximum interest charge is \$2.50 per 30-day period and the maximum loan preparation fee is \$7; for a loan of \$100 or more, the maximum interest charge is 3 percent per 30-day period and the maximum loan preparation fee varies depending on the amount borrowed. For instance, the maximum loan preparation fee is \$12 for a \$100 loan; \$18 for a \$250 loan; \$55 for a \$1000 loan; and \$90 for a \$4500 loan or higher.

The term of the loan is 30 days, but the loan period, during which only one loan preparation fee can be collected, is a minimum of 90 days (the term of the loan plus a minimum 60-day grace period).

**Summary of Bill:** Pawnbrokers are authorized to receive higher amounts of interest and loan preparation fees based on the amount of the loan (pawn). The increase on allowable interest charged is 50 cents per 30-day period for loans up to \$100, and is 2 percent of the loan amount per 30-day period on loans of \$100 or more (from 3 percent to 5 percent). The increase in the loan preparation fee varies from 50 cents on loans less than \$30, \$1 on loans between \$30 - \$100, \$2 on loans between \$100 - \$200, \$2.50 on loans between \$200 - \$500, and \$3 on loans over \$500.

**Appropriation:** None.

**Fiscal Note:** Not requested.

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

**Testimony For:** The small increase in allowable interest and loan preparation fees is necessary to cover increased costs since the last increase in 1991. The cost of rent, utilities, reporting requirements, and other expenses has increased significantly. Even with these increases, pawnbrokers in neighboring states can still charge significantly more than pawnbrokers in Washington.

**Testimony Against:** None.

**Testified:** Tamera Warnke, W. John Sinsheimer, and Nick Buell, Washington State Pawnbrokers Association (support).