

# HOUSE BILL REPORT

## SB 6375

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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:** Senators Winsley, Prentice, Sellar, Hale and Benton.

**Brief History:**

**Committee Activity:**

Financial Institutions & Insurance: 2/19/98 [DPA].

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### HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

**Majority Report:** Do pass as amended. Signed by 11 members: Representatives L. Thomas, Chairman; Smith, Vice Chairman; Zellinsky, Vice Chairman; Wolfe, Ranking Minority Member; Grant, Assistant Ranking Minority Member; Benson; Constantine; DeBolt; Keiser; Sullivan and Wensman.

**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 \$1,000 loan; and \$90 for a \$4,500 loan or higher.

**Summary of Amended 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 1 percent of the loan amount per 30-day period on loans of \$100 or more (from 3 percent

to 4 percent). The increase in the loan preparation fee varies depending on the amount of the loan; the increase is 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.

**Amended Bill Compared to Original Bill:** The amendment changes the interest rate allowed to 4 percent per month instead of 5 percent per month (current law is 3 percent) on loans of \$100 or more.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date of Amended Bill:** 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.

**Testimony Against:** None.

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