

# HOUSE BILL REPORT

## HB 1231

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**As Reported by House Committee On:**

Insurance, Financial Services & Consumer Protection

**Title:** An act relating to pawnbrokers.

**Brief Description:** Modifying provisions concerning pawnbrokers.

**Sponsors:** Representatives Kirby, Roach, Simpson, Strow and Santos.

**Brief History:**

**Committee Activity:**

Insurance, Financial Services & Consumer Protection: 1/18/07, 1/23/07 [DP].

**Brief Summary of Bill**

- Raises loan preparation fees \$1 across the schedule of fees.
- Allows a \$3 storage charge.
- Allows a \$3 charge for the storage of a firearm.
- Alters the term of the loan from 30 days with a 60-day grace period to 90 days.

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### HOUSE COMMITTEE ON INSURANCE, FINANCIAL SERVICES & CONSUMER PROTECTION

**Majority Report:** Do pass. Signed by 8 members: Representatives Kirby, Chair; Kelley, Vice Chair; Roach, Ranking Minority Member; Strow, Assistant Ranking Minority Member; Hurst, Rodne, Santos and Simpson.

**Staff:** Jon Hedegard (786-7127).

**Background:**

Washington regulates the business of pawnbrokers and second-hand dealers. Pawnbrokers are regulated under Chapter 19.60 RCW. Local governments may enact more restrictive provisions.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

"Pawnbroker" is defined as every person engaged, in whole or in part, in the business of loaning money on the security of pledges, deposits or conditional sales of personal property, or the purchase and sale of personal property. "Second-hand dealer" is defined as every person engaged, in whole or in part, in the business of purchasing, selling, trading, consignment selling, or otherwise transferring for value, second-hand property.

#### Loan Interest and Fees

Pawnbrokers are authorized to receive interest and loan preparation fees up to statutory limits. The statute provides a schedule of the maximum amount of interest and fees that pawnbrokers may charge for money loaned on the security of personal property received in pledge. The schedule includes 12 ranges, from a loan less than \$10 to loans more than \$100. The schedule allows for interest of \$1 every 30 days for a loan up to \$10. The schedule allows for a charge of 3 percent per month for loans of \$100 or more.

There is also a statutory schedule of the maximum fees that pawnbrokers may charge for the preparation of documents, pledges, or reports required by law. The preparation fee schedule includes 56 ranges from loans less than \$5 to loans more than \$4,500. The fee for a loan of \$5 is 50 cents. The fee for a loan more than \$4,500 is \$90. The loan preparation fees are one-time charges.

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 preparation fee is \$12.

A person may not avoid the interest and fee restrictions of the statutes by purchasing property on condition of selling it back at a stipulated price greater than the purchase price.

#### Record Keeping

Records must be maintained for each transaction for three years after the date of the transaction. The records of each transaction kept by a pawnbroker or second-hand dealer must include the following additional information:

- date of the transaction;
- signature of the person with whom the transaction is made;
- the name, date of birth, height, weight, race, address and telephone number of the person with whom the transaction is made;
- a complete description of the property including brand name, serial number, or name;
- type and identifying number of identification used by the person with whom the transaction is made;
- the nature of the transaction and number identifying the transaction;
- the name or identification number of the employee conducting the transaction; and
- the store identification number or name and the address of the store.

Transcripts of the previous day's business, when requested by the police, within the time period required by the police, may be transmitted by facsimile or electronically.

#### Restrictions on Transfer of Property

Following notification from the police that an item of property has been reported as stolen, a pawnbroker or second-hand dealer must place an identifying tag on the property and keep it safe. A pawnbroker may not release that item for 120 days without the consent of the police or an order of the court.

If the police place a verbal hold on an item that has been reported as stolen, the police must give written notice confirming the hold to the pawnbroker or second-hand dealer holding the property within 10 business days. If the police do not give written notice, the hold order will cease. The pawnbroker or second-hand dealer must give the police written notice 20 days before the expiration of the 120-day period or the hold on the property will continue for an additional 120 days. The police may renew a hold for an additional 120-day period by giving written notice of an additional hold.

Property bought or received in pledge or by consignment by a second-hand dealer may not be removed from the place of business within 30 days after the receipt of that property, except when redeemed by or returned to the owner. The property must be available for inspection by the police.

Pawnbrokers may not sell property within at least a 60-day grace period after the term of the loan expires. After the grace period expires, the pawnbroker is not required to account to the person who received the loan for the proceeds from that item.

#### Prohibited Acts

It is a gross misdemeanor for a person to:

- alter a serial number or identifying mark on a piece of personal property that has been pledged;
- accept for pledge or second-hand purchase personal property on which the manufacturer's serial number or identifying mark has been altered;
- make or allow a false entry or misstatement of any material matter in records required to be maintained under Chapter 19.60 RCW;
- accept property from anyone under 18 years of age, anyone who is under the influence of drugs or alcohol, or anyone known by the pawnbroker or second-hand dealer to be convicted of burglary, robbery, theft or receiving stolen goods; or
- engage in check cashing or selling without complying with Chapter 31.45 RCW.

#### Attorneys' Fees and Costs

In a court action to determine title or ownership of an item, the prevailing party is entitled to reasonable attorneys' fees and costs.

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#### **Summary of Bill:**

The term of a loan is altered from a term of 30 days with a 60-day grace period to a term of 90 days.

Loan preparation fees are raised \$1 across the 56 ranges in the schedule of fees. As an example, the fee for a loan under \$5 is raised from 50 cents to \$1.50. The fee for a loan more than \$4,500 is raised from \$90 to \$91.

Pawnbrokers are allowed to charge a \$3 fee for the storage of property. Pawnbrokers may also charge an additional \$3 fee for the storage of a gun. Each fee may only be charged one time for each transaction.

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**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill is very clear. The fees for pawnbrokers have not been raised for quite some time. Pawnbrokers are being squeezed by retailers on one end and by other types of lenders on the other end. This is an important industry and should be kept as a viable option for people that are in need of a loan.

The fees and interest that can be charged by the industry are set in statute. The fees and interest provisions are unchanged since 1991. It is quite a long time to go without a change. The provisions need to be changed to bring the fee and interest sections current. There has been no adjustment to the interest and fee provision in 16 years. Pawnbrokers have faced serious fixed cost increases in that time. Rent, insurance (particularly health insurance), utilities, and wages are only some of the costs that have risen significantly since 1991. There are pawnshop owners from Yakima, Walla Walla, Vancouver, Renton, and Tacoma here to support this bill. The pawnshop industry is an old and honorable business. It fills an important niche in our society. When people need quick money to address immediate issues or problems, a pawnshop may be a good option. We are a regulated industry. We are not able to adjust our rates to meet the rise in our costs. We need to have the statute changed. The 30-day loan term with a 60-day grace period is confusing to our customers. The result can be a 90-day loan but we have to tell them that it is not a 90-day loan but a 30-day loan with the grace period after the loan term. Customers just don't understand. Federal law imposes costs for firearm storage. We have to fill out forms and now call a telephone number and receive approval before we take a firearm. That number must be called at the time of the transaction whether weekday or weekend. The business is more complicated today. Pawnbrokers need help to survive. There have been some statutory changes since 1991 but no changes to the fees. There are numerous challenges today, including retail competition, loan competition, and local ordinances that are more stringent than state law. Many pawnbrokers have been in the industry for quite some time. This fee increase is necessary to keep those businesses.

(Opposed) None.

**Persons Testifying:** Representative Kirby, prime sponsor; Nancy Cejudo, Tamara Warnke, Nick Buell, and Howard Zidell, Washington Pawnbrokers Association; John Sineshimer, Attorney; and Tim Maybry, Pawnbroker.

**Persons Signed In To Testify But Not Testifying:** None.