
Business & Financial Services Committee

ESB 5616

Brief Description: Concerning pawnbroker fees and interest rates.

Sponsors: Senators Benton, Hobbs, Angel, Keiser, Fain, Roach, Hatfield, Conway, Chase and Baumgartner.

Brief Summary of Engrossed Bill

- Modifies the schedule of interest and fees that may be charged for pawnbroker loans.

Hearing Date: 3/17/15

Staff: Linda Merelle (786-7092).

Background:

Washington regulates the business of pawnbrokers under chapter 19.60 RCW. There is, however, no state licensing requirement for pawnbrokers. Local governments may issue licenses for pawnbroker businesses and have the authority to enact provisions that are more restrictive than those in chapter 19.60 RCW.

A 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.

Loan Fees and Interest.

The statutory term of a pawnbroker loan is 90 days. Every loan transaction entered into by a pawnbroker must be a written agreement, and a copy must be furnished to the pledger of the property. Interest may be charged every 30 days, and a preparation fee may be charged once for the term of the loan.

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.

If a pledged article is not redeemed within the 90-day term of the loan, the pawnbroker has all rights, title, and interest of that item of personal property. The pawnbroker is not required to account to the pledger for any proceeds received from the disposition of that property. A new loan, by agreement of the parties, may be written after the 90-day term is up.

Pawnbrokers are authorized to receive interest and loan preparation fees up to statutory limits. The schedule for the maximum amount of interest and fees that pawnbrokers may charge is set out in incremental categories. There are 12 categories for interest, and they range from loans in amounts of less than \$10 to loans in amounts of \$100 or more. Under Washington law, there is no limitation regarding the maximum loan amount. The schedule allows for interest of \$1 every 30 days for a loan less than \$10. For loans of \$100 or more, the maximum interest rate per 30 days is 3 percent of the loan amount.

A schedule of the maximum fees that pawnbrokers may charge for the preparation of documents, pledges, or reports required by law is also set out in statute. The fee schedule contains 56 categories of loan amounts, from loans less than \$5 to loans of \$4,500 or more. The fee for a loan in an amount less than \$5 is \$1.50 and for a loan of \$4,500 or more, it is \$91.

The pawnbroker may also charge a general storage fee of \$3 and an additional \$3 fee for the storage of a firearm.

The table below illustrates the maximum interest and fees permitted for certain loan amounts:

Loan Amount	30-Day Loan			90-Day Loan		
	Interest	Prep Fee	Storage	Interest	Prep Fee	Storage
\$50	\$2.50	\$8	\$3	\$7.50	\$8	\$3
\$100	\$3	\$13	\$3	\$9	\$13	\$3
\$250	\$7.50	\$19	\$3	\$22.50	\$19	\$3
\$500	\$15	\$29	\$3	\$45	\$29	\$3
\$1,000	\$30	\$56	\$3	\$90	\$56	\$3
\$1,500	\$45	\$61	\$3	\$135	\$61	\$3
\$2,000	\$60	\$66	\$3	\$180	\$66	\$3

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 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 and 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 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 holding the property within 10 business days. If the police do not give written notice, the hold order will cease. The pawnbroker 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.

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 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 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.

Summary of Bill:

The interest allowed for pawnbroker loans in amounts of \$100 or more are modified. For loan amounts of \$100 or more, the interest charged per 30-day period is increased to 4 percent of the loan. The one-time preparation fee for loans under \$50 remains the same. For loans of \$50 or more, the fee is modified and set at a percentage of the loan amount. The percentages range from 15 percent for loan amounts of \$50-\$99 to 6 percent for loan amounts of \$2,000 or more.

The general storage fee and the firearm storage fee are each increased to \$5. Both of these storage fees may be charged on a recurring basis, every 30 days.

The table below illustrates the maximum interest and fees permitted for certain loan amounts under this act:

Loan Amount	30-Day Loan			90-Day Loan		
	Interest	Prep Fee	Storage	Interest	Prep Fee	Storage
\$50	\$2.50	\$7.50	\$5	\$7.50	\$7.50	\$15
\$100	\$4.00	\$13	\$5	\$12	\$13	\$15
\$250	\$10	\$25	\$5	\$30	\$25	\$15
\$500	\$20	\$40	\$5	\$60	\$40	\$15
\$1,000	\$40	\$75	\$5	\$120	\$75	\$15
\$1,500	\$60	\$105	\$5	\$180	\$105	\$15
\$2,000	\$80	\$120	\$5	\$240	\$120	\$15

Appropriation: None.

Fiscal Note: Not requested.

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