

FINAL BILL REPORT

ESB 5616

C 294 L 15
Synopsis as Enacted

Brief Description: Concerning pawnbroker fees and interest rates.

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

Senate Committee on Financial Institutions & Insurance
House Committee on Business & Financial Services

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.

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. 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 expires.

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. Interest charges range from \$1.00 per 30-day period for a loan of less than \$10.00 to 3 percent of the loan amount for loan amounts of \$100 or more. The schedule of loan preparation fees 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, is \$91.

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

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.

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

Summary: The interest and fees allowed for pawnbroker loans 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 of \$50 or more is a gradually decreasing percentage rate based on the amount of the loan. The fee ranges from 15 percent for a loan amount of \$50 to \$99.99 down to 6 percent for loan amounts of \$2,000 or more. The interest for loan amounts of less than \$100 remain at 3 percent and incremental fees stay the same for loan amounts less than \$50.

The general storage fee and the firearm storage fee are each increased to \$5. Both 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	\$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

The provisions of the bill expire on July 1, 2018.

Votes on Final Passage:

Senate 42 2
House 96 2 (House amended)
Senate 46 1 (Senate concurred)

Effective: July 24, 2015