

HOUSE BILL REPORT

HB 1012

As Reported By House Committee On:
Financial Institutions & Insurance

Title: An act relating to loans made by pawnbrokers.

Brief Description: Regulating loans made by pawnbrokers.

Sponsors: Representative L. Thomas.

Brief History:

Committee Activity:

Financial Institutions & Insurance: 1/12/95, 1/18/95 [DP].

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass. Signed by 13 members: Representatives L. Thomas, Chair; Beeksma, Vice Chair; Smith, Vice Chair; Wolfe, Ranking Minority Member; Campbell, Assistant Ranking Minority Member; Benton; Costa; Dellwo; Dyer; Huff; Kessler; Mielke and Pelesky.

Staff: Charlie Gavigan (786-7340).

Background: Pawnbrokers are regulated by state law, although local governments may enact more restrictive provisions. In addition to 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. 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 fee is \$12. While statutory provisions likely intend that the loan fee be a one-time charge, that the loan be for one 30-day period plus a minimum 60-day grace period, and that interest be collected during the entire loan period, the ambiguous use of "term of the loan" in statutory changes made in 1991 could result in some confusion.

Summary of Bill: State law regulating loans by pawnbrokers is modified. The existing law is changed to clarify that the loan period, for which a loan fee can be charged only once and during which interest can be collected, includes the term of the

loan (30 days) plus a minimum 60-day grace period. Additional disclosures must be made to the customer, and pawnbrokers can refinance an existing loan by mail.

Appropriation: None.

Fiscal Note: Not Requested.

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

Testimony For: Clarification is needed to existing law regarding the term of the loan so that extra loan fees clearly are prohibited, that interest can be collected during the entire loan period, and that loans can be rewritten by mail.

Testimony Against: None.

Testified: Nick Buell; Bob Burton; and John Woodring, Washington State Pawnbrokers Association.