

HOUSE BILL ANALYSIS

HB 2357

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: Representatives L. Thomas, Wolfe, Smith, Grant, DeBolt, Keiser and D. Sommers.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Meeting Date: January 19, 1998

Bill Analysis Prepared by: Charlie Gavigan, Counsel (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% 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 \$1000 loan; and \$90 for a \$4500 loan or higher.

The term of the loan is 30 days, but the loan period, during which only one loan preparation fee can be collected, is a minimum of 90 days (the term of the loan plus a minimum 60 day grace period).

Summary of 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 2% per 30-day period on loans of \$100 or more. The increase in the loan preparation fee varies from 50 cents on loans less than \$30, \$1.00 on loans between \$30 - \$100, \$2.00 on loans between \$100 - \$200, \$2.50 on loans between \$200 - \$500, and \$3.00 on loans over \$500.*

For instance, for a loan of \$50, the maximum interest charge is \$3 per 30-day period and the maximum loan preparation fee is \$8; for a loan of \$100 or more, the maximum interest charge is 5% per 30-day period and the maximum loan preparation fee varies depending on the amount borrowed. The maximum loan preparation fee is \$14 for a \$100 loan; \$20.50 for a \$250 loan; \$58 for a \$1000 loan; and \$93 for a \$4500 loan or higher.

Appropriation: None.

Fiscal Note: Not Requested.

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

Rulemaking Authority: None Specified.

Maximum Interest and Fees

Loan Amount	Old Interest	New Interest	Old Fee	New Fee
\$30	\$1.75 per 30 days	\$2.25 per 30 days	\$5 per loan	\$6 per loan
\$50	\$2.50 per 30 days	\$3.00 per 30 days	\$7 per loan	\$8 per loan
\$100	3% per 30 days	5% per 30 days	\$12 per loan	\$14 per loan
\$1000	3% per 30 days	5% per 30 days	\$55 per loan	\$58 per loan
\$4500 +	3% per 30 days	5% per 30 days	\$90 per loan	\$93 per loan