

SENATE BILL REPORT

SB 5469

As Passed Senate, March 6, 2007

Title: An act relating to pawnbrokers.

Brief Description: Modifying provisions concerning pawnbrokers.

Sponsors: Senators Prentice, Parlette, Franklin, Benton, Hobbs, Keiser and Schoesler.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/31/07, 2/06/07 [DP].

Passed Senate: 3/06/07, 47-0.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Majority Report: Do pass.

Signed by Senators Berkey, Chair; Hobbs, Vice Chair; Franklin, Hatfield, Prentice and Schoesler.

Staff: Diane Smith (786-7410)

Background: Pawn brokerage and second-hand dealing are regulated by state statutes. There are extensive record keeping requirements regarding the item of personal property and the person with whom the transaction is made. These records must be made at the time of each transaction, be available to law enforcement authorities at all times during ordinary business hours and must be kept for three years from the date of the transaction.

Property that the law enforcement agency reasonably suspects to be lost or stolen is subject to successive 120-day hold orders. The pawnbroker or second-hand dealer must hold the property subject to hold orders intact and safe.

The property received in the due course of business must be available and open to inspection at all times during reasonable business hours by any commissioned law enforcement officer of the state or any of its political subdivisions. The property must stay at the place of business for 30 days, unless earlier redeemed or returned to its owner.

The term of the loan received in a pawn brokerage transaction is 30 days with a mandatory grace period of 60 more days. The borrower, called a pledgor, may redeem the property at any time within this 90 days. Interest is charged every 30 days. The pawnbroker must give the pledgor a written document that includes, among other requirements, the annual percentage rate (APR), the loan preparation fee, the final date on which the loan is due and payable, and the right to redeem the pledge at any time within the 90 days.

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.

After the 90 days expire, the pawned property becomes the property of the pawnbroker.

Interest for the loan and fees for the preparation of the loan documents are regulated by statute. These maximum amounts were last amended in 1991. As examples, for a loan amount of \$100 or more, the maximum interest that can be charged is 3 percent for each 30-day period, to include the loan date: in addition, for a loan amount from \$100 to \$104.99, a fee for the preparation of loan documents of up to \$12 may be charged.

The interest rates are disclosed and limited on the basis of a schedule consisting of 12 brackets of loan amounts, the last being the \$100 and up bracket. The loan document preparation fees are disclosed and limited on the basis of a schedule consisting of 56 brackets of loan amounts ranging from \$5 to \$4,500 and up.

Political subdivisions may enact ordinances or codes that are more restrictive than state statutes.

Summary of Bill: The loan preparation fees for pawnbrokers are raised by \$1 each, for every bracket in the schedule. A new, \$3 storage charge is allowed. An additional new \$3 storage charge is allowed for firearms. The term of the loan is redefined to be 90 days, rather than the 30-day term with the 60-day grace period.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony: PRO: These are heavily regulated businesses that cannot pass on their natural increases in overhead over the past 16 years. These overhead costs include rent, which is critical to a business that must store many items, salaries and benefits, utilities and gasoline. The cost that has risen the most is insurance, especially for firearms. Our business in firearms has extra costs: special storage needs due to security and it is quite time consuming due to the background checks. We think the requests in the bill are quite modest. We think the time is right to provide this relief to a niche business that provides both loans and retail sales to the neighborhood customers who often do not use banking services but still need to engage in the commerce of daily living.

Persons Testifying: PRO: Howard Zidell, Cameo Main Street Loan; Nick Buell, Kent Jewelry; Brad Shane, Pawn X-change; Jim Mabry, Bestway Pawn; Nancy Robinson, Cash Company; Tammie Warube, Washington State Pawn Broker Association.