

HOUSE BILL REPORT

HB 1910

As Reported by House Committee On:
Consumer Protection & Business

Title: An act relating to pawnbroker fees and interest rates.

Brief Description: Concerning pawnbroker fees and interest rates.

Sponsors: Representatives Walen, McClintock, Chapman, Cheney, Reeves and Hackney.

Brief History:

Committee Activity:

Consumer Protection & Business: 1/10/24, 1/19/24 [DPS].

Brief Summary of Substitute Bill

- Modifies the loan term, interest, and fees that may be charged for pawnbroker loans.
- Allows pawnbrokers to accept certain payments by an online payment service.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 12 members: Representatives Walen, Chair; Reeves, Vice Chair; Robertson, Ranking Minority Member; McClintock, Assistant Ranking Minority Member; Chapman, Connors, Donaghy, Hackney, Ryu, Sandlin, Santos and Volz.

Staff: Michelle Rusk (786-7153).

Background:

Washington regulates the business of pawnbrokers under the Pawnbrokers and Secondhand Dealers Act (Pawnbrokers Act). Under the Pawnbrokers Act, "pawnbroker" is defined as

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every person engaged, in whole or in part, in the business of loaning money on the security of pledges of personal property, or deposits or conditional sales of personal property, or the purchase or 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 setting forth the terms of the loan, including all interest and fees that may be charged, and a copy must be furnished to the pledger of the property. If a pledged article is not redeemed within the 90-day term, the pawnbroker has all rights, title, and interest of that item of personal property.

Loan Term, Interest, and Fees.

Interest may be charged every 30 days, and a document preparation fee may be charged once for the term of a loan, up to statutory limits. The Pawnbrokers Act establishes schedules for the maximum amount of interest and document preparation fees that pawnbrokers may charge.

The interest schedule includes 12 ranges, from a loan of less than \$10 to loans more than \$100, and allows for interest of \$1 every 30 days for a loan up to \$10, up to a charge of 4 percent of the loan amount per month for loans of \$100 or more.

The document preparation fee schedule includes 17 ranges, from loans less than \$5 to loans more than \$2,000. The fee for a loan of \$5 is \$1.50 and increases up to \$7.50 for a loan up to \$49.99. There is a sliding fee scale for loans starting at \$50 and going up to \$2,000 or more, with a fee of 15 percent for a \$50 loan, and a fee of 6 percent for a loan more than \$2,000.

For each 30-day period of a loan, pawnbrokers may also charge a storage fee of \$5, and an additional \$5 fee for storing a firearm.

Rewriting a Loan.

If a person who has entered into a loan transaction with a pawnbroker cannot redeem and repay the loan by the expiration of the loan term and wishes to rewrite the loan, and both the pawnbroker and individual mutually agree, an existing loan transaction may be rewritten into a new loan, either in person or by mail.

Summary of Substitute Bill:

Loan Interest and Fees.

The term of a loan is modified to a period of 60 days.

The interest rate for a loan of \$100 or more is 5 percent for each 30-day period of the loan.

The document preparation fee for any loan of \$50 or more is 15 percent.

A pawnbroker may charge a \$10 storage fee and may charge an additional \$10 fee for the storage of a gun.

Online Payment.

If a person wishes to rewrite a loan, and both the pawnbroker and individual mutually agree, an existing loan transaction may be rewritten into a new loan, and payment may be accepted in person, by mail, or through an online payment service.

Substitute Bill Compared to Original Bill:

The substitute bill:

- removes the authority for pawnbrokers to charge a reasonable service fee if the pawnbroker accepts payment for rewriting a loan through an online payment service; and
- removes the provision stating that pawnbrokers may not accept payment by credit card when rewriting a new loan.

Appropriation: None.

Fiscal Note: Not requested.

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

Staff Summary of Public Testimony:

(In support) The pawnshop model is unique and unlike any other lender. Pawns are nonrecourse, so they do not perpetuate a cycle of debt, and it is not predatory. Pawns never impact a credit score and transactions are heavily regulated. Loan terms are measured in days, and the average transaction is about \$100-\$150. We also have the responsibility of providing secure and safe storage for all pawn collateral, and contrary to old stereotypes, pawnshops work closely with police and we are required to report all transactions daily to law enforcement so they can constantly monitor inventory for stolen property. Less than one-tenth of 1 percent of pawn merchandise is identified as stolen.

Pawnshops are essential businesses and were deemed as such during the COVID pandemic. There are millions of unbanked people in our country and a lot of times they need a quick collateral loan. Our process is fast and allows someone to pay off an emergency bill or fill their gas tank. We do not perform a credit check, or impact credit scores upon default, if that occurs.

This policy allows pawnbrokers to offset the growing risk of inflation and cost of doing

business in Washington. The rates of doing business have gone up for everyone. For pawnbrokers in particular, all of our costs are going up, including insurance rates for all insurance, minimum wage, Federal Insurance Contributions Act (FICA) taxes, employment security taxes, and more. With the business we have, where the costs are rising, we cannot increase our fees and what we charge without the Legislature's approval. We employ hundreds of people in Washington and we need your approval to stay in business.

(Opposed) None.

Persons Testifying: Representative Amy Walen, prime sponsor; Kevin Opdahl, Cascade Loan; Tamara Rancore, Washington State Pawnbrokers Association; Nika Mihailov, Kittitas County Trading Company; and Karen Strickland, Brian Fleck, and Sam Lax, Pawn 1.

Persons Signed In To Testify But Not Testifying: None.