

HOUSE BILL REPORT

HB 1488

*As Reported By House Committee on:
Financial Institutions & Insurance*

Title: An act relating to definitions in the law regulating pawnbrokers and second-hand dealers.

Brief Description: Excluding commercial paper from "personal property" held by a pawnbroker.

Sponsor(s): Representatives Dellwo, Zellinsky, R. Johnson, R. Meyers, Broback, Mielke, Winsley, Inslee, Anderson, Scott, Dorn and Silver.

Brief History:

Reported by House Committee on:
Financial Institutions & Insurance, February 8, 1991, DP.

**HOUSE COMMITTEE ON
FINANCIAL INSTITUTIONS & INSURANCE**

Majority Report: *Do pass.* Signed by 9 members: Representatives Dellwo, Chair; Zellinsky, Vice Chair; Broback, Ranking Minority Member; Mielke, Assistant Ranking Minority Member; Inslee; R. Johnson; R. Meyers; Paris; and Winsley.

Staff: John Conniff (786-7119).

Background: Check cashing companies lend money by purchasing post-dated checks for a discount. For example, a customer will write a check for \$113 post-dated up to twenty days from the date of cashing and will receive \$100 from the check cashing company. On the day noted on the check, the check cashing company will deposit the check and receive the full \$113. If these services are considered loans, the amount charged for the services exceed the interest rates permitted under the state usury statute. However, some check cashing companies argue that the discounting of checks or cashing of post-dated checks are similar to pawnbrokering and use the fees and interest rates authorized under the pawnbrokering statute.

An informal opinion of the Attorney General's Office noted that despite the characterization of these transactions as check cashing services, the investigated transactions constitute loans that violate federal Truth-in-Lending Act

regulations and the state usury statute. The Attorney General's Office recommended an amendment of the pawnbroker statute to exclude checks from the definition of personal property thereby preventing an argument that the cashing of post-dated checks is the same as lending against personal property as contemplated under the pawnbroker statute.

Summary of Bill: The pawnbroker statute is amended to exclude checks, drafts, money orders, or other commercial paper serving the same purpose from the definition of personal property.

Fiscal Note: Not requested.

Effective Date: The bill takes effect January 1, 1992.

Testimony For: None.

Testimony Against: None.

Witnesses: None.