

SENATE BILL REPORT

HB 1488

AS OF APRIL 1, 1991

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

SPONSORS: Representatives Dellwo, Zellinsky, R. Johnson, R. Meyers, Broback, Mielke, Winsley, Inslee, Anderson, Scott, Dorn and Silver.

HOUSE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Benson Porter (786-7470)

Hearing Dates: April 2, 1991

BACKGROUND:

Some check cashing companies operate under the pawnbroker statute and lend money by purchasing post-dated checks for a discount. For example, a customer will write a check for approximately \$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 amount of the check.

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.

SUMMARY:

The pawnbroker statute is amended to exclude checks, drafts, money orders, or other commercial paper from the definition of personal property.

Appropriation: none

Revenue: none

Fiscal Note: none requested

Effective Date: January 1, 1992