

VETO MESSAGE ON HB 2357

March 31, 1998

To the Honorable Speaker and Members,

The House of Representatives of the State of Washington
Ladies and Gentlemen:

I am returning herewith, without my approval, House Bill No. 2357 entitled:

"AN ACT Relating to the rates of interest and other fees charged by pawnbrokers;"

This legislation would increase both allowable fees for preparation of loan documents and allowable interest rates that pawnbrokers may charge.

I recognize that pawnbrokers serve an important role in our consumer finance market by providing a source of short-term loans for small amounts of money. The maximum rates of interest that pawnbrokers are allowed to charge are already higher than allowed for many other forms of consumer loans. House Bill No. 2357 would increase them still further. For example, under current law, the allowable interest rate on a \$50 loan is \$2.50 per month, which on an annualized basis is an interest rate of 60%. This bill would increase the allowable rate to \$3.00 per month, or an annualized interest rate of 72%. Meanwhile, general market interest rates have actually decreased over the last several years.

Rate increases of this magnitude, to be paid by individuals who may have the greatest difficulty affording them, require convincing justification. In my view that justification has not been made.

For these reasons, I have vetoed House Bill No. 2357 in its entirety.

Respectfully submitted,
Gary Locke
Governor