

SENATE BILL REPORT

HB 1071

As of March 15, 2017

Title: An act relating to repealing an expiration date for legislation enacted in 2015 regarding pawnbroker fees and interest rates.

Brief Description: Repealing an expiration date for legislation enacted in 2015 regarding pawnbroker fees and interest rates.

Sponsors: Representatives Kirby and Vick.

Brief History: Passed House: 2/16/17, 97-0.

Committee Activity: Financial Institutions & Insurance: 3/14/17.

Brief Summary of Bill

- Repeals the July 1, 2018, expiration date for pawnbroker fee and interest rate modifications enacted in 2015.

SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE

Staff: Jeff Olsen (786-7428)

Background: A pawnbroker is defined as a person engaged in the business of loaning money on the security of pledges, deposits, or conditional sales of personal property, or the purchase and 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, and a copy must be furnished to the pledger of the property. Interest may be charged every 30 days, and a preparation fee may be charged once for the term of the loan. If a pledged article is not redeemed within the 90-day term of the loan, the pawnbroker has all rights, title, and interest of that item of personal property. The pawnbroker is not required to account to the pledger for any proceeds received from the disposition of that property. A new loan, by agreement of the parties, may be written after the 90-day term expires.

Pawnbrokers are authorized to receive interest and loan preparation fees up to statutory limits. The schedule for the maximum amount of interest and fees that pawnbrokers may charge is set out in incremental categories, and several modifications were enacted by the Legislature in 2015 that are scheduled to expire on July 1, 2018.

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.

The interest and fees allowed for pawnbroker loans that were modified in 2015 include the following:

- for loan amounts of \$100 or more, the interest charged per 30-day period is increased from 3 percent to 4 percent of the loan;
- for loans of \$50 or more, the one-time preparation fee is changed from a specific dollar amount to a gradually decreasing percentage rate based on the amount of the loan—the fee ranges from 15 percent for a loan amount of \$50 to \$99.99 down to 6 percent for loan amounts of \$2,000 or more; and
- the general storage fee and the firearm storage fee are each increased from \$3 to \$5—both storage fees may be charged on a recurring basis every 30 days.

Summary of Bill: The July 1, 2018, expiration date for pawnbroker fee and interest rate modifications enacted in 2015 is repealed.

Appropriation: None.

Fiscal Note: Not requested.

Creates Committee/Commission/Task Force that includes Legislative members: No.

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

Staff Summary of Public Testimony: PRO: Recent changes to the pawnbroker fees and interest rates included a sunset clause to make sure that there were no significant issues with implementing the new fees. The changes in the fees worked well, and created competition in the industry. Many pawnbrokers phased in the new rates, and experienced no downturn in business. The modest increases should now be made permanent.

Persons Testifying: PRO: Representative Steve Kirby, Prime Sponsor; Tamera Warnke, WA State Pawnbrokers' Assn; Michael TRANSUE, First Cash & Pawn 1.

Persons Signed In To Testify But Not Testifying: No one.