

SENATE BILL REPORT

SB 5157

As Reported by Senate Committee On:
Financial Institutions & Insurance, January 19, 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: Senators Angel and Mullet.

Brief History:

Committee Activity: Financial Institutions & Insurance: 1/19/17, 1/19/17 [DP].

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

Majority Report: Do pass.

Signed by Senators Angel, Chair; Mullet, Ranking Minority Member; Fain, Hobbs and Kuderer.

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.

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.

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.

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

1. 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.
2. The one-time preparation fee for loans of \$50 or more 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.
3. 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: The interest rate and fee changes that were enacted in 2015 have been operating for a few years now without any adverse impacts to businesses or customers. Removing the sunset allows businesses to help plan for the future. Some businesses phased in the changes adopted in 2015. In some areas with a concentration of pawn shops, there is increased competition that benefits the customers. Before the 2015 change, the interest rate had been the same since 1908.

Persons Testifying: PRO: Senator Angel, Prime Sponsor; Michael Transue, FirstCash and Pawn 1, Inc.; Tami Warnke, WA State Pawnbrokers Association.

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