



National Pawnbrokers Association

March 15, 2021

The Honorable Ed Perlmutter, Chair
Subcommittee on Consumer Protection and Financial Institutions
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Blaine Luetkemeyer, Ranking Member
Subcommittee on Consumer Protection and Financial Institutions
Committee on Financial Services
U.S. House of Representatives
2129 Rayburn House Office Building
Washington, D.C. 20515

Re: March 11, 2021 Hearing entitled "Slipping through the Cracks: Policy Options to help America's Consumer During the Pandemic"

Dear Chairman Perlmutter and Ranking Member Luetkemeyer:

The National Pawnbrokers Association (NPA) is the only national trade association for the pawn industry. We have represented pawnbrokers for more than 30 years. Our members proudly serve the communities in which they operate and have interests in the consumers who use our pawn services, as well as many other retail customers who get value for their money when they buy new or used goods from us.

Committee members and other policy leaders listening to witnesses' remarks during the March 11, 2021 hearing may draw conclusions about how pawn stores fared from early March 2020 to the present. These statements do not reflect what pawn stores' actual experiences have been. We want the record to reflect what our members and their consumer customers experienced during that time and since.

Our top-line point is that the pawn business is not "booming" and pawn stores did not benefit from the recession the Pandemic caused. In fact, our members report significant downturns in their total business income since March 2020.

We would appreciate having our views included in the record for this hearing, which we understand will close on Monday, March 15, 2021.

National Pawnbrokers Association
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Pawn stores faced the same restrictions on operations that affected many Main Street businesses during the various lockdowns imposed by state and local governments beginning in March 2020. This caused pawn store owners and consumer customers problems because we could not serve the communities in which we operate or our consumer customers for whom the pawn store may be their primary provider of consumer financial services or the main retailer in their immediate neighborhoods. Across the country there have been varying periods of time in which pawnbrokers could not make loans or retail sales – or even assist consumers in redeeming tangible personal property items they had pawned with us.

In some states and localities, after efforts by the NPA and local pawnbrokers, the lockdown was lifted so we could again provide the financial services regulated and licensed by the state or local governments. As we pointed out in communications with these governments, pawn stores serve millions of Americans who do not have bank accounts or who cannot obtain loans from depository institutions for the consumers' safety-net-credit needs.

In many of the localities where our members were able to reopen to provide financial services, the revised orders would not allow pawn stores to operate their retail businesses. Thus, as we also pointed out to elected officials and regulators, we could not serve consumers who needed to buy economically priced used laptops or tablets for their children to connect to schools.

Our members report that their stores' pawn loan balances decreased from 20 to 80 per cent, and as retail inventory became depleted sales were off substantially, as well. Many pawn stores had such sudden declines in total revenues that they qualified for the CARES Act's special Economic Disaster Injury Loan programs – programs that required significant reductions from the comparable quarters of 2019.

The non-recourse, safety-net credit that pawnbrokers offer to Americans of every socio-economic group also are subject to many of the same federal consumer financial protections that apply to banks and credit unions and other groups of non-depository lenders licensed by state or local governments.

Moreover, by having access to regulated safety-net credit such as pawn loans, consumers have the option to borrow against their tangible personal property rather than being forced to sell assets and deplete their households' net worth.

The interest rates pawnbrokers are allowed to charge are set in most states by the legislature, and we are supervised and examined by state agencies that also charter and supervise banks, credit unions, and lenders such as mortgage lenders. This same legislation prohibits pawnbrokers from undertaking any actions to recover the sums we advance to consumers. This means pawnbrokers do not and may not engage in any form of "debt collection." We are required to look to the property serving as collateral to recover the sums advanced to customers.

The long tradition of pawn loans and their robust regulation by state and local governments for a century or more in many states takes pawnbrokers out of the reach of terms such as "unlawful" or "loan sharks" that one of the witnesses used in response to questions during the March 11, 2021 hearing. As we explained earlier, pawnbrokers are subject to licensing, supervision, and examination by state regulators. Pawnbrokers also are subject to the enforcement jurisdiction of the Consumer Financial Protection Bureau. We are not "unlawful" and we are not "loan sharks." We are small businesses working hard to comply with the myriad of laws that govern our businesses and working as hard to serve customers and communities.

The NPA's pawn store members operate in one of the most heavily regulated consumer loan environments. We cannot change terms as credit-card issuers can. We operate from brick-and-mortar storefronts and cannot change our businesses' locations without specific permission from state and local regulators. We are required to store our customers' tangible personal property that secures the funds we loan at the same location from which we disbursed the pawn loan proceeds. We are responsible for safekeeping of customers' tangible personal property, which includes insuring it against loss while in our possession. The interest rates and other fees states allow us to charge reflect the very hands-on, face-to-face way we do business and the significantly different expenses of operating pawn stores.

Pawn store owners proudly serve our customers and communities. We are the original providers of consumer safety-net credit, and like so many Main Street businesses and consumers, we witnessed adversity during these trying times.

Sincerely,

A handwritten signature in black ink, reading "Kerry D. Rainey". The signature is written in a cursive style with a large, stylized "K" and "R".

Kerry D. Rainey
President