

A Rate Cap of 36% Will Hurt Pawnbrokers AND Their Customers

- Pawnbrokers will not be able to offer non-recourse pawn transactions.
- Pawn transactions occur face to face, as opposed to online or with credit.
- No bank or credit union makes such small-dollar products available to consumers.
- Consumers need pawn transactions for purchases such as:
 - Gasoline/Car Repairs
 - Medical Services/Pharmaceuticals not covered by insurance
 - Diapers/Food/Utilities/Childcare
 - Emergency Expenses

Pawn is a Safety Net for Millions of Americans

- Pawnbrokers offer highly regulated safety-net funds to consumers on a face-to-face basis from Main Street locations across the United States.
- Pawn transactions average less than \$180 nationwide and pawnbrokers make thousands of loans daily for less than \$50.
- FDIC studies show that 40% of Americans do not have sufficient savings to cover a \$400 emergency.
- Other credit-based lenders do not make loans as small as the nationwide average pawn transactions.
- Pawnbrokers are invested in their communities and are sensitive to the needs of their customers.
- Pawn transactions are non-recourse:
 - NO collections
 - NO inquiries or reporting to credit agencies
 - NO cycle of debt

The TRUTH about PAWN SHOPS



National Pawnbrokers Association®



Pawn Transactions **ARE** Regulated

- States have regulated pawn since 1892.
- States individually license and supervise pawnbrokers, strictly governing loan terms including duration, fees and interest.
- Pawnbrokers must comply with 14 federal statutes and regulations.
- Most pawnbrokers operate in only one state.



No Complaints About **Pawn**

- Congress has not reported receiving any complaints about pawn.
- State Regulators do not receive complaints about pawn.
- Of over 2 million complaints filed to the CFPB, less than 1/10 of one percent had any mention of pawn. None of these complaints concern interest rates or service fees.
- The CFPB in a 2017 report stated pawns do not harm consumers, are not confusing, and do not put consumers in a cycle of debt.
- The CFPB explicitly exempted pawn from their final Small Dollar Rule.



Pawnbroker **Business** Math

A 36% across the board and all-encompassing rate cap on the pawn industry severely threatens the very segment of the population such a rate cap is intended to protect.

- Face-to-face transactions cost more than ones completed online or with credit.
- Pawnbrokers must have a brick and mortar business model that generates a return on their investment of resources.
- A 36% APR on an average \$180 transaction will only return \$5.40 to the pawnbroker.
- The federal, state and local statutes and regulations with which pawnbrokers must comply would not come close to being covered by \$5.40, let alone all the expense of a brick and mortar store.
- Pawnbrokers will not be able to provide consumers with this needed source of quick, confidential, non-recourse small dollar loans that will not put them in a cycle of debt.

