



National Pawnbrokers Association

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FOR IMMEDIATE RELEASE

STATEMENT:

Dave Adelman, president of the National Pawnbrokers Association, speaks about rate caps outlined in U.S. Senate Bill 500 and H.R. 1608

“More than 30 million Americans use pawn services to help them overcome unexpected financial difficulties. The product – short-term in nature, with a limited dollar amount – can be a sensible credit option, without negative long-term consequences. The pawn industry is regulated by each state that sets the interest rate as well as bonding, licensing, oversight, consumer protections among other regulations. There are now more than 13,500 pawn/retail businesses in the U.S. and approximately 98 percent of these are small business owners providing these loans in their communities.

“In these credit constrained, economic times, we’ve seen more middle and upper class customers in our stores just trying to make ends meet. Pawn loans provide hard working Americans with the necessities in life such as gas for their vehicle, medicine, groceries, as well as assistance with other emergencies. All of this is accomplished without stigmatizing the customer with bad credit or the fear of collection agents if they are unable to repay the loan.

“If a rate cap of 36% APR on the pawn industry were to pass Congress, then in a vast majority of cases, the last option available to millions of consumers in the U.S. will be eliminated. Pawn fees would be reduced to a mere \$2.40 on an average loan of \$80.00, which would not cover the cost of doing business.

“The cost of offering this product is vastly different than any other loan product in the U.S. Pawnbrokers must cover basic operating costs (salaries, benefits, taxes), but the unusual costs for pawnbrokers include retail space, which more than half the square footage is used to store the collateral that secures the loans; the security systems to protect the property; the insurance to cover the cost of damage or theft; the computer software systems to track property in possession of the pawn business and delivery systems of information on the pledged property to local law enforcement.

“Industry experts who study microfinance agree that rate caps can damage consumers’ access to financial services. CGAP(www.cgap.org), an organization housed out of the World Bank, stated the following in a recent report entitled ‘Key Principles of Microfinance’:

It costs much more to make many small loans than a few large loans. Unless microlenders can charge interest rates that are well above average bank loan rates, they cannot cover their costs, and their growth and sustainability will be limited by the scarce and uncertain supply of subsidized funding. When governments regulate interest rates, they usually set them at levels too low to permit sustainable microcredit. At the same time, microlenders should not pass on operational inefficiencies to clients in the form of prices (interest rates and other fees) that are far higher than they need to be.

“It is our hope that the members of the National Pawnbrokers Association will be allowed to continue offering a service that has a long-standing history of providing a convenient service to help consumers meet their short-term financial needs.”

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The National Pawnbrokers Association is a trade organization for responsible pawnbrokers. The NPA works to provide pawnbrokers nationwide with resources and tools to strengthen the pawn industry. NPA members are committed to operating their business in such a manner as to enhance and promote the positive and professional image of all pawnbrokers. Members believe in establishing positive and long-lasting relationships with local, state and federal government officials. The NPA serves nearly 2,600 members nationally from the main office in Keller, Texas.