

# The **TRUTH** about **PAWN SHOPS**

## 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.

## 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.
- Banks, credit unions, and fintech lenders do not make loans as small as the nationwide average pawn transaction.
- A November 2022 FDIC study shows that only 1 in 3 Americans can cover a \$400 emergency expense from savings. The FDIC estimates 5.9 million households (14.5% of all households) had no banking relationship in 2021.
- 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 reports to credit agencies
  - NO cycle of debt

## No Complaints About **Pawn**

- Congress has not reported receiving any complaints about pawn.
- State Regulators rarely 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 Loans” Rule.

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