

Pawn Industry Facts



National Pawnbrokers Association

The following facts and points address the unique aspects of the pawn industry:

1. Pawn transactions are the oldest form of regulated consumer credit and are governed by 14 federal statutes and regulations, as well as numerous state laws.
2. Pawn stores are the neighborhood financial institutions serving more than 30 million consumers nationwide. Pawnbrokers offer short-term loans based on pledges of tangible personal property that remain in the pawnbrokers' possession throughout the term of the transaction.
3. There are approximately 10,000 pawn stores in the U. S., consisting primarily of small, independent business owners.
4. Pawn consumers tend to borrow only what they need as evidenced by the relatively low national average loan amount of \$150 and the correspondingly high national loan repayment and collateral redemption average of 85 percent.
5. Pawn transactions do not affect consumers' credit scores or put them at risk of litigation to enforce debt repayment:
 - a. Pawnbrokers do not conduct credit checks on consumers – lending decisions are made on the basis of collateral value alone.
 - b. Pawnbrokers do not report their credit experiences with consumers – if the consumer does not repay the loan within the state-mandated time period, the consumer forfeits the Collateral without any further recourse.
 - c. Pawnbrokers are not allowed to demand repayment of the funds advanced to consumers.
6. Alternatives to the regulated pawn industry include:
 - a. Getting loans from unlicensed lenders of questionable repute, or
 - b. Selling to second-hand dealer's tangible personal property currently serving as pawn collateral. Second-hand dealers are not regulated in most jurisdictions. Sales of tangible property generally produce lower cash amounts to consumers, diminish total personal assets, and reduced household wealth.
7. The cost of providing this secured credit to consumers includes some of the following:
 - a. Storage: Approximately 2/3 of store area must be dedicated to storing collateral of customers.
 - b. Insurance: Cost of insurance coverage on collateral to cover loss or damage to property in the event of a fire, etc.
 - c. Security Systems: Providing systems to further protect the property/collateral.

In summary, the pawn industry is an important and much desired lending option for millions of Americans from all walks of life. It is important that the industry is allowed to continue offering this service to protect a vital form of non-recourse safety-net lending and provide consumers with a longstanding, regulated source for meeting the small, short-term credit needs of millions of Americans.



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