

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.

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.





National Pawnbrokers Association®

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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.





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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

