

INCREASE PAWNBROKER INTEREST RATE

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

Senate Bill 369 as reported from House committee
Sponsor: Sen. Peter J. Lucido

Analysis available at
<http://www.legislature.mi.gov>

House Bill 5589 as reported from committee
Sponsor: Rep. Matt Hall

1st House Committee: Regulatory Reform
2nd House Committee: Ways and Means
Senate Committee [SB 369]: Regulatory Reform
Complete to 6-18-20

SUMMARY:

Senate Bill 369 would amend 1917 PA 273, which regulates pawnbrokers, to increase from 3% to 4% the interest rate that a licensed pawnbroker can charge for a loan made against pawned articles or goods.

MCL 446.209

House Bill 5589 would amend the same act to correspondingly change a reference to this maximum rate in a notice that a pawnbroker must provide to a person pawning something.

The bill is tie-barred to SB 369, which means it cannot take effect unless SB 369 is also enacted.

MCL 446.208

Effective dates

Senate Bill 369 would take effect 90 days after it is enacted. House Bill 5589 does not specify an effective date.

BRIEF DISCUSSION:

For some, mainly those who have no credit history or poor credit, pawning personal possessions may be an option for getting needed cash. Pawnees have several months in which to redeem an item pawned upon repaying the loan plus interest. Nationally, about 80% of pawned items are redeemed by the pawnee, and the average loan is about \$150. However, although overhead costs have increased over the years, the interest rate pawnbrokers are allowed to charge has not been changed in decades. The bill would allow licensed pawnbrokers to charge 4%, instead of 3%, interest on loans. This small increase will help pawnbrokers to pay utility bills and other costs of doing business, yet not be overly burdensome to those wishing to redeem their items by paying the loan amount and interest in full.

FISCAL IMPACT:

The bills would not have a significant fiscal impact on any unit of state or local government.

POSITIONS:

The Michigan Pawnbrokers Association indicated support for the bills. (6-17-20)

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Marcus Coffin

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.