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## PAWNBROKER AMENDMENTS

House Bill 4035

Sponsor: Rep. Joseph Young, Jr.

Committee: State Affairs

Complete to 3-2-93

### A SUMMARY OF HOUSE BILL 4035 AS INTRODUCED 2-2-93

The bill would amend the Pawnbroker's Act, Public Act 273 of 1917, to increase the scope of the act, increase allowable license fees, require permanent records on forms prescribed by the bill, decrease allowable interest charges, delete requirements for sales of unredeemed items to be by public auction, and repeal a ban on Sunday business.

Licenses. License requirements, currently limited to pawnbrokers in cities or incorporated villages with populations over 3,000, would apply to all pawnbrokers in any of the cities, townships, or incorporated villages in the state. Licenses, which are issued locally, would expire from three to five years after the date of issue, rather than the current one year. License fees currently may be from \$50 to \$500 a year; the bill would allow licenses to be up to \$1,000 a year. The amount of the required surety bond would remain at \$3,000.

Records and inspections. Records on pawned items would have to be maintained on forms prescribed by the bill. Currently, pawnbrokers must keep certain information on pawned items and their owners: a description of the article; the amount of money loaned on it; the rate of interest charged on the loan; the name, address, and general description of the pawner; and the day and hour when the article was received. The record would no longer have to state the interest rate being charged, but otherwise would have to have currently required information. In addition, record forms would have to be sequentially numbered and would have to include the following additional information: the driver's license number, social security number, or other government identification number of the pawner; information on the pawner's employer; and the pawner's thumbprint. (Note: Public Act 231 of 1945, which supplements the laws regulating pawnbrokers, secondhand dealers, and junk dealers, already requires pawnbrokers and secondhand dealers to take thumbprints from people when receiving property and to send copies of the thumbprints and descriptions of the property to the state police within 48 hours of receipt.)

Within 48 hours after receiving an item, the pawnbroker would have to send one copy of the triplicate record of transaction to the local police agency and one to the state police. The pawnbroker would keep the third copy.

Local authorities (mayor, president, city attorney, local police officers, and county prosecuting attorney) currently may inspect pawnbroker premises and records; the bill would explicitly extend this authority to the state police, and restrict local authorities' access to local police and city attorneys, township attorneys, and county prosecuting attorneys.

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Pawn tickets. The pawn ticket ("memorandum") that a pawnbroker must give a pawner would bear substantially the same notice that is now given: that if interest charges in excess of one and one-half percent per month (instead of the current three percent) plus allowable storage charges are asked or received, the loan is void, the borrower cannot be made to pay back the money loaned (or any interest on the loan), the pawnbroker loses all right to the article pawned and has to give it back on demand.

The bill would require that the memorandum contain, in addition, the same transaction number recorded in the pawnbroker's book when the article was pawned.

Interest and storage charges. Maximum allowable interest charges would be decreased from three to one and one-half percent per month. Pawnbrokers could continue to charge a minimum interest of 50 cents on a single loan, as well as storage charges of 50 cents per month or part of a month. Limits on the duration of storage charges and a ban on storage charges on jewelry also would be retained.

Storage and sales of pawned items. As with current law, pawnbrokers could not sell an item until it had been in their possession for at least six months. However, the bill would delete provisions requiring sales to be by public auction following newspaper notice, and requiring notices to be filed with the county clerk. The bill would require that an item remain in the same building where it had been received, and that the building be easily accessible to inspection by authorities. Within 24 hours after receiving an item, pawnbrokers would have to tag it with the transaction number assigned to that pawn. In loans of \$20 or more, pawnbrokers would have to send to the person who had pawned the article a written notice by first-class mail, within two weeks of the loan's expiration date, informing the pawner that the pawned article might be sold if the loan (and any interest and charges) was not repaid. Notice of the sale of any pawned article would have to be given in a local daily newspaper at least two weeks before the date of the proposed sale. After selling a pawned item, pawnbrokers would have to mail a check for any surplus (over and above the loan, interest, and storage charges) by first-class mail to the borrower.

Recovery of pawned articles. Borrowers could repay their loans (plus interest and storage charges) at any time before their loan expired and get back their pawned goods, but would not have to pay the costs of advertising a proposed sale.

Penalties. Penalties for violations of the act would be unchanged: violations would continue to be misdemeanors punishable by fines of \$25 to \$100, a jail term of ten days to three months, or both. As with current law, a pawnbroker's license could be revoked for one year upon conviction of the pawnbroker or one of his or her employees.

Repeals. The bill would repeal several sections of the existing pawnbrokers law: the section prohibiting doing business on Sundays, the existing section regarding disposition of surpluses from sales, and the section requiring daily statements by pawnbrokers to the police of property received by the pawnbroker.

MCL 446.201 et al.