



## Reasons for a Modest Interest Rate Increase

- Michigan's Pawn Interest Rates have been unchanged since 1917. For 100 years these rates have been in effect for pawnbrokers, however with the increased costs of doing business it is difficult to operate on such a small interest rate.
- Michigan's Pawn Loan Rates are the lowest of all 50 states.

### **Michigan – 3% per month**

New York – 4% per month plus fees

Ohio – 5% per month plus fees

Wisconsin – 12% per month

Arizona – 13% per month plus fees

Nevada – 13% per month plus fees

Texas – 15% per month

Tennessee – 22% per month

Illinois - 23% per month

Indiana – 23% per month

Georgia – 25% per month

Alabama – 25% per month

Florida – 25% per month

Maine – 25% per month

Montana – 25% per month

- The low interest rate in Michigan has created a “Black Market” Pawn industry. Only 1 in 10 Pawnbrokers operate using the legal 3% rates. Most places do what is called a “Buy-Back”, which is a way around charging the legal rates. A business operating as a “Buy-Back Pawn Shop” buys merchandise from a customer and promises to sell it back to them in 30 days for 25% more. This is by definition a pawn transaction, but the interest rates charged are much higher than Michigan law allows.
- The low interest of 3% creates a serious barrier to entry and forces most pawn shops to do the illegal “Buy-Back” option. By raising the rate only 1% will help close the gap between the legal shops and the illegal Buy-Back shops.

# Pawn Industry FAQs

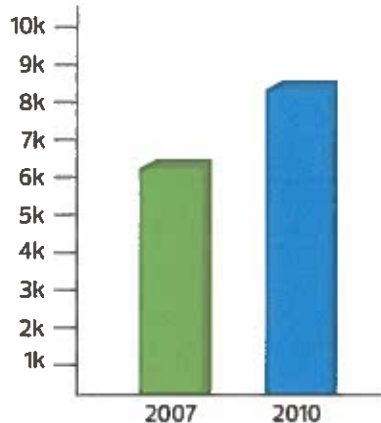


National Pawnbrokers Association

## How large is the pawn industry?

According to the 2010 U.S. Economic Census, there were approximately 8,600 pawn establishments (NAICS Code 522298) in the U.S.

Pawn or collateral loans are the core of a pawnbroker's business.



## How are pawnbrokers and pawn transactions regulated?

*The pawn industry is the most heavily regulated provider of consumer financial services.*

At the Federal level, pawnbrokers and pawn transactions are governed by more than 13 statutes and regulations, including the consumer protection and anti-money laundering laws that apply to other providers designated as financial institutions.

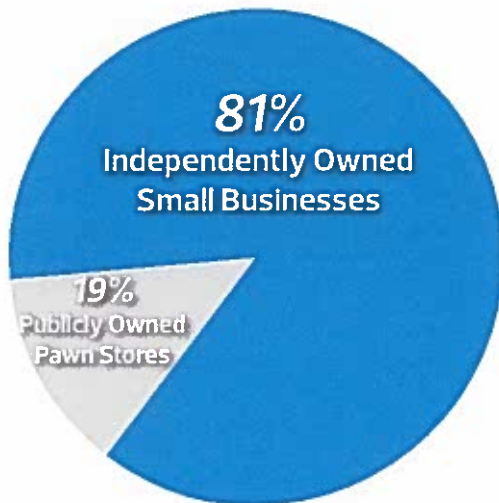
### The federal statutes include, among others:

- ✓ Privacy provisions of the Gramm-Leach-Bliley Financial Services Modernization Act of 1999
- ✓ USA PATRIOT Act
- ✓ Service Members Civil Relief Act of 2003
- ✓ Bank Secrecy Act and Internal Revenue Code provisions requiring reporting of certain cash transactions
- ✓ Truth in Lending Act
- ✓ Fair and Accurate Credit Transactions Act of 2003 and the Fair Credit Reporting Act
- ✓ Unfair, deceptive and abusive acts and practices authority of the Federal Trade Commission and Consumer Financial Protection provisions of the Dodd-Frank Act of 2010

State and local laws govern other aspects of pawn transactions, including the interest rate, loan duration and grace period, redemption method, record-keeping, and transaction reporting requirements.

## Who owns pawn stores?

**81% of pawn stores are independently owned small businesses or small regional chains.**



- Independently Owned Pawn Stores
- Publicly Owned Pawn Stores

The pawn industry has only four publicly traded corporations: Cash America International, Inc.; EZCORP, Inc.; First Cash Financial Services, Inc.; and Dollar Financial Group. Publicly traded companies are not members of the NPA.



For up-to-date information about the pawn industry, please visit: [PawnShopsToday.com](http://PawnShopsToday.com)

# Pawn Industry FAQs



## What is a pawn loan?

Pawnbrokers help families through challenging economic times by providing non-recourse, short-term, collateral-based loans that have no effect on a consumer's credit history.

As evidenced by the relatively low national average loan amount of \$150, pawn customers only borrow what they need. Furthermore, pawn customers repay their loans and redeem their collateral at a high average national redemption rate of 85 percent.

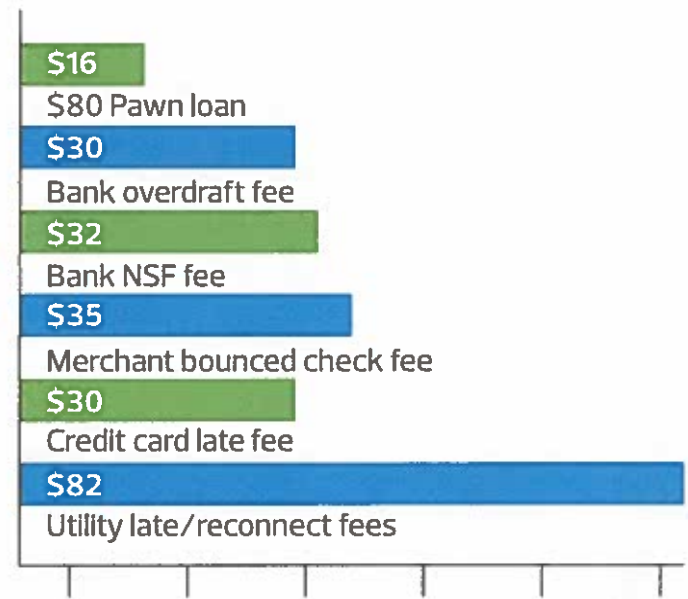
Pawn customers tend to be more disciplined in their borrowing than consumers using other forms of credit. Pawn loans do not cause consumers to overextend their use of credit and, because they are non-recourse, are not factors in filings for bankruptcy protection.

## Pawn loans are:

- ▶ **Non-recourse:** No pawnbroker can demand repayment of funds advanced.
- ▶ **Collateral-based:** No credit checks on customers or reporting to consumer credit agencies.
- ▶ Typically **small-dollar** advances: Average loans nationally are around \$150.

## Average Cost of Short-Term Credit Alternatives

Pawn loans have competitively low interest rates, typically less than a non-sufficient fund charge on a bounced check or a past-due fee on a utility bill. Pawn stores can offer this service because the customer offers their personal property as collateral, which significantly reduces the risk for the lender.



## Who is the customer?

Pawn customers come from all walks of life and they include Americans with regular jobs as well as business owners.

Pawn customers support their communities, our country, and the economy by working in health care and hospitals, building homes, teaching our children, and working in government.

- Close to 1 in 4 U.S. households are unbanked or underbanked.
- Approximately 40 percent of unbanked and underbanked households have used pawn stores.
- Around 7.4 percent of all U.S. households have used pawn stores.

Source: FDIC, National Survey of Unbanked and Underbanked Households

