
Government of the District of Columbia



Department of Insurance, Securities and Banking

Testimony of Commissioner Gennet Purcell

A Public Hearing

On the

Bill 18-715, Predatory Pawnbroker Regulation Act of 2010

Committee on Public Services and Consumer Affairs

Muriel Bowser, Chairperson

Council of the District of Columbia

June 2, 2010

John A. Wilson Building
1350 Pennsylvania Avenue, NW
Washington, DC 20004
10:00 AM

Good Morning, Chairperson Bowser, Members of the Committee on Public Services and Consumer Affairs, and Committee staff. I am Gennet Purcell, Commissioner of the Department of Insurance, Securities and Banking (“DISB”). I would like to thank you for providing me with the opportunity to present testimony today on Bill 18-715, the Predatory Pawnbroker Regulation Act of 2010 (“Bill”).

The Bill, which has already been enacted on an emergency and temporary basis during this Council Period, would transfer regulatory authority of pawnbrokers to the Department of Insurance, Securities and Banking from the Department of Consumer and Regulatory Affairs (“DCRA”).

In a typical pawn transaction, a customer pledges property, as collateral, and in return, the pawnbroker lends the customer money, usually for a very short time. Collateral could be anything of value, such as jewelry, musical instruments, and electronics. If the customer repays the loan and any associated fee, the collateral is returned. If the customer does not repay the loan to redeem the collateral, the item is retained by the pawnbroker, who may sell the property after any holding period.

Pawning is attractive to consumers because it offers a quick and convenient way to borrow money, with no credit check or personal liability if the loan is not repaid. Pawn loans are usually the only means to access short-term credit for those customers who not to have formal banking relationships, With that being said, there are some dangers that are present in the pawnbroker industry such as unscrupulous pawnbrokers, and in some cases, criminals who use pawnshops to dispose of stolen goods or items involved in criminal activity. I therefore applaud the Committee’s efforts to strengthen the regulation of this area. I believe that passage of this

legislation will enhance the District's supervision of the pawnbroker industry and will further the interests of consumer protection for the residents of the District of Columbia.

Regulation of pawn brokering is multi faceted, requiring attention from the lending side (loan transaction), trading side (selling of the collateral), and law enforcement side (to ensure the safety of pawn customers and their property, and track the source of collateral for criminal law enforcement purposes).

Currently, DCRA is the current regulatory agency of pawnbrokers, in coordination with the metropolitan Police Department. It is my understanding that the proposed transfer of the regulatory function to DISB is the result of a perceived fit of the lending aspect of pawn brokering to the other regulatory areas overseen by the DISB's Banking Bureau.

Finally, the proposed legislation would prohibit pawnbrokers from contracting for, and receiving, interest on loans in excess of 24% per annum. Under current law, pawnbrokers can charge monthly interest rates between 2% and 5% depending on the loan size. Under the Bill, the maximum interest that could be charged would be 24% per annum, or 2% per month.

The Department generally supports the Bill and will work with DCRA and the MPD to ensure a smooth transfer and transition if the Council determines to transfer regulatory authority. I also note the some members of the industry have stated the cost of making pawn loans are much higher than other loans and as such, pawnbrokers may have difficulty under the Bill which proposes to cap interest rate for all loans at 24%. They cite storage,

security, and retail costs as some of the additional costs associated with pawn loans. We are still researching this issue and will be happy to provide the Committee with more information regarding the appropriate interest rates for pawn loans.

Thank you again for giving me the opportunity to testify on this important subject. I will be happy to answer any questions you may have.