

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 958 (Delegate Conaway)
Economic Matters

Business Regulation - Pawnbrokers and Pawn Transactions - Limitation on Conversion of Interest to Fees

This bill prohibits a pawnbroker, or other lending agent acting on behalf of a pawnbroker, from converting more than 10% of interest charged on a pawn transaction into a fee collectible by the pawnbroker within a 30-day period, as specified. The prohibition applies to any pawnbroker who conducts business in the State and any pawn transaction made in the State. Each violation of the bill is a separate offense, subject to existing civil and criminal penalties.

Fiscal Summary

State Effect: The Maryland Department of Labor (MDL) can handle the bill's requirements with existing budgeted resources. The bill is not anticipated to affect the number of licensees in the State, and the application of existing penalty provisions is not anticipated to materially affect State finances.

Local Effect: The bill does not materially affect local government finances or operations, as described below.

Small Business Effect: Potential meaningful.

Analysis

Current Law: Pawnbrokers and their agents are not expressly prohibited from converting interest charged on a pawn transaction into a fee collectible by the pawnbroker. A "pawn transaction" means a loan of money by a dealer on deposit or pledge of personal property or other valuable thing other than securities or printed evidences of indebtedness, or a

purchase by a dealer of personal property or other valuable things on condition of selling the same back at a stipulated price. A pawnbroker is a person who engages in pawn transactions.

MDL regulates dealers who acquire and trade secondhand precious metal objects, subject to specified licensing, recordkeeping, and other related requirements. Dealers of these objects, including individuals, retail jewelers, and pawnbrokers who deal in secondhand precious metal objects, must be licensed before doing business in the State in accordance with the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act. The State secondhand precious metal object dealer license is sufficient to act as a pawnbroker in local jurisdictions that do not regulate pawnbrokers. In counties that do regulate pawnbrokers, pawnbrokers not doing business as dealers require a local pawnbroker license and, unless otherwise provided, are subject to local, rather than State, regulation.

The Secretary of Labor may deny a license to an applicant, reprimand a licensee, or suspend or revoke a license if the applicant or licensee or an agent, employee, manager, or partner of the applicant or licensee takes specified actions, including a general violation of the Act or its related regulations. The Secretary may also impose a civil penalty of up to \$5,000 for each violation; penalty revenue accrues to the general fund.

A person who willfully or knowingly violates the Act is guilty of a misdemeanor and, on conviction, is subject to a fine of up to \$10,000 or imprisonment for up to two years, or both. Further, each associate, employee, manager, or partner who participates in or consents to a violation is subject to a fine of up to \$5,000 or imprisonment for up to one year, or both. Each violation is a separate offense. A civil penalty of up to \$5,000 may also be imposed for each violation; penalty revenue accrues to the general fund.

State Fiscal Effect: Enforcement activity of secondhand precious metal object dealers is primarily complaint driven and at the local level; MDL reviews local police reports to determine if administrative action is warranted against a licensed dealer. To the extent that the bill generates additional complaints, MDL can handle the associated administrative requirements with existing resources. The bill is not anticipated to affect the number of licensees in the State, and the application of existing penalty provisions is not anticipated to materially affect State finances; MDL has recently issued one or two civil penalties annually.

Local Fiscal Effect: The bill applies to all pawn transactions in the State, including in those local jurisdictions that also license pawnbrokers: Baltimore City and Anne Arundel, Carroll, Harford, Howard, Montgomery, and Prince George's counties. Still, local governments can likely handle any incremental enforcement activity due to the bill with existing resources. The application of existing penalty provisions is not anticipated to materially affect local finances.

Small Business Effect: Pawnbrokers are affected to the extent that the bill decreases their revenues from what they otherwise would have been. The effect on any particular pawnbroker depends on individual business practices but could be meaningful if the fees prohibited by the bill are a significant source of revenue.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of State Police; Department of Legislative Services

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