

NATIONAL PAWNBR KER



Pawnbroking Industry Overview:

Meeting the Needs of America's Working Families

National Pawnbrokers Association • www.nationalpawnbrokers.org

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In today's society, many people depend on pawnbrokers to help them meet daily financial needs not offered by other institutions. Pawn customers represent the working families of America who periodically experience an unexpected need for short-term funds. Pawn loans keep the electricity on, the rent paid and cars running with full tanks of gas.

This growing, competitive industry is constantly working to enhance the image of pawnbrokers, while offering needed services to their communities. Today's pawn stores are attractive, welcoming places to do business. Most of them are family-owned and operated stores that offer superb customer service. Although pawnbrokers are primarily small business owners, they can also be larger, publicly traded companies that help to add to the professional status of the industry.

Working with law enforcement helps ensure the safety of pawn customers and their property. Pawnbrokers comply with all federal, state and local regulations and laws. In most jurisdictions, they provide local law enforcement with data on all transactions on a daily basis.

NPA Vision

To provide the independent pawnbroker with the tools to be successful now and in the future; to represent pawnbrokers before the Congress of the United States and to protect their interests; and to prepare pawnbrokers for the future by helping them cope with changes in technology.

NPA Mission

To contribute to the professional and personal development of member pawnbrokers and member associates through the enhancement of the images and perceptions of the industry; by advocating pawnbrokers' rights, responsibilities and issues in the courts as well as the various lawmaking bodies of the land; and by representing and speaking for the industry.

About NPA

Headquartered in Keller, Texas, the National Pawnbrokers Association (NPA) was founded in 1988 to support the growing network of responsible pawnbrokers in the United States. As a trade association, the NPA supports nearly 2,600 members. The Association offers guidance to pawnbrokers on how to be involved on a local, statewide and national basis. In addition, the NPA offers members compliance training related to the federal, state and local laws that apply to the industry.

Pawn History

Pawnbroking is not a new practice nor does it appeal to just one social class. As humankind's oldest financial institution,

pawn loans can be traced back at least 3,000 years to ancient China as well as early Greek and Roman civilizations. During the 14th Century, King Edward III of England is said to have frequented pawn stores in Europe. Queen Isabella is reported to have pawned her royal jewels to finance Christopher Columbus' voyage to the New World.

Traditionally, the pawnbroker's symbol is three gold spheres hanging from a bar. This stems from St. Nicholas, referred to as the patron saint of pawnbroking. He is reported to have left three bags of gold so the daughters of a poor man could afford to marry, thus saving them from a life of slavery or prostitution. Later the tradition transformed the bags into three gold balls, which became the symbol of pawnbrokers.

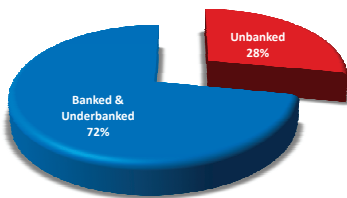


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Who We Serve

Pawn customers have regular jobs, from working in hospitals to home construction. They support our country and its economy by working in government, teaching our children and caring for the elderly. Just like you, pawn customers have dreams; want better lives for their children and a stronger sense of security. However, they also have pressing bills and unforeseen financial issues.

US Adult Usage of Traditional Banking Services



GAO Report 02-913, *Electronic Transfers*, Sept 2002

According to GAO analysis of November 1999 Census SIPP data, as many as 55 million people (28% of US adults) are unbanked. Other studies show that 32 percent of pawn customers borrow only twice per year to help cover unexpected expenses.

Average Pawn Customer

- Age: 36
- Household Income: \$29,000
- 80% are employed
- 82% have high school diploma or GED
- 33% are homeowners
- All ethnicities

Filling the Gap

The Consumer Federation of America found that more than 50 percent of Americans are living paycheck-to-paycheck. When it comes to financial alternatives, pawn customers do not have many safe, convenient, regulated choices.

Short Term Credit Alternatives	Fee
\$80 pawn loan @ 20% (30-60 days)	\$16
Bank Overdraft fee (average)	\$27
Bank NSF fee (average)	\$28
Merchant-bounced check fee	\$25
Credit Card late fee	\$29
Utility late/reconnect fees	\$53

How the Pawn Process Works

Put simply—customers pledge property as collateral, and in return, pawnbrokers lend them money. Pawn loans are made on everything from jewelry to electronics. If the pawn customer chooses to redeem the loan, the collateral is returned upon repayment of the loan plus the regulated fee. The option to redeem the collateral remains with the customer until the expiration of the contract. If the customer elects not to redeem his or her collateral, there is no credit consequence to the borrower and the items are sold at a value price to retail consumers.

- The average pawn loan is \$80.
- Contract periods vary by state, but are typically 30 days with an additional 30-day grace period.
- Applicable fees and allowable interest rates are set by the individual states.

State laws also prescribe what information is required from the consumer to enter into a pawn transaction, and may include:

- Name and address
- Date of birth
- Gender and ethnicity
- Government-issued form of personal identification
- The date and time of the transaction
- A description of the collateral, including any available serial numbers or identifying markings

Regulation & Compliance

Pawnbrokers are governed by all of the major federal laws that apply to other entities designated as financial institutions, including:

- USA Patriot Act
- Truth-in-Lending Act
- Bank Secrecy Act and IRS regulations requiring reporting of certain cash transactions
- Trading with the Enemy Act and related Executive Orders and regulations
- Privacy provisions of the Gramm-Leach-Bliley Financial Services Modernization Act

Pawn customers tend to be un-banked, under-banked, or have a strained banking relationship. This restricts their ability to access short-term credit in the traditional manner. A pawn loan is a service that a pawnbroker provides where other financial institutions can or will not.



Frequently Asked Questions

Do pawn customers enjoy the same protections under federal law that customers of other financial institutions enjoy?

No. Pawn transactions are the only type of consumer credit that requires reporting to local law enforcement agencies. In many states this reporting is required daily, and must include extremely sensitive personal information about the consumer (i.e. ethnicity, gender, address). Much of this information qualifies as “non-public personal information” under federal privacy law and is entitled to protection as such.

Why would someone go to a pawnbroker to get a pawn loan?

Pawnbrokers offer the consumer a quick, convenient and confidential way to borrow money. A short-term cash need can be met with no credit check or legal consequences if the loan is not repaid. Pawnbroking imposes discipline on the borrower that other lenders may not. Pawn loans do not cause people to over extend credit or go into bankruptcy.

Are pawn rates excessive?

No. To provide their service, Pawnbrokers, like all lenders, must charge rates commensurate with the size of the loan, collateral, risk and recourse. Pawn loans involve substantial operational expenses in terms of appraisal of collateral values, storage, insurance and security infrastructure. Pawn loans are small-dollar, short term loans with no hidden charges.



Do most pawn customers lose their merchandise?

On average, about 80 percent of all pawn loans are repaid. Repeat customers make up a majority of the business, similar to any other lending or retail establishment. Pawnbrokers establish relationships with their customers because they often borrow against the same items repeatedly. Pawnbrokers offer non-recourse loans, looking only to the item being pledged to recover their investment if the borrower chooses not to repay the loan.

How can I be sure the merchandise I purchase at a pawn store is not stolen?

Less than half of one percent of all pawned merchandise is identified as stolen goods. That is because customers must provide positive identification and a complete description of the merchandise. This information is then regularly transmitted to law enforcement, which dramatically decreases the likelihood that a thief would bring stolen merchandise to a pawn store.

Does the general public have a correct or even fair image of a pawn store?

No. Today's pawn store looks very different from the stereotypical portrayal seen in film and television. Pawnbrokers have been, and continue upgrading the interior and exterior of stores, as well as employee presentation, customer service, exterior signage, and their marketing and merchandising methods. Pawnbrokers focus on providing exceptional customer service and are active in the community, both politically and within local charities.

www.nationalpawnbrokers.org

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