

## PAWNBROKER INTEREST RATES AND FINES

Phone: (517) 373-8080  
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**Senate Bill 405 (S-1) as passed by the Senate**  
**Sponsor: Sen. Michael MacDonald**  
**House Committee: Regulatory Reform**  
**Senate Committee: Regulatory Reform**  
**Complete to 11-30-21**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

Senate Bill 405 would amend 1917 PA 273, which regulates pawnbrokers, to increase from 3% to 4% the maximum interest rate per month that a licensed pawnbroker can charge for a loan made against pawned articles or goods or on any loan. The bill also would increase the criminal fine that may be imposed for a violation of the act and establish a civil fine for exceeding the cap on monthly interest rates for any loan.

***Pawnbroker*** is defined in the act as a person, corporation, or member, or members of a copartnership or firm, who loans money on deposit, or pledge of personal property, or other valuable thing, other than securities or printed evidence of indebtedness, or who deals in the purchasing of personal property or other valuable thing on condition of selling the same back again at a stipulated price.

Under the act, a pawnbroker cannot require the interest on a loan to be paid in advance, must compute the interest on unpaid monthly balances without compounding, must adhere to certain record keeping requirements (e.g., a description of articles received and records for each transaction), must submit sworn statements to local law enforcement regarding articles received, must provide a signed note that an interest rate in excess of the allowed maximum would void the loan and the property pawned returned to the person pawning it, and may charge no more than \$3 a month for the storage of unencumbered personal property under a single pledge or pawn. A pawnbroker is also prohibited from charging an examination fee or making any charge that exceeds the amounts established in the act.

Currently, a violation of the act by a pawnbroker or his or her clerk, agent, servant, or employee is a misdemeanor punishable by a fine of at least \$25 but not more than \$100 or imprisonment for at least 10 days but not more than three months, or both a fine and imprisonment.

The bill would increase the amount of the criminal fine that could be imposed for a violation of the act to at least \$250 but not more than \$1,000. (The minimum and maximum terms of imprisonment would not be changed.)

In addition, the bill would establish a new civil fine of up to \$5,000 for a person who charges on any loan a rate of interest more than the 4% per month proposed by the bill. A violation could be prosecuted either by the prosecutor of the county in which the violation occurred or by the attorney general.

MCL 446.208, 446.209, and 446.218

## **FISCAL IMPACT:**

Senate Bill 405 would have an indeterminate fiscal impact on the state and on local units of government. The number of violations that would occur under provisions of the bill is not known; therefore it is not possible to estimate the amount of additional revenue that would be collected. Under the bill, penal fines for misdemeanor offenses would be increased from \$25–\$100 to \$250–\$1,000. Also under the bill, a civil fine of up to \$5,000 would be imposed for a person that charges on any loan a rate of interest that is more than 4%. Any increase in penal or civil fine revenue would increase funding for public and county law libraries, which are the constitutionally designated recipients of those revenues. Also, under Section 8827(4) of the Revised Judicature Act, \$10 of the civil fine would be deposited into the state’s Justice System Fund, so revenue to the state would be increased. Justice System Fund revenue supports various justice-related endeavors in the judicial branch, the Departments of State Police, Corrections, Health and Human Services, and Treasury, and the Legislative Retirement System. The fiscal impact on local court systems would depend on how provisions of the bill affected court caseloads and related administrative costs. It is difficult to project the actual fiscal impact to courts due to variables such as law enforcement practices, prosecutorial practices, judicial discretion, case types, and complexity of cases.

Legislative Analyst: Susan Stutzky  
Fiscal Analyst: Robin Risko

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