



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 405 (Substitute S-1 as reported)
Sponsor: Senator Michael MacDonald
Committee: Regulatory Reform

CONTENT

The bill would amend Public Act 273 of 1917, which governs and licenses pawnbrokers in certain governmental units, to increase, from 3% per month to 4% per month, the maximum interest rate a pawnbroker may charge on any loan and to prescribe a civil fine for charging a higher rate.

Specifically, the Act allows a licensed pawnbroker to charge on any loan a rate of interest that does not exceed 3% per month and is not required to accept any interest less than \$0.50 on a single loan. The bill would modify the maximum interest rate from 3% to 4%. The bill would continue to require pawnbrokers to provide a notice of the loan's maximum rate to customers, but at the amended rate.

Generally, a person who violates the Act is guilty of a misdemeanor punishable by up to 10 days' imprisonment or a fine of at least \$25 and not more than \$100. The bill would increase these amounts to \$250 and \$1,000, respectively. Also, a person who charged on a loan an interest rate of more than 4% could be ordered to pay a maximum civil fine of \$5,000. A violation could be prosecuted by the prosecutor of the county in which the violation occurred or by the Attorney General.

MCL 446.208 et al.

Legislative Analyst: Christian Schmidt

FISCAL IMPACT

The bill could have a positive fiscal impact on the State and local units of government. The bill would allow a civil fine of up to \$5,000 to be imposed for violation of the maximum allowable interest rate. Revenue collected from civil fines is used to support local libraries. Additionally, \$10 of the civil fine would be deposited into the State Justice System Fund. The Fund supports justice-related activities across State government in the Departments of Corrections, Health and Human Services, State Police, and Treasury. The Fund also supports justice-related issues in the Legislative Retirement System and the Judiciary. The amount of revenue to the State or for local libraries is indeterminate and would depend on the actual number of violations. Also, the increased fine revenue for individual who violated the Act would increase revenue for local libraries; incarceration costs would remain the same.

Date Completed: 6-22-21

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