

# Legislative Analysis



## PAWNBROKER FINES AND INTEREST RATES

Phone: (517) 373-8080  
<http://www.house.mi.gov/hfa>

**House Bill 4115 as reported from committee**  
**Sponsor: Rep. Joseph A. Aragona**

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

**House Bill 4116 as reported from committee**  
**Sponsor: Rep. Tullio Liberati, Jr.**

**Committee: Regulatory Reform**  
**Complete to 3-19-25**

### SUMMARY:

**House Bill 4115** would amend 1917 PA 273, which regulates pawnbrokers, to increase the penalties for violations of the act.

Currently, a person who violates the act is guilty of a misdemeanor punishable by a fine of \$25 to \$100 or imprisonment for 10 days to three months, or both a fine and imprisonment.

The bill would increase the penal fine to \$250 to \$1,000.

In addition, the bill would add a new civil fine of up to \$5,000 for those who charge an interest rate on a loan in excess of the maximum prescribed by the act. An action to collect this fine could be brought by the prosecutor of the county where the violation occurred or by the attorney general.

MCL 446.218

**House Bill 4116** would increase the maximum interest rate that a pawnbroker can charge on a loan from 3% to 5% and make other complementary changes.

MCL 446.208 and 446.209

Neither bill can take effect unless both are enacted.

### BACKGROUND AND DISCUSSION:

The bills are similar to House Bills 5535 and 5536 of the 2023-24 legislative session as passed by the House of Representatives.<sup>1</sup>

According to committee testimony, the current allowable interest rate of 3% per month has not been updated in more than a century and is currently too low for pawnshops to cover the costs associated with issuing the loans. Supporters of the bill testified that the proposed 5% interest rate would still be the lowest in the country and far below many other states that allow rates of more than 10% a month.

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<sup>1</sup> <https://www.legislature.mi.gov/Bills/Bill?ObjectName=2024-HB-5535>

Supporters also argued that the increased penalties in the bill would help to cut down on the amount of illegal “buyback” loans used to get around the current rate cap. They testified that many establishments throughout the state currently offer these loans with interest rates far in excess of the legal limit and that increasing the penalties associated with a violation could reduce the number of individuals operating in this space. In addition, they argued the proposed interest rate increase could incentivize some to enter the business of offering legitimate pawn loans.

## **FISCAL IMPACT:**

The bills would have an indeterminate fiscal impact on the state and on local units of government. Currently, a person who violates the act is guilty of a misdemeanor punishable by imprisonment for at least 10 days and not more than three months, or a fine of at least \$25 and not more than \$100, or both. Under the bills, the range of fine amounts would be increased to at least \$250 and not more than \$1,000. Also under the bills, a person who charges a rate of interest that is more than the 5% maximum would be subject to a civil fine of up to \$5,000. The fiscal impact would depend on the number of penal fines assessed at the higher rate and the number of persons charging a higher rate of interest than authorized and, subsequently, ordered to pay a civil fine. Revenue collected from payment of penal and civil fines is used to support public and county law libraries. Also, under section 8827(4) of the Revised Judicature Act, \$10 of the civil fine would be required to be deposited into the state’s Justice System Fund, which supports various justice-related endeavors in the judicial branch and legislative branches of government and the Departments of State Police, Corrections, Health and Human Services, and Treasury. The fiscal impact on local court systems would depend on how provisions of the bills affected court caseloads and related administrative costs. Because there is no practical way to determine the number of violations that will occur under provisions of the bills, an estimate of the amount of additional revenue the state would collect, revenue for libraries, or costs to local courts cannot be made.

The Department of Attorney General would likely be able to cover any enforcement actions stemming from the bills with existing resources and would not incur any significant fiscal impact.

## **POSITIONS:**

A representative of the Michigan Pawnbrokers Association testified in support of the bills.  
(3-6-25)

Legislative Analyst: Alex Stegbauer  
Fiscal Analysts: Robin Risko  
Michel Cnossen

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.