

Pawn Transactions Explained

Why Do Consumers Use Pawnbrokers' Services?

Pawnbrokers offer two ways for consumers to get cash in exchange for tangible personal property items they own, based on the value of the personal property they bring into a pawn store.

Traditional pawn transactions

The pawnbroker tells the consumer how much their item is worth to them. The pawnbroker is required to store and have insurance for consumers' pawn collateral while it is in the pawnbroker's possession. Consumers choose whether or not to redeem their property.

Purchase transactions

The pawnbroker buys used goods outright. These are true sales, not collateral-based transactions. Consumers normally get less for tangible property they sell outright than in traditional pawn transactions.

How Do Pawns Work?

Most states regulate both traditional pawn transactions and purchase transactions. Some local governments also set terms and conditions for pawns and purchases. Here are the features of pawns common in all states where pawns are regulated by the state or local governments.

- A consumer brings one or more personal property item to the pawn store. The pawnbroker appraises the item(s) and tells the consumer how much cash they can get that day.
- The pawnbroker records information about the consumer, including identification information.
- The pawnbroker completes a receipt, called a "pawn ticket," with a detailed description of the item(s) and sometimes a photo of each item.
- The pawn ticket includes information about how much the consumer will pay to get property item(s) back, including pawn store charges, and the date the consumer should return to pick up their item.
- The pawn ticket will contain a federal Truth-in-Lending disclosure statement.
- If the consumer is an active duty servicemember or a military dependent, the pawnbroker will give an additional disclosure required by the federal Military Lending Act.



Pawns do not affect consumers' credit ratings. Pawn stores neither request consumer credit reports nor report on experiences with consumers. They also do not require proof of employment or income.



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Pawn Transactions Explained, *cont'd*



- Any time before the last date mentioned on the pawn ticket, the consumer may return to the pawn store to retrieve the item(s) they pawned. The consumer will redeem the pawn by presenting the ticket and paying the pawn store charges described on the ticket.

Frequently Asked Questions

Why Do Consumers Use Pawns for Their Cash Needs?

- Pawn stores provide a fast and easy way to get cash.
- Pawn stores are located close to home or work and are open more days and hours than most banks or credit unions.
- Pawns do not affect consumers' credit ratings. Pawn stores neither request consumer credit reports nor report on experiences with consumers. They also do not require proof of employment or income.
- Pawns are the ultimate non-recourse product. No pawnbroker can sue a consumer to collect the money they gave the consumer.

What Happens at the End of the Time Stated on the Pawn Ticket?

- Picking up pawned items is the consumer's choice.
- To retrieve their property, the consumer goes back to the pawn store with their pawn ticket and repays the money originally received, in addition to the accrued charges.
- If the consumer decides not to pick up their item, the item becomes the property of the pawnbroker.

How Are Pawn Transactions Different from "Buy-Sell" Transactions?

- Traditional pawnbrokers do not offer "buy-sell" transactions, wherein a consumer sells their property with a promise from the provider that they can repurchase the property at a set price and time.



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