

Pawn Transactions Explained

Why Do Consumers Use Pawnbrokers' Services?

Pawnbrokers offer two ways for consumers to quickly exchange tangible personal property for cash through a values based, non-recourse transaction.

1. Traditional pawn transactions

The pawnbroker and consumer negotiate the value of merchandise. The pawnbroker is required to store and insure consumers' pawn collateral while it is in their possession. Consumers choose whether to redeem the property or leave it.

2. Purchase transactions

The pawnbroker buys used goods outright. These are true sales, not collateral-based transactions. Consumers normally get more 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 items to the pawn store. The pawnbroker quickly appraises the merchandise and negotiates both the value of the property and the loan amount with the customer.
- The pawnbroker records information about the consumer, including identification information.
- The pawnbroker assembles 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 redeem the pawn ticket by presenting the ticket and paying the aforementioned charges.

Frequently Asked Questions

Why do consumers use pawns for their cash needs?

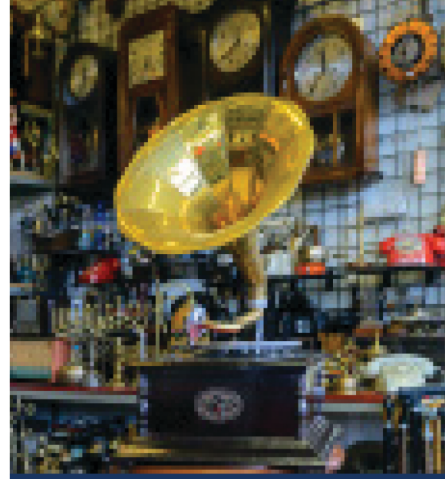
- Pawn stores provide a fast and easy way to obtain cash.
- Pawn stores are located close to home or work and are often open more days and hours than most banks or credit unions.
- Pawns do not affect consumers' credit ratings. Consumer credit reports are not utilized in pawn transactions and pawnshops do not report on experiences with consumers.
- Pawnshops do not require proof of employment or income. A pawn is non-recourse. If the customer decides not to return for the property, there are no negative repercussions.
- No pawnbroker can sue any consumer to collect money they gave the consumer. Pawns are the ultimate non-recourse product.

What happens at the end of the time stated on the pawn ticket?

- Picking up pawned items is the consumer's option.
- To pick up property, consumers return to the pawn store with the pawn ticket and repay the money received, in addition to any accrued charges.
- If the ticket expires, ownership of the property passes to the pawnbroker.

How are pawn transactions different from "buy-sell" transactions?

- Traditional pawnbrokers do not make "buy-sell" agreements. This kind of agreement, one in which someone sells an item with an agreed upon price and time to repurchase the item, is illegal in most states.



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