

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Sunset Evaluation Update: Pawnbrokers

Summary

We evaluated the regulation of pawnbrokers under Chapter 445, Part V, Hawaii Revised Statutes (HRS), and conclude that the public interest is best served by continuing the regulation.

We found that continued regulation of pawnbrokers is needed because they engage in transactions that could financially harm the public. Licensure of pawnbrokers also assists the county police departments in locating and monitoring pawnbrokers to prevent the trafficking of stolen property.

This evaluation and repeal of Part V of Chapter 445 had been scheduled under the Sunset Law. Subsequently, Act 279 of 1994 removed the repeal date and with it the evaluation requirement. Nevertheless, since the work has already been done, we are issuing the report to help decisionmakers in assessing the regulatory program.

Pawnbrokers typically make loans to customers who pledge their goods as security. They charge customers monthly interest rates that vary with the size of the loan and the regulations of the state. Pawnbrokers are also able to generate large revenues by selling unredeemed merchandise. In 1991, there were about 6,900 pawnshops in the United States. Currently in Hawaii, there are 45 licensed pawnbrokers in Honolulu, 3 on the Big Island, 5 on Maui, and none on Kauai.

Part V of Chapter 445 requires pawnbrokers to be licensed by the counties and provides the primary regulations over pawnbrokers. Part V requires that pawn transaction agreements comply with the federal Truth-in-Lending Act and Chapter 486M, HRS. Chapter 486M regulates the purchase and resale of previously owned or secondhand goods and specifically applies to pawnbrokers.

Under the general provisions of Chapter 445, the county councils may enact ordinances consistent with state law to govern the conduct of pawnshops. The law authorizes the treasurer or finance director of the county where the business will operate to issue a license and collect a fee. It forbids operating without a license and designates the county police and authorized representatives of the county directors of finance as license inspectors.

The police have jurisdiction to enforce Chapter 486M, HRS, which provides a criminal penalty (misdemeanor) for violations relating to secondhand goods.

We also found that since the purpose of licensing pawnbrokers is to prevent dishonest practices that could harm the public, it is inappropriate to license a person convicted of a felony directly relating to the person's possible performance as a pawnbroker. A criminal history check at the Hawaii Criminal Justice Data Center, within the Department of the Attorney General, should be done before issuing or reissuing a license.

Recommendations and Response

We recommend that the Legislature continue the regulation of pawnbrokers in Chapter 445, Part V, Hawaii Revised Statutes.

We also recommend that the Legislature amend Part V to allow the counties to deny, suspend, or revoke a pawnbroker license for persons convicted of a felony that relates directly to the person's possible performance as a pawnbroker. A criminal history check should be conducted before a license is issued or reissued.

All counties were sent a draft report for their response. A response was received from the City and County of Honolulu concurring that pawnbrokers should continue to be licensed and that counties should be allowed to deny a pawnbroker license to persons convicted of a felony that directly relates to the person's possible performance as a pawnbroker.

Marion M. Higa
State Auditor
State of Hawaii

Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813
(808) 587-0800
FAX (808) 587-0830