I went to a pawnshop and took out two loans because I had just moved and needed help paying rent. For my MacBook computer and three professional-quality cameras I was loaned $1,600 at 150% interest. $1,600 was a fraction of their actual value. For over a year, I paid $200 per month to roll over the loans. Still, I couldn’t pay them off. In the end, I lost $6,000 worth of property and over $2,400 in interest. I now understand why people say you shouldn’t get quick cash loans—I will never do this again."

- Jazmine T.
Former pawn loan borrower

Close the Pawnbroker Loophole

**SB 4241 (COLLINS-PETERS)/HB 5840 (HARPER-BUCKNER)**

SB 4241/HB 5840 would close a loophole that allows pawnbrokers to make loans at rates as high as 243.3% APR.¹ Last year, the General Assembly passed the Predatory Loan Prevention Act (PLPA) with overwhelming bipartisan support. The PLPA established a rate cap of 36% APR on consumer loans. A Sangamon County Court, however, granted Illinois pawnbrokers an injunction allowing them to ignore the PLPA.

**240% APR IS PREDATORY & USURY**

- The federal Military Lending Act already prohibits charging Active-Duty service members more than 36%.
- In a “Secret Shopper” investigation by Woodstock Institute, pawnbrokers charged 240% APR or more in 19 out of 20 instances.
- In one of the “Secret Shopper” tests, a pawnbroker charged 243.3% APR to a veteran on Veteran’s Day. This is legal under the Pawnbroker Loophole.
- All major world religions oppose predatory lending. For example, over a dozen passages in the Bible condemn usurious lending.

**PAWNBROKERS OPERATE IN ALL 50 STATES, INCLUDING STATES WITH CAPS AT OR BELOW 36%**

- Nationally, annual rates on pawn loans are as low as 12% – much lower than the PLPA’s 36%.
- Approximately 40% of pawnbrokers’ revenue is retail sales. Lou’s Jewelry & Pawn in Pennsylvania, which has a 36% rate cap, generates revenue from a variety of other services, such as bill pay and money orders.

<table>
<thead>
<tr>
<th>STATE/MUNICIPALITY</th>
<th>MAXIMUM COST OF BORROWING FOR A $100 30-DAY PAWN LOAN</th>
<th>EQUIVALENT APR</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARKANSAS</td>
<td>$1.41</td>
<td>17%</td>
</tr>
<tr>
<td>PENNSYLVANIA</td>
<td>$3.00¹</td>
<td>36%</td>
</tr>
<tr>
<td>BOSTON</td>
<td>$3.00</td>
<td>36%</td>
</tr>
<tr>
<td>NEW YORK</td>
<td>$4.00</td>
<td>48%</td>
</tr>
<tr>
<td>NEW JERSEY</td>
<td>$4.50</td>
<td>54%</td>
</tr>
<tr>
<td>ILLINOIS</td>
<td><strong>$20.00</strong></td>
<td><strong>240%</strong></td>
</tr>
<tr>
<td>KENTUCKY</td>
<td>$22.00</td>
<td>264%</td>
</tr>
<tr>
<td>INDIANA</td>
<td>$22.96</td>
<td>275.5%</td>
</tr>
</tbody>
</table>

a. Pennsylvania pawnbrokers are permitted to charge an additional, one-time government fee of $1.00.
b. For small loans less than approximately $50, a Pennsylvania pawnbroker may charge a flat fee.
c. Boston’s 36% cap applies to loans of $25 or more.

CONTINUED
1. The bill also clarifies IDFPR’s authority over entities who advertise, solicit or broker loans that violate the PLPA. The PLPA already applies to entities who offer or arrange loans and the clarifying language is simply added to limit other exceptions.


3. Data provided by IDFPR on 11/21/22 in response to FOIA request.

4. The annual percentage rates (APRs) for auto title, installment payday, and payday loans were average APRs as reflected in the most recent Illinois Trends Report by the Illinois Department of Financial and Professional Regulation (IDFPR) (11/23/21). For pawn, Woodstock Institute conducted 19 tests in 2021 and 2022, and the APR in 19 out of 20 of the tests was 240% or higher.


QUESTIONS?

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