

**SB**

**315**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: CSSB 315(L&C)  
(S) Publish Date: 4/21/06

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Commerce  
Title Disposition of Unredeemed Property RDU Banking & Securities (536)  
Component Banking & Securities  
Sponsor Rules  
Requester Labor & Commerce Component No. 2808

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation increases the amount a pawnbroker can keep for profits when selling property bought or received in pledge and not redeemed within 30 days after the date of mailing notice. It ties the allowable amount they can keep without sharing with the customers, to a section in the Alaska Small Loans Act which exempts pawnbrokers from the that act for loan up to \$500. This legislation does not impact the operations of the division.

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Approved by: William C. Noll, Commissioner  
Agency: Commerce, Community, and Economic Development

Phone: 465-5447  
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Date: 4/14/2006



Senate

Committees

Chair: Rules  
Chair: World Trade &  
State/Federal Relations  
Vice-Chair: Transportation  
Legislative Council

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**Sponsor Statement**  
**CS SB 315 L&C**

**"An Act relating to the disposition of unredeemed property;  
and providing for an effective date."**

Pawns are collateralized loans whereby an individual borrows money against an item (TV, tool, piece of jewelry) and leaves the item with the pawnshop. The pawner (individual bringing item in) has 60 days to make an interest payment or pay off their loan. Failure to do so results in an unredeemed pawn item, which becomes the property of the pawnshop and can be sold.

How unredeemed property is currently handled can be best explained by this scenario: A pawnshop takes a piece of jewelry in for the maximum pawn loan limit of \$500 – the pawner fails to make interest payments or pay off the loan by the 60 day mark. The pawnshop then sells the jewelry for \$700. Currently, the pawnshop would owe the pawner 50% of the extra \$200 profit from the \$700 sale. (\$700 sale less \$400 unredeemed prop max ) This is the part of the statute SB 315 will change.

Pawn loan limits have been regulated by statute since 1949. Since that time the issue has been revised twice, with the last time being 13 years ago in 1993. The sale of unredeemed property has been regulated by statute since 1981. Two different issues are raised with these statutes. The first is the pawn limit, which is the maximum amount that can be loaned on any single item. The second is the handling of unredeemed property.

In the following chart you will see that the pawn loan limit has been raised over the years, obviously with the value of a dollar and the consumer price index this change has been necessary. In 1993 when the pawn loan limit was raised, the unredeemed property provision remained the same, causing a disparity in the pawn loan limit to the unredeemed property amount.

YEAR	PAWN LOAN LIMIT	UNREDEEMED PROPERTY PROVISION (amount after which pawnshop must split profit @ 50% with the pawner)
1949	\$100	No Provision
1981	\$200	\$400 (twice the pawn loan limit)
1993	\$500	\$400 (no change from 1981 law)
2006	\$500 – unchanged	\$1000 (proposed change to twice the pawn loan limit)

SB 315 restores the ratio that was originally established between pawn loan limits and unredeemed property. It does not change the \$500 pawn loan limit, but changes the language regarding the sale of unredeemed property from \$400 to \$1000, or twice the pawn loan limit, as was previously the standard set in 1981.

The below references are applicable to CS SB 315 L&C:  
Short title: Relating to unredeemed property

### AS 08.76.040 Disposition of unredeemed property.

(a) If property bought or received in pledge by a pawnbroker is not redeemed by the pledgor within the redemption period, the pawnbroker shall give notice to the pledgor by mail to the pledgor's last known address that the redemption period has expired. If the property is not redeemed within 30 days from the date of mailing of the notice, the title and interest of the pledgor in the property vest in the pawnbroker subject to (b) of this section.

(b) is amended to read:

If a pawnbroker sells property bought or received in pledge and not redeemed within 30 days after the date of mailing notice under (a) of this section, the pawnbroker shall pay the pledgor one-half of the amount that is (IN EXCESS OF \$400) received for the property and that exceeds twice the maximum amount allowed under AS 06.20.330 for individual loans by pawnbrokers and loan shops to be exempt from AS 06.20.

(c) A pawnbroker shall give notice of any money due the pledgor under (b) of this section by certified mail within 10 days of the sale of the pledged property. If the pledgor does not respond within 90 days after the notice is mailed under this subsection, the pawnbroker is entitled to the entire amount received by the pawnbroker for the property.

(d) In this section "redemption period" means the period agreed to in writing by the pledgor and pawnbroker for the holding of property by the pawnbroker without sale to a third party or, in the absence of a written agreement, 60 days.

### AS 06.20.330. Exemptions

(a) [Repealed, Sec. 55 ch 75 SLA 2002].

(b) This chapter does not apply to individual loans by pawnbrokers or loan shops where separate and individual loans do not exceed \$500.

### AS 06.20. Alaska Small Loans Act



Retail Ring Value:  
\$1200

Pawn Shop Loans  
Max Limit: \$500

###

60 Days Unredeemed  
Property Deadline

###

Pawnshop sells  
ring for \$700

Currently:

Pawnshop sale	\$700
Less \$400 Unredeemed prop	<u>-\$400</u>
TOTAL Sale	\$300
50% back to pawner	<u>-\$150</u>
Less initial investment yet to recoup (\$500 loan-\$400 Unredeemed max)	-\$100
<u>TOTAL PROFIT</u>	<u>\$50</u>

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Updated Ratio:

Pawnshop sale	\$700
Less \$1000 Unredeemed max	N/A
Less initial investment yet to recoup (\$500 loan)	-\$500
Unredeemed Max 50%	<u>N/A</u>
<u>TOTAL PROFIT</u>	<u>\$200</u>