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HB 5472

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*TESTIMONY OF
ATTORNEY GENERAL RICHARD BLUMENTHAL
BEFORE THE JUDICIARY COMMITTEE
MARCH 19, 2010*

I appreciate the opportunity to support House Bill 5472, An Act Concerning Pawnbrokers, Precious Metal Dealers and Second-hand Dealers.

Legitimate pawn shops and second-hand goods dealers can provide a necessary outlet for consumers who wish to sell some of their possessions. Unfortunately, too many of these shops are operated by unscrupulous individuals and become a source for thieves wanting to unload stolen goods. Careful monitoring and licensing of these retailers will weed out the unscrupulous and unsavory businesses.

My office has been conducting a review of Connecticut pawn shops to determine compliance with consumer protection laws. My ongoing review has revealed a number of potential concerns, including whether consumers are receiving adequate and accurate disclosures about interest rates and fees and whether pawn brokers are imposing excessive interest charges.

Consumers in desperate financial straits may be victimized by these pawn shops. My office worked with representatives from state and local police, the chief state's attorney office and others on this legislation -- which modernizes the regulation of pawn shops and other retail businesses where stolen goods could be sold. Current regulations were established many years ago and desperately need to address a quickly changing landscape.

Specifically, the legislation:

- Creates a single municipal permit for any pawnbroker, precious metal dealer or second-hand dealer retail establishment, specifically excluding consignment shops, used books dealers, art retailers and special collectible dealers;
- Provides licensing authority to the local police chief or resident state trooper;
- Requires specific background information on every person with an ownership interest in the business and authorizes local police to conduct a background check on those individuals;
- Requires such retailers to obtain positive identification of any person who is selling or pledging goods;
- Requires such retailers to maintain a record of all property accepted from individuals including a description of the property with special requirements for jewelry and high technology products;

- Expressly prohibits cash transactions, requiring that all checks provided by the business be cashed through a financial institution to facilitate tracing of the transaction;
- Requires precious metal dealers and second hand dealers to retain consumer items for at least 21 days before being sold to a third party;
- Clarifies the limits on interest and fees that may be charged by such dealers;
- Limits fees charged by a pawnbroker to an amount not greater than the actual cost incurred by the pawnbroker;

These provisions will greatly enhance law enforcement efforts to track down stolen items and return them to the victim of theft. The legislation also ensures that pawn shops and other second-hand dealer establishments are operated ethically and legally.

I urge the committee's favorable consideration of House Bill 5472.