

SUBJECT: Notifying legislators of pawnshop license applications

COMMITTEE: Financial Institutions — committee substitute recommended

VOTE: 8 ayes — Averitt, Solomons, Denny, Ehrhardt, Grusendorf, Marchant, Pitts, Juan Solis

0 nays

1 present, not voting — Elkins

WITNESSES: (*On original bill:*)
For — None

Against — W. J. “Mike” Murphy, Texas Association of Pawn Brokers

On — Leslie Pettijohn, Office of Consumer Credit Commissioner

BACKGROUND: Upon receipt of a pawnshop license application, the Consumer Credit Commissioner is required to give notice to the Department of Public Safety, each local law enforcement agency in the county where the pawnshop would be located, and each pawnbroker in that county. These notifications are routinely sent once a month. By request, any legislator can be put on the commissioner’s mailing list for particular counties, but this policy is neither in rule nor in statute.

DIGEST: CSHB 814 would require the commissioner to notify the state representative and state senator of each pawnshop license application for pawnshops that would operate in their districts.

The bill would take effect on September 1, 1999, and apply only to license applications received on or after that date.

SUPPORTERS SAY: CSHB 814 would ensure that a legislator would be informed by the Consumer Credit Commissioner whenever someone intended to open a new pawnshop in the lawmaker’s district. State law grants sole authority to regulate pawnshops to the Legislature. A legislator, once informed of an applicant’s

desire to establish a new pawnshop in the lawmaker's district, would then be able to make sure community leaders also are informed.

Local communities justifiably are concerned about the concentration of pawnshops, particularly in lower-income, higher-crime neighborhoods. Some community leaders view pawnshops as presenting a negative image in neighborhoods that would like to attract other businesses. However, community leaders often may not know that another pawnshop is attempting to open for business in the area.

The bill would codify an existing practice followed by the current consumer credit commissioner. Some legislators may not be aware of the commissioner's policy. CSHB 814 would ensure that all legislators would be promptly notified of pending pawnshop license applications. Similar notification processes already are in place, for example, notification when state agencies decide to rent office space within a legislator's district.

OPPONENTS
SAY:

A mandatory notification system should not be established, because the current voluntary system is working. Legislators interested in being notified about pawnbroker applications in their counties already can add themselves to the commissioner's mailing list. This bill unnecessarily would increase mailing costs, because notices would be sent to many lawmakers not that interested in receiving them.

Singling out the pawn industry for this sort of notification requirement would reinforce the false stereotype of pawnshops as bad neighbors. The financial services provided by pawnshops are not duplicated by banks and other lending institutions. Their entry into a market indicates that these services are needed in a community.

Competition among pawnshops is not a negative consequence of urban development, as it has been portrayed. It is simply the result of competitive forces in the marketplace.

OTHER
OPPONENTS
SAY:

The public, including the potential new customers of a pawnshop, ought to be better notified of a pawnshop application. Pawnbrokers ought to post a sign at their proposed place of business informing the public that a pawnshop would be opening at that location and listing the business owner. A license should not be denied if a pawnbroker did not post a sign, so long as the

commissioner determines that efforts were made to ensure public awareness of the proposed pawnshop. The original bill included this requirement for counties with a population of 1.5 million or more. It should be applied to all new pawnshops in all counties.

NOTES:

The substitute deleted provisions requiring pawnshops provide notice of their application in newspapers and with signs in certain counties, requiring notice to be sent by the commissioner to certain public officials, relating to evidence presented in protested hearings, and relating to approval of the application.