



Date: May 30, 2018

To: Texas Sunset Advisory Commission

From: Texas Pawn Coalition

Re: Response to the Office of Consumer Credit Commissioner Staff Report

---

These comments are provided by the Texas Pawn Coalition (TPC) in response to the Texas Sunset Advisory Commissions Staff Report recommendations for the Office of Consumer Credit Commissioner.

TPC is a coalition of investor-owned pawn shops, operating nearly one-half of the licensed store locations in the state --- 652 of 1,322 stores. TPC advocates for the protection of financial choice and the availability of consumer credit through pawn transactions for hard-working Texans.

TPC's mission is to work cooperatively with industry, consumers, and government officials to help ensure Texans have access to consumer credit through pawn transactions in compliance with the law.

### **TPC Response**

We would like to acknowledge the hard work and meticulous analysis the Sunset staff conducted in preparing its report. The report is thorough, detailed and contains well-reasoned recommendations on several key issues. TPC submits the following positions on the staff report:

- The Texas Pawn Coalition **supports** Sunset staff's recommendation 1.3 to continue the Office of Consumer Credit Commissioner for 12 years.
- TPC **supports** staff's recommendation 3.1 to discontinue licensure of pawnshop employees.
- TPC also **supports** staff recommendation 5.2 to authorize the Office of the Consumer Credit Commissioner (OCCC, and the "agency") to provide biennial license renewals for licensees and registrants.

- TPC **opposes** staff recommendation 2.1 (Requiring the finance agencies to remit all administrative penalties to the General Revenue Fund)

**TPC supports staff recommendation 3.1 (Discontinue licensure of pawnshop employees) for the following reasons:**

Dual Licensing, Overlapping Regulation

The Texas Finance Code currently requires every pawn store **AND** every pawn store employee to be licensed. In fiscal year 2017, the OCCC licensed 7,243 pawnshop employees, and 1,565 pawnshops.

Extremely Low Enforcement Activity for Pawnshop Employees

Nearly all pawnshop employee enforcement activity involves paperwork violations, primarily whether individuals applied for licenses on time (statute requires an individual employed by a licensed pawn store location to apply for a license within 75 days of employment).

- In fiscal year 2017, all 64 enforcement orders issued against pawnshop employees were for failing to timely apply for a license.
- Nearly half of the OCCC's enforcement actions against licensed pawn store locations that year regarded employee paperwork issues.
- The OCCC received only 19 complaints against pawnshop employees in 2017, none of which required enforcement action.
- In fiscal year 2017, the OCCC received 2,690 pawnshop employee applications and denied only one.

Assertions that low denial rates somehow justify employee licensing because of a high number of withdrawn applications (presumably due to a fear of discovery of past criminal activity) does not correlate with our data from other states. Our vetting process for employees is consistent in other states where TPC operates, and we lose as many employees during the first 75 days of employment in other states that do not require licenses as we do in Texas.

Legal Responsibility Rests with Licensed Stores

Ch. 371, Texas Finance Code, and its administrative rules state that any person who holds a pawnshop license is responsible for the actions of its employees in the conduct of the pawnshop business. The statutes further require store license holders to properly



complete pawn tickets, check identification of customers seeking to sell or pledge property, monitor goods coming into the store for identification of stolen property, hold goods for law enforcement, and otherwise operate the pawnshop lawfully. To comply with the law, we must adequately vet, train and oversee our employees. TPC agrees with Sunset's finding, that requiring pawnshop employees to hold an individual license adds an unnecessary and duplicative level of regulation and paperwork.

**TPC opposes staff recommendation 2.1 (Require the finance agencies to remit all administrative penalties to the General Revenue Fund)**

TPC opposes recommendation 2.1. OCCC's practice of crediting each industry's administrative penalties against its revenue budget allows those companies with a high rate of compliance to pay a lesser amount, while requiring those companies of low rates of compliance to pay more. TPC feels that OCCC's current practice is positive reinforcement and an incentive for industry to maintain a high compliance rate. For these reasons, TPC opposes recommendation 2.1

TPC appreciates the opportunity to provide input as to the staff recommendations on the Office of Consumer Credit Commissioner. I would like to once again thank the Sunset Staff for its hard work and please do not hesitate to contact us should you have any questions.

Respectfully,



Trent Townsend  
Texas Pawn Coalition

