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Pawn Shops

When I need to borrow money, is it a good idea to use a pawn shop?

People pawn their belongings as a way to get a short-term loan. In some cases, using a pawn shop costs less in interest than getting emergency money from a “payday lender”. But borrowing money from friends and family is a much better bargain if you can do it.

How does pawning work?

Pawn shops lend out a portion of the value of property that you bring in as “collateral” for the loan. Generally, the amount of money a pawn shop will lend is small compared to the value of the item. The shop gives the borrower a “ticket” that the borrower must present later to reclaim the item when the loan is repaid. Losing the ticket can create a big problem for the borrower.

Is there a limit on how much money I can borrow from a pawn shop?

The law that applies to pawn shops differs from state to state. In New Mexico, the limit is \$2,000 at one time.

Is there a limit to how much interest a pawn shop can charge?

Yes. The law limits the amount of interest to the larger of \$7.50 or 10 percent of the amount lent for the first month of the loan. After the first month, the pawn shop can charge no more than 4% per month until the loan is paid off. A borrower can negotiate with the pawn shop for an interest rate that is lower than the maximum allowed by law.

How long do I have before I have to pay back the loan?

Under New Mexico law, there is no specific deadline. That means that the pawn shop and the borrower work out the due date. The due date must appear on the pawn ticket that the shop gives the borrower.

What information should my pawn ticket contain?

Every pawn ticket should contain this information: a description of the property that is being pawned, including make, model, serial number, or other identifiers, the amount of money being lent, the date of the loan, the interest rate, and any other charges for the loan, the last day to repay the loan, the name and signature of the pawnbroker, the name, address, and description of the borrower, including date of birth, hair and eye color, sex, height, and weight, and the type of identification the borrower showed to the pawnbroker.

What happens if I can't pay back the money by the due date?

If the borrower can't pay the money by the due date, the pawn shop can sell the property left there as collateral—but only after following a series of steps. First, the pawn shop must wait 90 days before the item left there becomes the property of the pawn shop. Then, before the property is sold, the borrower is entitled to written notice that he or she has ten more days to pay off the debt and get the item back.

If the pawn shop sells the item for more money than the borrower owes the pawn shop, the pawnbroker must tell the borrower in writing that money is due to the borrower. If the pawn shop sells the item for less than the amount still due on the loan, the borrower still owes the balance even after the item is sold. (Always ask for a record of the amount the item was sold for.)

The pawn shop has the right to sell the item, but it can choose to keep the item if the borrower agrees. It must notify the borrower in writing that it intends to keep the item. A borrower who wants the item sold to pay off the debt must write a letter to the pawn shop ordering it to sell the item. The borrower has 21 days after the pawn shop's notice in which to order the sale. (Make sure to keep a copy of this letter.)

What are my rights if a pawn shop does something illegal?

A high-interest rate, lack of notice about selling or keeping a pawned item, and the lack of required information on the pawn ticket are all illegal.

It is also illegal for a pawn shop to refuse to return property after the loan is paid in full; to force a

borrower to spend the loan at the pawn shop, or to lend more than \$2,000 at one time. Tribal law may provide more or different protections to borrowers. It's important to get specific legal advice so as to be able to enforce the right to fair treatment.

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