



National Pawnbrokers Association®

## **NPA Policy Statement: Internet Pawn Loans and Providers**

Pawn loans are an important, growing, and trusted source of small-dollar, short-term nonrecourse loans in the United States. Fast, on-the-spot decision-making by pawnbrokers at brick and mortar pawn shops throughout this country help make pawn loans available for emergencies that individuals, families, and small businesses experience.

Pawn loans traditionally have been face-to-face transactions, regulated by federal, state and local laws. Recently, some providers have offered “Internet pawn loans” in which the borrower and pawnbroker do not meet face-to-face, but rather conduct business via the Internet.

Internet pawn loans may be considered more risky for some consumers than face-to-face pawn transactions. Internet pawn loans make for a more uncertain transaction, forcing the borrower to question where collateral is stored, when loans will be funded and what state law the loan is subject to. On the other hand, Internet pawn loans may be desirable for some borrowers who prefer not to engage in face-to-face transactions or find some aspect of the provider’s terms more competitive.

The NPA does not support, condone, or offer membership to providers offering Internet pawn transactions that:

- 1) Cannot demonstrate full compliance with all federal consumer credit laws as well as with state, and local laws adopted by the jurisdiction in which the consumer initiates the transaction.
- 2) Do not hold a license to do business within the state where the consumer initiates the pawn transaction.
- 3) Circumvent federal, state, or local laws or regulations through the use of off-shore credit providers or partnering with entities operating on federal Tribal Reservations.

The NPA in fact supports, condones and offers membership to providers offering internet pawn transactions, as long as the provider has brick and mortar locations that are open to the general public; offers pawn loans in the same state in which it is licensed and only to residents of that state or to consumers who travel to that state in person for the purposes of the transactions.

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