



Members Brief

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Pawnbrokers

This *Members Brief* discusses the Ohio Pawnbrokers Law. It looks first to the basic features of pawn loans under the law, and then examines the provisions of the law designed to keep stolen goods out of pawnshops.

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Pawnshops, as an institution, are centuries older than the United States. Their origin is believed to be in fifth-century China, and the pawnbroker’s symbol, three golden balls, has competing medieval attributions, ranging from the Medici Coat of Arms to coin purses Saint Nicholas gave to keep a father from selling his daughters into prostitution.¹

Today, the Federal Deposit Insurance Corporation (FDIC) reports that pawnshop loans serve as an alternative to bank credit (e.g., credit cards, personal loans, or bank credit lines), with 1% of all households, and 3.9% of unbanked households, using pawnshop loans in 2021.² The

¹ Wendy A. Woloson, *In Hock—Pawning in America from Independence through the Great Depression*, pg. 7 (2009).

² “[2021 FDIC National Survey of Unbanked and Underbanked Households \(PDF\)](#),” pg. 66 (2022), available by conducting a keyword “Household Survey” search on FDIC’s website: [fdic.gov](https://www.fdic.gov).

FDIC further notes that some pawnshop customers use the loans as an alternative to savings accounts by buying items that can be pawned later if the need arises.³ Other customers deliberately pawn sentimental items to increase their likelihood of paying back the loan.⁴

Pawn loans – the basics

Pawn loans are secured by an item of personal property, often referred to as a “pawn,” left as collateral. The amount of the loan is typically based on the appraised value of the pawn. If the borrower – referred to in Ohio law as a “pledgor” – does not redeem the pawn by paying back the principal of the loan plus interest and fees within a set period of time, the pawn is forfeited to the pawnbroker. Pawn loans are generally short-term and often involve higher interest rates and fees than personal loans. However, pawning is attractive to some consumers because it does not require a credit check or a lengthy application process. Furthermore, pawn loans are nonrecourse; a pawnbroker cannot sue for repayment and defaults are not reported to a consumer credit reporting agency.⁵

Pawnbrokers

Ohio law defines a “pawnbroker” as a person engaged in the business of lending money on deposit or pledges of personal property at a total charge and rate of interest, including any discount, of more than 8% per year (0.67% per month). The pledged personal property cannot be a security, printed evidence of indebtedness, title, deed, or bill of sale. In addition to making loans, a pawnbroker can purchase items outright.⁶

Anyone acting as a pawnbroker in Ohio must obtain a license, which is administered by the Superintendent of Financial Institutions. The Superintendent may grant a license only to persons who demonstrate the capacity to engage in pawnbroking through:

- Experience owning, managing, or working in a pawnshop;
- Knowledge of all pawnbroker laws and rules, including an ability to properly complete forms, calculate interest rates and storage fees, give legal notice, and navigate forfeiture procedures;
- Police records checks; and
- Liquid assets of at least \$125,000 at the time of applying for an initial license, and the ability to maintain liquid assets of at least \$75,000 for the duration of the license.

³ “[2015 FDIC National Survey of Unbanked and Underbanked Households \(PDF\)](#),” pg. 37 (2016), available by conducting a keyword “2015 Household Survey” search on FDIC’s website: fdic.gov.

⁴ Carter & Skiba, *Pawnshops, Behavioral Economics, and Self-Regulation*, 32 Rev. Banking & Fin. Law pp. 193, 217 (2012).

⁵ See “[Frequently Asked Questions](#),” available by clicking the “FAQ” link on the Ohio Pawnbrokers Association’s website: ohiopawn.org.

⁶ R.C. 4727.01(A).

The Superintendent may deny, refuse to renew, suspend, or revoke the license of a pawnbroker that does not comply with the law.⁷

Interest and fees

Pawnbrokers are permitted to charge up to 6% interest and up to \$6 for storage per month, or fraction of a month, on a single loan. Expressed as an annual rate, pawnbrokers may charge 72% interest and \$72 in storage fees; but note that pawn loans do not typically last that long. According to the National Pawnbrokers Association, “pawn transactions average less than \$180” and typically last for a month or less.⁸

Interest on pawn loans is computed based on the unpaid principal only; it is not compounded. That means unpaid interest for a preceding month does not factor into the interest charged for the next month. The full monthly interest amount and storage fee is charged and payable on the day the loan is originated and in monthly intervals thereafter. In other words, interest and fees accrue in monthly lump sums, not gradually as the month progresses.⁹

In addition to interest and storage fees, pawnbrokers may charge pledgors for the following:

- Up to \$4, plus the actual cost of shipping, if the pawnbroker sends an item to the pledgor;
- Up to \$5 for the cost of notifying a pledgor that pawned items may soon be forfeited for nonpayment (see “***Payment, redemption, and forfeiture***,” below);
- For pawnbrokers that are also licensed firearms dealers, up to \$10 for providing services in connection with a required FBI background check.¹⁰

No other fees are permitted by the Pawnbrokers Law.

Interest and fees on multiple items

When a person pawns more than one item on the same day, those items are pledged for a single loan by default. More than one loan can only be issued to the same person on the same day if that person requests, in writing, that the items be pledged separately. The person must

⁷ R.C. 4727.02 and 4727.03.

⁸ See “[About Pawn](#),” available by clicking the “Pawn Industry Information” link on the National Pawnbrokers Association’s website: nationalpawnbrokers.org, and “[Consumer Use of Payday, Auto Title, and Pawn Loans: Insights from the Making Ends Meet Survey \(PDF\)](#),” pg. 2 (2021), available on the “Research and Reports page of the U.S. Consumer Financial Protection Bureau’s website: consumerfinance.gov.

⁹ R.C. 4727.06(A) and (B); Ohio Administrative Code (O.A.C.) 1301:8-5-07.

¹⁰ R.C. 4727.06(B) and (C). A pawnbroker may also charge any fee required by law to run a background check, but there currently is no such fee in Ohio; see “[Is there a charge for NICS checks?](#)” available by conducting a keyword “Charge for NICS checks” search on the Federal Bureau of Alcohol, Tobacco, Firearms, and Explosives’ (ATF’s) website: atf.gov and “[NICS Participation Map](#),” available by conducting a keyword “NICS participation” search on the Federal Bureau of Investigation’s (FBI’s) website: fbi.gov.

also acknowledge, in writing, that they understand additional fees may be incurred as a result of the separate pledges.¹¹

Transaction records

Pawnbrokers must use separate forms, approved by the Superintendent of Financial Institutions, for pawns and purchases. Numbered forms record the date and time of the pawn or purchase, the loan amount or purchase price, the interest rate and charges to be paid on the loan, the time within which the pledgor must redeem the property, the pledgor's or seller's driver's license or other identification number, a physical description of the pledgor or seller, and a description of pledged or purchased property (including the manufacturer, any serial and model numbers, identifying features, and identifying letters or marks).¹²

In addition, a pawnbroker must give the pledgor or seller a written statement that contains the pawnbroker's name and address, the loan amount or purchase price, the time and date of the transaction, and a description of the articles pledged or sold. For loans, the statement must also include the interest rate, the date interest is payable, a full disclosure of all charges for storage, and a printed copy of the fee limitations prescribed by Ohio law.¹³

In lieu of the traditional forms, pawnbrokers may choose to keep electronic records or use some other means or method. However, if a pawnbroker chooses to use such alternative means, written printouts or hard copies of the required data must be readily available, in a form approved in advance by the Superintendent of Financial Institutions.¹⁴

Payment, redemption, and forfeiture

Most pawn loans last for a month or less, but pawnbrokers may offer loans that last multiple months. In a multi-month loan, interest and fees have to be paid every month, even if no payments are made on the principal. If a pledgor is delinquent for three months in redeeming pledged property or in paying interest or fees on the loan, the pawnbroker must notify them by U.S. mail, with proof of mailing, that the property will soon be forfeited. Depending on the terms of the loan, the pledgor might avoid forfeiture and maintain the loan by paying all outstanding interest and storage fees within 30 days of the mailing. However, if the 30-day period expires, the pledged property is forfeited and belongs to the pawnbroker, even if the term of the loan has not yet expired. For example, if a pledgor receives a pawn loan with a term of 12 months, but does not pay the interest or fees between the fifth and ninth months, the property is forfeited to the pawnshop even though the 12-month term has not yet expired.¹⁵

If the interest and fees are paid within 30 days of the mailing, the pledgor retains the right to keep making payments and potentially redeem the property at the end of the loan term. A pawnbroker is not permitted to establish a new pawn date when the pledgor pays interest and

¹¹ R.C. 4727.08(B); O.A.C. 1301:8-5-01(B).

¹² R.C. 4727.07 and 4727.08(A) and (B).

¹³ R.C. 4727.07 and 4727.08(F).

¹⁴ R.C. 4727.08(J).

¹⁵ O.A.C. 1301:8-5-01(C) and 1301:8-5-07(A).

fees but does not fully redeem pawn. However, some pawn shops purport to extend the loan period upon full payment of all accrued interest and fees.¹⁶

At the end of the loan term (or redemption period), the pledgor must pay all outstanding principal, interest, and fees to redeem their property. If the pledgor does not pay the outstanding principal, interest, and fees within three months, the same process described above applies. The pledgor will have 30 days after the mailing of notice to pay the remaining balance and redeem the property. If they do not, the property is forfeited to the pawnshop.

A pledgor may fully redeem the pawn, at any time, by paying all principal, interest, and fees owed to the pawnbroker. Once the pawn is redeemed, the pawnbroker must immediately return the pledged item. A pledgor is permitted, but not required, to make partial payments towards the principal of a pawn loan, for example, to reduce interest charges. However, pawnbrokers are not obligated to accept partial payments. Furthermore, pawnbrokers are prohibited from accepting advance payments for interest or storage, except those that apply for the current month.

Regardless, any payments received must first be applied to interest and storage charges, before any remainder may be applied to the principal balance of the loan. Additionally, pawnbrokers must provide a receipt for every payment of principal, interest, or storage charges.¹⁷

Example transactions

Below are a few examples of pawnbroker transactions for the purpose of elucidating the concepts described above. All of the examples assume the pawnbroker charges the maximum amount of interest and fees allowed by law.

- A contractor pawns an air compressor for \$300 in the morning and uses the money to buy materials needed to finish a job that day. The contractor returns in the afternoon to redeem the air compressor and pays \$324 to do so. The first month's interest equals \$18; the product of 6% times the \$300 loan principal. The full \$6 storage fee applies as soon as the loan was made. The contractor also could have paid the same amount and redeemed the air compressor on the day before the one-month anniversary of the loan.
- If the same contractor waits 45 days to redeem the air compressor, they must now pay \$348. A new month has begun, and so another \$18 in interest and \$6 in storage fees apply.
- If the contractor waits 45 days to redeem the air compressor, but the contractor paid, and the pawnbroker accepted, \$100 two weeks after the loan was made: The \$100 payment is first applied to the \$18 in interest and \$6 storage fees from the first month, and the remaining \$76 is applied to principal, which reduced the loan balance to \$224. Because the contractor did not redeem the air compressor until the second month had

¹⁶ O.A.C. 1301:8-5-07(C); see [How Does a Pawn Loan Work?](#), available by clicking the "About Us" link on the Ohio Loan Co. website: ohioloanco.com.

¹⁷ R.C. 4727.06(D), 4727.07, and 4727.11; O.A.C. 1301:8-5-01(C) and 1301:8-5-07(A).

begun, interest and storage fees accrued for a second time, but the interest is calculated on the outstanding principal only. Six percent of \$224 is \$13.44; with \$6 for storage, the amount needed to redeem the air compressor is \$243.44, and the total amount paid over the life of the loan is \$343.44.

- If the contractor forgets about the air compressor and, after three months of no payments, the pawnbroker mails notice explaining that the contractor has only 30 days to redeem the air compressor or, at minimum, pay all outstanding interest and fees: The contractor must then pay \$401 to redeem the compressor (assuming February was not included in any of the months or fractions of a month). The notice was mailed at the end of three months, but another month then began, so interest and storage fees are calculated a fourth time. Four months of interest, at \$18 per month, is \$72. Four months of monthly storage fees is \$24. The pawnbroker is permitted to add a \$5 fee for mailing the notice. If the contractor does not redeem the air compressor or, at minimum, attempt to extend the loan by paying \$101 in unpaid interest in fees, it becomes the pawnbroker's property on the 31st day after the notice is mailed.

Stolen property

Ohio law addresses the possibility of stolen property being sold or pawned in pawn shops through a combination of provisions. Specifically, the law imposes a retention period on items the pawnbroker purchases and imposes recordkeeping, inspection, and reporting requirements that allow local law enforcement and state regulators access to pawnbrokers' records and facilities. The law also provides for civil and criminal liability for pawnbrokers who buy, or loan money on, stolen property in certain circumstances.

Retention period for purchased items

When a pawnbroker purchases an item outright, the item must be retained for at least 15 days after the purchase, though the local police chief or sheriff can allow an earlier disposition.¹⁸ The retention period can be extended by the police chief or sheriff upon probable cause to believe that an item is stolen (see "***Return of stolen property; civil liability,***" below).

Recordkeeping, reporting, and inspections

Pawnbrokers must keep a copy of each transaction record in numerical order, and maintain them for at least two years after making the final entry regarding the purchase or pledge. Those transaction records must be available for inspection by the local police chief, sheriff, or the Superintendent of Financial Institutions at all times. Pawnbrokers must also make daily reports of all pledged or purchased property to the police chief or sheriff, who, in addition to the Superintendent, may demand that the property be presented for examination.¹⁹

The Superintendent of Financial Institutions also has the authority to enforce the Pawnbrokers Law by issuing subpoenas compelling the production of documents or the

¹⁸ R.C. 4727.12(A).

¹⁹ R.C. 4727.08(D) and (H) and 4727.09.

appearance of witnesses, and by examining a pawnbroker's business. That examination authority extends to full access to records and facilities, and at least every 18 months, the Superintendent *must* investigate the business of every person licensed as a pawnbroker.²⁰

Criminal prohibitions related to stolen property

The Pawnbrokers Law does not require a pawnbroker to verify that the person presenting an item for sale or pawn is the true owner. However, a pawnbroker is prohibited from and can face criminal liability for recklessly receiving an item from a *known* or *suspected* thief or receiver of stolen property.

In addition, a pawnbroker is prohibited from receiving an item from any person identified in writing to the pawnbroker by law enforcement as a known or suspected thief or receiver of stolen property. A violation of either of these provisions is a third degree misdemeanor for the first offense and a second degree misdemeanor on each subsequent offense. Moreover, a violation of the latter offense (relating to the written notification from law enforcement) is considered a *strict liability offense*, meaning a specific mental state, such as recklessly or knowingly, is not required for a person to be guilty of the offense.²¹

A pawnbroker may also be found criminally liable for receiving stolen property if the pawnbroker buys, or loans money on, property the pawnbroker knows or has reasonable cause to believe was obtained through commission of a theft offense.²² But that appears to be rare. Only one such case that resulted in a conviction was located during the research for this brief, and it involved a pawnbroker who was running a large-scale fencing operation involving millions of dollars' worth of stolen goods.²³

Return of stolen property; civil liability

If the chief of police or sheriff with jurisdiction over a pawnshop has probable cause to believe that property described in a daily report of pledged and purchased goods was stolen, the chief or sheriff must notify the pawnbroker. The pawnbroker must then retain the property for 30 days, counted from the day the initial report is required, unless the chief or sheriff notifies the pawnbroker otherwise. If the police chief or sheriff does not place a hold on an item that was purchased, the 15-day retention period still applies. If the item was pawned, it must be held until redeemed or forfeited to the pawnbroker for nonpayment.

If the chief or sheriff receives a report that property has been stolen, determines that the pawnbroker holds that property through purchase or pawn, and informs the pawnbroker of the identity of the alleged true owner, the pawnbroker *may* restore the allegedly stolen property to that alleged true owner.

If the pawnbroker restores the property to the alleged true owner, the pawnbroker may charge the person who pledged or sold the property to the pawnbroker the amount the

²⁰ R.C. 4727.05 and 4727.13(E) and (F).

²¹ R.C. 2901.21(B) and (C)(1), 4727.10, and 4727.99(A).

²² R.C. 2913.51.

²³ *State v. Loch*, Franklin App. No. 02AP-1065, 2003-Ohio-4701 (10th Dist. September 4, 2003).

pawnbroker paid or loaned for it, plus interest and storage charges. The pawnbroker also may charge any person who acted in consort with the pledgor or the seller to defraud the pawnbroker.²⁴

The Pawnbrokers Law does not contain any provisions allowing a pawnbroker to charge the property's true owner for costs that the pawnbroker incurred in acquiring or holding the item. But, the law does not require that a pawnbroker return the item to the true owner, either. Therefore, if the pawnbroker refuses to return the item, the true owner's recourse is to either sue the pawnbroker to reacquire the item or to reimburse the pawnbroker for the costs the pawnbroker incurred in acquiring the item.²⁵

If an alleged true owner decides to pay for an item's return, that person may be able to sue the pawnbroker to recover the amount paid. One Ohio appeals court upheld a trial court's order requiring a pawnbroker to pay the true owner of stolen property the money the pawnbroker had charged for its return, plus costs, and 8% interest from the time of judgment.

The appeals court said that, based on a plain and unambiguous reading of the Pawnbrokers Law, a person whose item was stolen and pawned is entitled to recover the item without charges, and the pawnshop's right to recover funds is limited to the pledgor alone (the person who presented the item).²⁶

Additionally, in Hamilton County, at least, compliance with the Pawnbrokers Law does not vest the pawnbroker with a right of possession against the true owner. If the pawnbroker sells the property even prior to being informed by law enforcement that it might be stolen property, the pawnbroker may be liable for damages for the tort of conversion even if the pawnbroker otherwise complies with the Pawnbrokers Law.²⁷ A Lake County court, however, reached the opposite conclusion in one case, holding that a pawnbroker acquired good title to firearms pawned by someone who had been given permission to borrow them because the pawnbroker had complied with the Pawnbrokers Law.²⁸

²⁴ R.C. 4727.11 and 4727.12.

²⁵ R.C. 4727.12.

²⁶ *Gessner v. Gregg's Pawn Shop*, 181 Ohio App.3d 217, 2009-Ohio-713, 19 (5th Dist.). (Note: The court referred to the pledgor, but the stolen items in the case were sold to the pawnshop, rather than pledged as security for a pawn loan. Additionally, the statute quoted by the court states that a pawnbroker who returns allegedly stolen property to the rightful owner may charge the person who *pledged or sold* the allegedly stolen property, or any person who acted in consort with the *pledgor or seller* to defraud the pawnbroker. As a result, it is likely the court meant to refer to "seller" rather than "pledgor," and the court's reasoning applies equally as well to sellers.)

²⁷ *Danopoulos v. Am. Trading II, LLC*, Hamilton App., No. C-150585, 2016-Ohio-5014, 14 – 16 (1st Dist.).

²⁸ *Molk v. Gold Star Pawn Shop*, Lake App., No. 2010-L-089, 2011-Ohio-2454 (11th Dist.).