

January 30, 2007

Re: Use of Debit or Credit Cards to Pay Off or Renew Collateral Loans

Dear :

This is in response to your letter to the Commonwealth of Pennsylvania Department of Banking (the “Department”) in which you request the Department’s position regarding whether a licensee under the Pawnbrokers License Act (“PLA”), 63 P.S. § 281-1 *et seq.*, may accept a customer’s debit or credit card to pay off or renew a collateral loan made under the PLA (“PLA Loan”).

Section 19 of the PLA provides in pertinent part that:

[a] loan granted under the provisions of this act shall not be repayable in installments.

* * *

A pawnbroker shall, upon receipt of interest and charges, renew a loan for the original amount for a period of eight (8) months after the date of the original loan. Interest and charges on a loan shall not be compounded, nor may the interest or charges be added to the principal balance, when a loan is renewed for an amount greater than the principal amount due at the time of renewal. The pledger shall, however, have the privilege of paying the loan in full at any time subsequent to forty-eight hours after the granting of the loan by payment of principal, interest, and charges authorized under the provisions of this act.

Whenever a loan is renewed, a new pawn ticket shall be furnished to the pledger as required under this act.

63 P.S. § 281-19. Additionally, Section 12(d) of the PLA states that:

[n]o greater interest nor other fees, fines, charges or costs shall be charged, contracted for or received, directly or indirectly, under any pretext whatsoever. Interest and charges permitted under this act shall not be collected or deducted in advance.

63 P.S. § 281-12(d). There are no provisions in the PLA or associated regulations at 10 Pa. Code Chapters 61-67 that specifically address PLA Loan payments by debit or credit card, or that generally address the use of other credit products to pay off or renew a PLA Loan.

A debit card is a cash equivalent that is typically either prepaid with cash or directly linked to and drawn from a customer's deposit account with a depository institution. A credit card is a revolving credit product that can be used in a variety of ways, including as a cash equivalent for purposes of payment of other indebtedness. Thus, a customer is presenting a cash equivalent to a licensee when the customer pays off or renews a PLA Loan with a debit or credit card.

Based upon the foregoing, it is the position of the Department that a PLA licensee may accept a debit or credit card from a customer for purposes of paying off or renewing a PLA Loan, provided that the customer is not charged any fee directly or indirectly by the licensee for using a debit or credit card for such purposes. Any payment made by debit or credit card shall be credited and receipted according to the requirements of the PLA and the associated regulations at 10 Pa. Code Chapters 61-67.

The Department's analysis is based upon the facts as stated in this letter. Any change in the facts could result in an amendment or reversal of the Department's position. This letter has been authorized by the appropriate Department personnel and constitutes a duly authorized statement of the Department's position regarding the issues discussed herein. This letter may not be relied upon or construed as constituting legal advice.

Please do not hesitate to contact me if you have any further questions regarding this matter.

Sincerely,

Carter D. Frantz
Acting Chief Counsel