

INTERPRETIVE LETTER 06-03 (September 5, 2006)

Pawnbroker may conduct limited courier services incidental to licensed activity.

Please accept this correspondence as confirmation that your June 28, 2006 letter addressed to the Illinois Office of Banks and Real Estate has been forwarded to my attention for review and response. That letter indicated that *, as a licensed pawnbroker under the provisions of the Pawnbroker Regulation Act¹, (the “Pawnbroker Act”) seeks approval from the Division of Banking to provide additional services to potential pawn loan customers. Based upon your description, the Division of Banking will not object to * conducting the proposed service, provided that it limits the additional service activities to those discussed below.

Specifically, your letter described a proposed new service to be offered to the general public whereby * would agree to take initial delivery of items to be pawned at the location of the pawn customer. In return, a duly authorized representative of * would prepare and personally deliver the memorandum, contract or note containing the information required under Sections 2 and 4 of the Pawnbroker Act and would also deliver a check written in the amount of the pawn loan. All items that are used to secure the pawn loan transaction would be transported by the * representative to the main location of * for proper storage and record documentation.

In reality, you have proposed to provide a courier service to potential pawn loan customers. While the items pledged to secure a loan may in fact be initially transferred at a location other than at the main location of a licensed pawnbroker, this activity is merely incidental to the primary loan transaction. The critical aspects of the loan transaction will be authorized, and recorded from the licensed location. In addition, all other aspects of the pawn transaction, including the receipt and documentation of the pawn loan payments and the redemption of the pledged property must be conducted at the location of the licensed pawnshop. Activities other than the incidental aspects associated with the proposed courier service described above will trigger the provisions of Section 360.110 of the Division Administrative Rules related to the Regulation of Pawnbrokers². That provision specifically requires that a separate license is required for each pawnshop location.

Please note that the Division specifically conditions its no objection to the proposed courier activity on the requirement that at the time the property pledged to secure the loan is initially transferred, * shall comply with all requirements imposed under the Pawnbroker Act. These requirements include, but are not limited to, the notice requirements imposed under Sections 2 and 4 of the Pawnbroker Act; obtaining proper identification of the party pledging or pawning goods and the prohibition against accepting pledged property or pawns from minors, intoxicated persons and those who have been convicted of theft.

You are also reminded that you may also be subject to separate regulation by your local community or county officials. You are urged to consult with these officials in order to determine whether the proposed courier services will comply with the requirements imposed by local regulatory officials. Of course any failure to obtain any required approval for the proposed courier services from local officials will negate the Division’s no objection position.

¹ [205 ILCS 510/0.01]

² 38 Ill. Admin. Code, Part 360 et seq.

You may also wish to consult with your insurance carrier, in order to insure that your current insurance policy will provide adequate protection for the pledged items following the initial transfer to the custody of the *. You should note that you will be responsible for the secure transport of the pledged items from the customers location to the main office of *.