
From: Sam Shocket [kings-jl@pacbell.net]
Sent: Monday, May 08, 2006 5:05 PM
To: Comments, Regulation
Subject: Re: RIN 1506-AA85 - Advanced Notice of Proposed Rulemaking on Money Service Businesses

Robert W. Werner
Director
Financial Crimes Enforcement Network
P.O. Box 39
Vienna, Virginia 22183

Via email to regcomments@fincen.treas.gov

Re: RIN 1506-AA85 – Advanced Notice of Proposed Rulemaking on Money Service Businesses

Dear Mr. Werner:

As directors of the National Pawnbrokers Association, we support its comment. Bank discontinuance has been an issue across the pawn industry although my business did not suffer it. I urge FinCEN to do all it can to help non-depository providers of consumer financial services and products continue to do so. We provide valuable services to working Americans.

Like other members of the pawn industry, 94% of our customers repay their loans and redeem their collateral. We also have few items of property securing loans or sold to us claimed to be stolen property. Our company has been in business for sixty one years. Our customers generally are middle-class consumers employed in blue-collar fields.

We devote considerable efforts to complying with federal, state, and local laws that apply to the consumer financial products and services we offer customers. We also work with the NPA and with the California Collateral Loan Brokers and Second-hand Dealers Association to help pawnbrokers keep track of changes in the law that pertain to their businesses. We work regularly with the Office of the Attorney General in California and with representatives of local law enforcement agencies to ensure that our members do not inadvertently deal with stolen property or with those who wish to launder money or support terrorism. We think this is important work.

As noted above, we did not have bank discontinuance problems that many pawnbrokers had. Our principals heard many of the stories about discontinuance and offered what assistance we could to members of the industry who lost valuable banking relationships since late 2003. Given the consumers the industry serves that the commercial banking industry does not serve, we are concerned that this episode of discontinuance not be repeated.

We concur with the NPA comment's observation that pawn transactions present no real risks for money laundering or, indeed, for terrorist finance. Consumers who get pawn loans, which as noted above average \$60 nationwide, generally *receive the loan proceeds in cash*. In contrast, money launderers tend to wish to *place cash* into the financial and commercial systems, rather than receive cash proceeds. The sheer frequency of such small transactions that would be needed to use pawn transactions to launder money suggests how low the risk of money laundering is. We also note that first-time customers are

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scrutinized more carefully than customers of long standing and that we really know who are customers are. We also agree that record-keeping requirements for pawn transactions, as opposed to retail and perhaps some other second-hand goods transactions, make pawn transactions a highly *unattractive venue* for money launderers who seek to place dirty money as quickly and inconspicuously as possible.

The pawn industry serves millions of middle-class Americans whose short-term credit needs are not served by commercial banks and credit unions. In conclusion, we urge FinCEN as well as the federal bank regulatory agencies to do all they can to reduce the compliance burdens being shouldered by banks and non-banks. We also urge continuation of FinCEN's efforts to raining field examiners so that they will understand the core differences in risks that products may present and can communicate them clearly and effectively both to banks and to non-depository providers of financial products, such as pawnbrokers.

Our customers need access to reputable providers of financial products and services. We want to provide those services. Please contact me if you have questions about our industry or about our comments. We appreciate the opportunity to comment.

Sincerely,

Sam Shocket
C.E.O.

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