



Jonathan Mintz
Commissioner

December 10, 2013

42 Broadway
8th Floor
New York, NY 10004

nyc.gov/consumers

RE: Third Party Interest in a Pawnbroker's Inventory

Dear [REDACTED],

This letter is in response to your inquiry in which you ask whether a third party lender who acquires interest in a pawnbroker's inventory must be licensed as a pawnbroker if the lender seeks to collect a loan owed to it by the pawnbroker. The answer is yes, if the lender seeks to collect the amount owed by redeeming pledges and/or selling the pawned items.

Article 5 of the New York General Business Law ("GBL") Section 40 requires a "person, corporation, partnership or firm...carry[ing] on the business of collateral loan broker...[or] employing the title pawnbroker in connection with the collateral loan business" to be licensed. GBL Section 52 defines "collateral loan broker" as any person, partnership, corporation or firm:

- (1) loaning money on deposit or pledge of personal property, other than securities or printed evidences of indebtedness; or (2) dealing in the purchasing of personal property on condition of selling back at a stipulated price; or (3) designated or doing business as a furniture storage warehousemen, and loaning and advancing money upon goods, wares or merchandise pledged or deposited as collateral security.

GBL Section 44 requires a pawnbroker to redeem pledges upon the pledgor's presentation of the pawn ticket and payment of the loan. A pawnbroker may also sell unclaimed pledges, subject to notification and other requirements provided by the GBL and Title 6 of the Rules of the City of New York.

Thus, if a third party lender acquires the inventory to a pawnbroker's business as a result of a defaulted loan owed to it by the pawnbroker, the lender must be licensed as a pawnbroker if, thereafter, it seeks to engage in pawnbroker activity in order to recover the debt. Specifically, the third party lender must be licensed if it seeks to process or dissolve the pawnbroker's inventory by redeeming pledges and/or selling the pawned items.



Visit the Department's website at nyc.gov/BusinessToolbox to reference the laws and rules relevant to pawnbrokers.

Thank you for your inquiry.

Sincerely,

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