



STATE OF INDIANA

DEPARTMENT OF FINANCIAL INSTITUTIONS



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Date: February 20, 2009
To: Indiana Licensed Pawnbroker Addressed
From: Indiana Department of Financial Institutions
Subject: **Questions and Answers Regarding Changes for Indiana Licensed Pawnbrokers**

PAWNBROKING REQUIREMENTS AS OF JUNE 1, 2009

1. *What are the financial responsibility requirements for a pawnbroker under IC 28-7-5-5 as of the renewal due June 1, 2009?*

Answer: The required financial responsibility amounts are \$75,000 in net worth per location and \$50,000 in liquid assets. A minimum of a CPA review level financial statement is required to verify this information. For licensees who are not exempted from providing the financial statement (see question 2) the financial statement is required at time of renewal. The financial statement will also be required with each application for a new pawnbroking license.

2. *Which pawnbrokers will be required to provide a minimum CPA review level financial statement to the Department?*

Answer: Pawnbrokers receiving their license for the first time and all other pawnbrokers who have been licensed for less than 5 years will be required to provide proof of financial responsibility via a CPA review level financial statement meeting the minimum net worth and liquid asset requirements. Those pawnbrokers who have been licensed for more than 5 years will not be required to furnish this information with the license renewal, but may be required to provide the financial statement if deemed necessary by the Department.

3. *Are there new requirements for pawnbrokers to be bonded?*

Answer: All pawnbrokers will be required to furnish a surety bond with the Department as obligee starting with the June 1, 2009 license renewal, but no later than June 1, 2010 (see question 4). Bond will be required in the amount of \$50,000 per location with a maximum bond of \$200,000. The required bond form is available on the Department Web site under Applications/Licensing. All new pawnbrokers have been required to provide this information since January of 2007. The DFI is expanding this requirement to all pawnbrokers regardless of date licensed as detailed in the DFI letter to all pawnbrokers dated November 14, 2008.

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- 4. Will a pawnbroker who has been licensed with Department for more than 5 years and who has already obtained the services of a CPA to perform a review level financial for the renewal due June 1, 2009 have to provide a bond in the amount of \$50,000?**

Answer: No - a pawnbroker who has been licensed for more than 5 years can provide **either** a surety bond or a CPA review level financial statement meeting the minimum net worth and liquid asset requirements for the renewal due June 1, 2009. The pawnbroker must meet the bond requirement as of the renewal due June 1, 2010.

- 5. What are the requirements for pawnbrokers relating to the amount of property and casualty insurance to be carried?**

Answer: The Department recognizes that prudent business practice dictates property and casualty insurance coverage sufficient to cover items both in and out of pawn. In order to ensure adequate coverage, beginning June 1, 2009, all pawnbrokers will be required to have property and casualty insurance coverage in an amount of at least two times the amount of their total loan outstanding. This coverage must be updated at least once per year to ensure the required amount of coverage is in force. Policies already in force must also be reviewed prior to the renewal date of June 1, 2009 to ensure the required amount of coverage is already in force, and if not, the policy must be updated.

For a multi-branch licensee, the amount of coverage for all branches must be at least two times the amount of outstanding in the branch location with the highest amount of outstanding.

Any licensee with coverage different from the requirements listed above that they believe is at least equal to the parameters listed may request approval from the Department to continue that coverage. The policy must be submitted to the Department for review and approval. A denial by the Department will require the licensee to purchase coverage to meet the stated requirements.

***For questions about this notice contact:
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