



December 14, 2021

Re: CALIFORNIA PAWN AND SECONDHAND DEALER SYSTEM (CAPSS)  
Proposed Rulemaking Notice published November 5, 2021

Department of Justice Justice, Data & Investigative Services Bureau  
Attn: Teresa Ellis  
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Dear Members of the Department of Justice Staff:

Thank you for circulating the proposed changes to the California Pawn and Secondhand Dealer System (CAPSS) published on November 5, 2021. We appreciate the efforts of the Department of Justice (DOJ) staff to provide the necessary documentation and materials used to conform DOJ transaction reporting regulations with the intent of the Legislature and Governor following the enactment of Assembly Bill 1969 (2020).

The purpose of this letter is to convey our support for the proposed changes. Specifically, we wish to align our support with the Department's following comments:

“Benefits of the proposed action: .....Furthermore, by aligning the regulations concerning the CAPSS with the changes required by AB 1969, these regulations would prevent discrimination, and promote fairness and social equity by exempting a seller or pledger who verifies their identity using a Matricula Consular in addition to another item of identification bearing an address from the requirements that their name and current address be included in the daily report by pawnbrokers and secondhand dealers, and ensuring that no personal identifying information of the intended seller or pledger shall be reported to the CAPSS.”

The California Pawnbrokers Association (CAPA) is proud to have sponsored AB 1969 to keep personal information confidential for individuals who use a Matricula Consular as a form of identification during a secondhand/pawn transaction. Pawnbrokers provide a valuable source of short-term credit to individuals who may not otherwise have credit, savings, or money to pay for an unexpected expense such as a car repair or medical emergency. According to data released by the Fair Isaac Corporation in September, 2019, at least 9 million households in the United States are “unbanked”, and consumers with credit scores below 650 made up approximately 28% of the United States population. Pawnbrokers are essentially the “financial safety net” for this population, as everyone who seeks a pawn loan can borrow money regardless of creditworthiness.

Much has changed since the CAPSS reporting requirements went into effect after passage of AB 391 (Pan) in 2012. Neither Legislators nor law enforcement could envision then, the data breaches and

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ransomware we'd be plagued with now. In fact, the growing threats to consumer financial data have recently gained the attention of Members of Congress. On November 3, 2021, the House Committee on Financial Services Subcommittee on Consumer Protection and Financial Institutions held a hearing entitled, "Cyber Threats, Consumer Data, and the Financial System". Congresswoman Maxine Water, Chair, issued the following statement:

“Several years ago Equifax experienced one of the largest cyberattacks, exposing the sensitive and personal identifiable information of nearly 150 million Americans. Government agencies and institutions are observing an alarming increase in the volume and sophistication of cyberattacks. According to one report, banks and credit unions experienced a 1,318 percent increase in ransomware attacks during the first part of this year.”

Strengthening the security of “Matriculas” and the “personally identifiable information (PII)” contained therein is critical for protecting vulnerable communities from theft and predatory schemes. These individuals are often those who are left with little or no recourse in the event their personal or financial information is compromised. Unbanked individuals are already at a higher risk of becoming victims of violent crime because they must often carry large amounts of cash on their person, or hide cash within their homes, making them easy targets for criminals.

We believe the statutory changes required by Assembly Bill 1969, and enactment of the proposed regulations as written, will continue to accomplish the primary goal of the CAPSS system established by Assembly Bill 391 in 2012, which is to prevent dissemination of stolen property. By requiring pawnbrokers and secondhand dealers to record and maintain the name, current address, and the Matricula Consular number of the seller or pledger for three years from the date the item was reported to the CAPSS, law enforcement can request the identity information if the item has been reported lost or stolen. We believe this new process, as proposed, will safeguard the privacy of consumers, and will in no way compromise law enforcement efforts in tracing and recovering stolen property.

In closing, we respectfully urge the Department to adopt the proposed regulations as written. We acknowledge that the Department will not schedule a public hearing on this proposed regulatory action unless one is formally requested. Therefore, we ask that this letter and our comments be included in the Department's rulemaking file without requesting a public hearing.

Thank you in advance for your consideration.

Sincerely,



Kim Andosca, Executive Director