

LI Pawnshops: Good as Gold

Long Island could be ripe territory for the state's pawn industry.

At least that's the opinion of the leader of New York's pawnbrokers, Mitchell Kaminsky. He suggests comparing Palm Beach County, Florida's tally of about 53 pawnshops and its more than 1.2 million population with Nassau County's seven pawnshops and population of 1.3 million. "You don't think that they're being underserved? You don't think that 100 pawnshops can go in Nassau County?" asked Kaminsky, president of the Collateral Loan Brokers Association of New York State. "I think they could. The cost is two or three times what it costs in Palm Beach County, but every one of those people [in Nassau] could need to borrow short term money."

Kaminsky is chairman of the board of Gem Financial Services Inc., one of the largest independent pawnbrokers in the country and the parent company of Gem Pawnbrokers, which has 14 branches in the state. It's planning to open a shop across from Fortunoff on Old Country Road in Westbury, in addition to its first Long Island shop, in Merrick, and a recently opened shop in Hicksville.

The pawn industry has been experiencing growth over the past year, largely because of high gold prices and a new state law allowing pawnbrokers to buy items from the public, not just lend money against them. So as consumers look to cash out their jewelry boxes, pawnshops have discovered another revenue source: buying scrap gold, melting it down and selling it.

"Last month I bought \$300,000 in gold," Kaminsky said. "The margins aren't great, but still, it's a revenue source and I didn't have to hire more people. You know what that means? I can open more stores."

A routine part of life

For many customers, pawnshops are a routine part of life. Even without bumpy economic times, people turn to them to borrow money against a piece of jewelry or other valuable when it's time for, say, a new cesspool.

Pawnbrokers say that the sliding economy has not necessarily brought them customers, even as banks have tightened up their lending. But turning to them for slight for slightly larger loans as household items such as gas, home heating fuel, rent and food are eating up more of their incomes.

Suffolk County, with a population of almost 1.5 million, has 11 pawnshops. In Patchogue, Veronica Cantwell, president of William J. O'Neill Sales Exchange and the third generation of her family to work in the pawn business, says her customers are borrowing larger amounts – in part, she notes, because they're paying \$50 instead of \$25 to fill up the car.

Her father, the late William J. O'Neill, had come from well-established pawn operations in Brooklyn, which she said helped build the Patchogue store's reputation after he established it in 1973.

Today she sees a range of teachers and nurses. Some don't even have a credit card or even, in some cases, checking and savings accounts. And she sees many senior citizens whose fixed incomes have been hit hard by the rising price of energy and food.

And, she said, there are always a few who are living far beyond their means. The way she sees it, there's a need for pawnbrokers in every economy. "Once we became established, really, it's [been] a steady business," she said.

More money in interest

Pawnbrokers are regulated by federal and state laws. The latter limit the interest on a pawn loan to 4 percent a month and limit service fees to \$4 for a loan from \$100 to \$500, and \$10 for a loan of \$500 and up.

Of late, the high price of gold has allowed pawnbrokers to offer loans of higher amounts to

customers bearing gold items. It also means the shops are earning more money in interest.

Pawnshops typically tend to do well in dense urban locations or highly trafficked areas near businesses, such as checking cashing operations, that attract a similar clientele, many people in the industry said.

Gary Denner, a partner in Gem Pawnbroker's new Hicksville shop, expects it to draw upper-income and working-class Long Islanders. The shop is near a train stations and a check cashing service.

"Look at the people at Bear Stearns," Dennis said.

"Some of these people have huge expenses and live very high. Banks aren't giving loans that easily anymore."

The store's veneer panels are a dark cherry-wood color, and floral arrangements accent the space.

The jewelry store manager, Harry Torres, has worked in retail at such places as Tiffany & Co. and Gucci.

"The people who do come in, they say, 'Is this a pawnshop?' They think a pawnshop has to be hidden around the corner," Torres said. "But we're trying to give a different image."

On a recent afternoon, a steady stream of customers flowed into All Island Jewelry & Loan in Centereach, some inquiring about the payoff amount of their outstanding loans and others spilling small pieces of jewelry onto the counter for appraisal. "The profile of the average customer I'd say is middle-to even lower-upper-class," shop owner Raymond Erario said. "You'd be surprised at how people live month to month. There are things in life that happen that they're not prepared for.

"People just have a certain amount budgeted got every week. If the cesspool goes out or the car breaks... this is just to get them through to the next paycheck."

In Patchogue, O'Neill's, as it is commonly known, has experienced a slight increase in volume in recent months, but overall Cantwell said she

hasn't seen a direct correlation between the economic down-turn and her business' performance. But she is curious what will happen when the price of gold drops.

"Everyone took money out of their houses. Now they're taking money out of gold," she said. "So it will be interesting to see when that bubble bursts where they turn from here. I try to encourage people to borrow the money on gold [instead of selling it outright]. It's a tangible item, and what will be worth more – your gold or your dollar?"

Rocco Scalercio, 49, a Patchogue contractor, said he has been coming to O'Neill's for about eight years. He has pawned his gold rings for small loans of \$200 or less to help out when his children have needed equipment for extracurricular activities or to pay for car repairs.

He's careful to pay down the loan gradually and said he doesn't take out the maximum available. A few times when he was late with a payment, he said he was able to get a month's grace period and then retrieve his pawned items.

"If you're in a rough spot, if you're in a pinch, it helps," he said. "And they give you time to get your things out."