

Pawn shops thrive in poor economy*

BY NOAH ROSENBERG

Gold prices are down. Credit continues to tighten. The dreaded 'r-word' now rolls effortlessly off the tongue. Yet pawnbrokers are smiling - and not in the sleazy, mischievous way many have come to expect.

Unable to shake the stigma of shady dealings in even shadier neighborhoods, pawnbrokers have for decades sought to polish their reputation, and the dire fiscal climate may amount to their debutante ball.

"It's been a steady stream of growth all year long - usually it's hills and valleys," said James Maguire, President of The Provident Loan Society of New York, which has offices across the city. Business is up 10-20 percent, he said, with more people using his collateral loan service because of economic troubles. With extra padding in customers' wallets from holiday bonuses, business traditionally took a hit around Christmas time, but not this year, Maguire said.

"You have to remember that pawnbrokers deal with the 'un-banked'," explained Mitchell Kaminsky, the CEO of Gem Pawnbrokers and the President of the Collateral Loan Brokers Association of New York. "People that don't have checking accounts - these are people that have to pay cash for everything. They can't go to Macy's and use a credit card like you but they still go to Macy's."

Kaminsky said his company and many of the member organizations he oversees provide financial services to the working class - the bus drivers, doormen, waiters, "the meat and potatoes of America."

Because of vagaries in the market - gold can go up, or down, as much as 20 percent in a month, Kaminsky said - pawnbrokers generally lend half of a jewelry item's wholesale value.

While traditional pawn shops put up for sale any merchandise unclaimed after four months - everything from \$6,000 Rolexes to \$10 video games - chains like Gem often have reclamation rates exceeding 90 percent.

A man named Garfield, who declined to give his last name, walked into the Gem Pawnbrokers in Queens Village on a recent afternoon and arranged to pay off some loans totaling around \$1,000. Gem held a few of Garfield's bracelets and chains - at a state-mandated four percent monthly interest - as collateral.

"The people I see come in here, they're here to get rid of stuff," he said using a slang term for 'pawn', "to take care of a car note or a bill."

Garfield works in telecommunications and pawns because the loans he generally needs are small. As the economy worsens though, customers have started to need smaller and smaller loans.

"I heard people been pawning stuff even for things like groceries," said Sherlon Hamilton, standing outside one of a string of pawn shops on Sutphin Boulevard in Jamaica.

A few minutes later a man shuffled out of Sutphin Cash on the Spot, looking slightly dejected. He held a computer monitor in a blue plastic shopping bag and offered it up for sale to this reporter. Turned down, he chuckled and sauntered into an adjacent pawn shop.

Kenneth Conn, Gem Pawnbrokers' Director of Human Resources, who also has a role in Collateral Loan Brokers'



day-to-day operations, said the association is growing faster than ever.

Conn said as the economy veered toward a recession over the last year, he saw more and more professionals come in to do business in loans. Meanwhile, he said, sales of unclaimed merchandise have gone down.

"Our customer base is a wide range - from a person living on a fixed income to someone who's just had some bad financial problems," he said. "It's a needed business, especially in this type of age when banks are not loaning anything to anyone and people have assets."

Claudwin Apanah, the pawn manager at the Queens Village Gem Pawnbrokers, laughed as he recalled someone coming in to his shop, years ago, to pawn a set of gold teeth. It is not that kind of business, he said, describing the "Three C's" - clarity, color, cut - system of diamond appraisal and proudly showing off a pair of Rolexes atop a counter display of pearl necklaces, gold bracelets and rings set with diamonds and gems.

"The pawn business is booming - it's booming," Apanah said. "Can you imagine the economy? And still they're growing," he said, adding that Gem is expanding into new locations.

But not all pawn shops are riding the economy so well. James, the manager at Sutphin Cash on the Spot, was surprised to hear that other brokers are so optimistic. Business is "down 30 percent, easy," he said. Walking off to tend to a customer, James shrugged. "Maybe it's the competition."

Kaminsky cautioned that pawnbrokers "are pretty conservative - we've been burnt many times." Often vilified in film, literature, even folklore, pawnbrokers are skeptical of the media and may not give an accurate representation of their business, he said.

"I'm sure they're holding their own in a tough economy and they don't want to brag," said Kaminsky, whose organization is in regular contact with members, manages discussion boards and provides counsel. "Maybe they are doing poorly, I don't know, because the price of gold is down," he continued. "But because the economy is weak, I am making loans."

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