

# Recession forces New Yorkers to turn to pawn shops for quick cash\*

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In this sour economy, at least someone is still lending money.

Pawnshops across the five boroughs are doing brisk business as New Yorkers look for extra cash to get them through these tough financial times.

"We've seen a steady flow of clientele, especially with banks and credit cards slashing people's credit limits," says **Kenneth Conn**, human-resources director for Gem Pawnbrokers, which has 15 locations in New York City.

"People are resorting more to pawnbrokers as a source of quick money than they were before the economic downturn."

Average New Yorkers, who never needed to visit a pawnbroker in the past, are now raiding the jewelry box and electronics cabinet, looking for items to sell or use as collateral on a small loan. If the item is used as collateral, it is placed in a safe in the back of the pawnshop. Customers typically have four months to pay back the loan plus interest to reclaim their property.

Pawnshops always accept jewelry, but many also take watches, fur coats, digital cameras, computers, construction equipment, golf clubs, tennis racquets and musical instruments.

The Department of Consumer Affairs currently licenses more than 200 pawnbrokers: 66 in Manhattan, 77 in the Bronx, 35 in Brooklyn, 30 in Queens and four in Staten Island.

In Queens, **Brian Cabrera**, owner of the 5 Borough Pawn, has noticed a lot more middle-class people visiting his pawnshop. "We've been seeing a lot more customers stopping in who never used to," Cabrera says. "There are a lot of MTA workers, teachers and police officers who suddenly need cash just to live their everyday lives."

Tanya, a 34-year-old teacher who did not want to reveal her last name, stands outside 5 Borough Pawn with a handful of gold bracelets she received as a present years ago. "I don't get my paycheck for



another week, and I need the money to pay my bills," she explains. "I don't really wear these bracelets anyway. Plus, I'll get them back once I get paid."

Cabrera says that traditionally, most of his customers are in a situation similar to Tanya's — in need of some extra cash to get them through until their next paycheck.

But the economic downturn is affecting all segments of society, and in Manhattan, even the upper class is feeling the pinch.

"The big guys have started coming in recently," says **Robin Russo**, manager at 48th Street Pawnbrokers. "They used to make a lot of bucks, but now they have no money. These high rollers come in crying and pawn diamond rings or the watch off their wrist so they can afford to keep living like they used to live."

In Brooklyn, pawnshops are also experiencing an uptick in wealthier customers, but not to the same extent as in Manhattan. "We're getting an increase in high-end items, like nice watches and signature pieces," Conn says of the Gem stores in Brooklyn. "But stockbrokers are not lined up to do business with us yet. We do get some financial-industry clients, but I don't believe the economy has gotten to that point."

New York state law limits interest rates at pawnshops to 4% per month, which is a relatively good deal compared to the 10% interest rate in Massachusetts. But the main draw for customers of pawnshops is the convenience.

Tanya, having just pawned her bracelets for \$120, views pawnshops as necessary for her survival. "Where else could I go to get money this fast?" she says. "I've got to pay my cell-phone bill tomorrow. I can't go to a bank, and I don't want to ask my family or friends for money. That's just embarrassing."

"It's easy, fast money, and we don't go into your personal life," says Russo. "Banks want to know everything. We don't want to know anything, except that the item is not stolen."

Even if pawnbrokers do not want to know their customers' stories, sometimes the stories are unavoidable, especially in a sour economy.

"Everyone has a sob story," says Cabrera. "We hear it all. I try to listen to the people and work with them to accommodate their situation. Sometimes they're trying to get a better price, sometimes they really are in bad shape."

More so than many other jobs, pawnbrokers have an intimate view of how the economy is affecting New Yorkers.

"The little guys are having a very hard time right now," says Russo. "I can't tell you how many customers come in here crying. People are desperate. They're getting laid off, and then they come in looking for as little as \$20 to hold them over until they can get a new job."

Cabrera agrees that average people are suffering. "Things are really bad right now," he says. "Stores are going out of business everywhere, and people are trying to pawn a lot more items. It breaks my heart."

Pawnbrokers are quick to point out that they want the customers to get their collateral back.

"Over 90% of our clientele redeems their pledges even now," says Conn. "We work as hard as we can to make sure that they don't lose anything. Our goal is to make sure the customer gets their item back. It's their item, not ours. If the customer loses their item, then we lose a customer."

And while business is up, there is a limit to a pawnshop's success.

"It's not like people are running through the doors," says Linda Tillman of 4th & Atlantic Pawnbrokers in Brooklyn.

"A lot of people have already gotten rid of their jewelry, plus more pawnshops are opening up every day and, on top of that, New York has the lowest interest rate in the country. It's a myth that pawnbrokers make tons of money in a down economy. This is a risky business."

Tillman lists the skyrocketing price of gold as another factor limiting the growth of the city's pawnbroking industry. With scared investors driving up the metal's

price to record levels, pawnbrokers have to shell out a lot more money for loans on jewelry that they can't sell if the terms of the loans are not met.

"People can't afford to pay \$300 for a skinny little chain," says Tillman. "So if I have a customer who doesn't pay off the loan, what am I going to do with the inventory? It just sits in this display case for a long time."

Traditional pawnshops also have to contend with growing competition from Web sites for companies that buy gold.

"Why anyone would ever trust those people with their gold is beyond me," says Russo. "Who would be dumb enough to put their gold in an envelope and send it off to a stranger? So many bad things can happen."

Still, most pawnbrokers aren't complaining about the recent increase in customers and upmarket items.

"Business is steady, and we're getting a lot of higher-end items," says Cabrera. "I won't say whose it is, but I've got two Yankees World Series rings coming in later this week. I never used to get items like that."

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