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Pawn Shops Go Upscale for Affluent Clients

GUSA TODAY T Text Size - + Published: Tuesday, 17 Jul 2012 | 12:25 PM ET By: USA Today Recommend 32 Twitter 42 **Q** +1 < 0 C Share in Linkedin < 0 Maybe it's the original artwork displayed around the office or the soft lighting,

paneled walls, Persian rugs and leather furniture. The receptionist adds to the aura, too. So does the TV screen turned to a financial-news channel.



Didier Robois | Taxi | Getty Images

Whatever the reason, Biltmore Loan and Jewelry feels more like a stock brokerage or private-banking office than a pawn shop.

Still, the Scottsdale company makes loans collateralized on personal belongings. It thus fits the legal definition of a pawn shop and is

regulated as one, despite the upscale touches. "We want to give people a professional option with dignity," said David Goldstein, Biltmore's

Pawn-brokering might be associated more with dingy storefronts cluttered with junk and customers desperate to scrape up enough cash for groceries or rent. But the recession, credit crunch and slow economic recovery have hit

Americans up and down the socio-economic ladder, and that has created an

president and a veteran jewelry retailer. "We're private, quick and discreet."

opportunity to serve a more high-end clientele for firms like Biltmore. "We're seeing an increase in these kind of stores in Beverly Hills and other affluent neighborhoods," said Emmett Murphy, a spokesman for the National Pawnbrokers Association. "People in all walks of life are in need of shortterm credit."

Reality-TV shows such as "Pawn Stars" also have helped to change the image of the industry, which is more euphemistically referred to as collateralized or secured lending. High prices for **gold** and other precious metals, meanwhile, have brought out more people as borrowers and sellers.

It's not just job losses and paltry yields on savings accounts that have decimated personal incomes, forcing more people to consider short-term financing. Another key factor has been the general reluctance of banks to lend money, while often making the process so onerous and time-consuming that traditional loans don't make sense for small, short-term cash needs.

James Verbic, a Scottsdale resident who runs a firm that operates ATM machines, said he recently sought a loan from Biltmore for business needs. He

Even some businesses are turning to pawn transactions to raise money in a

turned to Biltmore after getting the runaround from several of the largest banks operating in Arizona. He pledged more than a dozen paintings as collateral. "I spent six months dealing with banks and five days dealing with (Biltmore)," he said.

Indeed, banks typically aren't equipped to evaluate and make loans on the

types of collateral that people bring to pawn stores, including artwork, sports memorabilia, other collectibles, gold coins, jewelry, watches, musical instruments, diamonds, expensive electronic equipment and even firearms. "We're a Band-Aid to use until the government corrects the banking system,"

Goldstein said. Lofty Rates

pinch.

establishments to charge interest rates of up to 8 percent a month for the first two months and 6 percent monthly thereafter. On a \$100 loan, that works out to \$22 in interest over a three-month period, though borrowers have the option of repaying loans earlier. Rate ceilings are just the tip of the regulatory iceberg, as pawn operators must

These services don't come cheap, however. Arizona, for instance, allows pawn

deal with many state, local and federal rules — from the anti-laundering Patriot Act to Internal Revenue Service reporting requirements. Among various regulations, shops must retain collateralized items on the premises and obtain proper identification from customers. Because of the interest rates charged, the loans are more suitable for

borrowings spanning a matter of months but not a year or more, said Irv Friedman, a semi-retired former pawn-store owner who now works part time at Scottsdale Loan Co., another upscale firm.

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Ideas

SMALL BUSINESS CHECKLIST Pawn Shops Go Upscale Amid a recession, pawn shops are no longer relegated to dingy storefronts. The industry's image is changing with shop owners selling exclusive goods. Consumers are bypassing time-consuming loans for pawn shops for a cash fix. Businesses are also turning to pawn shops for short-term loans.

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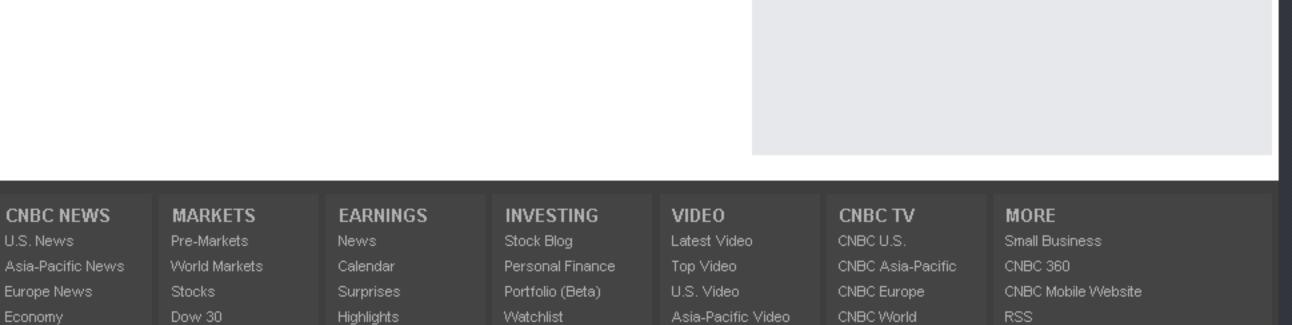
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