

Don't Run Out of Money in Retirement
If you have a \$500,000 portfolio, download the guide by Forbes columnist Ken Fisher's firm. Even if you're not sure how to start rebuilding your portfolio or who to turn to for help, this must-read guide includes research and analysis you can use right now. Don't miss it! Click Here to Download Your Guide!

SMALL BUSINESS

Pawn Shops Go Upscale for Affluent Clients

Published: Tuesday, 17 Jul 2012 | 12:25 PM ET
By: USA Today

Recommend 32 Twitter 12 +1 0 LinkedIn 0 Share

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

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 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 short-term 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.

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

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 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

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

CONTINUED: The Interest-Rate Connection | 1 | 2 | Next Page »

TOPICS: Recession | Interest Rates | Banking | Loans | Investing | Investment Strategy | Economy (U.S.) | Consumers | Employment | Jobs | Small Business
SECTORS: Internet

Print Email

Sponsored Links

- Weight Loss Just for Men
Weight Watchers Online For Men: A customized online system for men.
http://www.weightwatchers.com/men
Could this Stock Triple?
LPH Completes \$110M Purchase of Petroleum Assets, doubling capacity!
www.redchip.com
Red-Hot Penny Stocks
Fast Double-Digit Gains From Today's Hottest Penny Stocks!
www.PennyStockWizard.com
Buy a link here

SMALL BUSINESS HIGHLIGHTS

Three highlight cards: The Health Care Tax Credit, To Turnaround, Harley-Davidson Goes Lean, Evaluating Job Candidates

COMMENTS

Comments section with one comment from ravinovs dated Jul 18, 2012 06:12 AM ET.

ADD COMMENTS
Please Sign In or Register to participate.

Form for adding comments with character count (1100) and a preview button.

CNBC welcomes your contribution. Please respect our community and the integrity of its participants. CNBC reserves the right to moderate and approve your comment.

SMALL BUSINESS CHECKLIST

CHASE logo and checklist items: Pawn Shops Go Upscale, 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. Share this on Facebook

Advertisement for Manila Virtual Offices, Looking for a Cash Loan?, and Work At Home opportunities.

Popular In Small Business

- Getting a Loan to Open a Franchise Gets Harder
Small Business Woes Stunt US Economic Growth: NYSE Chief
Which Company Racked Up a Growth Rate of 23,646 Percent?
Call to Stiffen Laws Worries Town Built by Guns
Meet the Next 'Joe the Plumber'
Secrets of Venture Capitalists
Why Young Workers Prefer Start-Ups
College Students Sell Services to Lazy Classmates
The Booming Business of...Creationism?

Recent Posts In Small Business

- What Do You Do With the Brilliant Jerk?
Why the Health Care Tax Credit Eludes Many Small Businesses
Small-Business Lessons From Harley-Davidson's Turnaround
Small-Business Owner, 47 Percent, on Paying Taxes: 'Please, Let Me Have That Problem'
In Manufacturing Shift, Made in U.S. but Sold in China
3 Things You Need to Know About LinkedIn's Company Pages
Bice: Groupon Isn't a Good Deal for Businesses
Cohen: Groupon Is Good for Business
10 Minutes Is All Employers Need to Evaluate Job Candidates
Toilet Paper Ads in a Bathroom Near You?

Contributors

Contributor profiles for Brian Sullivan, Brian Shactman, and Jane Wells.

Video

- Entrepreneurship in Greece, Really?
Maria Sharapova Goes Into Candy Business
Democrats on 'Moving America Forward'
Social Media is Bull.. What?
Play Housing Bottom With Small Builders: Pro

Slideshows

- Stories of Route 66
Reborn: American Drive-In Movie Theaters
Unusual Franchise Opportunities
The Story of Sam Adams
Recession-Proof Industries
11 Ways to Finance a Start Up
5 Undeclared Eating Challenges

Calculators

- Loan Payment
Quick Ratio Calculator
Debt-to-Assets Ratio
Return on Assets
Gross Profit Margin
Operating Profit Percentage

Favorite Links

- Startup Boy
Kickstarter
The Wall Street Journal: Building Your Business
The Customer Collective
Harvard Business Review Blog Network
Small Business Trends
The Atlantic: Business
Fast Company: Leadership
You're the Boss: New York Times
Digiday
Mashable: Business

Snapshot

"If your mother hasn't called you crazy yet, then you haven't graduated from the school of entrepreneurship." - Birame Sock, CEO, Third Solutions
source: "Female Entrepreneurs: No Success Without a Fight"

RSS FEED

Subscribe to this RSS feed
Stay up to date with Small Business.

- CNBC NEWS
U.S. News
Asia-Pacific News
Europe News
Economy
Energy
Green
Technology
Blogs
Wires
Slideshows
Special Reports
Corrections

- MARKETS
Pre-Markets
World Markets
Stocks
Dow 30
Commodities
Currencies
Bonds
Funds

- EARNINGS
News
Calendar
Surprises
Highlights
Ideas

- INVESTING
Stock Blog
Personal Finance
Portfolio (Beta)
Watchlist
Stock Screener
Fund Screener
Earnings Screener

- VIDEO
Latest Video
Top Video
U.S. Video
Asia-Pacific Video
Europe Video
CEO Interviews
Analyst Interviews
CNBC Pro

- CNBC TV
CNBC U.S.
CNBC Asia-Pacific
CNBC Europe
CNBC World
CNBC HD+
Channel Finder

- MORE
Small Business
CNBC 360
CNBC Mobile Website
RSS
Real-Time Quotes and Extended Hours
Latest Press Releases