

# Pawnshops spread to Internet

March 19 2012, By Claudia Buck

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In a sputtering economy, cash-strapped consumers are flocking to a new way of getting quick, short-term loans: online pawn stores. It's yet another instance of online retailers pouncing on the turf of a brick-and-mortar industry.

For consumers, it means that instead of plopping a castoff wedding ring, camera or china platter onto the counter of a local pawn shop, you do the entire transaction online and by mail.

The appeal: Online pawning is relatively quick, completely private and there's no stigma of walking into a public place with your personal possessions to hock. And if you default on your loan, nothing gets reported to a credit bureau.

With names like PawnGo and ePawnMarket, these online competitors are changing the way pawnshops meet their customers.

"It's the convenience," said Ramon Carder, a Citrus Heights, Calif., resident who recently tried PawnGo.com for the first time when he pawned \$2,400 in silver coins. "You don't have to lug all that stuff to a pawnshop that's not always in the nicest neighborhood."

Carder, a former U.S. Army soldier who uses his pawn proceeds to play the stock market, said he typically gets roughly half the value - \$1,200 - for his coins from a local pawnshop. PawnGo paid more - \$1,800 - and the loan amount was deposited in Carder's bank account the day after he FedExed the coins to the company's Colorado headquarters.

He's paying \$108 a month in interest for six months; when he pays off the loan and interest, his coins will be shipped back at no charge.

Another fan is Vernita Johnson, a Sacramento call center employee who spotted PawnGo's TV ads. Running short on cash to pay monthly bills, she wanted to sell a small diamond ring. A local pawn shop offered her \$20.

Although initially leery of sending valuables through the mail, she contacted PawnGo by phone, had her ring assessed and then shipped, free of charge, to PawnGo for final evaluation. The final offer: \$45, deposited into her bank account.

Johnson rated her experience a "10-plus."

"If you've ever used a pawn shop, it's embarrassing," said Johnson, 46. "Sometimes it's like an auction. ... It might be \$200 in one; another will haggle you down to \$100."

But the rise of online competitors is an unwanted intruder to walk-in pawnshops.

Stan Lukowicz Jr., vice president of Capital City Loan & Jewelry, a chain of nine Sacramento-area pawnshops, said online pawn stores are "in direct competition with California pawn brokers."

And it's an uneven matchup, Lukowicz said, noting that California law requires walk-in pawnshop customers to provide I.D., fingerprints and a signature. Local shops also must report each item they receive to law enforcement to thwart stolen goods. They can't conduct any business online.

By state law, California pawn shops can charge roughly 4 percent on

loans up to \$2,500; after that, rates are negotiable. They can also charge certain fees, such as \$5 for setup or \$20 storage fees for larger items.

Online operators face less scrutiny. Their rates typically range from 3 percent to 6 percent. They require an ID but not fingerprints or a signature. They say funds are issued only to verified bank accounts.

"It's concerning. Because the online pawn industry is so new, it's circumventing protections put in place for consumers," said Emmett Murphy, spokesman for the California Pawnbrokers Association. "The legalities haven't been fully explored."

PawnGo CEO Hill said his company is regulated by the city of Centennial, Colo., and reports its transactions weekly to a federal law enforcement database.

So far, traditional pawn shops have been holding their own. Pawning is one business that benefits when an economic downturn creates consumer distress. The industry saw revenues grow 2.6 percent a year between 2006 and 2011, said Nikoleta Panteva, a senior analyst with IBISWorld, a Santa Monica, Calif.-based analysis firm.

Looking ahead to 2016, she predicts the brick-and-mortar pawn industry will see a slight decline in revenue, in part because of online competitors.

"We hit it at the perfect time," said PawnGo.com CEO Todd Hills.

Before founding his Internet start-up in 2009, he ran a small chain of pawnshops in Colorado and Utah. With 400,000 square feet of retail space and 375 employees, "It was a big animal to run."

By comparison, PawnGo is lean. Hills has 30 employees, who inventory,

evaluate and assess consumers' goods, either for short-term loans or outright purchase.

Last summer, Hills' company, originally named "Internet Pawn," got \$1.3 million in venture capital funding from the founders of Groupon, the online deal site. Since June 2011, PawnGo says it's done \$7 million in transactions, both in loans and purchases of pawned goods.

It primarily accepts luxury-brand watches and jewelry, designer handbags, high-end cameras, art and Apple products. What it doesn't take: TVs, vehicles, video-game systems and firearms.

PawnGo has also had its share of unconventional items, including a 1980 bottle of Dom Perignon champagne (worth \$600), an 85-pound bar of silver, even a customer's wheelchair.

The company typically makes loans for up to six months, of anywhere from \$500 to \$1 million, based on 50 to 75 percent of an item's value. If a Rolex watch is valued at \$1,000, for instance, PawnGo will loan \$500 to \$650.

The monthly interest ranges from 3 percent to 6 percent, which is debited from a customer's checking account.

California is one of PawnGo's top three states in terms of transactions, Hills said, primarily because its residents own "a lot of luxury assets" and its many small business owners have short-term cash needs. PawnGo's average California loan, he said, is \$5,000.

Another competing site, ePawnMarket.com, offers online loans of up to \$20,000 for pawned goods. It charges 2.99 percent a month for up to 90-day loans.

"That's a high APR for a year, but this is not long-term lending. ... These are people who need a couple months' cash to support their family until (they) pick up a new job," said Andy Anderson, co-founder of the Atlanta, Ga.-based company.

Although he declined to state sales volume or customer numbers, Anderson said the recession has boosted business. "We're seeing everyone from \$8-an-hour people to those who make six-figure incomes. Many are relatively affluent customers who for whatever reason are temporarily cash-strapped."

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