

PAWNSHOPS: THEY'RE A BAROMETER OF TROUBLED ECONOMIC TIMES

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Jordon Reichenbaugh works in a store filled with other people's dreams — electric guitars, high-top shoes, personalized jewelry.

It's a place where a 46-year-old woman comes to pawn her wedding ring for 20 bucks just so she can buy some gas.

"Need a loan?" Mr. Reichenbaugh asks as she walks in.

"I always do," she replies.

This is the fourth time the woman has pawned the same ring, and like clockwork he can expect her back to reclaim it before her husband notices. Mr. Reichenbaugh, 28, works at Standard Loan Office Co., a downtown pawnshop that understands the troubled economy better than many businesses.

"This is the front lines," he said.

Pawnshops are where people come when they can't make ends meet, when they need a little cash to get them to the next payday and they can't turn to a bank or a friend for a loan.

"With the economy taking kind of a turn for the worse, we're seeing more people who need that little extra \$30, \$40, \$50," said David Crume, president of the National Pawnbrokers Association. "Pawnbrokers are some of the first people to tell when the economy's having a downturn."

These businesses are more than places to buy second-hand goods or hock possessions for some quick cash. They offer a way for people to get small, short-term loans in a way that won't hurt their credit if they fail to repay them.

Here's how they work: Someone brings in an item to use as collateral for a loan. Its value is assessed based on its resale value and, in Ohio, the customer has three months to pay back the loan, along with 5 percent interest and \$4 per month for each month or any portion of the month. Otherwise, the item is forfeited and the pawnshop can try to resell it, although Mr. Crume said the retail side of operations has been sluggish lately.

The average size of a loan in this state is \$80, and it is repaid in more than 80 percent of cases, according to Lou Tansky, president of the Ohio Pawnbrokers Association and owner of Uncle Ben's Pawn Shop in Cleveland.

Sign of the times

What's changing now isn't just the number of people coming into pawnshops for loans but who is coming into the stores that had been seen by some as existing on society's fringe.

"We're seeing clientele that would have traditionally not done business with a pawnshop or maybe had never been in a pawnshop before," Mr. Tansky said. "Now we're seeing lawyers, engineers, accountants, and other professionals come in who are using our services for a variety of reasons, not the least of which is their jobs may have been downsized, their hours may have been cut back."

Steve Schoch, manager at Leo Marks Jewelers in West Toledo, said the loans segment of the store's business has doubled over the last two years. Instead of just dealing with life's little emergencies, such as a broken car or water pipes, more people need to bridge the gap between paychecks that keep getting slimmer.



Allen Schiffler, left, brings his computer in for a loan from Nick Koka of Standard Loan. (THE BLADE/AMY E. VOIGT)

Customers come from all walks of life.

"People aren't just driving cars from the early '90s in here. We have people driving BMWs and Mercedes," he said.

'I'm kind of broke'

Still, the average person trying to get a loan at a pawnshop isn't what you'll see on Pawn Stars, the reality TV show on the History Channel that takes place in Las Vegas. Don't expect to find a Super Bowl ring or Picasso painting here. The average household income of a pawnshop customer is \$29,000, according to 2008 data from the National Pawnbrokers Association.

There are more than 12,000 such stores across the country, representing an industry that until the 1950s was the leading form of consumer credit in the United States. They are regulated by numerous federal laws and the items they take in locally are reported to Toledo police, who also have noted the recent uptick in business.

Toledo Police Lt. David Schmidt, of property investigations, said, "I think now there's a lot more people, especially with the gold prices going up, who are going through the jewelry boxes and saying 'Hmmm, how bad do I need these things? These will put four new tires on the station wagon.'"

Or more diapers on the baby. That's what brought Allen Schiffler, 32, into Standard Loan to pawn his laptop recently.

"I'm kind of broke right now," he said. "My daughter needs some diapers, so I'm looking for a quick loan before payday."

The East Sider asked for \$75 for a computer that he bought in August for \$410, just enough to get him through his current need. He'd been here before for loans — previously offering his guitar, TV, and video game system — and always came back to repay them.

"I've been here more recently since the economy's been screwed up. ... I don't know that I have any [alternatives]," said Mr. Schiffler, who works in construction and expected to return soon for his computer, which he uses for college courses.

It can be difficult to listen to hard luck stories all day every day, but Mr. Reichenbaugh seems to understand.

"It's not jewelry. This stuff is people's memories," he said.

As the woman who pawned her wedding ring for gas money left, he broke off another conversation, looked at her, and said quietly: "I hope it helped."

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[< previous](#)

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