



# DOES IT PAY TO... Pawn?

by SARAH GROSSBART

**S**o you need cash fast and are considering visiting a pawnshop with your great-aunt's watch. Here's how pawning works: A pawnbroker loans you money—up to three-quarters of the item's resale value—and you'll usually have up to 90 days to pay it back at a high interest rate. If you can't, you're off the hook for the loan, but the shop keeps your things. Because of this risk and the high interest, pawning is often a last resort. But if you decide to do it, here's how.

**Have a plan to pay back your loan—ASAP**

To avoid hemorrhaging money, pay back the loan fast—ideally within 30 days. Brick-and-mortar pawnshops tend to charge anywhere from 3% to 25% interest per month, and online pawnbrokers cap out around 10% (by comparison, the current average credit card interest rate is about 15% a year). At the high end, that means a \$400 loan could cost you \$100 monthly—or \$300 if you pay off your loan in three months. Because of potentially super-high interest rates and strict deadlines, only pawn to settle a debt that can't wait for your usual paycheck. If you're not sure when you'll be paid next, or you're hoping for a windfall, pawning is a bad idea.

**Don't pawn your grandma's ring**

If you can't bear to lose it, you shouldn't pawn it. Experts estimate that some 15% of their customers never get their items back, even if they fiercely intend to.

**Don't settle for the first offer**

Comparison-shop for lower interest rates, look out for hidden fees and—most important—make sure the company you're dealing with is legit. (See sidebar, *right*.) If you don't like the offer you're given, walk away. Another pawnshop may give you what you want.

**Consider selling the item**

Some pawnbrokers will pay up to 80% of the resale value for items like jewelry, precious metals and gems. (You're unlikely to get much, though, for items such as consumer electronics, power tools or musical instruments.) If there's a decent chance you won't be able to repay the loan in full, pawning a high-value item for a fraction of the value and then paying interest on the loan will hit your wallet harder than if you'd sold it right off the bat.

SOURCES: Andy Anderson, director of processing, ePawnMarket. Ashley Broad, general manager, American Jewelry and Loan, Detroit, star of *Hardcore Pawn* on truTV. Daniel Delnoce, director of marketing and sales, ePawnMarket.



Gold, silver and platinum jewelry and luxury watches are in-demand items.

**Scam alert!**  
Five signs a pawnshop might not be on the up-and-up

- ▶ **There's a bad buzz about it.** Don't ignore word of mouth—read reviews of shops in your area online and ask friends where they've had good experiences.
- ▶ **You aren't asked about the origins of your item.** A legitimate pawnshop should do a background check to make sure the item isn't stolen.
- ▶ **An online pawnbroker offers you full resale value for your item.** An honest pawnbroker can't make a profit if he pays you the same amount for which he'd sell your valuable. You don't want to send it off on a promise and never hear from the pawnshop again.
- ▶ **Your instincts say it's shady.** If the pawnbroker doesn't give you clear answers, or you have a bad feeling about the shop, keep moving.
- ▶ **The pawnshop is not a member of the National Pawnbrokers Association (NPA).** This is not a guarantee of trustworthiness—however, a broker must be licensed under state and federal laws to join the NPA, and adhere to the group's code of ethics.