



INDUSTRY OVERVIEW

History of the Pawn Industry

The pawn industry dates back more than 3,000 years to ancient China and early Greek and Roman civilizations. Over the years, pawn customers have spanned a variety of social classes and genres. During the 14th century, King Edward III of England is said to have frequented pawn stores in Europe, and Spain's Queen Isabella is reported to have pawned her royal jewels to finance Christopher Columbus' voyage to the New World.

How the Pawn Process Works

Pawn customers pledge property as collateral, and in return, pawnbrokers lend them money. When customers pay back the loan, their merchandise is returned to them. Pawn loans are made on everything from jewelry to electronics. If the customer elects not to redeem his or her collateral, the items are sold. Unlike other lenders, the pawnbroker does not report the defaulted loan on the customer's credit report, since the pawnbroker has physical possession of collateral and may recoup the loan value through outright sale of the item.

According to the National Pawnbrokers Association, on average, about 80 percent of all pawn loans are repaid and merchandise is returned.

Pawnbrokers work with law enforcement to help ensure the safety of pawn customer's property. In most jurisdictions, they provide local law enforcement with data on all transactions on a daily basis. Pawnbrokers are governed by all of the major federal laws that apply to other entities designated as financial institutions.

Pawn Customers

The Consumer Federation of America found that more than 50 percent of Americans are living paycheck-to-paycheck, and with today's tough economy, that percentage is sure to increase. Now more than ever, hard-working families are turning to the pawn industry as a safe, convenient and regulated financial lending alternative. Pawn customers are primarily middle-class consumers who have an unexpected need for short-term credit. They represent a variety of ethnic backgrounds and professions including teachers, health care providers and construction workers. For these dedicated people, pawn loans help keep the electricity on, the mortgage paid and cars working.

According to the National Pawnbrokers Association, the demographic profile for the average pawn customer is:

- Age: 36
- Household Income: \$29,000
- 80% are employed
- 82% have high school diploma or GED
- 33% are homeowners
- All ethnicities

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Note: Unless otherwise stated, the information included in the overview was sourced from the National Pawnbrokers Association (www.nationalpawnbrokers.org).