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## **Pawnshops expanding southward**

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Mexico and South Texas are providing growth opportunities for two big Tarrant County-based pawnshop operators, who are taking advantage of strong profits to expand.

Friday, Cash America International said it acquired five pawnshops in the Lower Rio Grande Valley for \$8.5 million in cash, boosting its presence along the Mexican border. The Fort Worth-based pawnshop chain, the world's largest with more than 460 stores, said it now operates 12 stores in the Valley, all on the U.S. side.

"We've got a significant number of stores in El Paso and a couple in Laredo," said Tom Bessant, Cash America's chief financial officer. Three of the newly acquired stores are in or around McAllen, one is near Harlingen, and one is in Brownsville.

Meanwhile, First Cash Financial Services, based in Arlington, has been doing most of its growing in Mexico. President Rick Wessel said that of 45 new pawnshop and check-cashing locations that First Cash expects to open this year, 30 will be pawn shops in Mexico.

Of First Cash's 219 pawn shop and check-cashing locations, 49 are pawnshops in Mexico, he said.

"Pawnshops are a principal lending source for consumers" in Mexico, he said. Most Mexicans do not have checking accounts, Wessel said, and are accustomed to dealing with pawnshops for everyday loans and for buying merchandise.

As a result, First Cash's Mexico stores are considerably larger than its U.S. locations, he said.

Bessant said that Cash America's newly acquired pawnshops in the Valley do roughly twice as much business as an average Cash America store, or about \$400,000 in outstanding pawn loans on average versus about \$209,000 at a typical store.

Cash America has no plans follow its competitor into Mexico, he said, because regulations are significantly different than in the United States.

First Cash's Wessel agreed that it's a different environment, noting that the biggest pawnshop chain in Mexico, Nacional Monte de Piedad, is owned by the government. But even though there are fewer licensing requirements and zoning restrictions in Mexico, he said, there are also fewer competitors.

First Cash ran a four-store test in Mexico between 1999 and 2001, then launched a full-scale expansion in late 2001. Most of its stores are along the border, but it also has locations as far south as Monterrey, 150 miles south of Laredo.

Cash America and First Cash have seen their financial prospects brighten as the U.S. economy dimmed in recent years.

Pawn shops typically prosper when individuals are short of cash and lose business during boom times.

As the U.S. economy struggles to emerge from a three-year slump, both companies have enjoyed higher earnings and stock prices.

First Cash's shares hit a record high of \$22.35 Tuesday and closed Friday at \$21.89, up more than 180 percent in the past year.

Cash America's shares hit \$18.15 a share Wednesday, its highest since topping \$20 in 1998. It closed at \$17.54 Friday, up more than 120 percent in the past year.

Wessel said he doesn't expect First Cash's U.S. business to ease up in the near future, but if it does, "that's part of the Mexico strategy. Any upturn or downturn here, we're not going to feel it as strongly across the border."

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