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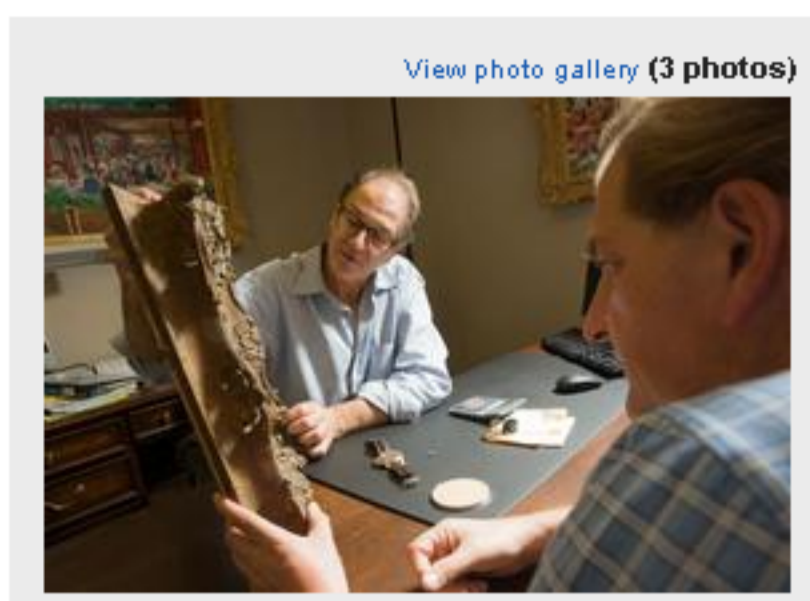
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Sophisticated pawn: High-end collateral loans emerging as business finance alternative

Premium content from Phoenix Business Journal by Matt Haldane, Contributing writer
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Jim Poulin/Phoenix Business Journal
David Goldstein, founder and president of Biltmore Loan and Jewelry in Scottsdale, discusses an art piece with customer James Verbic.

The dearth of available credit has hit small businesses particularly hard during the downturn, forcing many to find other means of financing or go out of business. Collateral loans have become a popular alternative, and a Scottsdale company is looking to bring it into the mainstream.

David Goldstein started Biltmore Loan and Jewelry when he noticed a niche in the credit industry that he could fill. Goldstein, a diamond retailer, decided to apply his expertise to other high-end items to provide a service for those who need fast cash. His company buys and makes loans on a wide variety of big-ticket items, from precious metal bullion to fine art to classic cars.

"I assure you that you will see this on every corner in the U.S. within the next five years," he said. "I am convinced we are going to be in all major cities."

There's just one snag: Most people don't have these kinds of items on hand — and those who do tend not to let go of them.

"I don't think it will ever have a significant place in the market because people don't want to give up family heirlooms or valuables hanging on the wall," said Rick Murray, CEO of the Arizona Small Business Association.

Murray had not heard of Biltmore Loan before, but he described the business model as limited in scope.

Collateral loans are nothing new to small-business owners, who often put up their homes as collateral, he said.

"A majority of (people's net) worth is tied up in their home," he said.

Goldstein doesn't make loans on houses, but still doesn't see his company as limited.

"I cater to the market of \$3,000 and above," he said.

A number of art pieces now housed at Biltmore Loan belong to James Verbic, who owns a chain of ATMs and needed cash to buy out his partners.

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