

# The Boston Globe

MONDAY, APRIL 30, 2007

CURRENT EVENTS

TODAY: Breezy, some sun.  
High 68. Low 44.  
TOMORROW: Mix of clouds, sun.  
High 64. Low 42.  
HIGH TIDE: 11:02 a.m. 11:12 p.m.  
SUNRISE: 5:42 a.m. SUNSET: 7:42 p.m.  
FULL REPORT: PAGE B10

SPORTS

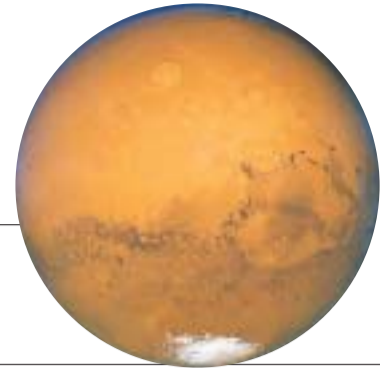


## PATRIOTS CONNECT

### Controversial receiver Moss aboard

## RED SOX CRUISE

### 3 homers power win over Yankees



HEALTH/SCIENCE

## LOOKING TO MARS FOR DNA

# State fails to curb usurious pawnshop rates

### Little oversight as poor bear brunt

By Donna Roberson  
GLOBE CORRESPONDENT

For the last seven years, Massachusetts banking officials have made fitful efforts to stop some of the state's poorest cities from letting pawnshops charge usurious interest rates for loans to the down-and-out.

Yet nothing has changed. Tens of thousands of the state's poorest people continue to pay municipal-

ly sanctioned pawnshop interest rates of 7 to 10 percent per month — 84 to 120 percent a year — despite a state rule limiting the annual rate to 36 percent.

In one case, it took the state Division of Banks 18 months to hold a hearing on the 10 percent monthly rate approved by Fall River officials.

State and local oversight is so scant that an investigation by the Globe and Fox 25 News found that some pawnshops do as they please:

In Brockton, for example,

pawnbroker Philip S. Cohen opened Ideal Pawn in 1992 and has been charging a largely poor clientele 10 percent monthly interest since — without city approval. Cohen acknowledged his business has been very profitable; so much so that he paid nearly \$1.6 million in 2005 for a 5,000-square-foot home on six acres in Dover.

And in Worcester, city and state officials authorized pawnshops to charge 2 percent a week on small loans, but 3 percent a month — 36 percent a year — on

**PAWN, Page A5**



PAT GREENHOUSE/GLOBE STAFF

A man looked into a Lynn pawnshop where a 10 percent monthly fee is reportedly charged.

# City police lavished \$2.6m on leased cars

### New restriction placed on drug seizure funds

By Suzanne Smalley  
GLOBE STAFF

The Boston Police Department spent \$2.6 million from sales of property seized from drug dealers to lease sport utility vehicles, sedans, and other vehicles for officers over the past eight years in a program that department officials now acknowledge was wasteful.

Department officials said that while the vehicles were assigned for undercover investigators trying to fit into the drug scene, the vehicles also ended up with other officers, including a handful of supervisors who were not directly involved in investigations and who drove them home.

The department, which eliminated the leasing program in February, declined to provide the names of the officers who were assigned the vehicles, saying officers' safety could be jeopardized if their identities are disclosed. Police also would not identify the makes and models of the leased vehicles.

Department data obtained by the Globe under the state's open records law show that while most of the vehicles went to the drug investigations unit, 19 of 72 vehicles in 2005 went to employees in other units, including one each to arson, CrimeStoppers, and the police commissioner's office. In 2004, 57 of 74 vehicles went to the drug unit; 17 went to other units, including one for the family justice division and two for the homicide division.

**POLICE, Page B4**

# OVERPASS DOWN, TROUBLES AHEAD IN CALIF.



PAUL SAKUMA/ASSOCIATED PRESS

The San Francisco-Oakland area braced for months of massive traffic disruptions after a section of highway collapsed yesterday when a gasoline tanker crashed and burst into flames. Hundreds of thousands of commuters may be affected. **A2.**



Marilyn P. Devaney is charged with assault.

# Center of the storm in Watertown

## Councilor with history of making waves caught in new swirl

By Michael Levenson  
GLOBE STAFF  
and Christina Pazzanese  
GLOBE CORRESPONDENT

She is perhaps the only member of the Watertown Town Council whose outbursts have been regularly posted on YouTube, as entertainment alongside clips from "The Daily Show" and grainy cellphone videos of celebrity sightings.

Her relationship with local police is, to say the least, frosty. And she gets along no better with the town manager, town council president, or town attorney.

Long before she was charged with throwing a curling iron at a beauty shop clerk on April 13, Marilyn Pettito Devaney, a longtime Watertown town councilor and governor's councilor, has been infuriating opponents and alienat-

ing allies. And yet Devaney, 69, has been the top vote-getter in every town council race for the last 12 years, easily outpacing her nearest competitor, the council vice president, by about 600 votes in the most recent election. When she does not get what she wants, she has been known to raise her hand, grab her microphone, and yell.

**DEVANEY, Page B4**

## Fuel for the future

Local scientists help lead the effort to make affordable ethanol from something other than corn. **D1.**

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# Rice says president won't let Congress set Iraq benchmarks

By Rick Klein  
GLOBE STAFF

WASHINGTON — Secretary of State Condoleezza Rice said yesterday that President Bush will reject any attempt by Congress to require the Iraqi government to meet benchmarks as a condition for US troops remaining in Iraq, in a blow to emerging efforts to craft a compromise war-funding bill.

► **Iran, United States to join talks on Iraq. A6**

Bush, who plans this week to veto a measure that would require a troop withdrawal to begin by this fall, wants a bill that gives American officials complete flexibility in conducting military and diplomatic efforts in Iraq, Rice said.

"What we don't want to do... is to tie our own hands so that we cannot act creatively and flexibly to support the very policies in Iraq that we're trying to enforce," she said on ABC's "This Week."

Though Democratic leaders in Congress are not

**RICE, Page A6**

# SENDING A MESSAGE ON DARFUR



DAVID KAMERMAN/GLOBE STAFF

Rebecca Smith stood amid fellow activists during a "die-in" held on the Common yesterday to call attention to the refugee crisis in Darfur. More than 200,000 people have been killed in the Sudanese region and 2.5 million displaced.

# Pawnshops charge interest rates beyond state limits

► **PAWN**  
Continued from Page A1

loans above \$100. Two weeks ago, police officials started a crack-down after reporters discovered that Worcester pawnshops were charging 2 percent a week — 104 percent a year — on all loans.

“Absolutely outrageous what they are charging,” state Representative John F. Quinn, a Democrat from Dartmouth, said in an interview. “There should not be excessive profits in this industry — particularly on the backs of the poor.”

**READ THE REPORT**

To view the Fox 25 News investigative report on pawnshops, go to myfoxboston.com.

The 10 percent monthly rate charged in some communities is, in practice, often much higher than that — higher even than what loan sharks charge. That’s because the full monthly rate applies to any part of a month. For example, at Fall River Pawnbrokers, a Globe reporter left a wedding ring as collateral for a \$40 loan. Six weeks later, it cost \$53 to retrieve the item — \$40 to repay the loan, \$8 for two months’ interest and a \$5 “transaction fee.” The cost for the six-week loan was 32 percent.

Since 2003, Quinn has filed legislation three times to place a statewide cap of 36 percent per year on pawnshop interest. If Quinn’s legislation became law, it would replace a century-old statute that has caused more squabbling between state and municipal officials than oversight of the industry. The law gives cities and towns the power to set rates, but includes a section that says state banking regulators have to approve the rates.

Finally, Quinn’s lonely crusade is drawing attention. On Beacon Hill, where executive power changed hands this year, Daniel Crane, the top consumer official under Governor Deval Patrick, and newly elected Attorney General Martha Coakley expressed anger and chagrin when the Globe and Fox 25 News raised questions about the exorbitant interest rates, and the state’s hapless efforts to rein them in.

Crane said any pawnshop that is charging more than the 36 percent annual rate the Division of Banks has set as the highest rate it will approve is violating the law.

In an interview, Crane said it appears the issue has fallen through the cracks, partly because banking regulators have no clear power to enforce the interest rate limits under the law. He said he has asked Coakley’s office to investigate. Coakley said she would step in, but said new legislation may be needed to clarify the law. Coakley called some of the interest rates “outrageously high” and said they should be outlawed.

In Boston, where the police commissioner holds the rate-setting authority, pawnshops operate under the 36 percent annual limit. But 120 percent annual rates are being charged in Fall River, Lynn, Taunton, Haverhill, Malden, Hudson and — without municipal approval — Brockton. Annual rates ranging from 84 to 104 percent are being levied in Chelsea, New Bedford, Springfield, Lawrence, Chicopee and — until last week — Worcester.

Typically, pawnshops buy or make loans on items — most commonly jewelry — that people leave as collateral in return for quick cash. Pawnshop customers are typically poor and working-class consumers in financial straits and without access to conventional credit. Among the other pawnshop regulars are drug addicts desperate for cash.

Ordinarily, a pawnbroker will loan a fraction of the value of an item — \$100, say, on a \$200 necklace. Under the law, the borrower has four months to claim the item and pay off the loan — \$100 plus \$40 in interest and handling fees if the monthly rate is 10 percent. If the item is not reclaimed, the pawnbroker takes ownership and can sell it for its full value, recouping his loan and the interest. In theory, borrowers are entitled to any surplus amount from the sale, but they must claim it.

To put the numbers in context, if the 10 percent monthly rate were applied to home loans, a homeowner with a \$200,000 mortgage would pay \$240,000 a year in interest alone.



GEORGE RIZER/GLOBE STAFF

Philip S. Cohen, owner of a profitable Brockton pawnshop, paid nearly \$1.6 million for his home on 6 acres in Dover.

Crane expressed concern that poor people who patronize pawnshops have little understanding of the interest rates they are being asked to pay.

To document the interest rates, Globe and Fox 25 reporters asked municipal officials to verify that they had approved the rates local pawnshops are charging. City officials in Brockton, however, could find no evidence of any approval for Ideal Pawn, which opened in 1992.

Last week, a Globe reporter talked to “Phil,” who identified himself as Ideal Pawn’s manager. Phil said he did not know when the rate had been approved because he had worked there for only a few years. He said the owner would know, but was on vacation and had left instructions that he not be disturbed.

A check of Massachusetts corporate records, however, showed that “Phil” — Philip S. Cohen — is the company’s founder, owner, and president. In a subsequent conversation, Cohen admitted he had misrepresented himself. Asked when the city approved his 10 percent rate, he replied, “To my knowledge, they never have.” Cohen said he had had no idea pawnbrokers needed such approval, at least not until 2003 when he read about the requirement in a newspaper article.

Even then, Cohen said he did nothing to rectify the error. “I don’t think the onus was on me to contact the city. The onus would be on the city to contact me,” Cohen said. But after hearing from the Globe, Cohen said he would approach city officials. He expressed confidence they would

sign off on his 10 percent monthly rate.

In Worcester, where police officials have jurisdiction over pawnshops, the city set the rates in 1997 — capping interest on any loan of more than \$100 at 36 percent a year. Sergeant Kerry Hazelhurst said he believed pawnbrokers were abiding by the rates, until a reporter told him the city’s five pawnshops were charging 104 percent annual interest on all loans. Police then visited pawnshops to demand they comply with the 1997 rates.

Richard Rizzo, who owns the Money Stop, a pawnbroker shop in Worcester, denied that he had ignored the interest rate limits in hopes that no one would notice. “No. Not really. That’s not what I was doing at all,” he said.

Rizzo said he doesn’t believe the city ever set a 36 percent rate limit in 1997, but then conceded that he isn’t sure. “That’s not true. Well, I shouldn’t say that’s not true. They might have had them. We were never informed of that.”

In Lynn, a reporter received an \$80 loan on an 18-carat gold chain at a pawnshop, Sherman Loan and Jewelry, at a monthly interest rate of 10 percent. The City of Lynn approved that rate in 2003, but banking regulators in 2005 rejected the rate, in part because neither the city nor local pawnbrokers could provide any evidence to justify it. James Lamanna, the city attorney, told a reporter that the City Council is on the verge of lowering the rate.

Kenneth Stauffer, the owner of Sherman Loan, declined to be interviewed.

Crane, who is director of the

Office of Consumer Affairs and Business Regulation, which oversees the Division of Banks, said he believes pawnbrokers can do just fine charging 36 percent annual interest.

Edward D. Bean, the owner of Suffolk Jewelers on Washington Street in Roxbury, Boston’s largest pawnshop, said 10 percent monthly rates are uncalled for. But Bean said that pawnshops cannot be profitable if they’re restricted to 3 percent monthly interest — the rate in Boston — unless they do business with an enormous volume.

The volume statewide worries Crane and Coakley, both of whom noted that drug addicts frequently visit pawnshops to pawn stolen

items. “You have to assume that a certain percentage of the goods that come in may be fenced, may be stolen,” said Coakley, who was Middlesex district attorney for eight years.

*This article was reported for a seminar in Investigative Reporting at Northeastern University by two graduate students, Donna Roberson and Mike Beaudet. Beaudet is also the investigative reporter for Fox 25 News. Their work was overseen and this article was edited by Northeastern journalism professor Walter V. Robinson, former editor of the Globe Spotlight Team. Robinson’s e-mail address is wrobinson@globe.com.*

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GL A5 00:35 THIRD

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