



Birmingham's payday lending moratorium set for vote, public hearing

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By **Joseph D. Bryant -- The Birmingham News**



BIRMINGHAM, Alabama -- The future growth of payday loan, title pawn and check-cashing businesses in Birmingham will be decided Tuesday when the Birmingham City Council votes on a proposed year-long moratorium.

The ordinance proposed by Councilwoman Lashunda Scales would ban any new title loan or payday loan businesses from opening for one year or until the city's comprehensive plan is complete.

Representatives of the payday lending industry say the proposed restrictions are unneeded.

But Scales, who is chairwoman of the council's Economic Development Committee, said Birmingham has been inundated with the businesses. "The law department has come up with an ordinance that will protect the citizens of Birmingham," she said of the proposal, which has been revised since she first presented it two months ago. "With the law department's official input, it answers all of the questions that council members had."

The businesses' negative impact is twofold, Scales said.

She said businesses offering short-term loans have high interest rates that keep financially strained customers trapped in a cycle of making interest-only payments.

Secondly, she said, the presence of too many of these businesses repel other commercial development.

"Our citizens deserve first-class businesses at an affordable price," she said. "However, if you have a string of these kind of predatory lending agencies in those same communities, then the likelihood of those (other) businesses locating in that area is nonexistent."

Scales said she has been contacted by representatives of AARP who support her ordinance.

"We're talking about senior citizens and the working poor," she said. "This is to be a voice for those who don't have a voice."

Industry response

However, industry officials said their industry provides a necessary service and is unfairly characterized.

"A moratorium on state-regulated storefronts is going to push consumers in need of short-term loans to unregulated Internet options with steeper fees," said Charles Hunter, spokesman for Borrow Smart Alabama, the industry's trade group. "This moratorium may be well-intentioned, but it is an unnecessary piece of legislation that will have unintended negative consequences including reduced city revenue and empty storefronts."

Hunter said the moratorium would affect existing businesses as well as new ones because it would prevent them from either moving or transferring ownership, both of which require a change in business license.

Tuesday's hearing is expected to draw both supporters and opponents of the payday lending industry, armed with dueling reports.

Scales cites a report from a national consortium that shows the high concentration of payday loan establishments in lower-income communities and its negative impact on other commercial businesses.

On the other side, the payday industry cites the opinion of Morris M. Gee Sr., executive-in-residence at the University of Alabama at Birmingham. In a paper written at the request of Borrow Smart, Gee said the city's moratorium would send the wrong message to all businesses.

"This proposed moratorium is nothing more than a desperate and despicable act of overextending zoning regulations to artificially hinder one select type of retail establishment that is already regulated on both the state and federal levels," he wrote. "A moratorium signals to present and prospective retailers that a city is not 'Open For Business.'"

When Scales first proposed the limits, the measure stalled. Several council members said they supported Scales' intentions but thought the ordinance lacked the research needed to stand legally.

Councilwoman Valerie Abbott, who chairs the zoning committee, said she agreed controls were needed for the businesses but had concerns with the original version of the ordinance.

"I certainly think if there's a legal way to reduce the number, I'd be OK with that," she said Friday. "I want to hear what the lawyers say about the issue before I make a commitment."

Abbott suggested possible restrictions on spacing similar to rules regarding methadone clinics that were passed last week. That ordinance, sponsored by Abbott, prohibits methadone clinics from operating within 1,000 feet of churches, schools, parks, historic districts or revitalization districts.

Councilman Steven Hoyt is a firm supporter of the moratorium proposal. He said the businesses impede positive growth.

"If you look at the impact of the payday lending that's taking place in our community, it warrants our full attention and serious legislation that safeguards the disadvantaged," he said.

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