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Neighborhoods seek zoning changes to curb payday lenders

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The signs can't be missed.

One offers "mo' money," several promise "fast cash" and the most direct volunteers "instant money now."

In the roughly four-mile stretch of Main Street and Gallatin Pike between South 5th Street and Briley Parkway, there are at least 26 pawnshops, instant tax return storefronts, and payday and car title lenders.

Neighborhood advocates say those businesses prey on the area's most vulnerable populations and repel more upscale storefronts. Next month, the Metro Nashville Council will take up two zoning ordinances that could prompt a moratorium on all new alternative lenders along that stretch.

The idea has broad support among residents.

"If zoning is going to do it, make this street look any different next year, heck in 10 years, I'm all for it," said Teresa Walker.

She can't leave her home off Gallatin Pike for work, can't get her wash done at the Laundromat around the corner or even buy groceries without crossing the path of what she describes as tempting fast money signs.

Three times in the last year, she has given in. "It's a lot to ignore if you're broke," she said.

Communities that sit just off Nashville's other thoroughfares where pawnshop and payday lenders cluster, Nolensville and Dickerson pikes among them, are beginning to ask for their own ordinances.

"People are very interested in what may happen as a result of the changes on Gallatin Pike," said District 6 Metro Councilmember Mike Jameson.

In July, Gallatin Pike residents applauded a targeted zoning ordinance that forced new businesses to meet certain landscaping, design and sign requirements.

They thought it also would ban additional alternative lenders.

But an application for an exemption exposed a loophole in the Gallatin Pike Special Plan; any ban on payday lenders also ruled out actual banks.

The business owner, who initially asked to do payday loans, check cashing and title lending, ultimately was allowed to set up a shop that provided one service, payday loans.

"I certainly had some explaining to do," said Metro District 7 Councilman Eric Cole, who is co-sponsoring a proposed text change to distinguish banks, check cashers and payday lenders.

"Understandably, there were a lot of very frustrated people."

Should the text change be approved, it would clear the path for the Metro Planning Commission, and ultimately the Metro Council, to specifically bar more payday lenders and check cashers from opening on that four-mile stretch.

States try to set limits

Blocking high-interest financiers through zoning isn't a Nashville creation. In the last three years, Jacksonville, Fla., and Tuscon and Mesa, Ariz., all approved ordinances that limited where alternative lenders could locate, barred the businesses from setting up shop in clusters or both. Salt Lake City, Utah, opted for a citywide moratorium on any new locations of the businesses.

A Florida court struck down the Jacksonville ordinance because it also included interest rate limits, something the court said municipal governments don't have the authority to regulate. But the Arizona and Utah ordinances stand.

Neither has seen substantial numbers of existing alternative lenders close their doors, said Al Sterman, vice president of the Arizona Consumers Council.

"What we are really doing here is trying to close the door after the horse has already left the barn," Sterman said. "In reality, individual communities can do very little."

Payday lenders are often unfairly characterized as predatory lenders, said Jabo Covert, a vice president of the Cleveland, Tenn.-based Check Into Cash chain.

He said the industry doesn't oppose the Gallatin Pike measure because the city has a right to dictate land use, but that could change "if these things go too far."

Check-cashers tend to serve people who have no bank account, he said, and the payday loan industry provides access to short-term and unsecured loans, a business banks have abandoned, despite a clear need.

"We don't operate anywhere we aren't wanted," Covert said. "If we did, we certainly couldn't stay in business."

Representatives at Regions and First Tennessee banks, two of the five located on that stretch of road, said they offer personal loans in increments as small as \$3,000, as well as credit cards, for smaller borrowing needs. The three others didn't respond to requests for comment.

Impact documented

Rod Boehm, president of the Inglewood Neighborhood Association, said talk about alternative lenders, who began arriving in the 1990s, often dominates community meetings.

"It's just hard to embrace an industry that seems to profit from the financial misfortunes of others, overwhelm communities and really doesn't have the best reputation," said Boehm, who has lived in the area for 19 years and never visited an alternative lender.

Researchers have documented the impact of so many fast money options in a single neighborhood and why Gallatin Pike is center of that type of commerce.

A 2007 National League of Cities study found there are more payday lending shops in the United States than McDonald's and Starbucks locations combined.

Alternative lenders tend to cluster, said Steven Graves, a California State University Northridge

geographer. In 2007, Graves mapped the location of every payday lending shop in the United States.

"If there is a commercial strip that runs through a large working poor neighborhood, especially black or Latino, then you are going to find a bunch of these," he said. "This is where the business model gets interesting."

The businesses cluster to take advantage of what happens when many people borrow, said Sharon Reuss, a spokeswoman for the Center for Responsible Lending.

"They count on people borrowing at one store, then when they reach the borrowing and roll over limits there, going across the street to pay store number one with a loan from store number two," she said.
