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NLR looks at a delay on cashers City leaders also study payday-lender zoning

BY JAKE SANDLIN ([CONTACT](#))

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LITTLE ROCK — A move to add zoning restrictions on businesses that make “payday loans” has North

Little Rock officials looking at a two-year, citywide moratorium on new check-cashing businesses.

The ordinance would establish a 24-month moratorium on the establishment of check-cashing businesses while the city studies zoning measures that would specifically affect payday lenders, City Attorney Jason Carter said Monday.

The measure is scheduled to be introduced to the North Little Rock City Council at today's 7 p.m. meeting.

“It seemed reasonable to declare a moratorium while a study is being done,” Carter said.

Existing businesses that make payday loans would be allowed to renew their city business license if they hold a valid permit from the State Board of Collection Agencies.

Statistics from consumer advocates have shown that North Little Rock has a disproportionate number of such lenders compared with other central Arkansas cities, Carter said. North Little Rock has 11 such businesses in the city with most of those in Ward 1 in the central city and Ward 3 in the Levy and Camp Robinson areas in the city's west.

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Critics of payday lending say that such loans prey on people desperate for money.

A payday loan in Arkansas works like this: A customer writes a check for \$400, for example, and receives \$350 in cash.

The lender normally keeps the check for two weeks before cashing it.

A \$50 charge on a \$350 loan for 14 days is the equivalent of 371 percent in annual interest.

Under the Arkansas Checkcashers Act, the customer must repay the loan before the agreed-upon date or the lender must deposit the check.

Once the loan is repaid or the check is deposited, the customer can take out another loan by exchanging another check for cash or promising to repay the loan.

If the customer takes out consecutive loans every two weeks, he potentially can pay more fees than the amount of the original loan.

Some borrowers will spend more than \$1,000 before paying off one loan, consumer advocates have said.

"We have been looking at ways to address some of the predatory practices of payday lenders," said Michael Rowett of North Little Rock, chairman of Arkansans Against Abusive Payday Lending, a consumer protection advocacy group. "It drowns people in debt."

Arkansas Financial Services Association, which represents the majority of check-cashing businesses in the state, believes enacting a moratorium is unnecessary to deal with a few who break the law, said Bradley Rogers of Stuttgart, the association's president.

"I think it's a shame because it further limits the citizens of North Little Rock in where they can go and get sho money," Rogers said.

"I guess they will now be forced to go to pawn shops. Is that better?"

Payday lenders are licensed and audited by the state, Rogers said.

"There are people [in the business] who break the law and they should be closed," Rogers said.

"If they are not complying with the law they get shut down. That's the way to do business whether you're a pa or whatever industry you're in. You've got to play by the rules."

North Little Rock would be the first Arkansas city to issue a moratorium on new payday lenders, Rowett said. A states have passed laws prohibiting payday lending in general.

"The moratorium is just sort of a common-sense way to study the issue a little further and arrive at some sort protection for consumers," Rowett said.

Zoning for payday lending businesses falls under regular commercial businesses, Carter said, but could fall und restrictions if placed under a special category.

The city has placed specific zoning restrictions in handling sexually oriented businesses, he said.

"Because of the particular nature of a sexually oriented business, you have more restrictive zoning rules that k away from schools, churches and out of neighborhoods," Carter said.

"There are some [consumer advocates] of the opinion that a similar type of restrictions should be placed on pa lenders."

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