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Montgomery joins growing list of Alabama cities with moratoriums on new licenses for payday, title lenders

Alabama's capital and second-largest city Tuesday joined a growing group of cities clamping down on the proliferation of payday and title lending storefronts. The Montgomery City Council narrowly approved a 90-day moratorium on issuing new business licenses to such operations, joining more than a dozen other Alabama cities in seeking a temporary halt to the spread of high-cost consumer lending storefronts. The moratorium does not affect existing operations.

Saying such storefronts are frequently associated with blight, Councilman Charles Smith, a sponsor of the moratorium ordinance, said he was concerned about a cluster of stores along the Atlanta Highway, a main thoroughfare in his district.

"Nobody wants to invest in opening a business near all of that," Smith said. "Nobody drives into one of the main gateways to our city and says, 'Maybe there's a Wynlakes [a luxury residential neighborhood] at the end of all of this.'"

The new ordinance, which passed 5-3 with one abstention, gives the city three months to evaluate other options in handling the spread of high-cost lending in Montgomery. Mayor Todd Strange promised that a study group would have some recommendations within 30 days.

Opponents of the moratorium expressed concern that the city would attempt to regulate an otherwise legal business. Councilman Arch Lee, who is a lobbyist for the industry, abstained from voting.

Montgomery has [dozens of payday lenders](#), which offer loans at annual interest rates of 456 percent to borrowers seeking loans under \$500. The city also has dozens of title lenders, many operating out of pawn shops, offering loans secured by the title to an automobile at annual interest rates of 300 percent.

Other cities that have passed or renewed temporary restrictions on licenses for new payday or title lenders since 2011 include Birmingham, Center Point, Decatur, Eufaula, Irondale and Trussville. Some cities are considering using zoning powers to rein in the spread of such lenders.

Reducing the triple-digit interest rates would require action by the Alabama Legislature. Proposals to cap annual interest rates on payday and title loans at 36 percent died this year when [a House committee referred the bills to a subcommittee](#). The state Banking Department may decide later this month whether to create [a single statewide database of payday loans](#), which would make it easier to enforce existing limits on such loans.

Stephen Stetson, policy analyst