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## LEGISLATIVE ACTION

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**DATE:** March 2, 2007  
**TO:** City Council Members  
**FROM:** City Council Member Nancy Saxton  
**RE:** Briefing and Consideration: Legislative Action Regarding Payday-Loan Businesses  
**CC:** Cindy Gust-Jenson, Lynn Creswell, Louis Zunguze, Ed Rutan, Orion Goff, Edna Drake, Gary Mumford

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I would again appreciate the City Council's support for a Legislative Action to prepare an ordinance that would restrict the distance between businesses in Salt Lake City that provide "payday-loan check-cashing service," and perhaps consider expanding the ordinance to cover the ratio of businesses to the number of people serve and where those businesses should be allowed.

In previous City Council discussions in November and January, Council Members seemed comfortable considering regulating the distance between businesses providing payday-loan check-cashing services. Council Members noted that the business is legal in Utah and 31 other states. However, I would like to note that several cities in Salt Lake County have adopted regulations defining how many payday-loan, check-cashing businesses can locate in those cities and where they can locate.

I would like to propose the following motion:

That the City Council direct the City Attorney's Office with a recommendation from the Planning Commission to prepare an ordinance to regulate payday-loan check-cashing businesses in the following manner:

- Through a distance requirement that would prevent those businesses from concentrating in locations throughout the City.
- Through design guidelines.
- Through a requirement that would establish a ratio between the number of businesses and the City's total population.
- Through determining where are the most appropriate areas for payday-loan check-cashing businesses to be and whether they should be permitted or conditional uses in those locations.

The motion provides the City Council with three options:

- Not adopting the Legislative Action.
- Adopting the Legislative Action with all the proposed regulatory methods.

- Adopting the Legislative Action with one or more of the proposed regulatory methods.

Council Members may recall that at its November 7, 2006, meeting the Council agreed to calendar this proposal for a briefing and discussion. The discussion would take place after receiving an opinion from the City Attorney's Office about the best methods available for municipalities to regulate the number of payday loan businesses.

The City Attorney's Office determined that amending the City zoning ordinance – as other cities in Salt Lake County have – is the best course for municipalities in our area to take in the regulation of this legal business. The City Council discussed the proposal further at its January 9 meeting and agreed to consider the proposal formally.

Again, I am seeking your help to regulate the businesses in this industry primarily because I believe their presence is detrimental to the aesthetic appeal of our City's neighborhoods, commercial and otherwise, as people walk our sidewalks, and they detract from efforts to improve commercial areas.

I do not seek to abolish payday-loan check-cashing businesses, but I believe they are too concentrated in some City areas; they generate little pedestrian energy or activity; and their presence does not seem conducive to fostering commercial activities that help communities grow.

A few things that have happened should be noted since this proposal first was raised. First, according to the most recent information available from the Business License Office, the number of businesses engaged in payday lending in Salt Lake City has declined from 24 to 21, if a business that lends money against vehicle titles is excluded. (Please see attachment). That means that, if the 2000 Census population estimate of 181,743 is used, the ratio of payday lending businesses to the City's population is one per 8,654 people instead of one per 7,572 residents when 24 businesses were operating.

Second, the Utah Legislature added regulations (SB 16) to payday lending businesses, and industry officials indicated that the industry would voluntarily alter some practices. (Please see attachment).

Third, the Sandy City Council will consider adding zoning regulations for payday-lending businesses in the coming week, according to a news story. If Sandy, and Salt Lake City adopt regulations, the number of municipalities with some regulation of the industry will rise to nine. Seven cities: South Salt Lake, West Valley City, Taylorsville, West Jordan, South Jordan, Draper and Midvale already have imposed limits on payday lending businesses. Cottonwood Heights also is exploring whether to adopt an ordinance to regulate payday lending businesses.

Finally, the City Council raised two issues during the January discussion: Why should a business be singled out for regulation when other, larger companies provide the same product, and does Salt Lake City regulate other businesses in a similar manner?

Taking the second issue first, Council Members may recall that Deputy Planning Director Cheri Coffey responded to a question about pawn shops by saying that the City has a distance requirement, restricts pawn shops to certain zones, and lists pawn shops as

a conditional land use. On the first issue, if the City Council is concerned about differentiating between the banking industry and payday lending businesses, the Council could consider definitions similar to the following in West Jordan's zoning ordinance:

**Check cashing credit service** means an establishment engaged in providing credit intermediation and related activities that facilitate the lending of funds issuance of credit, or any other similar types of businesses licensed by the State pursuant to the Check Cashing Registration Act. Typical uses include check cashing services, payday advances/loans, short term loans, deferred deposit loans, and Title loans. This definition excludes kiosks, banks and financial institutions, and investment companies.

**Bank or financial institution** means an organization involved in deposit banking, finance, investment, mortgages, trusts and the like. Typical uses include commercial banks, credit unions, finance companies, and savings institutions. This definition also includes automated teller machines. This definition excludes check cashing credit services, bail bonds, and pawn shops.

I agree with my colleagues that the City Council should not prevent people from seeking a payday loan from a business primarily established for that purpose, or from a full service bank that provides the service to those who have their pay automatically deposited into an account there, or from the Internet. Doing that is a function of the state and federal governments. But seven cities in Salt Lake County have adopted restrictions on payday lending businesses in part because of concerns about the effect payday lending businesses have on how they want to look and how they want to develop economically. I believe the Salt Lake City Council should adopt the Legislative Intent so this City can fashion something that benefits our residents.

<b>CITIES THAT REGULATE PAYDAY LENDING BUSINESSES THROUGH ZONING ORDINANCES</b>				
<b>CITY</b>	<b>DISTANCE BETWEEN SIMILAR BUSINESSES</b>	<b>POPULATION RATIO?</b>	<b>RESTRICTED TO CERTAIN ZONES?</b>	<b>CONDITIONAL USE?</b>
<b>Draper</b>	1,000 feet	No	One Commercial Zone.	Yes
<b>Midvale</b>	600 feet	1 per 10,000	Commercial Zones	Yes
<b>Sandy (Under Consideration)</b>	1 mile	1 per 10,000	Some Commercial Zones	Yes
<b>South Jordan</b>	1 mile	No	Community Commercial (Large-scale) Zone	Yes
<b>South Salt Lake</b>	600 feet (Between Businesses and from Residential Zones)	1 per 5,000	Commercial Corridor	Yes
<b>Taylorsville</b>	600 feet	1 per 10,000	Two Commercial Zones	Yes
<b>West Jordan</b>	1,000 feet (Also from pawn shop or bail bond businesses)	Maximum limit of 12 allowed within city boundaries	Some Commercial Zones	Yes
<b>West Valley City</b>	600 feet	1 per 10,000	Two Commercial Zones	Yes

CHECK CASHING  
BUSINESSES LOCATED  
IN SALT LAKE CITY

<u>ID#</u>	<u>Business Name</u>	<u>Address</u>	<u>Ownership</u>	<u>Telephone</u>	<u>Approve Date</u>
20052242	1st Choice Money Center	274 East 900 South	RFG Utah LLC	623-1711	12/15/05
20060293	1st Choice Money Center	1244 So Redwood Road	RFG Utah LLC	623-1711	07/09/06
Term	Access 2 Cash - Terminated 11/14/06	65 North 1000 West	RRZ Financial Services	886-2662	01/06/05
20062020	All Types Checkcashing	369 S Main St	Rhonda/Robert Hovseth-pine	328-2274	12/21/06
20042406	Buckeye Checksmart	832 W North Temple St	Buckeye Check Cashing of Utah	(614) 798-5900	01/13/05
20051793	Check N Go	1423 South 300 West #A	Great Plains Specialty Finance inc	486-4438	09/23/05
20061977	Check N Go	1645 West 700 North	Great Plains Specialty Finance inc	364-7974	11/21/06
20041646	Checkmate Payday Loans & Check Cashing	1290 South 300 West	LMSA Financial Corp Arizona	478-0728	10/21/04
20000623	Checkmax	1726 W North Temple #C	David Ha Truong	994-0616	03/31/03
20030175	Easy Money	350 East 200 South	Reed Bensen	359-2212	01/30/03
Term	ELITECASHADVANCE	2150 South 1300 East #500	ELITCASHADVANCE	(888) 920-5111	
money trf	Envios Yosi	169 East 900 South	Envios Yosi	wrong #	
money trf	Envios Yosi	170 East 900 South	Rubissel Tovar	870-0597	
20051583	Five Star of Salt Lake City	1850 S Redwood Rd	Tali Hoi LLC	972-3808	08/26/05
19941424	Money Mart	370 S State St	Jeffrey Weiss	532-5765	12/05/94
20000854	Money Mart Express Inc	1355 S 4700 W #200	Money Mart Express Inc.	933-4520	02/15/05
20061098	Money Menders	231 East 400 South #112	Savage Holdings Inc	386-0558	06/14/06
20030650	Money Talk	180 South 300 West	Alice Marie Folau	wrong #	04/08/03
19981254	Nationwide Budget Finance	665 S State St	Western Budget Finance	575-8172	12/09/98
20060441	Perulawn Care Services	1465 S State St #1	Carlos Roman	604-0578	03/24/06
19971132	Quick Loan	675 East 2100 South #O	Quick Loan Inc.	485-8181	07/25/97
19990585	Rent A Center Inc #02310	797 N Redwood Rd	Rent A Center Inc	521-8001	04/05/99
19990844	Rent A Center Inc #02313	409 East 400 South	Rent A Center Inc	532-2002	3/30305
20051279	Quick Title Loans	1055 West 1700 South	Quick Tow Towing	619-7010	07/11/05

**deseretnews.com**

Deseret Morning News, Thursday, February 22, 2007

## **Payday loan industry to alter ways 'voluntarily'**

**By Lee Davidson**

Deseret Morning News

Amid increasing scrutiny by lawmakers and the press nationally, the payday loan industry announced Wednesday voluntary changes it says will better protect and educate customers and help them avoid being trapped into long-term debt.

"We have listened to concerns raised about our industry and have developed innovative solutions to address them," said Darrin Andersen, president of the payday loan industry's Community Financial Services Association of America.

Among voluntary changes it announced are banning ads that promote payday loans for frivolous purposes; allowing customers the option of an extended payment plan at no extra cost if they cannot pay off a loan on time; and putting a warning on all ads and promotions that such loans are for short-term needs only.

Cort Walker, spokesman for the Utah Consumer Lending Association, said the state group of payday lenders supports those national actions. "These new initiatives will ensure that member companies hold themselves to a high standard of responsible service and will help customers make better financial decisions," he said.

However, industry critics say the changes are not worth much. "It amounts to saying that they have a really bad product, so be careful. I'm not sure that I see that as a big step forward," said Laura Polacheck, advocacy director for AARP Utah, which often fights the payday loan industry in the Utah Legislature.

Polacheck said the industry already generally warns that the loans are for short-term needs only, and says it has been hypocritical to say that "and then have ads promoting using them for vacations or a night on the town. At least that should stop now."

She said allowing extended payment plans could be worthwhile, depending on how they are implemented. CFSA materials said they should allow paying off a loan in four payments with no extra interest on a customer's next pay dates. Lenders would not begin collection proceedings against customers complying with such a payment plan.

But it also adds that such plans may be made available only once a year to customers. Polacheck said she worries it still might allow some to get caught in a cycle of taking out new loans to pay off old ones at triple-digit interest.

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Deseret Morning News

Nov. 13 2005:

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The changes come after Congress last year capped interest on payday loans for families of military members to 36 percent annually. (A Deseret Morning News probe into the industry in Utah in 2005 showed they charge an average 521 percent annual interest here for loans usually made for two weeks or until a next payday.)

Also in Utah, several cities such as Sandy and Salt Lake City are considering restricting the numbers of payday lenders they allow (as other cities such as West Valley City and Taylorsville already have).

The Utah Legislature passed a minor bill this year to allow fining payday lenders for violating state rules. More stringent bills have been introduced but have not proceeded far.

Andersen of CFSA said the new voluntary steps "are part of an ongoing effort to respond to the concerns of policy makers and protect the financial well being of our customers."

The CFSA also says it is launching a \$10 million national consumer education campaign to encourage consumers to use payday loans in responsible manners — including borrowing an amount they feel comfortable that they can repay on time.

Of note, a Morning News series in 2005 found that Utah has more payday loan stores than 7-Elevens, McDonald's, Burger Kings and Subway stores — combined. Most are concentrated in areas that are poorer, heavily Hispanic or near military bases.

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