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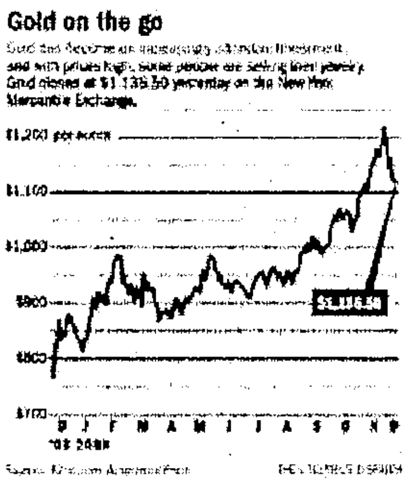
COMMON COUNCIL FILE NO. 100771

Pawn shops benefit as people mine their jewelry boxes for cash
Thursday, December 17, 2009 3:11 AM
By Steve Wartenberg
THE COLUMBUS DISPATCH

Jeff Hinckley | DISPATCH

Employees Bryan White, left, and Jake Kozberg sort through gold at Lev's Pawn Shop at 3446 E. Main St., where business is good.



Gold has been treasured for thousands of years, and with the price having recently topped $1,200 an ounce, there's a new gold rush under way.

Central Ohioans are turning in their unwanted jewelry into cash, and not just through jewelry stores and mail-in offers. They're heading to pawnshops, too.

"The price has absolutely affected our business, and we are seeing a big increase in the number of people bringing in their gold," said Lou Tansky, president of the Ohio Pawnbrokers Association and owner of Uncle Ben's pawnshop in Cleveland.

He estimated business is up about 30 percent to 35 percent in recent months at his shop.

Business is also booming at Lev's Pawn Shop, a chain of 17 stores in central Ohio, said John Kinney, manager of the E. Main Street shop.

"We're seeing more people because we can loan them more - because the price is up so high," he said. "They can borrow amounts that mean something."

Mike Tocci of Mike's Pawn Shop also said he is seeing more gold - and better-quality items.

"We're seeing people who wouldn't have sold it before coming in, because of the money," he said. "Some figure, 'Hey, it's time to get rid of this big, ugly thing I never wear anymore, because it's worth more now than ever before.'"

In some cases, Tocci said, he can offer more for a piece of gold jewelry today than the owner paid for it at his shop a few years ago.

"That blows their minds," he said.

Gold sold for about $800 a year ago and a bit more than $400 in 2005.

The price usually rises in tough economic times.

Gold is measured in karats, with 24 considered pure. A 12-karat necklace is made up of equal parts gold and other metals.

"Most reputable pawnbrokers offer 60 (percent) to 75 percent of whatever the market is at that moment for a 24-karat piece and half of that for a 12-karat piece," Tansky said.

So, a 1-ounce chain that is 24-karat gold could fetch $720 to $900 when the price of gold is $1,200 an ounce, while a 12-karat item could bring $360 to $450.

"But the market is so volatile and the price changes literally by the minute," Tocci said. "It can change 10 percent in a day."

The buying and selling of gold doesn't take place in a regulatory vacuum.

The Ohio Department of Commerce's Division of Financial Institutions issues licenses to and regulates pawnbrokers and precious-metal dealers.

"We're seeing a huge uptick in the number of license requests," said Leigh Willis, deputy superintendent for consumer finance of the Division of Financial Institutions.

The number of licensed pawnbrokers is 288, up from 167 on June 30, 2008; the number of licensed precious-metal dealers is 76, up from 23 on the same 2008 date, she said.

A pawnbroker's license costs $800 initially and $600 every two years thereafter, Willis said. A precious-metal dealer's license costs $500 initially and $300 a year.

The division is also seeing a lot more unlicensed activity, including local stores that decide to go into the gold-buying business.

Many shop owners don't know that they need a license to buy gold, Willis said.

"And we're seeing a lot more folks from out of state come in for the weekend, set up shop at a local hotel and buy gold," she said. "The problem for us is, we don't get a report about it until Monday, and by then, they're already gone."

Pawnbrokers must report all purchases to the police and hold an item for 15 days, according to state law. Then they can resell it in their shop or sell it to a refiner as scrap.

Customers can sell their gold outright to a pawnbroker or borrow against it.

In general, pawnbrokers offer a little less on loans than on outright purchases, Tansky said, because the dealer must hold on to the item for several months, in which time the price could go down.

There are steps consumers should take before selling their gold, Willis said.

"What we suggest is to check out the people you are doing business with, make sure they are licensed," she said.

Willis advises gold holders to shop around to get the best price.

"And if you have a piece of gold with a stone or gem in it, they may not always pay you what it's worth," she said. "So either make sure to get more for it or have them remove it."

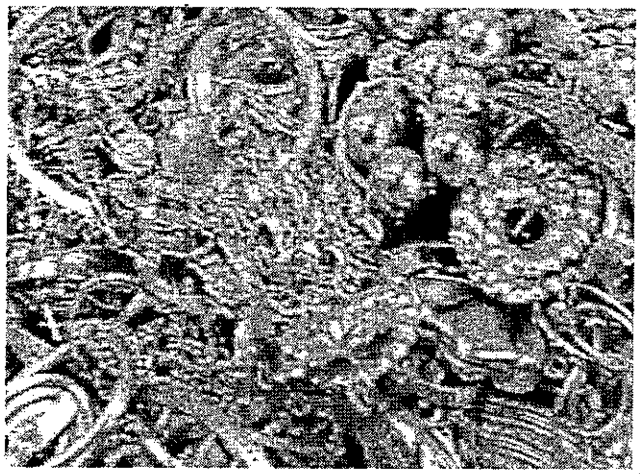
To find out if a pawnbroker or precious-metal dealer is licensed by the state, go to www.com.state.oh.us/fiin/elicense.aspx or call the Ohio Division of Financial Institutions at 614-728-8400 or 1-866-278-0003.

swartenberg@dispatch.com

WUSA9.com

Victims Say Time For Action On Cash For Gold

Surae Chinn 8 months ago



LOUDOUN CO., Va (WUSA) – Crooks strike again. This time it was Thursday night in South Riding in Loudoun County.
As 9NEWS NOW first reported this summer, thieves hit 17 homes in Fairfax County, last week another 7.

And now, Loudoun County has been able to link three break-ins to the previous ones.

The Indian American community has formed a task force in hopes of catching these crooks. They have been targeted for their gold. Many in the community have jewelry that has been passed down from multiple generations.

They started a petition and there are now 850 signatures in the course of two days. They people who signed the petition are either concerned or victims of these crimes.

Now these victims such as Manashi Laha are pushing for legislation to regulate 'cash for gold' companies.

Laha says, "It's just all my grandmother's jewelry, my wedding jewelry and from my anniversary from my husband. All these things with sentimental value all are gone."

A distraught Laha talks about crooks who ransacked her Loudoun County home.

More than 80 thousand dollars worth of Jewelry mostly gold and other items snatched by criminals.

Laha and others in the community says they're concerned cash for gold advertisements are giving crooks incentive to steal. That concern has now gotten the attention of lawmakers.

Delegates Tim Hugo and Tom Rust have held town hall meetings this summer in Fairfax.

Hugo says, "We gotta figure out how to stop these crimes. We assume they're melting it down so we have to think about how to stop it. "

Delegate Tim Hugo says he sent a letter yesterday in the hopes of getting the FBI involved since victims have had their passports and social security numbers stolen.

He's asked his staff to investigate the cash for gold businesses and says he wants to draft a bill to have more regulation in cash for gold industry.

Hugo says, "We are not saying it's an illegitimate business. We need to make sure we don't hurt the industry but we need to protect people in Fairfax, L oudoun County and Northern Virginia. We want to see if we can have similar regulation as pawn shops."

Police say pawn shops are required to report every business transactions to police.

The price of gold in 2000 was $272 dollars. It went up again in 2005 to $445 and skyrocketed to $1053 this year.

Written by Surae Chinn
9NEWS NOW & wusa9.com

Committee recommends approval of stricter rules for gold buyers

Kenosha News

April 26, 2010

BY MATTHEW OLSON
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Stricter regulations on gold buying and selling businesses in Kenosha got an initial approval Monday.

Kenosha's Licensing and Permit Committee unanimously recommended approving an ordinance from Alderman Dan Prozanski.

Prozanski's proposed ordinance would require stores that buy and/or sell secondhand articles and jewelry to take video or digital photos of items being brought in for sale and to take a photograph of the person coming in to sell goods.

The ordinance also would prevent items with damaged or missing serial numbers from being purchased and require businesses to conduct these transactions at a city-approved location.

Police officials have spoken out against transient gold buying and selling businesses, and the concern with stolen goods being exchanged, since shutting down such an event at a local hotel in February.

The committee added a few extra regulations on Monday, including:

— Requiring thumb prints from the gold or jewelry seller. Alderman Jesse Downing said this would prevent people from using fake identifications when selling materials.

— Not allowing payment on the sale of gold or jewelry to the seller until 72 hours after the sale and only paying that amount by check.

"We need to take away the immediate impulse," Alderman Michael Orth said.

Business booming

The proposed ordinance comes at a time when gold prices are high and more cash-for-gold businesses have been appearing.

The city has 12 active secondhand-article dealer licenses and five secondhand jewelry licenses, but have denied or deferred several recent applications, including deferring an application from USA Payday Loans, 6206 22nd Ave., for a secondhand jewelry dealer's license on Monday for 90 days.

"We have to take a stand and say. 'Enough is enough,'" said Alderman Patrick Juliana, whose district includes the USA Payday Loans store. "It detracts from the city, and it's getting out of hand."

The ordinance is set to go before the City Council for approval on May 17.

Liquor license deferred

Also on Monday, the committee voted to defer action on a beer and liquor license for Friends of Wisconsin, a restaurant at 7127 120th Ave., and recommended denying an application for Copa de Oro, 3029 52nd St., for the same license.

Committee members had questions about the amount of parking available at Friends, but no representative of the company was available at Monday's meeting. The application was deferred for two weeks. The business has applied for a beer and liquor license three times.

Copa de Oro was recommended for denial due to concerns from nearby residents.

Only one beer and liquor license is available in the city at this time.

BROUGHT TO YOU BY Milwaukee MAGAZINE

newsbuzz

July 1, 2010

City leaders fear dirty gold

May 21, 2010
By Matt Hrodey

When the price of gold climbs above $1,000 an ounce, you can expect to see more "cash for gold" storefronts cropping up in your neighborhood, says jeweler John Barnes. Milwaukee, like other cities, has seen an influx as the price of the precious metal climbs higher. But city officials might put the brakes on the industry, which they say promotes break-ins and theft.

Barnes, president of the Wisconsin Jewelers Association, says cash for gold and other secondhand jewelry stores have been on the rise in the area for about three years. Investors have bought up gold hoping the eternally coveted metal will hold its value through the recession. A weak U.S. dollar has also spurred the market, which tends to climb as the dollar falls.

Many people with jewelry to sell are cashing in on the high prices – and many gold dealers want to help them make that quick buck. "A lot of people are getting into the business," Barnes says.

Too many, according to Alds. Terry Witkowski, Joe Dudzik, Jim Bohl and Nate Kovac. They've signed onto a proposed ordinance that would halt the issuance of new Precious Metal and Gem Dealer licenses for 180 days while the city convenes a task force to consider new regulations for gold and jewelry resellers. The moratorium would only affect stores that buy or sell secondhand jewelry, silver or gold.

"The presence of 'cash for gold' type business in a neighborhood is linked by many to increased home burglaries in the region surrounding the 'cash for gold' location," the legislation says.

"Neighbors are pretty up-in-arms about gold resale," says Dudzik, who represents a district on the city's South Side. Late last year, Milwaukee police seized about 1,200 pieces of suspected stolen jewelry from four South Side jewelry stores. Citations to the store owners, who were accused of not properly documenting their purchases of the jewelry, totaled $41,000.

On May 10, the Common Council's Licenses Committee voted to renew but suspend the license of a gold buyer, Sam's Discount, 1577 W. Greenfield Ave., for 90 days. Police had cited it for not documenting sales properly and continuing to operate after its license had lapsed. The council is scheduled to vote on the committee's recommendation on Tuesday.

"Out of their trunks"

Dudzik says City Attorney Grant Langley's office will need to review the legality of the temporary ban on new licenses. The alderman says the moratorium could be shortened (to something less than 180 days) before passage. "We'd like to get the idea (of a task force) out there first and see if the Common Council is agreeable to it," he says.

The legislation will be introduced at Tuesday's council meeting, according to Bohl, and assigned to a future Licenses Committee meeting. In its current form, it calls for representatives from Milwaukee police, the Department of City Development and the Department of Neighborhood Services to sit on the task force.

Barnes would also like to see the jewelry industry represented. According to Dudzik, city officials are still working out who will serve on the panel and what they're going to discuss. But the major concern is that regulations for cash-for-gold stores don't do enough to discourage illegal activity.

Precious Metal and Gem Dealer licenses cost $125 and expire after a year. According to Milwaukee police, such stores are required to keep records of who they buy jewelry from and "a written declaration of ownership of the jewelry." Dealers that only trade with other dealers aren't required to get the license.

Barnes says he doesn't object to a moratorium on the opening of new jewelry resale shops. "You can definitely flood the market. Putting a hold on it, you can reevaluate the market," he says.

The licenses are only required of dealers who operate within "a fixed and regular place of business," like a store. Barnes would like to see better regulation of more transient dealers.

"It would probably be better to regulate some of these people that work out of their trunks," he says. "Those are sometimes the people engaging in buying jewelry that doesn't belong to the person that's selling it."

Richard Pfaff, assistant manager of the city licensing division, says anyone selling jewelry on a sidewalk or other public space would still need a direct seller's permit.

The black market in stolen jewelry is certainly thriving. Barnes says it's not uncommon for a police officer from a town 30 miles away to call him looking for stolen jewelry. Conventional wisdom calls for victims of theft to check local stores and pawn shops, he says, but stolen jewelry doesn't always end up on a store shelf.

Proposal targets gold | Milwaukee panel considers moratorium

Milwaukee Journal Sentinel (WI) - Wednesday, June 2, 2010

Author: *TOM TOLAN, ttolan@journalsentinel.com, Milwaukee Journal Sentinel: Staff*

Milwaukee aldermen, overwhelmed by the number of businesses seeking to buy used gold jewelry, are proposing a fourmonth moratorium on granting licenses for the firms and a revamping of city zoning rules and state laws that govern them.

The initiative, in a measure scheduled to come before the city's licensing committee Wednesday, is aimed at coming to terms with a major boom in goldbuying, as the price of the precious metal hovers in record territory, at more than $1,200 per ounce. The moratorium measure also calls for a task force of officials from the Milwaukee Police Department and other city agencies to come up with better ways to regulate the businesses.

Ald. James Bohl, chairman of the Common Council's licenses committee and a co-sponsor of the moratorium, says that the number of applications for precious metals and gem dealer licenses has shot up recently.

"Two, three, four, five years ago, we would go years upon years and never have an application in front of us," he said. "Now we're seeing them every meeting." Or as Chuck Fletcher, a Greenfield police detective assigned to track second-hand jewelry buyers, put it: "A lot of people are hopping in the covered wagon looking for gold." The gold-buying business is booming throughout the area, says John Barnes, an Oconomowoc jeweler who is president of the Wisconsin Jewelers Association, in a way that it hasn't since the last big spike in gold prices, back in 1980. And the poor economy of the last year has led many established jewelry stores to enter the field, he said.

"Everybody has been forced to become buyers, even jewelers who, two years ago, rarely would they even touch scrap gold," Barnes said - citing Kesslers Diamonds as perhaps the area's major buyer.

Whom it affects

The lead sponsor of Milwaukee's moratorium proposal, Ald. Terry Witkowski, argues that gold-buying businesses threaten neighborhoods with increased burglaries by people looking to sell stolen jewelry, and drive down the quality of the business strips where they locate.

The movement for a moratorium initiative comes after the licenses committee, in a hearing May 10, denied a city precious metals and gem dealer license to an outlet on S. 27th St., in Witkowski's 13th Aldermanic District, of a large Illinois-based goldbuying firm.

Representatives of eight neighborhood groups in the district showed up to oppose the outlet. One, Christopher Kuester, even said he feared that S. 27th St. would look run-down if too many businesses similar to that were allowed to locate there.

There are already two gold-buying businesses along S. 27th St., but beyond the Milwaukee city limits. Witkowski testified that burglaries in the 6th Police District, the city's southernmost, dropped sharply since police cracked down in 2009 on south side jewelry stores in the business of buying gold, making undercover buys of what they said were stolen jewelry items.

The stores were accused of violating city rules that required them to get identification from sellers and keep the gold on hand for 15 days.

Three of the stores surrendered their licenses in January; the fourth had its license suspended.

Police Capt. Carianne Yerkes of the department's Criminal Investigation Bureau said that burglaries had dropped by 29% in the 6th District in 2010.

Large operator tests market

The firm at the May 10 hearing, Midwest Gold Buyers, is owned by twin brothers from the Chicago area who launched their company 21/2 years ago, when gold hit about $950 an ounce. The company says its outlets are reputable and professional, have security cameras, and pay for gold with checks, not the cash that might draw criminals.

Besides buying gold jewelry out of storefronts and shopping mall kiosks, the firm also sponsors Tupperwarelike "gold home parties," where the host or hostess earns 10% commission on what the company buys, according to its website.

The firm is already operating 48 outlets, said Jake Sadoff, one of the firm's owners. Most stores are in the Chicago area, Sadoff said in a telephone interview, but there are also Wisconsin locations in Brookfield, Franklin, Greendale, West Allis and Kenosha. At the May 10 meeting, he described the firm as the biggest gold buyer in the Midwest.

Sadoff said in an interview that he and his brother Jordan, both 32, first got into business when they were in college, buying and selling Beanie Babies on the secondary market - a business they stayed in for 12 years.

Tony Colvin, a broker for Mid-America Real Estate who is handling site selection for Midwest Gold, said all but the Southridge site opened this year, and he added that the two City of Milwaukee locations the company applied to move into were the most difficult it's experienced.

The second Milwaukee outlet, at 3171 S. 76th St., was granted a license, but still faces an appearance before the city's Board of Zoning Appeals.

"Don't you think an occupied storefront that doesn't generate a ton of traffic should not be viewed as problematic to the community?" he argued.

Jake Sadoff put it another way: "Ald. Witkowski has been an absolute thorn in my side." A moratorium, meanwhile, might give the city time to redefine its zoning rules for these businesses, and petition the state for changes in the law. One change, suggested by Chuck Fletcher, a Greenfield detective who appeared at the May 10 hearing, is requiring jewelry buyers to feed a statewide database with images of the second-hand jewelry purchased by these outlets, as well as images of the person who sold the item to the store. Such a system has been put in place in Greenfield, he says, and he's already solved more than 40 burglaries and recovered $184,226 in stolen property as of Thursday.

See the proposal online

To see the text of the proposed moratorium measure, go to jsonline.com/milwaukee.

Caption: Kyla Cereceres at MGB Jewelers in Franklin demonstrates the use of a magnet to determine gold's validity. MARK HOFFMAN /MHOFFMAN@JOURNALSENTINEL. COM.

Edition: *Early*
Section: *News*
Page: *01, 06*
Index Terms: *Local News*
Record Number: *1006035177494*

West Allis

City is slowing the gold rush

City sets aside time to review second-hand store licensing, locations

By MARK SCHAAF

Posted: June 21, 2010 |(0) Comments

West Allis — No more pawn shops and second-hand stores, including those that buy gold jewelry, can open in West Allis, at least for the time being.

Under a temporary moratorium passed by the Common Council on June 15, new businesses in those categories will have to wait until city officials have time to "consider if trends in the marketplace threaten to undermine the health, safety and welfare" of West Allis residents, according to the ordinance.

Officials said the city has not made plans to permanently ban those businesses, but other restrictions, such as their proximity to one another, may be considered.

Golden opportunities

The number of cash-for-gold businesses has gone through the roof in recent months as the price of gold has skyrocketed. Multiple businesses have opened in West Allis, particularly along Highway 100.

"With the recent increase in these types of businesses, we need to take a step back and look at our ordinances," Mayor Dan Devine said, to see if changes need to be made to regulate those stores.

Cash-for-gold stores often come attached with a stigma as well as worries about spikes in theft and selling stolen property, Devine added.

Officials are also concerned the city will see an explosion of those businesses concentrated in one area, like a number of payday loan stores opened on 108th Street years ago, Development Director John Stibal said.

West Allis put a distance requirement for loan stores to prevent more from clustering together. It is possible that pawn shops, thrift stores and second-hand jewelry stores will eventually be folded into that ordinance, Stibal said.

Car sales and service too

In a separate measure, the council passed a moratorium on vehicle sales and repair businesses in the C-4 commercial district, which encompasses Highway 100 from Lincoln to Morgan avenues.

The vehicle sales moratorium was enacted because West Allis already has many of those businesses and officials want to improve existing places, Stibal said.

City staff will spend the next several months exploring how to make current vehicle sales and repair shops on Highway 100 more "neighborhood friendly," especially in terms of landscaping and architecture, Stibal said.

What now?

The Common Council unanimously adopted the moratoriums, which will be in effect for the next 90 days and could be extended for another 90 days.

Stibal said it will probably take the full six months until new regulations, which need Plan Commission review and Common Council approval, are put into place.

On each moratorium, a group of representatives from various city departments will form to review the licensing policy. In the meantime, all current and future applications for operational licenses will be put on hold.

This isn't the first time West Allis officials have moved to limit opening certain types of businesses.

In addition to payday loan restrictions, aldermen three years ago banned thrift stores and pawn shops from opening downtown. In 2008, the council passed an ordinance restricting tattoo and body-piercing businesses to the southern half of Highway 100.

LAS VEGAS, NEVADA

CHAPTER 6.74 - SECONDHAND DEALERS

6.74.010 - Privileged business finding.

The City Council finds that the business of secondhand dealers seriously affects the well-being of the City and its residents; that it is necessary to regulate such activities carefully to ensure that persons of honesty and integrity are operating such businesses; and that they are operated in a manner which is responsible to the public. Therefore, secondhand dealers (other than Class IV secondhand dealers) must comply with Chapter 6.06.

(Ord. 5060 § 1, 1998: Ord. 3612 § 1, 1991: Ord. 2196 § 2 (part), 1981: prior code § 5-8-1)

6.74.020 - Definitions.

As used in this Chapter, unless the context otherwise requires, the following words shall have the meaning ascribed to them as follows:

"Advertise" means the use of any newspaper, magazine or other publication, letter, sign, card or other printed matter, radio or television transmission or any other method to bring to the attention of the public that a person is engaged in the business of:

(A)

Buying, selling or trading hides or junk; or

(B)

Buying, selling or trading metal junk, melted metal or secondhand personal property, including, without limitation, antiques and collectibles.

"Antique" means a unique object of personal property that is not less than sixty years old and has special value primarily because of its age.

"Collectible" means an object of personal property that has special value primarily because of its unique characteristics and the high level of demand for the object.

"Identifiable" means secondhand personal property which bears a serial number or personalized initials or an inscription and includes secondhand personal property which, at the time it is acquired by the secondhand dealer, bears evidence of having had a serial number or personalized initials or an inscription.

"Junk" means old iron, copper, brass, lead, zinc, tin, steel and other metals, metallic cables, wires, ropes, cordage, bottles, bagging, rags, rubber, paper, and all other secondhand, used or castoff articles or material of any kind.

"Precious metals" means gold, platinum, silver and their alloys.

"Secondhand dealer" means any person engaged in whole or in part in the business of buying, selling or trading secondhand or used personal property, including, without limitation, hides, junk, metal junk, melted metals, antiques and collectibles.

(Ord. 5998 § 133, 2008: Ord. 5060 § 2, 1998: Ord. 3612 § 2, 1991: Ord. 3020 § 2, 1982: Ord. 2196 § 2 (part), 1981: prior code § 5-8-2)

6.74.030 - License required.

No person shall:

(A)

Engage in the business of a secondhand dealer without first obtaining and thereafter maintaining a valid unexpired license pursuant to this Code; or

(B)

Advertise as a secondhand dealer unless the person holds a valid license to engage in such business. The number of the dealer's business license shall be included in all of his advertising material.

(Ord. 3612 § 3, 1991: Ord. 2196 § 2 (part), 1981: prior code § 5-8-3)

6.74.040 - Exemptions.

This Chapter does not apply to:

(A)

Dealers of used vehicles as to those activities permitted by a license issued by the State Department of Motor Vehicles pursuant to NRS 482.322 but not as to those activities referred to in Section 6.74.060;

(B)

The buying, selling or trading by a licensed business of used articles which were acquired as a trade-in or a credit upon the purchase of a new article of the same kind on a one-for-one basis;

(C)

The taking in pawn or the selling of unredeemed personal property by a licensed pawnbroker pursuant to Chapter 6.60;

(D)

The buying, selling or trading of used books, newspapers and periodicals;

(E)

The buying, selling or trading of coins which are not a part of any jewelry;

(F)

The buying, selling or trading by a licensed retail business of used video games, videotapes, cassettes, digital video discs, compact discs or sound recordings which have been purchased (or received as trade-ins) from its retail customers, provided that credit only has been given as consideration for the purchases or trade-ins, which credit then can only be used by its retail customers for the rental or purchase of new or used items referenced in this Subsection at any of its licensed business premises.

(G)

A convention or trade show not exceeding fourteen days in length, provided that convention or trade show exhibitors do not purchase secondhand or used personal property at the convention or trade show; or

(H)

A person selling used or personal property under the umbrella of another licensee's gift and novelty or Class IV secondhand dealer license, provided the sales are made at the main business premises of the gift and novelty or Class IV secondhand dealer licensee and the person does not purchase used or personal property at the main business premises of the licensee.

(Ord. 5823 § 1, 2006: Ord. 5060 § 3, 1998: Ord. 3020 § 3, 1982: Ord. 2196 § 2 (part), 1981: prior code § 5-8-4)

6.74.050 - Prohibited location.

A secondhand dealer's license must not be issued to a location on Fremont Street or on Las Vegas Boulevard South between Charleston Boulevard and Sahara Avenue, unless a variance has been granted, in accordance with the provisions of Title 19, permitting such use at that location.

(Ord. 3816 § 1, 1994: Ord. 2196 § 2 (part), 1981: prior code § 5-8-5)

6.74.060 - Class I licenses.

Class I is divided into the following subclasses:

(A)

Class I-A permits secondhand dealers who dismantle, scrap, process, wreck or disassemble used vehicles and sell the dismantled, wrecked or disassembled parts and accessories, and all secondhand dealers who handle or deal in the salvaging of all other articles including metals (except precious metals), lumber and junk;

(B)

Class I-B permits secondhand dealers of the parts and accessories of used vehicles who do not dismantle, scrap, process, wreck or disassemble said vehicles.

(Ord. 2196 § 2 (part), 1981: prior code § 5-8-6)

6.74.070 - Class II licenses.

Class II licenses permit secondhand dealers of any of the following used articles: wearing apparel, furniture, fixtures, appliances, tableware, office supplies, pictures, paintings, jewelry, cutlery, guns or other secondhand articles except those which fall within Class I.

(Ord. 2196 § 2 (part), 1981: prior code § 5-8-7)

6.74.080 - Class III licenses.

Class III is divided into the following subclasses:

(A) Class III-A permits secondhand dealers who deal exclusively in any one or more of the following kinds of secondhand articles: precious metals, precious or semiprecious gem stones, or articles made wholly or in part of precious metals and/or precious or semiprecious gem stones, including but not limited to jewelry, cutlery, tablewares, housewares, ornaments and decorations;

(B) Class III-B permits secondhand dealers other than those in Class I and those in Subclass III-A who deal in one specific kind of used article and no new articles;

(C) Class III-C permits businesses in which the sale of secondhand or used articles is incidental to the sale of new articles of the same kind. The sale of secondhand or used articles shall be incidental to the sale of new articles if no more than twenty-five percent of the gross sales of the business for any six-month period is attributable to the sale of used articles.

(Ord. 3020 § 4, 1982: Ord. 2196 § 2 (part), 1981: prior code § 5-8-8)

6.74.085 - Class IV licenses.

Class IV licenses permit secondhand dealers who deal exclusively with antiques or collectibles, or a combination of antiques and collectibles.

(Ord. 5060 § 4, 1998)

6.74.090 - Bond.

Each applicant for a Class I, Class II, and Class III-A secondhand dealer's license must file and each such licensee must maintain a surety bond with the Department in the sum of five thousand dollars with surety acceptable to and approved by the City Attorney. Such bond must be conditioned to be paid to the City or to any person suffering injury by reason of any violation of the provisions of this Code by the principal, his agents or employees, and that the principal therein named will faithfully conform to any conditions or restrictions that may be placed upon the principal's license.

(Ord. 3612 § 4, 1991: Ord. 2196 § 2 (part), 1981: prior code § 5-18-16)

6.74.100 - Fee for license.

Each secondhand dealer must pay to the Department in advance, semiannually, a license fee based on the dealer's gross sales pursuant to LVMC 6.04.005.

(Ord. 5060 § 5, 1998: Ord. 3612 § 5, 1991: Ord. 2196 § 2 (part), 1981: prior code § 5-8-17)

6.74.110 - Transaction records—Books—Access.

(A)

Every secondhand dealer shall maintain in his place of business a book or other permanent record in which must be legibly written in the English language, at the time of each purchase, a record thereof containing:

(1)

The date and time of each transaction;

(2)

The name, age, driver's license number, house number and street and a general description of the complexion, color of hair and facial appearance of the person with whom the transaction is had;

(3)

The license number of the vehicle delivering each purchase, if the transaction involves household furniture;

(4)

A description of the property bought; and

(a)

In the case of watches, the description must contain the name of the maker and the number of the works or the case; and

(b)

In the case of jewelry, the description must contain all letters and marks inscribed on the jewelry; and

(c)

When the article bought is furniture or the contents of any house or room actually inspected on the premises, a general record of the transaction is sufficient;

(5)

The price paid;

(6)

The name or other identification of the person or employee conducting the transaction, who shall legibly print or type his full name and write his signature on the transcript. Each transcript must include a certificate, signed by the person selling the property to the secondhand dealer, stating that he has the legal right to sell the property.

(B)

The record and all goods received must at all times during the ordinary hours of business be open to the inspection of Metro.

(C)

The provisions of this Section do not apply to any transaction which involves buying, selling or trading used sound recordings or clothing.

(Ord. 5998 § 134, 2008: Ord. 3612 § 6, 1991: Ord. 3070 § 1, 1983: Ord. 2196 § 2 (part), 1981: prior code § 5-8-9)

6.74.120 - Transaction records—Daily police report.

(A)

Every secondhand dealer shall, on forms acceptable to Metro, and before the hour of twelve noon of each day, furnish, by mail or any other means, in duplicate to Metro a full, true and correct transcript of the record of all transactions had on the preceding day.

(B)

Every secondhand dealer having good cause to believe that any property in his possession has been previously lost or stolen shall forthwith report that fact to Metro, together with the name of the owner if known, and the date when the name of the person from whom he received the property.

(Ord. 5998 § 135, 2008: Ord. 3612 § 7, 1991: Ord. 3070 § 2, 1983: Ord. 2196 § 2 (part), 1981: prior code § 5-8-10)

6.74.130 - Keeping and inspection of goods.

Every secondhand dealer must keep without concealment property that is identifiable for a period of thirty days after the receipt thereof has been reported or a record of the receipt of the property is furnished or mailed to Metro and before selling, shipping or otherwise disposing of the same. While in the possession of any secondhand dealer, all goods shall remain subject to inspection by Metro during normal business hours.

(Ord. 5998 § 136, 2008: Ord. 3769 § 1, 1994: Ord. 3612 § 8, 1991: Ord. 3070 § 3, 1983: Ord. 2196 § 2 (part), 1981: prior code § 5-8-11)

6.74.140 - Fence or wall required when.

Each premises or enclosure, except a completely enclosed building, used in the conduct of a Class I secondhand dealer's business, must be enclosed by a fence or wall at least eight feet high erected in such a manner as to obscure the premises from public view. Such fence or wall shall be maintained, at all times, in good condition by the licensee.

(Ord. 2196 § 2 (part), 1981: prior code § 5-8-12(A))

6.74.150 - Storage of dismantled parts.

It is unlawful for any licensee to pile or store any dismantled motor vehicle or trailer parts in piles exceeding eight feet in height or nearer than two feet from any fence or wall.

(Ord. 2196 § 2 (part), 1981: prior code § 5-8-12(B))

6.74.160 - Vehicle and trailer license plates.

Each holder of a Class I secondhand dealer's license shall promptly deliver to Metro or the Department of Motor Vehicles all motor vehicle and trailer State license plates attached to any motor vehicle or trailer received by him for resale, exchange, wrecking or dismantling.

(Ord. 5998 § 137, 2008: Ord. 3612 § 9, 1991: Ord. 2196 § 2 (part), 1981: prior code § 5-8-13)

6.74.180 - Clothing preparation.

No secondhand dealer shall sell or offer for sale any clothing until the same has been cleaned, pressed and mended.

(Ord. 2196 § 2 (part), 1981: prior code § 5-8-15)

6.74.190 - Unlawful acts.

It is unlawful for any secondhand dealer or any clerk, agent or employee of a secondhand dealer to:

(A) Omit making an entry of any material matter in his book or record kept as provided for in Section 6.74.110;

(B) Make any false entry in his book or record;

(C) Obliterate, destroy or remove from his place of business the book or record;

(D) Refuse to allow Metro to inspect the book or record or any goods in his possession, during the ordinary hours of business;

(E) Report any material matter falsely to Metro;

(F) Omit reporting forthwith to Metro the possession of any property which he may have good cause to believe has been lost or stolen, together with the name of the owner, if known, and the date when and the name of the person from whom he received the property;

(G) Violate Section 6.74.130;

(H) Receive any property from any person under the age of eighteen years, any common drunkard, any habitual user of controlled substances as defined in Chapter 453 of NRS, any habitual criminal, any person in an intoxicated condition, any known thief or receiver of stolen property, or any known associate of a thief or receiver of stolen property, whether the person is acting in his own behalf or as the agent of another.

(Ord. 5998 § 138, 2008: Ord. 3612 § 10, 1991: Ord. 3070 § 4, 1983)

6.74.200 - Violation—Penalty.

Whenever in this Chapter any act is prohibited or is made or declared to be unlawful or an offense or a misdemeanor, or whenever in this Chapter the doing of any act is required or the failure to do any act is made or declared to be unlawful or an offense or a misdemeanor, the doing of such prohibited act or the failure to do any such required act shall constitute a misdemeanor and upon conviction thereof, shall be punished by a fine of not more than one thousand dollars or by imprisonment for a term of not more than six months, or by any combination of such fine and imprisonment. Any day of any violation of this Chapter shall constitute a separate offense.

(Ord. 3612 § 12, 1991)

fox6now.com /news/witi-091203-stolen-gold-recovered,0,7118313.story

WITI

Milwaukee police recover 1,200 pieces of stolen gold jewelry

Stolen gold recovered from several stores on city's south side

December 3, 2009

WITI-TV, MILWAUKEE

Milwaukee police recovered some 1,200 pieces of stolen gold jewelry while serving search warrants. Officials say the jewelry was stolen in burglaries throughout the Milwaukee area and then illegally purchased by gold and precious metal stores on the city's south side.

Milwaukee Police found Carrie Lapointe's stolen class ring in one of Milwaukee's gold resale shops. Lapointe is hopeful she'll find some of what burglars took from her. She says, "All my Jewelry, which I would say is $5,000 worth of jewelry...I never thought anything would come from this. When they told me they thought they found my ring I was pretty excited about it.

After an undercover sting, police went back with search warrants. They seized 1,200 pieces of jewelry from Star Jewelers on Lincoln Ave, Cash N Gold on Cesar Chavez, John's on Mitchell, and Reflections on Forest Home Ave. MPD Capt. Donald Gaglione said, "We'll be working with surrounding jurisdictions to identify items taken in our jurisdiction and in surrounding suburbs.

By law stores that buy gold has to keep records of who sold them each piece. The cops went back with search warrants and took rings, bracelets, grills made for teeth, none of which was legally recorded. Capt. Gaglione says, "The items that were purchased illegally were confiscated. We have several items that we've already connected to crimes within the City of Milwaukee. And we believe some of these items may be connected to crimes outside the City of Milwaukee."

The Owner of Star Jewelers told FOX 6 his lawyer told him not to comment at this point, but did say the stores didn't know they were doing anything wrong.

Milwaukee police officers issued more than $40,000 in citations to the stores involved in these transactions. If you think some of the jewelry that's been recovered is yours, you're encouraged to call 414-235-6633.

Crime Incidents

Aldermanic District 13

City of Milwaukee, Wisconsin

December 07, 2009

Date of Incident

- Last week
- 3 weeks ago
- 2 weeks ago
- 4 weeks ago

Crime Categories

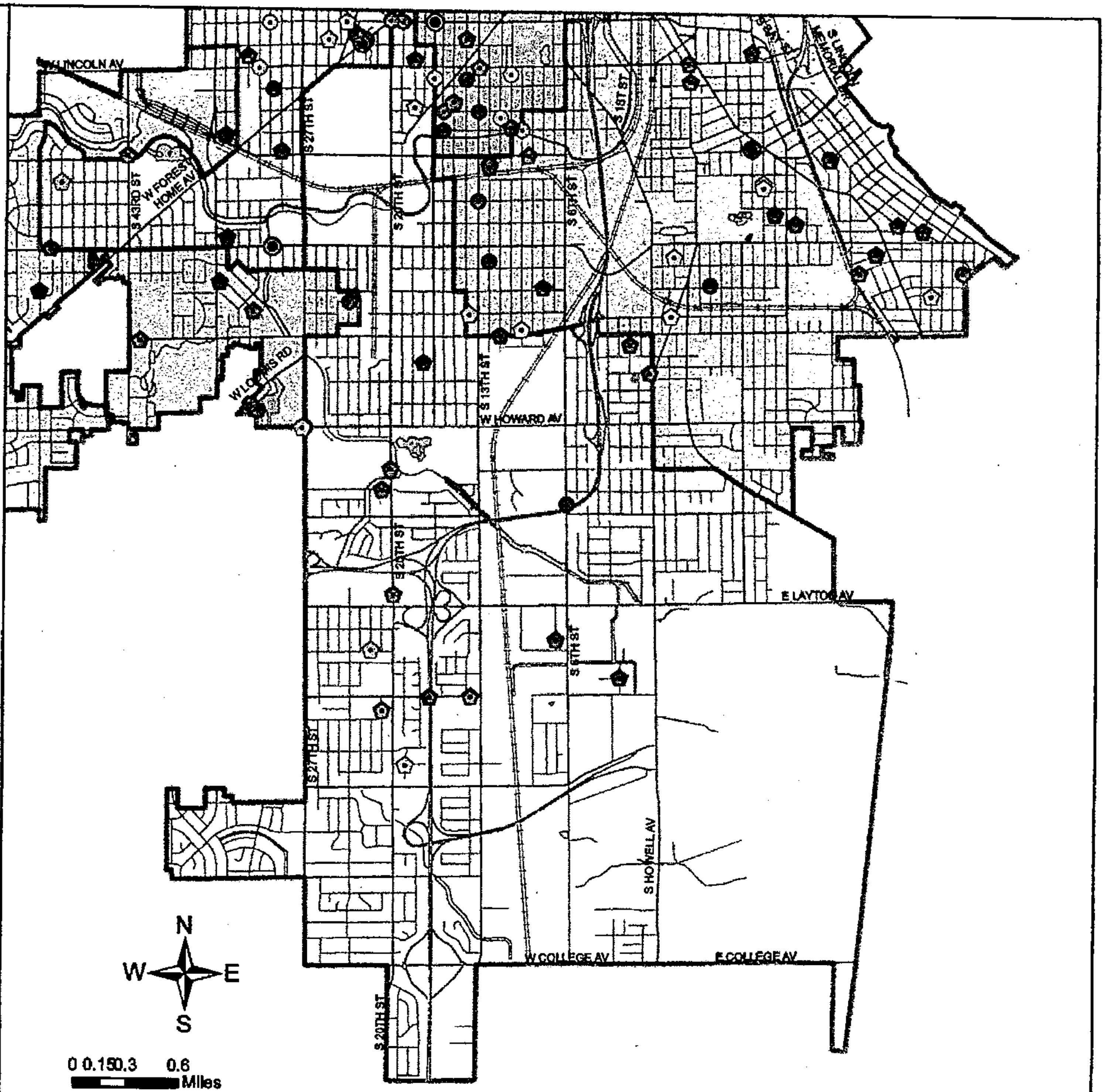
- Homicide
- Assault
- Sex Offenses
- Robbery
- Burglary
- Vehicle Theft
- Theft
- Arson
- Criminal Damage to Property
- Locked Vehicle Entry
- Shootings
- Shots Fired

Reference Information

- District 13
- Other Districts
- Freeways
- Major Streets
- Railroads
- Streets
- Waterways

Map prepared by: City of Milwaukee ITMD
Source of crime data: Milwaukee Police Dept.

This document is intended for illustrative purposes only. The City of Milwaukee makes no warranty, representation or guaranty as to the content, accuracy, timeliness or completeness of any of the information presented, due to data collection methods. The City of Milwaukee assumes no liability.



Crime Incidents
Aldermanic District 13
City of Milwaukee, Wisconsin

June 14, 2010

Date of Incident

- Last week
- 3 weeks ago
- 2 weeks ago
- 4 weeks ago

Crime Categories

- Homicide
- Assault
- Sex Offenses
- Robbery
- Burglary
- Vehicle Theft
- Theft
- Arson
- Criminal Damage to Property
- Locked Vehicle Entry
- Shootings
- Shots Fired

Reference Information

- District 13
- Other Districts
- Freeways
- Major Streets
- Railroads
- Streets
- Waterways

Map prepared by: City of Milwaukee ITMD
Source of crime data: Milwaukee Police Dept.

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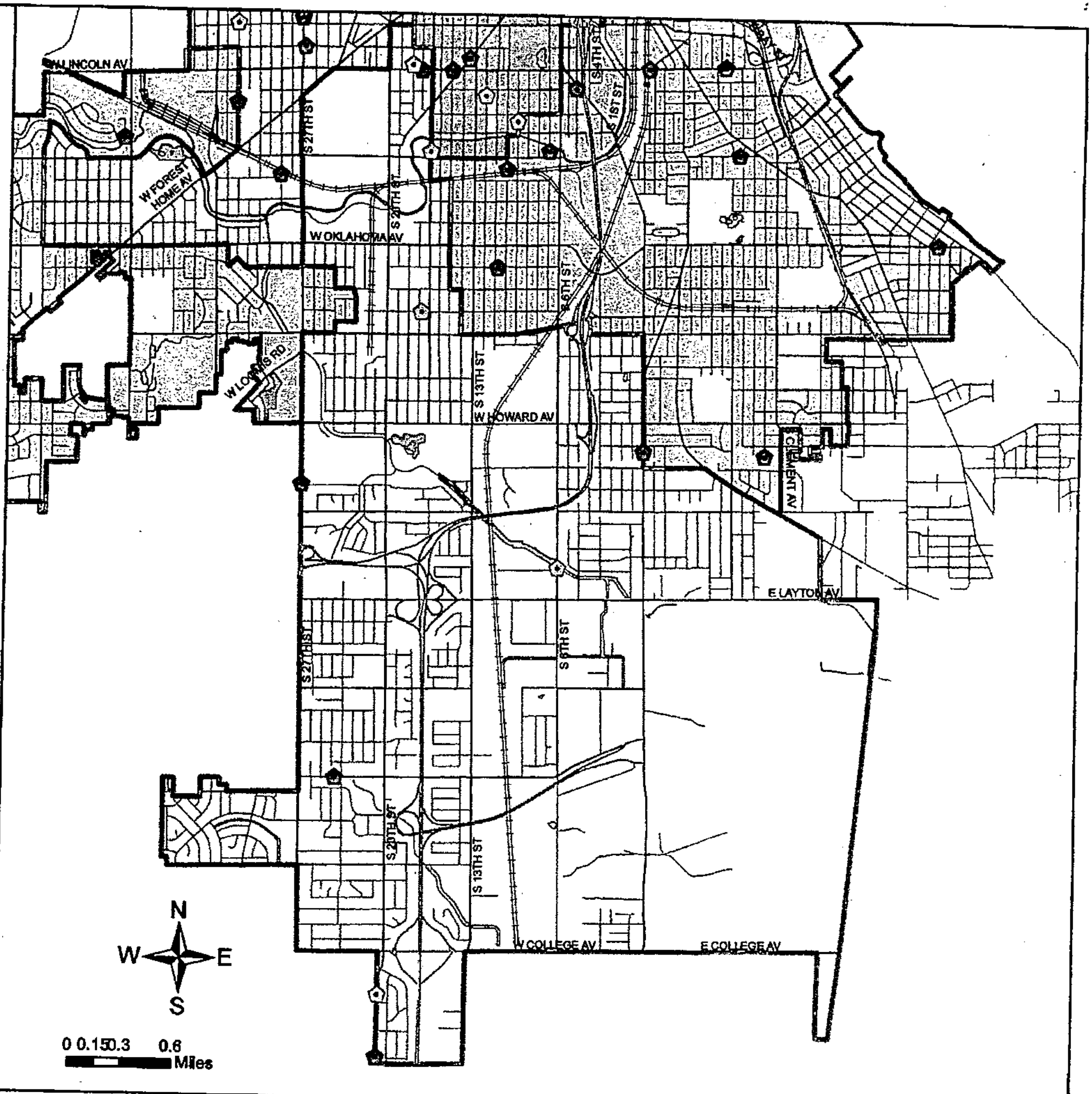


CITY OF MILWAUKEE POLICE DEPARTMENT
NEWS RELEASE

Edward A. Flynn, Chief of Police

DATE: APRIL 29, 2010

CONTACT: ANNE E. SCHWARTZ
414-935-7209

MILWAUKEE POLICE ANNOUNCE CONTINUED CRIME DROP

Total violent crime decreased nearly 16 percent in the first quarter of 2010 while the total of property crimes decreased 8 percent in the same time period, according to statistics released today by Milwaukee Police Chief Edward A. Flynn.

The violent crime decrease was led by decreases of 10.5 percent in homicide, 33 percent in rape, 20 percent in robbery and 11 percent in aggravated assault. Property crime decreases of 7 percent were achieved for theft and 23.5 percent for stolen cars. Burglary bucked the trend, with an increase of 4.3 percent representing 49 additional such crimes compared to last year. The overall crime decrease was 9 percent.

As impressive as those accomplishments are, even more impressive is the cumulative crime decrease for the quarter compared to the first quarter of 2007. Total first quarter crime has declined 24 percent since then. The most dramatic decreases are in overall violent crime and in car theft. In three years, violent crime has decreased 40 percent in Milwaukee (homicide, rape, robbery, aggravated assault). Stolen cars have decreased by an impressive 58 percent over that period of time.

"These decreases are strong proof that the Milwaukee Police Department's community-based, problem-oriented, data-driven strategies are having a sustained impact on the crime rate," Chief Flynn said. "The improvement in the level of safety in Milwaukee is directly attributable to the dedication of the men and women of this police department working closely with neighborhoods most afflicted by crime, disorder and fear."

The homicide rate continues at a level consistent with 25-year lows established in 2008. "We believe we are having an effect on the pattern of retaliatory violence and murders committed by strangers but we know that crimes of passion will continue to be unpredictable," Chief Flynn said. He pointed out that the homicide unit has achieved a 100 percent clearance rate in the first-quarter of 2010, an extraordinary achievement. He also noted that four homicide incidents accounted for 10 victims.

Although property crime was generally down the burglary increase is frustrating. Chief Flynn reports that significant department resources are being dedicated to this crime, given the negative effect it has on neighborhoods. Arrests of burglars and the number of burglaries cleared by arrest have both increased significantly. He praised Milwaukee County District Attorney John Chisholm for his focus on residential burglaries. "The DA, his assistants, and the community prosecutors have proved to be invaluable resources in dealing with this stubborn problem," Chief Flynn said.

- more -

"We are going to continue to assertively confront the problems of crime, disorder and fear by deploying our officers in the neighborhoods most afflicted and conducting high-quality investigations," Chief Flynn said. "Our officers know that community support is essential in order to achieve our goal of safe public spaces. That means we are mindful to treat the public with courtesy, professionalism and respect." He cited the fact that although investigatory stops of vehicles and persons have increased four-fold, overall complaints remain at their former levels despite the increase of police activity.

# # #

Police Administration Building, 749 West State Street, Milwaukee, Wisconsin 53201-0531 (414) 933-4444

GREENFIELD POLICE DEPARTMENT

Second-Hand Dealer Complaint Summary

DATE	CALL	STORE	CHARGE	OTHER AGENCY	RECOVERED VALUE
05/20/09	09.012458	Mega Media	Burglary, Theft, Receiving Stolen Property, Bail Jumping	West Allis	$200
05/28/09	09.016348	Mega Media	Receiving Stolen Property, Burglary	New Berlin	$500
07/28/09	09.018930	Robert Haack	Burglary, Theft of Dog	Milwaukee	$7,000
08/05/09	09.019695	Robert Haack	Theft	---	$400
08/12/09	09.020324	Jewelry Center	False Swearing	---	$300
08/12/09	09.020324	Kessler's	False Swearing	---	$350
08/12/09	09.020324	Robert Haack	False Swearing	---	$350
08/12/09	09.020333	Mega Media	Burglary	West Allis	$500
08/12/09	09.020335	Mega Media	Burglary	Hartford	$300
08/17/09	09.020749	Jewelry Center	Theft	New Berlin	$100
08/18/09	09.020857	Jewelry Center	Burglary	Hales Corners	$1,000
08/18/09	09.020858	Robert Haack	Burglary	Hales Corners	$900
08/19/09	09.020945	Kessler's	Possession of Heroin	---	$61
08/31/09	09.022070	Robert Haack	False Swearing	---	$400
09/09/09	09.022985	Robert Haack	False Swearing	---	$200
10/06/09	09.025441	Robert Haack	False Swearing (PTAC) (x2)	---	$50
10/06/09	09.025443	Robert Haack	False Swearing (PTAC)	---	$200
10/19/09	09.026508	Robert Haack	False Swearing, Possession of Narcotic Drugs	---	$250
10/19/09	09.026508	Kessler's	False Swearing, Possession of Narcotic Drugs	---	$200
10/20/09	09.026602	Kessler's	Burglary (x2) – Greenfield, (x2) – Milwaukee	Milwaukee	$2,500
11/02/09	09.027662	Robert Haack	False Swearing	---	$2,000
11/02/09	09.027663	Robert Haack	False Swearing	---	$2,500
11/02/09	09.027664	Kessler's	False Swearing	---	$100
11/12/09	09.028635	Robert Haack	False Swearing	---	$300

GREENFIELD POLICE DEPARTMENT

Second-Hand Dealer Complaint Summary

DATE	CALL	STORE	CHARGE	OTHER AGENCY	RECOVERED VALUE
11/19/09	09.029290	Robert Haack	False Swearing	---	$500
11/19/09	09.029303	Robert Haack	Taken during multiple Burglaries/Thefts	East Troy, Oak Creek, Mt. Pleasant, Milwaukee	$15,000
12/04/09	09.030533	Robert Haack	False Swearing	---	$3,000
12/07/09	09.030776	Jewelry Center	False Swearing	---	$130
12/09/09	09.030962	Jewelry Repair Shop	False Swearing	---	$1,000
12/10/09	09.031037	Robert Haack	False Swearing (x2)	---	$3,000
12/18/09	09.031671	Robert Haack	False Swearing	---	$250
12/31/09	09.032574	Robert Haack	Theft	Milwaukee	$2,000
12/31/09	09.032580	Robert Haack	Taken during a Theft (>$19,000 worth of jewelry)	Milwaukee	$3700
12/31/09	09.032581	Robert Haack	Burglary	Muskego	$5,000
01/07/10	10.000493	Robert Haack	False Swearing (x2)	---	$2,000
01/15/10	10.001153	Robert Haack	Burglary	West Allis	$1,500
01/15/10	10.001153	Kessler's	Burglary	West Allis	$1,000
01/15/10	10.001153	Mega Media	Burglary	West Allis	$200
01/18/10	10.001394	Robert Haack	Felony Theft (>$30,000 worth of jewelry)	Waukesha	$1,000
01/19/10	10.001480	Kessler's	Felony Theft	New Berlin	$8,000
01/20/10	10.002452	Kessler's	False Swearing	---	$500
01/21/10	10.001641	Robert Haack	False Swearing	---	$3,000
02/03/10	10.002625	Genesis	Receiving Stolen Property	---	$100
02/03/10	10.002626	Genesis	Receiving Stolen Property, Probation Violation	---	$100
02/03/10	10.002632	GF Coin Exchange, Robert Haack	False Swearing	---	$2,000
02/03/10	10.002630	Robert Haack	False Swearing	---	$3,400
02/04/10	10.002728	GF Coin Exchange	Hindering (x 2), Poss. Drug Paraphernalia	---	$1,000
02/05/10	10.002830	Jewelry Repair Shop	False Swearing PTAC	---	$500

GREENFIELD POLICE DEPARTMENT

Second-Hand Dealer Complaint Summary

DATE	CALL	STORE	CHARGE	OTHER AGENCY	RECOVERED VALUE
02/08/10	10.003084	Robert Haack	False Swearing	---	$1000
02/10/10	10.003246	Genesis	Homicide evidence recovered (Germano/Roslo)	Wauwatosa	$2,500
02/11/10	10.003364	Robert Haack, Jewelry Center	False Swearing	---	$50,000
02/15/10	10.003701	Mega MediaXchange	Burglary (x2)	Wauwatosa	$500
02/18/10	10.003928	Kesslers	Obstructing False Swearing		$300
02/23/10	10.004403	Jewelry Repair Shop, Robert Haack	Felony Theft	Oak Creek	$1000
02/25/10	10.004801	Robert Haack	Theft/Receiving Stolen Property	Franklin	$300
02/11/10	10.003364	Robert Haack, Jewelry Center	False Swearing	---	$50,000
02/15/10	10.003701	Mega MediaXchange	Burglary (x2)	Wauwatosa	$500
02/18/10	10.003928	Kesslers	Obstructing, False Swearing	---	$300
02/23/10	10.004403	Jewelry Repair Shop, Robert Haack	Felony Theft	Oak Creek	$1000
02/25/10	10.004801	Robert Haack	Receiving Stolen Property/False Swearing	Franklin	$300
03/02/10	10.004912	Robert Haack	CCW Firearm, Theft, warrant pick up, Receiving Stolen Property, Armed Robbery evidence , Burglaries (over 10)	Milwaukee, Muskego, Mukwonago, West Allis, Greendale, Bayside, Wauwatosa, New Berlin	$15,850
03/10/10	10.005487	Music go Round	Theft	Greendale	$550
03/11/10	10.005488	Music go Round	Theft	Milwaukee	$200
03/12/10	10.005670	Robert Haack	False Swearing	---	$4,400
03/12/10	10.005675	Robert Haack	False Swearing	---	$1,000
03/12/10	10.005676	Robert Haack	False Swearing	---	$700
03/17/10	10.006129	Robert Haack	False Swearing x2	---	$5,600
03/19/10	10.006270	Robert Haack	False Swearing	---	$6,500
03/30/10	10.007218	Jewelry Repair Shop	False Swearing (Burglar)	---	---
04/01/10	10.007429	Robert Haack	False Swearing	---	$800

GREENFIELD POLICE DEPARTMENT

Second-Hand Dealer Complaint Summary

DATE	CALL	STORE	CHARGE	OTHER AGENCY	RECOVERED VALUE
04/13/10	10.008397	Robert Haack	False Swearing x2	---	$1,000
04/19/10	10.008937	Robert Haack	Burglary	Milwaukee	$2565
04/19/10	10.008936	Robert Haack	False Swearing	---	$1,000
04/26/10	10.009535	Robert Haack	False Swearing	---	$500
04/26/10	10.009536	Robert Haack	Theft	---	---
04/26/10	10.009537	Robert Haack	False Swearing	---	$500
04/26/10	10.009538	Robert Haack	False Swearing	---	$50
05/17/10	10.011310	Robert Haack Greenfield Coin	False Swearing x2	---	$8,500
05/18/10	10.011329	GameStop	Burglary	Wauwatosa	$170
05/24/10	10.011915	Greenfield Coin	False Swearing		$200
05/24/10	10.011916	Greenfiled Coin	False Swearing	---	$200
06/01/10	10.012684	Robert Haack	False Swearing		$500
06/01/10	10.012702	Greenfield Coin	False Swearing	---	---
06/01/10	10.012690	Robert Haack	Warrants x16	---	---
06/01/10	10.012691	Robert Haack	Investigation Pending		
06/01/10	10.012692	Robert Haack	False Swearing	---	---
06/01/10	10.012693	Robert Haack	False Swearing	---	$1,250
06/01/10	10.012699	Robert Haack	False Swearing	---	$1,000
06/04/10	10.012992	Jewelry Repair Shop	Theft	South Milwaukee	---
06/14/10	10.013785	Jewelry Repair Shop	Investigation Pending		
06/14/10	10.013795	Robert Haack	Investigation Pending		
06/14/10	10.013796	Robert Haack	Investigation Pending		
06/14/10	10.013797	Robert Haack	Investigation Pending		
06/14/10	10.013799	Robert Haack	Felony Theft, False Swearing	Racine County	$10,000

GREENFIELD POLICE DEPARTMENT

Second-Hand Dealer Complaint Summary

DATE	CALL	STORE	CHARGE	OTHER AGENCY	RECOVERED VALUE
06/14/10	10.013800	Robert Haack, Jewelry Center	False Swearing	---	$500
06/14/10	10.013801	Robert Haack, Mega Media, GameStop	Felony Theft, False Swearing x2	West Allis	$5,500
06/14/10	10.013802	Robert Haack	Investigation Pending		
06/15/10	10.013880	Robert Haack	Investigation Pending		
06/15/10	10.013881	Robert Haack	Investigation Pending		
					Total: $202,976

City Of Milwaukee

CONVENIENT LENDING TASK FORCE

FINAL REPORT AND RECOMMENDATIONS

Issued May, 2006

Those who have no relationship with a financial institution use currency exchange businesses. This may be because they don't trust banks and credit unions or it may be because they have misused an account in the past and been denied access to the banking community. They may also be in this country illegally and not want to open an account because of their illegal status. For these consumers, it is easier to pay a fee to cash a check with no questions asked than to apply for an account at a traditional financial institution.

Additional information on the customer base of the convenient lending industry is found in the Fannie Mae Foundation's in-depth 39-page report titled "Analysis of Alternative Financial Service Providers" (www.fanniemaefoundation.org/programs/pdf/021904_altfin_servproviders.pdf). The authors of this report, Noah Sawyer and Kenneth Temkin, conclude, on the basis of their analysis of the locations of check-cashing outlets, payday lenders and pawnshops in Washington, DC, and 7 major urban counties across the nation, that:

- Convenient cash businesses are disproportionately located in minority, low-income neighborhoods.
- Convenient cash businesses tend to cluster in neighborhoods with a higher share of minority and low-income residents.
- More convenient lending businesses per capita, and fewer banks per capita, are found in census tracts that are disproportionately minority and/or poor.

As for why convenient lending industry customers are not using traditional financial institutions, Sawyer and Temken state: "It appears that mainstream financial providers either are not offering lower-income, minority households the core products and services they need or providers are not effectively reaching out to these consumers" (Sawyer and Temken, p. 4).

Appendix D contains a number of additional articles providing background information on the payday lending industry, including information on characteristics of the industry's customer base.

PUBLIC SAFETY ISSUES

Maps showing the locations of convenient lending institutions and robberies in the first 11 months of 2005, by police district, are found in Appendix E. In addition, Appendix E contains a citywide map showing the locations of banks, convenient lending institutions and 2005 robberies.

Also relevant to the issue of public safety are data on reported "Part 1" crimes (i.e., violent crimes) within 500-foot and 1,500-foot radii of convenient lending businesses and citywide in 2002, 2003 and 2004. These data are found in a table that is included Appendix E.

Based on the number of violent crimes (especially robberies) that have occurred in the vicinity of convenient cash businesses, as indicated by the crime maps and table, it appears that these establishments tend to set up in neighborhoods that have other socioeconomic issues. While the conclusion that these types of businesses increase crime in an area cannot be drawn, such establishments do increase the opportunity for crime to occur. Because convenient lending institutions do not fall under the same security guidelines as mainstream financial institutions, there are no sanctions for them not providing a safe environment in which to do business. For instance, they are not required to have security cameras or any specific types of lighting. This creates an atmosphere for crimes of opportunity, such as robberies and thefts. Criminals have easy access to victims, who are perceived to have large amounts of currency on them. Victims in the normal course of business are not always cognizant of their surroundings, especially since they may have money matters or "troubles" on their minds. Combine these two conditions with the lack of a requirement for any type of surveillance deterrent and it makes for an inviting atmosphere for criminals. We must be careful to not blame convenient lending institutions for a rise in crime in the surrounding area, but these establishments are a contributing factor to the overall perception of lack of security in the area, which drives crime.

NEIGHBORHOOD IMPACT ISSUES

In the course of developing this report, the Task Force came to the realization that there are not readily-available data on the activities and impacts of convenient lending establishments (e.g., number and dollar volume of loans made, number of loan rollovers, geographic distribution of customers, etc.). The State of Wisconsin needs to do a better job of collecting data and disseminating it to the public. The Task Force found it particularly difficult to obtain data from Wisconsin Department of Financial Institutions, the agency that regulates convenient cash businesses.

Alderman Davis, on behalf of the Task Force, submitted a formal Open Records request to DFI for aggregate data collected by DFI on Schedule B of the "Loan Company Annual Report" which every payday loan business is required to submit to DFI by March 15 of each year (see copy of letter in Appendix F). Prior to the mailing of this letter, a member of the Task Force was informed by a DFI representative that DFI considers the information contained in the loan company annual reports confidential. However, in its response to the Open Records request, DFI provided the following aggregate (statewide) data on payday loan stores in Wisconsin:

Year	No. of Payday Loan Office Locations	No. of Loans Made	Total Value of Loans	Avg. Loan Amount
1996	64	80,000	$11,200,000	$140
1997	126	350,618	$73,911,085	$211
1998	162	630,300	$147,180,513	$234
1999	174	839,285	$200,200,768	$239
2000	202	955,666	$241,526,398	$253
2001	241	1,087,213	$316,175,386	$291
2002	274	1,222,864	$367,296,623	$300
2003	337	1,324,405	$429,749,464	$324
2004	393	1,502,391	$506,621,990	$337

These statistics indicate that in the most recent 4-year period for which data are available (2000 to 2004), the number of payday loan outlets statewide nearly doubled, the number of loans made increased 57% and, perhaps most significantly, the total value of payday loans made more than doubled, from $241.5 million to $506.6 million. While these figures are not broken down by county, municipality or ZIP code, they do indicate that convenient lending businesses are taking millions of dollars out of Wisconsin communities and neighborhoods. Also, as described earlier, these are high-interest-rate loans that are frequently rolled-over by borrowers. Therefore, payday lenders have significant economic impacts on the neighborhoods in which their borrowers live, extracting millions of loan-fee dollars that might otherwise be used by neighborhood residents for long-term wealth-building.

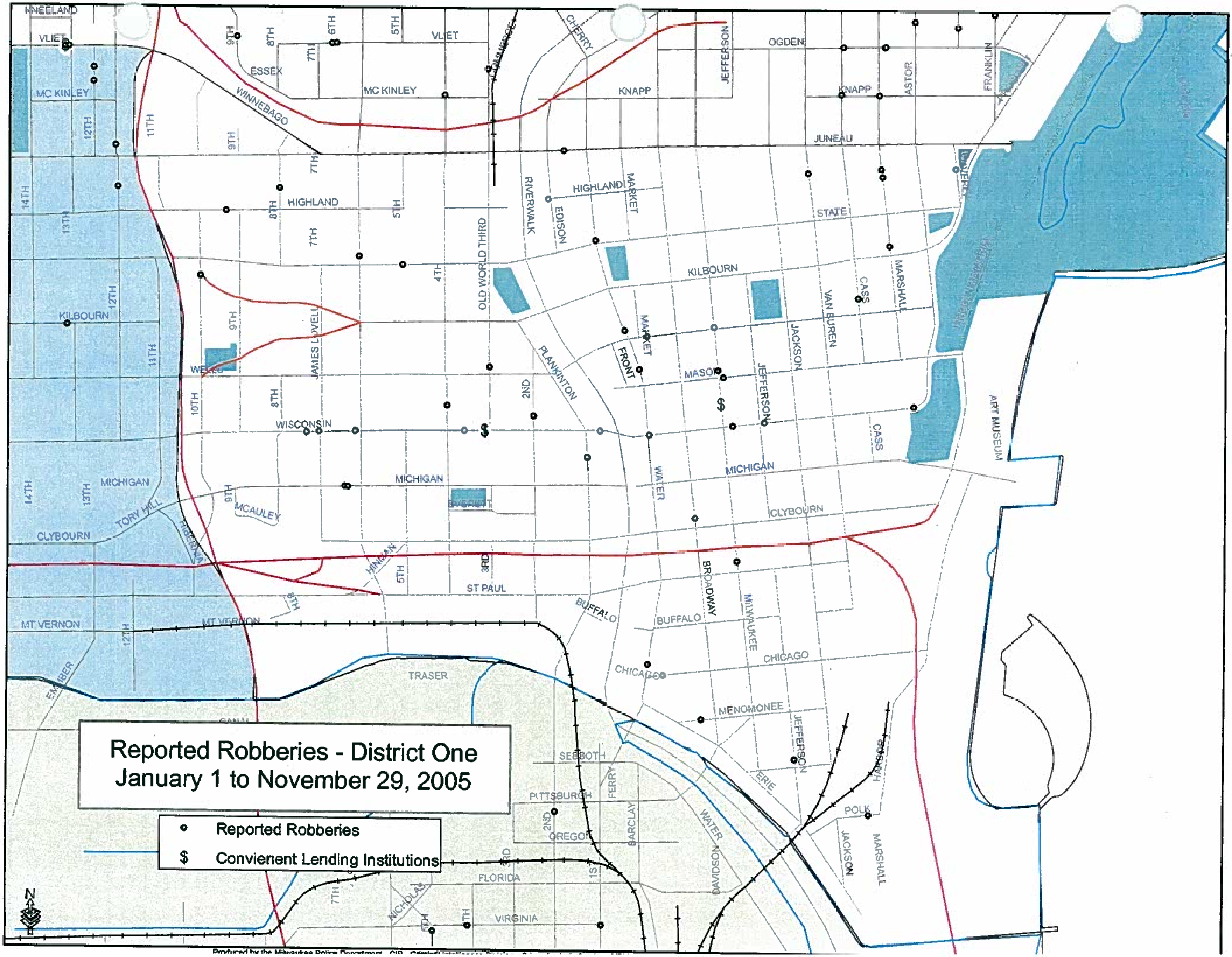
While statistical data on the neighborhood-level impacts of convenient cash businesses are difficult to come by, there is plenty of evidence of harmful effects of these businesses. Perhaps foremost among these impacts is the increasing level of criminal activity near convenient cash businesses. As more convenient cash businesses locate within their boundaries, municipalities are noticing increases in violent and property crimes affecting business employees and customers, such as robberies, thefts and burglaries (see Appendix G for newspaper articles describing violent crimes occurring within or just outside Milwaukee convenient lending establishments). The public-safety impacts of convenient cash businesses on the City of Milwaukee are documented and discussed in the preceding section of this report.

Further evidence of the neighborhood impacts of convenient lending businesses is found in Steven L. Graves' article in <u>The Professional Geographer</u>, "Landscapes of Predation, Landscapes of Neglect: A Location Analysis of Payday Lenders and Banks" (Appendix H). Graves analyzed the location strategies pursued by banks and payday lenders in seven Louisiana parishes and in Cook County, Illinois, with particular emphasis on comparing the race and income characteristics of neighborhoods that have each type of business. This article also provides considerable useful background information on the characteristics of payday loans and the payday lending industry. The findings of Graves' statistical analysis suggest that payday lenders are locating in neighborhoods that are poorer and have higher concentrations of minorities than the community as a whole. Conversely, Graves found that banks favor locations in areas that have higher incomes and lower proportions of minorities than the community as a whole (this relationship was even stronger than the correlation between payday lender locations and minority/low-income populations). He also found that these relationships are particularly strong in large, urban counties. He concludes that, in less-populous counties, the spatial availability of retail space is a more important factor in location decisions of banks and payday lenders than income and racial characteristics of the local populations. In summary, Graves found that payday lenders target minority and low-income neighborhoods, while banks avoid and neglect the same neighborhoods.

Other notable problems associated with convenient cash businesses include increased traffic, pressures on limited parking, business and customer activities after normal business hours (especially affecting adjacent residential areas), and signage and lighting that are out of character with surrounding businesses. These same issues have already arisen in lower-income neighborhoods that have experienced the arrival of adult entertainment establishments, the spread of liquor stores, and the increasing presence of corner convenience stores.

APPENDIX E

Crime maps and data – City of Milwaukee


Reported Robberies - District One
January 1 to November 29, 2005
Reported Robberies
$ Convienent Lending Institutions
KNEELAND
VLIET
MC KINLEY
ESSEX
WINNEBAGO
CHERRY
JEFFERSON
OGDEN
KNAPP
ASTOR
FRANKLIN
JUNEAU
HIGHLAND
MARKET
STATE
EDISON
RIVERWALK
OLD WORLD THIRD
KILBOURN
MARSHALL
CASS
VAN BUREN
JACKSON
PLANKINTON
FRONT
MASON
WISCONSIN
JAMES LOVELL
MICHIGAN
MCAULEY
TORY HILL
CLYBOURN
WATER
ART MUSEUM
ST PAUL
BUFFALO
BROADWAY
MILWAUKEE
CHICAGO
MT VERNON
TRASER
MENOMONEE
ERIE
SEEBOTH
PITTSBURGH
FERRY
BARCLAY
OREGON
POLK
FLORIDA
VIRGINIA
DAVIDSON
NICHOLAS
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6TH
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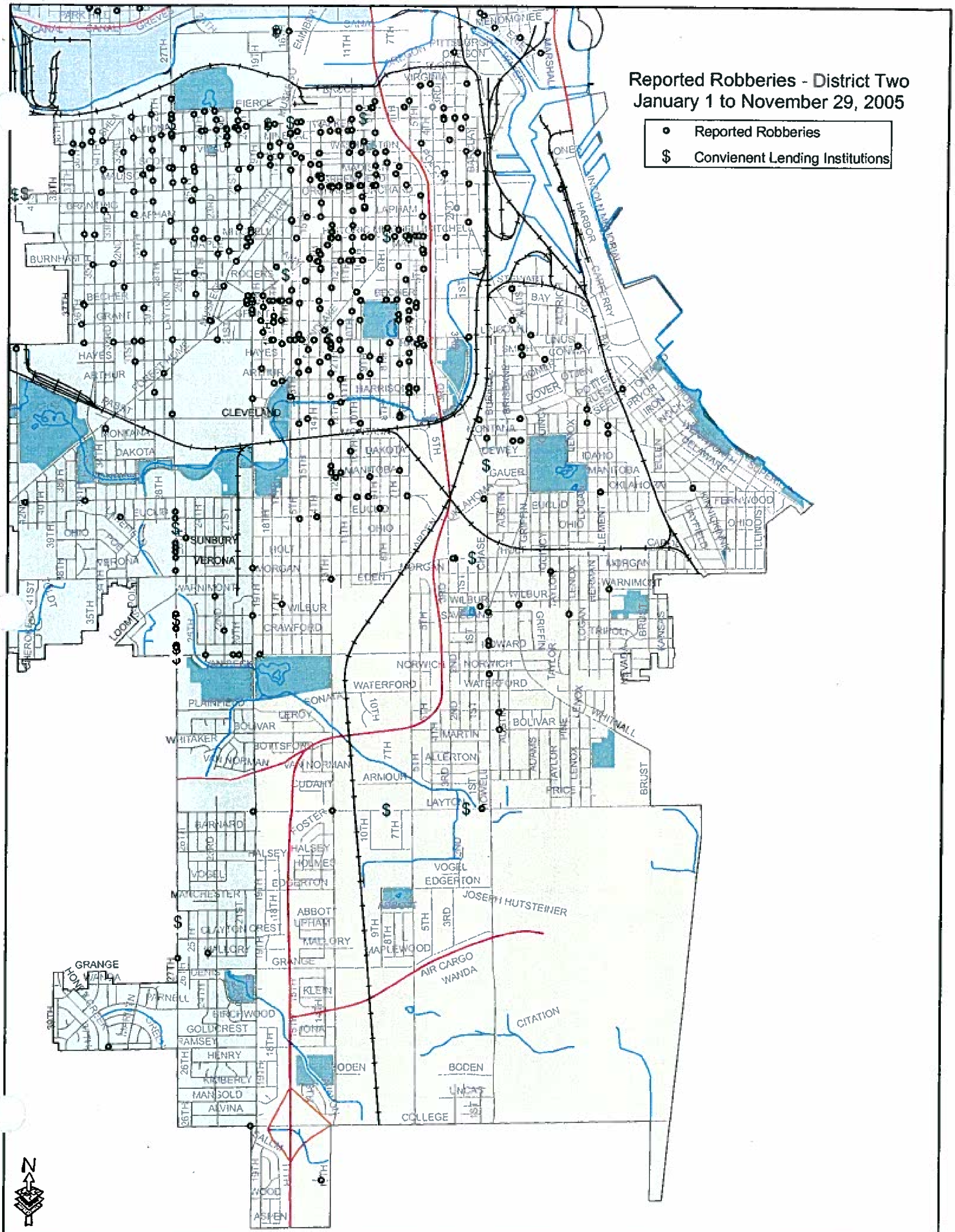
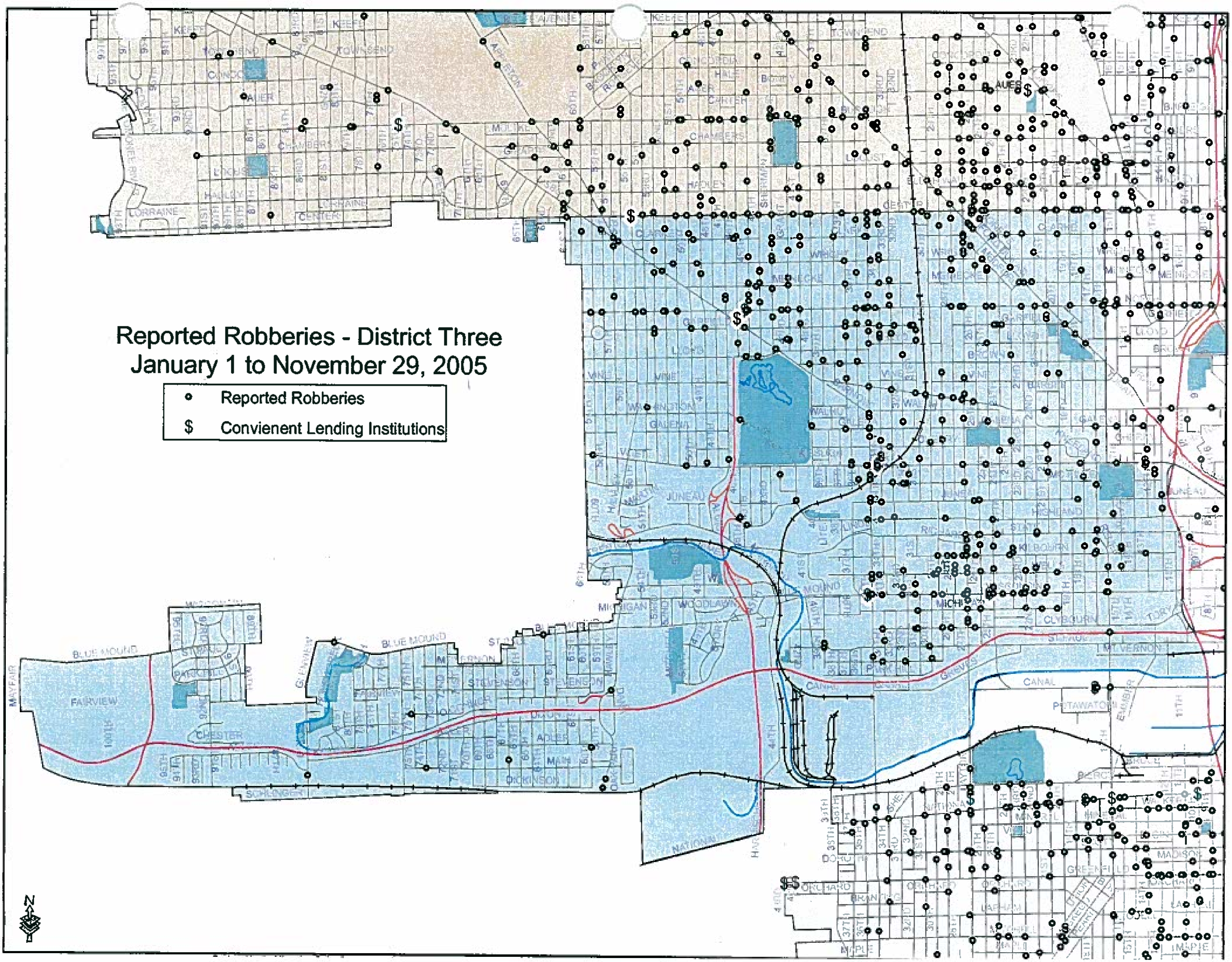
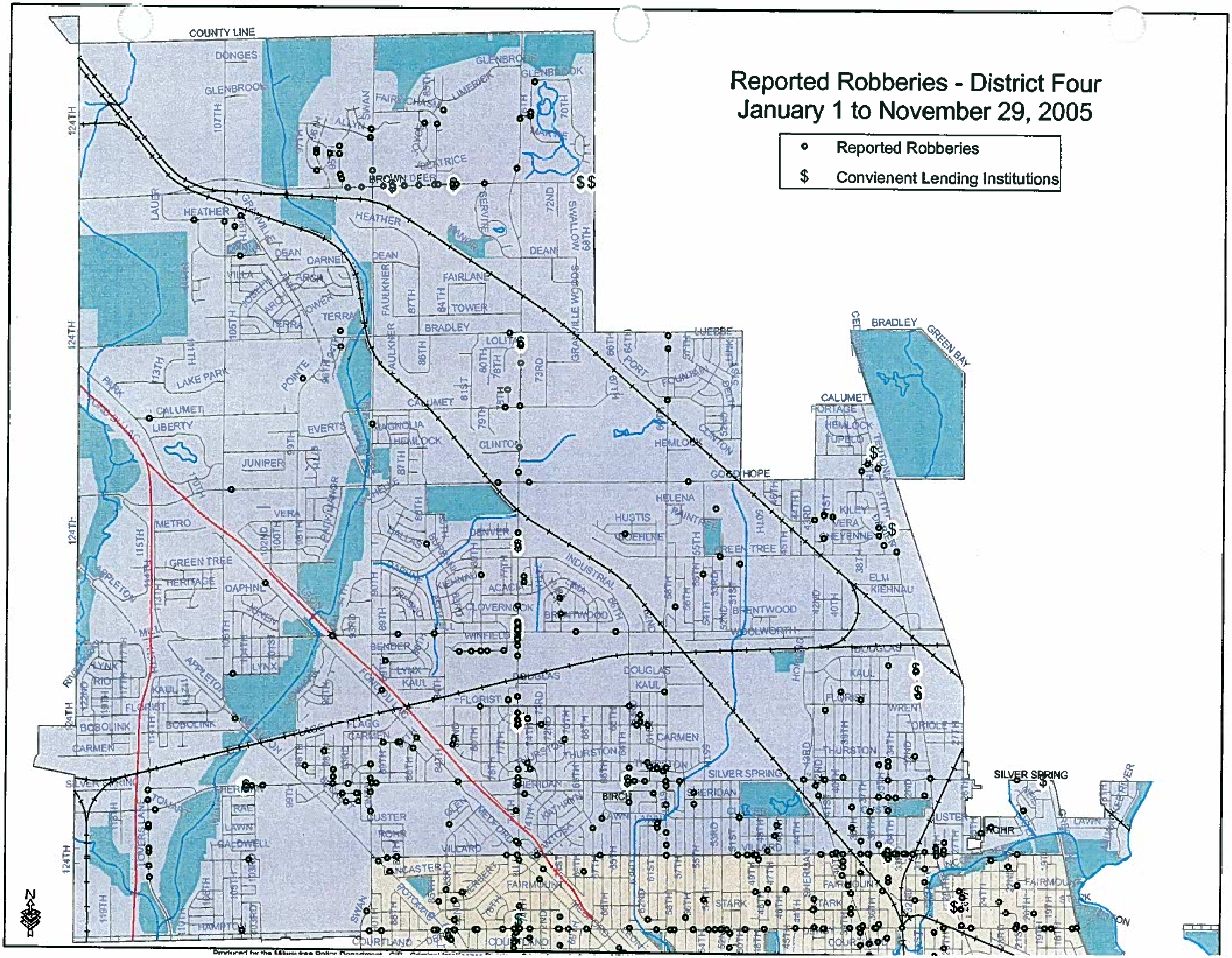
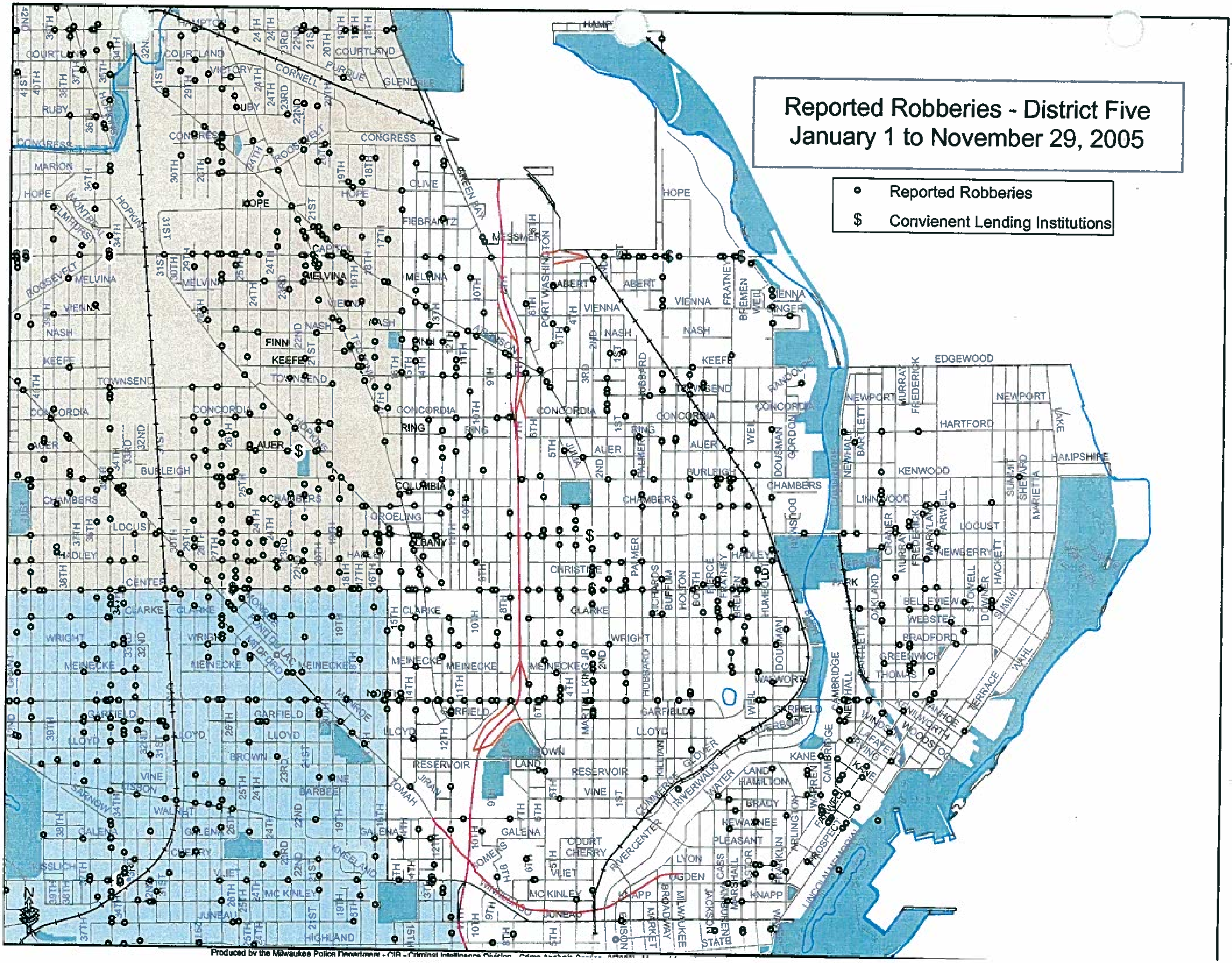
4TH
2ND
3RD
1ST
N


Reported Robberies - District Two
January 1 to November 29, 2005
Reported Robberies
$ Convienent Lending Institutions

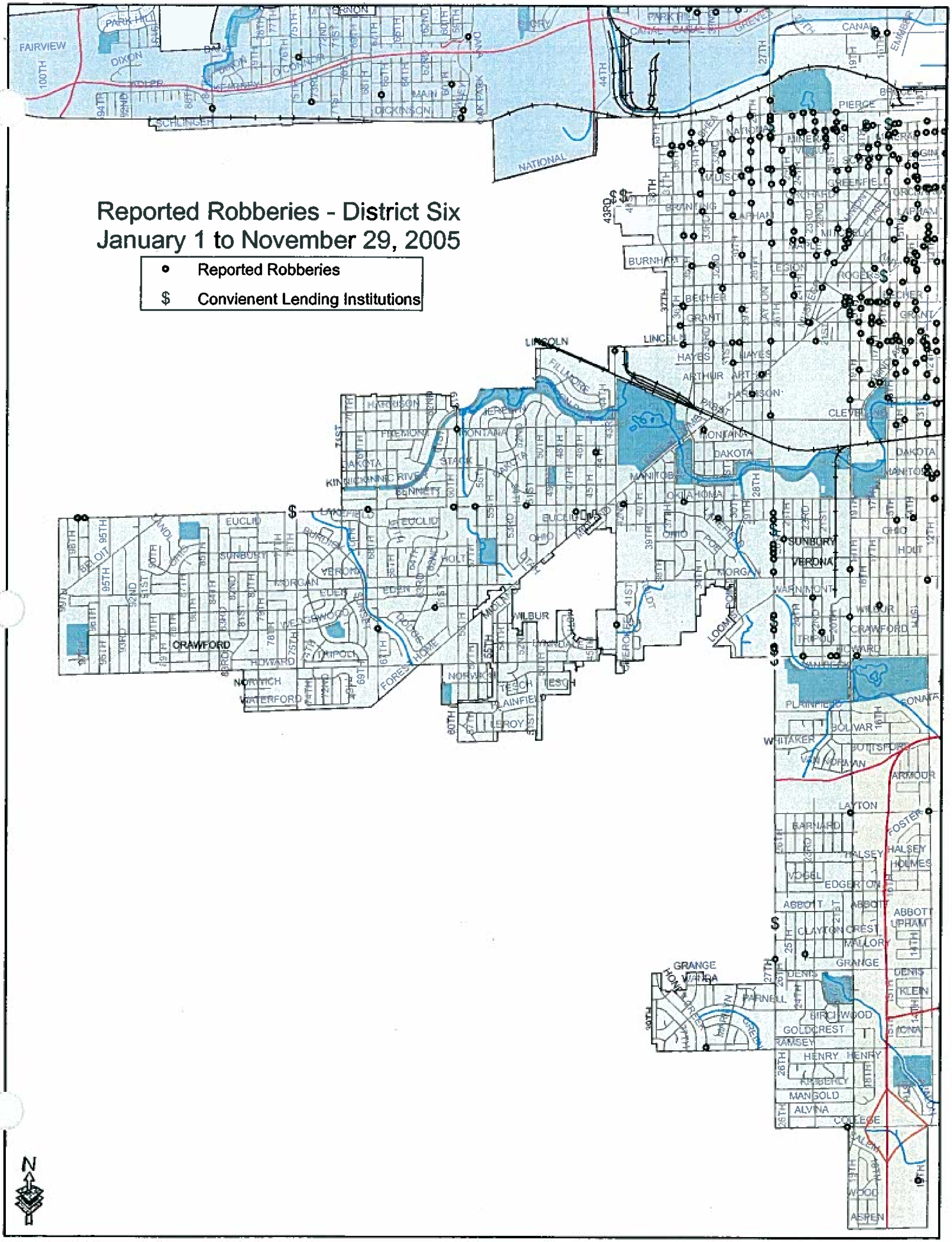


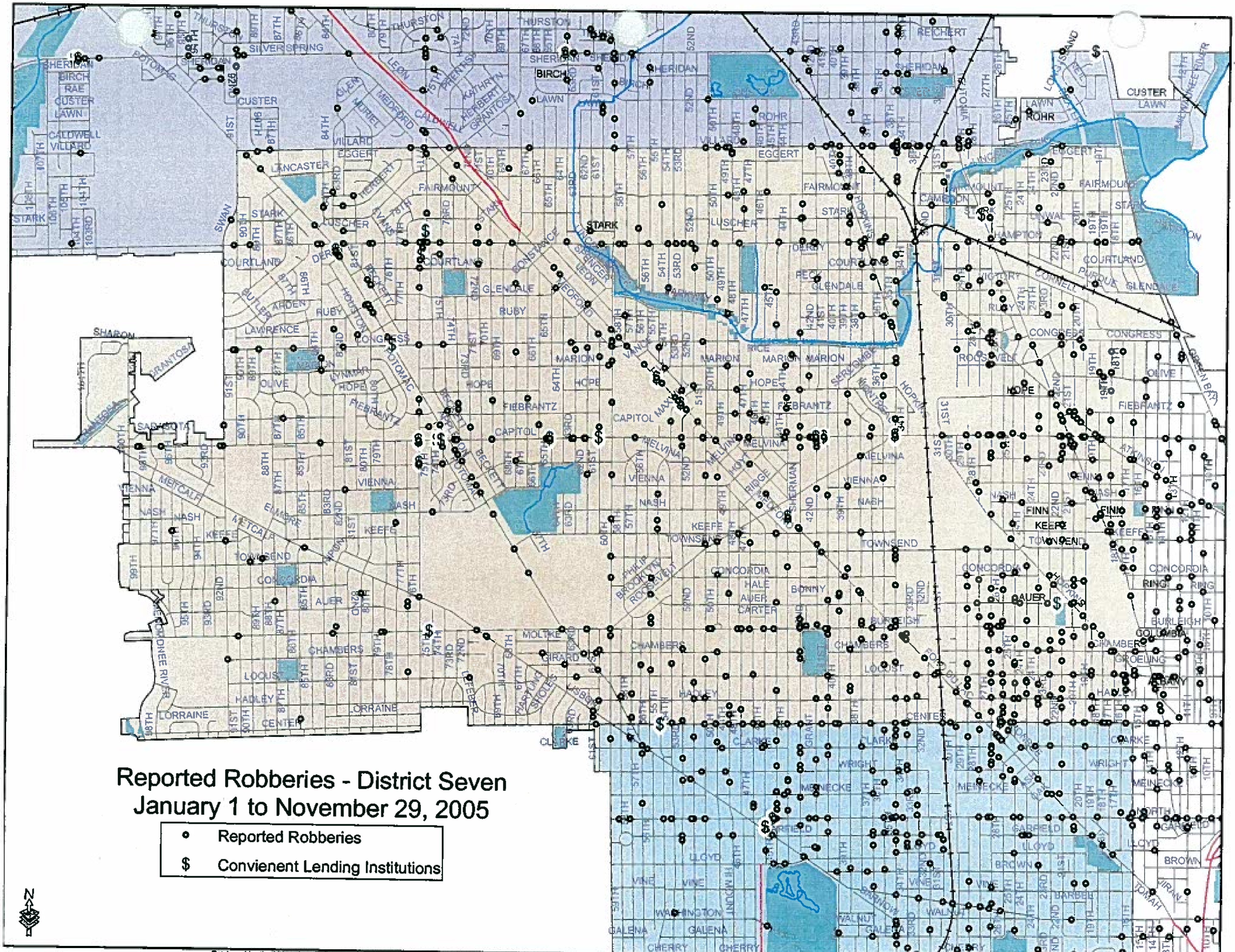
Reported Robberies - District Three
January 1 to November 29, 2005


Reported Robberies - District Four
January 1 to November 29, 2005
Reported Robberies
$ Convienient Lending Institutions
COUNTY LINE
DONGES
GLENBROOK
BROWN DEER
HEATHER
DEAN
FAIRLANE
TOWER
BRADLEY
GOOD HOPE
CALUMET
LIBERTY
JUNIPER
HEMLOCK
CLINTON
HELENA
HUSTIS
METRO
GREEN TREE
INDUSTRIAL
DAPHNE
DOUGLAS
KAUL
FLORIST
APPLETON
BOBOLINK
CARMEN
THURSTON
SILVER SPRING
SHERIDAN
WREN
FAIRMOUNT
STARK
COURTLAND
SWAN
124TH
GREEN BAY
TEUTONIA
KILEY
VERA
CHEYENNE
ELM
KIEHNAU
WOOLWORTH
BRENTWOOD
SWALLOW
72ND


Reported Robberies - District Five
January 1 to November 29, 2005
Reported Robberies
$ Convienient Lending Institutions
Produced by the Milwaukee Police Department - CIB - Criminal Intelligence Division

Reported Robberies - District Six
January 1 to November 29, 2005

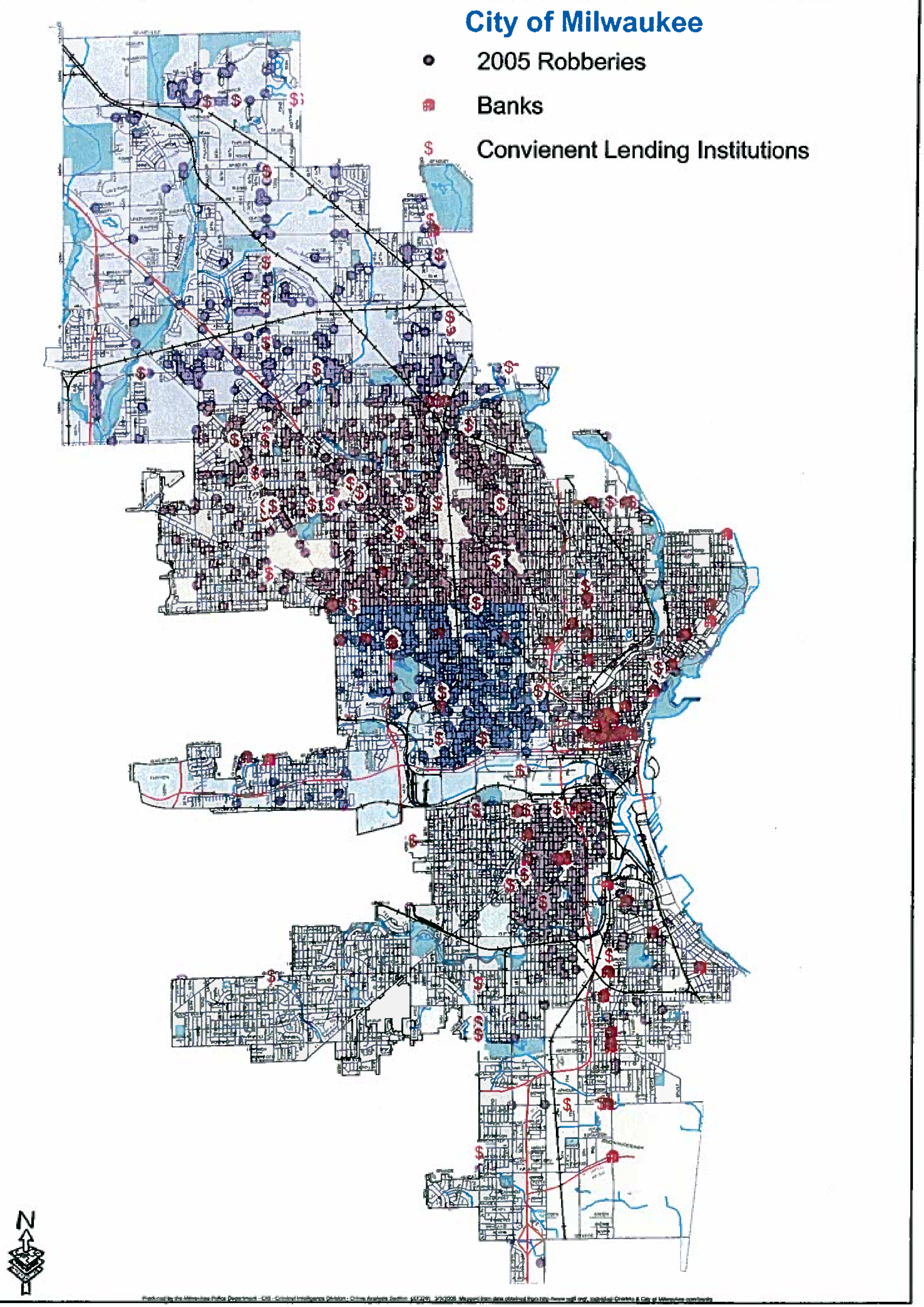




Reported Robberies - District Seven
January 1 to November 29, 2005

- ∘ Reported Robberies
- $ Convienent Lending Institutions

Produced by the Milwaukee Police Department - CIB - Criminal Intelligence Division - Crime Analysis Section


City of Milwaukee
2005 Robberies
Banks
Convienent Lending Institutions

City of Milwaukee - Reported Part 1 Crimes

Citywide and Buffer Areas around Convenient Lending Businesses

2004 Part 1 Crimes	500' Buffer 2004	1500' Buffer 2004	2004 City
ARSON	7	61	292
AGG ASSAULT	187	942	3590
BURGLARY	7	1179	4960
HOMICIDE	4	31	88
MOTOR VEH THEFT	311	1678	6555
ROBBERY	315	970	2830
SEX ASSAULT	26	176	750
THEFT	1522	6290	23561
TOTAL Reported Crimes	2379	11325	42626

2004 Geocoding results: 41341 matched, 1197 unmatched for a 97% geocoding rate

2003 Part 1 Crimes	500' Buffer 2003	1500' Buffer 2003	2003 City
ARSON	18	97	354
AGG ASSAULT	208	1077	3880
BURGLARY	279	1468	5991
HOMICIDE	7	26	106
MOTOR VEH THEFT	272	1627	6643
ROBBERY	120	951	2941
SEX ASSAULT	29	181	778
THEFT	1881	7075	25589
TOTAL Reported Crimes	2814	12502	46282

2003 Geocoding results: 44904 matched, 1272 unmatched for a 97% geocoding rate

2002 Part 1 Crimes	500' Buffer 2002	1500' Buffer 2002	2002 City
ARSON	8	106	415
AGG ASSAULT	210	1121	4268
BURGLARY	264	1593	6755
HOMICIDE	3	29	108
MOTOR VEH THEFT	339	1810	7592
ROBBERY	408	1150	3203
SEX ASSAULT	24	195	880
THEFT	2071	7449	26260
TOTAL Reported Crimes	3327	13453	49481

2002 Geocoding results: 47868 matched, 1505 unmatched for a 97% geocoding rate

There are 79 Convenient Lending Businesses located in the City of Milwaukee.

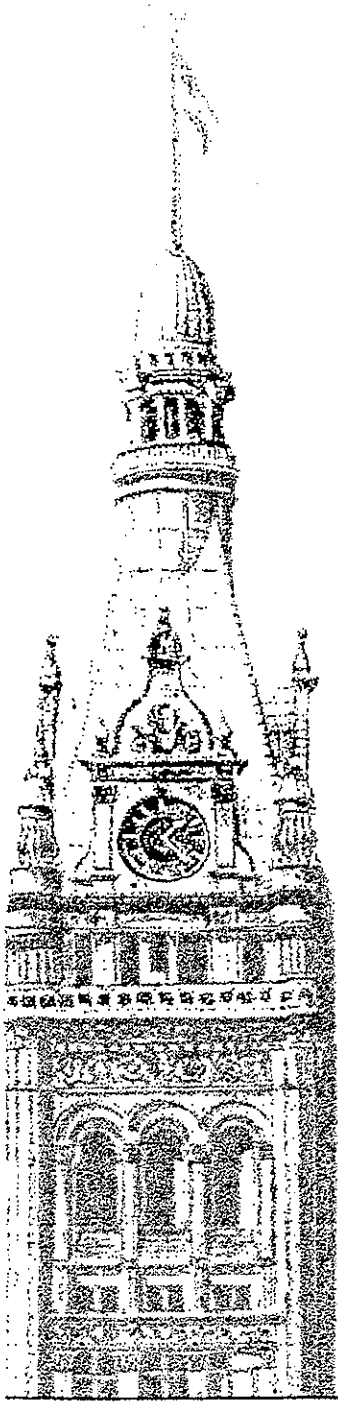
APPENDIX F

Chairman Davis' letter to Wis. Dept. of Financial Institutions

Joe Davis, Sr.
Alderman, 2nd Aldermanic District

CHAIR
- Community and Economic Development Committee

MEMBER
- Finance and Personnel Committee
- Steering and Rules Committee
- National League of Cities' Community and Economic Development Policy and Advocacy Steering Committee



March 7, 2006

Carrie Templeton, Executive Assistant to the Secretary
Wisconsin Department of Financial Institutions
P.O. Box 8861
Madison, WI 53708-8861

Dear Ms. Templeton:

In February 2005, the Milwaukee Common Council created the City's Convenient Lending Task Force. The Task Force was given the mission of investigating the impacts of convenient cash businesses (currency exchanges, payday loan stores and auto title loan agencies) on surrounding neighborhoods, including effects on public safety and community and economic development. The Task Force has also been directed to develop a list of recommended public-policy solutions and to present its findings and recommendations in a report to the Common Council. The Task Force has 10 members, including representatives of the Milwaukee Common Council, the financial services industry, the Milwaukee police and planning departments and various community non-profit organizations. I serve as chairman of the Task Force.

In order to carry out its mission, it is critical that the Task Force obtain relevant data on the convenient cash industry and its customers. However, the Task Force has so far been unable to obtain the necessary information from the Wisconsin Department of Financial Institutions. Therefore, pursuant to s. 19.35 of the Wisconsin Statutes ("Access to Records"), I am requesting that your office provide the following information to the City of Milwaukee's Convenient Lending Task Force no later than March 31, 2006:

City of Milwaukee • Room 205 • 200 East Wells Street • Milwaukee, WI 53202-3570
Phone (414) 286-2221 • (414) 286-3787 • Fax (414) 286-3456
E-mail: jldavis@milwaukee.gov

- Any reports from the last 5 years (2001-2005) aggregating the data collected by the DFI Division of Banking on Schedule B of the "Loan Company Annual Report" which each precomputed loan business is required to file with DFI by March 15 of each year. If available, the aggregate data are requested for (in order of preference):
    1. Loan companies with offices in the City of Milwaukee.
    2. Loan companies with offices in City of Milwaukee zip code areas (53201 through 53228).
    3. Loan companies with offices in Milwaukee County.

- If no aggregate Schedule B data are available, copies of the Schedule B portions of the individual Loan Company Annual Reports filed with DFI in the past 5 years (2001-2005 filing periods). Again, records for loan company offices in the City of Milwaukee, Milwaukee zip code areas or Milwaukee County are preferable to statewide records.

- Any data or reports collected or produced by DFI describing the customer base of precomputed loan companies (e.g., data on the place of residence of payday loan borrowers by zip code).

The requested information may be sent to the Task Force in care of:

Jeff Osterman
City of Milwaukee Legislative Reference Bureau
200 E. Wells Street, Room B-11
Milwaukee, WI 53202

Thank you for your cooperation in this matter.

Joe Davis, Sr.

Ald. Joe Davis, Sr.
2nd District

APPENDIX G

Articles relating to crimes near convenient cash businesses

Milwaukee Journal Sentinel (Wisconsin)

November 20, 2003 Thursday FINAL EDITION

SECTION: NEWS; Pg. 02B

LENGTH: 355 words

HEADLINE: Teen charged in robbery ;
Teen charged in robbery, **homicide;**
Complaint says boy was drinking beforehand

BYLINE: JESSE GARZA jgarza@journalsentinel.com

BODY:
A 17-year-old boy who had been drinking brandy and smoking marijuana fatally **shot** a man outside a west side **check-cashing** service after robbing him of $10 and a cell phone, a criminal complaint says.

Shomas T. Winston of the 1500 block of N. 29th St. was charged with first-degree intentional **homicide** and armed robbery with the use of force in the slaying Friday behind Community Financial, 3432 W. Vliet St.

Cary T. Dace, 37, was **shot** four times in the parking lot of the business and died a short time later at Froedtert Memorial Lutheran Hospital in Wauwatosa, the complaint says.

According to the complaint:

A 13-year-old accomplice to the robbery was identified, taken into custody and interviewed by police.

The boy said he agreed to participate in the robbery with Winston and would look for a target at the **check-cashing** business by acting as though he were begging customers for money. The boy and a third suspect, identified only as "Dank," took turns looking inside the lobby of the business for potential victims.

They saw Dace walk into the business, and the boy said Dace "looked like he cashed a big check."

As Dace walked toward the parking lot, the boy signaled to Winston, who was waiting across the street at a bus stop.

When interviewed by detectives, Winston said he had been in front of the boy's house drinking brandy and smoking marijuana with others before the robbery. While there, he mentioned that he had been robbed of marijuana and money and needed a gun for protection.

Someone at the house was selling a .380-caliber handgun for $100, and Winston and the boy then came up with the plan to rob someone in order to get money to pay for the gun.

Winston accosted Dace in the parking lot with the gun and demanded money, and Dace gave him a $10 bill, a piece of paper and a two-way cell phone/pager. Winston said Dace indicated he had no more money, began to open the door to his car and said, "Shoot me."

Winston said he pointed the gun with his finger on the trigger in order to scare Dace and the gun went off "three or four times," the complaint says.

LOAD-DATE: November 20, 2003

NewsBank InfoWeb

Milwaukee Journal Sentinel

Milwaukee Journal Sentinel (WI)

November 20, 2003

Security guard shoots 2 at payday loan center

Author: From Journal Sentinel staff and correspondent

Edition: Final
Section: B News
Page: 03

Estimated printed pages: 1

Article Text:

A security guard wounded two people in an exchange of gunfire at a northwest side payday loan center, Milwaukee police said Wednesday.

A 26-year-old man and a 17-year-old boy were shot shortly after 5 p.m. Tuesday at Advance America, 8066 N. 76th St., Lt. Clint Harrison said.

Harrison could not confirm that the gunfire stemmed from a robbery attempt but said it occurred after the pair enterec the business and one of them pulled out a gun.

Their wounds were not life-threatening; both were hospitalized under police guard Wednesday, Harrison said.

Record Number: 20031120095111 95

Article Bookmark(OpenURL Compliant):Milwaukee Journal Sentinel (WI) : Security guard shoots 2 at payday loan center
http://docs.newsbank.com/openurl?ctx_ver=z39.88-2004&rft_id=info:sid/iw.newsbank.com:MWSB
&rft_val_format=info:ofi/fmt:kev:mtx:ctx&rft_dat=0FEF43AA35B229B5&svc_dat=InfoWeb:current&req_dat=0EAC4F059C3EEE28

Milwaukee Journal Sentinel (Wisconsin)

March 16, 2002 Saturday FINAL EDITION

SECTION: NEWS; Pg. 02B

LENGTH: 297 words

HEADLINE: 15-year-olds in court on robbery spree charges

BYLINE: JAMAAL ABDUL-ALIM of the Journal Sentinel staff

BODY:
A string of violent north side robberies, including one in which a young woman was pistol-whipped, were replayed this week in **Milwaukee** County Children's Court in delinquency petitions filed against two 15-year-old boys.

The woman pleaded with her assailants that she needed her small amount of money to care for her 3-year-old child. She had just emerged from the **check-cashing** store at 3432 W. Vliet St. on Jan. 16.

The response: She was repeatedly struck in the head with guns, one of which had been pointed at her stomach, as the hoodlums searched her and took her money while her 14-year-old sister and 3-year-old daughter waited in a car, court records say.

The robbery spree occurred from mid-January into March.

One of the suspects faces five counts of armed robbery, two counts of battery and one count of possession of a dangerous weapon by a child. The other boy is charged with two counts of armed robbery and one count of battery.

The boys were ordered to remain in secure detention while their cases are pending. They also face waiver into adult court.

Ezra Sanders and Maurice Lee, both 17, have been charged in adult court and face multiple armed robbery counts in connection with the robbery spree.

According to court records, the robberies also include:

-- On March 6, a group confronted a woman in the 1400 block of N. 35th St. and threatened to kill her. She surrendered her purse, which contained about $100 and charge cards. Her husband turned over about $70 to the robbers.

-- On Feb. 27, a group followed a woman into her car after leaving the Community Financial Building, 4525 W. North Ave. The robbers spotted a man leaving the business they intended to rob, and he was punched, kicked and **shot** at by the robbers.

LOAD-DATE: March 16, 2002

APPENDIX H

Article on location strategies of payday lenders and banks

ARTICLES

Landscapes of Predation, Landscapes of Neglect: A Location Analysis of Payday Lenders and Banks*

Steven M. Graves

California State University, Northridge

Since the period of bank deregulation in the 1980s, deferred deposit loan operations, better known as payday lenders, have become commonplace in the landscapes of many American cities. At the same time, traditional banking facilities have become less common, especially in the inner city. Growing disparities in the type of and accessibility to credit in the inner city has generated calls for greater regulation to curb practices by payday lenders that critics claim disproportionately affect poor and minority consumers. Payday lenders argue that they serve communities neglected by traditional banks. This article analyzes the site-location strategies of banks and payday lenders in metropolitan Louisiana, and in Cook County, Illinois, and finds that disenfranchised neighborhoods are simultaneously targeted by payday lenders and neglected by traditional banks. The implications these findings have for public policy and for ongoing discourses on the urban condition, race, and class are briefly discussed. **Key Words: banking, GIS, landscape, predatory lending, race.**

Introduction

Abandoned buildings, pawnbrokers, pool halls, and secondhand stores have marked the landscapes of America's inner cities for decades. All too often, these markers of urban disinvestments occupy spaces formerly home to signifiers of the American dream, such as supermarkets, department stores, and restaurants. In the 1970s, banks also began to trickle out of the inner city. By the 1980s, banks were in full retreat in some areas. In their stead arrived several new signifiers of American urban poverty, among them deferred deposit lenders, popularly known as "payday lenders." In recent years, these and other sources of quick cash have begun to mark the boundaries of tough neighborhoods, vying for space among other emergent signifiers of poverty, such as rent-to-own appliance stores and plasma collection centers.

Payday lenders make small cash loans to people who need money quickly. In exchange for the cash, the borrower writes the payday lender a postdated check for the loan amount plus fees and interest that will be cashed after a few weeks or upon the deposit of the borrower's wage check. The process is easy and quick and requires little of the consumer beyond the provision of proof of employment, a phone number, and a valid driver's license. For some, payday loans are a convenient and efficient stopgap when unexpected expenses arise. For others, payday loans offer entrance into a treacherous spiral of mounting debt.

During the 1990s, some 10,000 payday lenders opened shop in many parts of the United States, sprouting most rapidly in states where banking regulations did not undercut the profit potential of the industry (Robinson and Lewis 1999). Triple-digit growth in the deferred-deposit industry, its potentially predatory lending practices, and the prominence of payday loan centers in minority and low-income neighborhoods have generated calls by consumer advocacy groups and progressive politicians for greater regulation. The payday loan industry has countered that additional regulation is not necessary because their fee and interest-rate schedules are not usurious and because they do not target specific racial or income groups. Payday lenders also argue that they offer important banking services in low-income and minority neighborhoods that were abandoned by mainstream bankers during the era of bank deregulation in the 1980s.

*The author would like to thank several anonymous reviewers, the Illinois Department of Financial Institutions, and the Louisiana Office of Financial Institutions for their assistance with this project.

The Professional Geographer, 55(3) 2003, pages 303–317 © Copyright 2003 by Association of American Geographers.
Initial submission, August 2001; revised submission, June 2002; final acceptance, January 2003.
Published by Blackwell Publishing, 350 Main Street, Malden, MA 02148, and 9600 Garsington Road, Oxford OX4 2DQ, U.K.

This article examines portions of the competing claims made above through an analysis of the location strategies pursued by banks and payday lenders. I compare the ethnicity and income characteristics of neighborhoods that have payday lenders to those that have bank branches in seven parishes in Louisiana and in Cook County, Illinois, using a difference of means *t*-test. This analysis, though primarily empirical, is intended to help facilitate a better understanding of how the spatial practices of these two lending institutions condition the (de)construction of urban landscapes. I discuss my findings briefly in terms of their public-policy implications and of how they help to empirically inform current discourses on urban landscapes.

Background

As a system of both meaning and social reproduction, landscapes factor into the way people understand themselves, others, and the life world we must all navigate (Duncan and Duncan 1988). Landscapes have become an increasingly popular and useful tool for understanding the operation of culture and economics in our daily lives (see, e.g., Mitchell 2000). Cultural theorists argue that landscapes act forcefully to condition people's sense of self and group identity. Race, class, gender, and nationality are all constructed through tightly held notions of place and space (Mitchell 2000). Often, analyses of identity are tied to powerful theoretical discourses explaining the dialectic of capital and landscape (e.g., Harvey 1982, 1989; Duncan and Ley 1993). The divisive effect of increasingly mobile capital on the urban landscape has been particularly compelling (Davis 1990; Jakle and Wilson 1992).

Arguably, every urban landscape is a product of capital, but both the structure and the agency of the financial system are frequently masked by the landscape itself (Mitchell 2000, 103–4). The spatial arrangement of payday-loan outlets and bank branch buildings represents a rupture in the mask—a tear where the theoretical structure of capitalism is laid bare as physical structures on the landscape. As such, the two-tiered landscape of banking offers opportunities to analyze a small but visible cog in the capitalist machine that actively builds and destroys urban landscapes.

As powerful as the theoretical tools for understanding landscapes have become, they must stay partially grounded by empirical research, the type that is frequently undertaken with public-policy findings in mind. The spatial practices of the banking industry have stimulated volumes of research since the 1960s. Perhaps most well known is the research focusing on ethnic and racial biases among mortgage lenders (Becker 1971; Darden 1980; Holloway 1998a; Reibel 2000). Several of these studies found that banks and other lenders have systematically, if not purposefully, limited access to loans for minorities. Other studies have found less compelling evidence of race bias (Perle and Lynch 1994). Applied research into practices such as steering and redlining may have helped fashion federal legislation, such as the Equal Credit Opportunity Act (1974), the Home Mortgage Disclosure Act (1975), and the Community Reinvestment Act (1977), that sought to ensure fair lending practices for all consumers.

Despite legislative effort designed to promote fair access to credit, however, studies show that equity is still not a lived reality. Recent studies such as Ando's (1988) examination of bank loans found that black entrepreneurs were still more likely to be rejected by banks, and that blacks were likely to receive less credit from banks than whites when they were approved for a loan. Bates (1997) found that, perhaps because black business owners receive smaller bank loans than their white counterparts, black entrepreneurs are more prone to use alternative forms of credit, such as credit cards, than are whites. Though frequently characterized in the media as a violation of *individuals'* right to fair access to capital, discriminatory limitations upon access to investment credit have been shown to be significant in the emergence of grossly uneven development in urban *regions* (e.g., Darden et al. 1987; Dymski and Veitch 1996).

The development gap within American cities grew during the 1970s and 1980s, as mainstream banks themselves moved out of inner cities. Banks failed at a much higher rate than they had in previous decades, in itself a reason for many closures. Bank deregulation was also a significant factor in the out-migration of banks, because it increased competition among various lending institutions. While giving some consumers access to low-interest lines of credit, increased competition among lenders undermined the ability of traditional banks to subsidize bank branch facilities producing less than desirable rates of return (Squires 1992; Caskey 1994; Pollard 1996). Pollard (1996) points out that branch closure is a sharp reversal of strategy from that pursued by banks during 1950s and 1960s, when banks established a wide network of branches in hopes of appealing to potential customers' desire for convenience. Recently, the service revenue produced by a bank branch facility has become a major determinant of any branch location's viability.

Compounding the bifurcating effects of lending biases and branch closure upon the economic health of inner cities has been the growth of the "fringe banking" sector (Caskey 1994). Although this sector generally offers much more costly banking services than do mainstream bankers, many inner-city consumers have embraced fringe banking, a trend that drains even more money out of already undercapitalized neighborhoods.

Despite the frustratingly scant attention given to economic geography by public-policymakers, some evidence exists suggesting a slight strengthening in the political clout of spatially informed economic studies, as classical economics "discovers" geography. The chance to affect public-policy discourse has energized some corners of the discipline, generating calls for renewed effort to produce research bearing policy implications (e.g., Martin 1999; Amin and Thrift 2000; Henry, Pollard, and Sidaway 2001). Several studies have already answered the call. Analyses of the expanding role of other forms of nontraditional credit among poor and minority groups indicate the dangerous potential of payday lenders (Caskey 1994, 1997; Woodstock Institute 1997; CFA 1998). Several other studies have shown that check-cashing operations, similar in some ways to payday lenders, were prevalent in low-income and minority neighborhoods in Milwaukee (Squires and O'Connor 1998; MCCD 2000; Woodstock Institute 2000). These studies also found that fringe banking operations were preferred over other types of credit sources because they had more convenient locations and extended hours of operation.

Excellent primers on payday lenders and other forms of fringe banking include Stegman and Faris (2003) and Caskey (1994, 1997). However, in general, payday lending has received much less attention from scholars, especially geographers. Because payday lending is the most rapidly expanding segment of the credit industry, and because so little has been published to date on this industry, even a cursory analysis of the spatial pattern of the industry may inform regulatory action on predatory lending as it evolves in the coming years.

Complementing research on the landscapes of credit and finance is an impressive body of accessibility studies, many of which focus on urban quality-of-life issues. Numerous studies (e.g., Brooks and Sethi 1997; Downey 1998) have examined the race, ethnic, and income characteristics of citizens living in close proximity to urban disamenities, such as hazardous-waste sites and industrial polluters. These works have drawn some media interest, critical in forwarding the policy agendas of activists working on such issues. Accessibility studies have also examined landscapes of crime and vice. Several studies (e.g., Voorhees and Swank 1997; LaVeist and Wallace 2000) have shown that use of tobacco and alcohol are underwritten in poor and minority neighborhoods by especially high densities of establishments specializing in the sale of these products and of advertisements promoting the use of these products. Areas with high concentrations of alcohol outlets and alcohol advertising have higher violent crime rates, even when other factors of neighborhood demographics are controlled (see, e.g., Alaniz 1998; Gorman et al. 2001). And the list goes on. Consumers shopping in neighborhoods with high percentages of black or elderly residents have been shown to pay more for groceries while shopping in dirtier stores with a more restricted selection of foodstuffs than those available to consumers shopping in other areas of town (Hall 1983). Additionally, studies have found that accessibility to landscapes offering a variety of amenities—such as parks, employment, or public transportation—is frequently wanting in inner-city neighborhoods (e.g., Ottensmann 1980; McLafferty 1982; Talen 1997; Holloway 1998b).

Studies such as these inform the present research on several fronts. First, accessibility studies occasionally enter public-policy debates. Second, they provide essential methodological guidance, especially in terms of the variety of accessibility measures employed. Finally, these studies help complete our understanding of the recursive interplay between capital and culture in America's urban areas.

Payday Lenders

Establishments offering high-interest, short-term loans have long existed in various guises. In the past, pawnbrokers and "loan sharks" serviced the short-term credit needs of many who, for various reasons, could not or did not use banks. Many states and communities passed laws regulating or outlawing particularly abusive loan practices. In order to make short-term credit more accessible, legislators across the United States permitted banks to loosen restrictions on interest-rate schedules through the passage of various "small loan acts." However, the rate of return on small loans made under these laws remains shy of what is necessary to motivate banks to engage aggressively in the small-loan trade. As access to bank-managed, high-interest credit cards expanded through the 1970s and 1980s, banks naturally balked even more frequently at the prospect of loaning customers less than U.S.$1,000. Bank deregulation during the 1980s made short-term lending even less attractive to bankers, as much higher rates of return became available elsewhere in the financial markets. Deregulation not only propelled the reconfiguration of the mainstream banking industry during this era, but also encouraged the evolution of various forms of alternative financial services that today constitute the fringe banking industry. This alternative banking sector includes payday lenders, check cashers, title/pawn lenders, rent-to-own stores, and subprime mortgage lenders, as well as a variety of hybrid combinations (Caskey 1994).

During the 1990s, the payday loan industry spread rapidly, becoming legal in thirty-one states by decade's end. The remaining states have either tried to outlaw payday lenders or have discouraged the industry by extending existing banking laws or legislating new ones specific to payday lenders. Legislative opposition has been notably weak in the South. About half of all payday loan outlets are in six southern states: Mississippi, Missouri, Kentucky, Tennessee, North Carolina, and South Carolina (Jean Ann Fox, director of consumer protection, Consumer Federation of America, personal correspondence, 30 March 2000). Payday loan stores are opening rapidly elsewhere as well: in Illinois alone, 500 payday lenders opened between 1995 and 2000 (Woodstock Institute 2000). According to the *Los Angeles Times* (2001), California has about 2,000 outlets, already outnumbering McDonald's and Burger King franchises. Industry experts think that in the first decade of the new millennium, market saturation will set in when there are approximately 25,000 outlets nationwide (Robinson and Lewis 1999).

This estimate may prove conservative, however, when additional factors are taken into consideration. Several states are considering measures to further deregulate banking, a move likely to compound the effect of the previous two decades of deregulation. States with strict usury laws continue to see a proliferation of payday lenders, despite legislative and regulatory efforts to outlaw the practice. Payday lenders evade state usury laws by using a loophole in federal banking laws. Under current federal law, payday lenders in states with more liberal usury laws (e.g., Delaware, North Carolina) partner with federally insured banks in other states and offer loans across state lines. Other partnering agents, such as check-cashing outlets, pawnbrokers, liquor stores, and title-pawn outlets, also offer loans made by out-of-state payday lenders. The agents dispense the loan, but the debt is sold to out-of-state payday lending operations, who in turn take the risk and service the loan on terms dictated by the payday lenders' home-state laws (Caskey 2002). Consumer groups and state and federal regulatory authorities have begun to mount legal challenges to this practice (Fox 2002).

Possibly the greatest growth potential in payday lending lies dormant among mainstream bankers. Various newspaper accounts estimate that payday loan operations already earn around $1.5 billion annually (a significant proportion of which is generated during the holiday season, when the number of payday outlets expands by 15 to 25 percent). More compelling is the rate of return realized by payday lending. Estimated to be anywhere from 20 to 45 percent annually (see Stegman and Faris 2003, 10), payday lending's profit margin may prove irresistible to mainstream bankers. Currently, many small payday-lending operations capitalize their business through low-interest loans from traditional banks. Payday lenders take this money across town and reloan it at a significantly higher interest rate. Surely aware of these trends, several banks have already established subsidiary payday lending operations of their own (National Check Cashers Association 1998).

Because state laws regulate payday lending, where, how, and by whom a payday loan is made varies. Some commonalities do exist, however. Most payday loans total less than $500 and are made for a term of two to three weeks. Often, the cost of a payday loan, including interest and fees, is around 20 percent of the value borrowed. For example, in order to get a loan of $300, the borrower must provide a postdated check to the lender for $360, along with proof of employment, a photo ID, and a current phone bill. Once the period of the loan expires, the lender notifies the borrower that the borrower's check is soon to be deposited. The parties may agree to refinance or "rollover" the loan for an additional period of time if insufficient funds to cover the check are in the borrower's account.

In some ways, this exchange differs little from the exchange one might make at a standard bank, but key differences exist. Chief among them are the manner in which payday loans are marketed, the dollar value of the loans, the term length of the loans, and the cost of the loan. Rarely do traditional banks offer easy-to-get, short-term loans for less than $500. Banks that do offer small, short-term loans tend not to aggressively market this service, nor do they advertise these loans as a means to building (or rebuilding) credit histories, as is often the case with payday lenders. Payday loans are offered quickly, with minimal paperwork and less scrupulous attention to borrowers' credit-worthiness. Banks infrequently allow borrowers the opportunity to instantly and repeatedly refinance a loan in the event the borrower has difficulty with payments.

The differences listed above are significant, because they condition the type of consumer likely to use a bank or a payday lender. The payday-loan industry reports that poor and minority borrowers often find mainstream banks standoffish or even hostile (National Check Cashers Association 1998). With the proliferation of hidden fees, penalties, actions against credit histories, and bad-check policies, banks have become far less consumer-friendly, especially to those whose financial means are precarious. Perhaps as important, payday lenders do not extend to credit-challenged borrowers irresponsibly large credit lines, a practice common to many issuers of credit cards. Payday lenders tend to be, at least initially, more sensitive to these sorts of customer-service issues than are banks. Payday lenders stand out from other short-term credit providers in that they will not (immediately) come to your house to repossess your car or take your VCR as collateral. Given the perceived and real differences between banks, payday lenders, and other creditors, it is hardly surprising that the poor and many minorities have begun increasingly to turn to payday lenders.

Friendly service and convenience aside, consumers using payday lenders, almost without fail, encounter fees and interest rates in excess of what they could expect at a bank or other traditional lending institutions. Banks and credit-card lenders are subject to interest-rate regulations that keep annual percentage rates on loans generally under 25 percent. Payday lenders avoid marketing the cost of their loans as interest charges, preferring instead to characterize the cost of taking a loan as "fees." Payday lenders frequently charge as much as $50 in fees on a loan of $200. While this amount may represent only 25 percent of the face value of such a loan, when calculated in terms of an annual percentage rate (APR), the cost of a payday loan may be the equivalent of 500 to 1,000 percent.

Concerns over the rising tide of personal debt and the potentially abusive lending practices of payday lenders have drawn the ire of consumer advocacy groups and some legislators, but payday lending has commanded only a fraction of the attention given over to other types of predatory lending practices, such as subprime mortgage lending. Many state legislatures have recently considered payday-lending bills, and further legislative action is likely as the industry expands. Thus far, however, legislation designed to regulate payday lending has had an unimpressive rate of passage (see, e.g., Stegman and Faris 2003, 26). Even where state laws have been stiffened, loopholes in federal regulation have undermined their effectiveness. Senator Joseph Lieberman (D-CT) held hearings in late 1999 on the payday-loan industry, and two bills regarding payday lending have been forwarded in Congress, but support for additional regulation has been weak.

Politicians and consumer advocacy groups base their calls for greater regulation upon claims that payday lenders charge abusive interest rates while targeting the working poor and minorities. The method of determining whether or not an interest rate is usurious is central to the debate surrounding payday lenders. It is argued by some that APR is an appropriate means to measure interest and fees collected on payday loans because it is a widely accepted measure of the cost of a loan: APR allows consumers to quickly compare the costs of various loan options. Also, since a significant proportion of payday-loan customers maintain relationships with payday lenders over a period of many months, if not perpetually, an *annual* measure of interest accumulation is most appropriate, even though payday loans are ostensibly short-term loans. The Woodstock Institute (2000), a Chicago-based consumer advocacy group, found that a significant proportion of payday-loan consumers refinance or "roll over" payday loans, thus ensuring a long-term relationship with one or more payday lenders. Stegman and Faris (2003) also found that many payday loan customers "roll over" their loans frequently.

Opponents of the payday-loan industry also charge that payday lenders target low-income groups, minorities, and other at-risk groups, trapping them in a spiral of indebtedness. The Woodstock Institute (1997) found currency exchanges, often doubling as payday loan outlets, outnumbered banks eleven to one in some minority neighborhoods in Chicago, with the most uneven ratios in African-American neighborhoods, even though Hispanics were most likely to use currency exchanges. Stegman and Faris (2003, 13) found that payday lenders in Charlotte, North Carolina favored neighborhoods where median incomes range between $20,000 and $40,000. They (2003, 16) also found that blacks were more than twice as likely as whites to use payday lenders, but Hispanics were less likely to use payday lenders than were whites. Neighborhoods in Charlotte with high concentrations of minorities were found to be one-third less likely to have a bank but four times more likely to have a payday lender (Kolb 1999, cited in Stegman and Faris 2003, 13). Perhaps most important, the Woodstock Institute (1997) found that consumers using alternative credit outlets were likely to pay several hundred dollars more per year for financial services than consumers who used traditional banks paid.

The payday-loan industry vigorously defends its business practices and strategies. It has fought, with some success, numerous battles within state legislatures and courts to block further regulation. According to the principal industry association, the Financial Service Centers of America (or FiSCA, formerly known as the National Check Cashers Association), the payday-loan industry serves a legitimate consumer need in communities either neglected or abused by mainstream bankers. The organization (NaCCA 1998) argues that demand for payday loans is rooted in the inappropriate and outdated banking legislation that regulates small loans. Industry officials also vigorously oppose the use of APR as a measure of the cost of their short-term loans. They justify their fee and interest-rate structures by asserting that they assume more credit risk than banks while enduring similar but more frequent processing costs. The payday-loan industry also counters claims that they target at-risk populations. Pointing to the fact that payday lenders require borrowers to have, at the minimum, a checking account, a car, a phone, and a job, industry officials characterize their clientele as people temporarily short on cash or experiencing unexpected expenses. Although payday lenders have not publicly commented on the ethnic composition of their consumers, they do describe their consumers as middle-income, claiming the typical payday borrower in 1998 had an annual income of between $25,000 and $50,000 (NaCCA 1998). Although several studies agree with this broad assessment, others find the estimate too high (see Stegman and Faris 2003, 15).

Methods

To begin to better understand the effects of the increasingly uneven topography of credit in the urban landscape, a useful first step is to map banks and payday lenders, so that an analysis of their location strategies can be undertaken. The spatial distribution of payday loan outlets may indicate the extent to which the payday-loan industry actually targets poor and minority consumers. Mapping the spatial distribution of banks may serve to reinforce earlier studies (e.g., Pollard 1996) that showed banks progressively abandoning poor and minority neighborhoods.

Since the cost of living varies greatly from city to city and region to region, it is not possible to accurately judge the payday-loan industry's assertion that they target households with incomes between $25,000 and $50,000. Payday-loan customers—indeed, all consumers living in locations where wages and prices are high, such as Cook County, Illinois—are likely to fall within the income range cited by the payday loan industry (see Table 1). The reverse is true for those living where the cost of living is low. Taken thus, poverty is a relative measure, an indication of relative deprivation as measured against others within a reasonable market range. An alternate test is therefore forwarded that compares the ethnic and income differences between residents in neighborhoods with nearby payday lenders and residents in neighborhoods without payday lenders. This test is designed to test several hypotheses. My basic hypothesis holds that if payday lenders do not target specific income or ethnic groups, as payday-industry officials suggest, then there will be no statistically significant difference between the mean income and ethnic compositions of neighborhoods with payday lenders and the countywide means. Because poor and minority citizens often live in neighborhoods zoned for commercial purposes—including payday lending—and middle-class whites often live in neighborhoods restricted to residential purposes, statistical tests would very likely demonstrate that *all* commercial interests locate in relatively poorer and minority neighborhoods. To circumvent the potential biases created by zoning ordinances, a secondary hypothesis is necessary. In addition to comparing the statistical composition of payday loan neighborhoods to countywide means, the payday loan neighborhoods will also be compared to neighborhoods containing traditional banks and their branch facilities. The second hypothesis rests on an untested presumption: that banks and payday lenders are subject to identical zoning regulations in each county in the study. A final hypothesis holds that statist-

Table 1 *Income and Ethnicity Means for Selected Counties and Target Neighborhoods*

County	Data Group	% White	% Black	Median Household Income	% Poor	% Vpoor	% Renter-Occupied	Median House Value
Caddo	Countywide	53.59	44.02	$21,421	27.27	14.53	29.76	$53,095
	Bank neighborhoods	67.08	30.07	$24,377	21.91	11.57	32.63	$59,951
	Payday neighborhoods	67.1	30.54	$22,490	20.99	10.15	31.65	$50,457
Calcasieu	Countywide	72.62	25.98	$23,990	20.18	10.22	28.25	$53,544
	Bank neighborhoods	78.54	20.87	$28,350	16.17	8.23	31.08	$61,583
	Payday neighborhoods	68.38	31.28	$23,460	18.48	8.85	37.18	$55,825
East Baton Rouge	Countywide	58.28	40.21	$27,573	23.00	12.38	31.66	$66,167
	Bank neighborhoods	67.61	30.7	$29,928	20.30	10.90	33.49	$72,719
	Payday neighborhoods	57.46	40.29	$25,670	23.51	12.77	34.98	$65,637
Lafayette	Countywide	74.92	23.59	$24,554	23.07	12.12	32.65	$61,101
	Bank neighborhoods	72.01	25.95	$23,618	25.28	14.09	38.16	$63,018
	Payday neighborhoods	69.91	28.07	$21,851	27.48	14.91	40.00	$55,677
Orleans	Countywide	36.4	61.27	$19,892	31.86	17.82	46.05	$77,395
	Bank neighborhoods	50.69	46.34	$24,137	27.55	15.06	47.42	$94,075
	Payday neighborhoods	27.19	69.77	$16,562	34.49	18.81	52.05	$62,408
Ouachita	Countywide	67.06	32.07	$22,442	25.99	12.58	31.59	$51,402
	Bank neighborhoods	72.85	25.92	$20,914	18.10	8.59	26.54	$56,689
	Payday neighborhoods	61.67	37.76	$21,534	25.72	12.13	39.48	$52,619
Rapides	Countywide	69.31	29.42	$20,457	24.30	11.80	30.47	$48,650
	Bank neighborhoods	68.72	29.53	$21,103	19.73	8.48	29.40	$47,891
	Payday neighborhoods	64.96	33.48	$21,524	21.09	7.28	29.54	$49,567
Cook (IL)	Countywide	63.1	28.89	$35,423	13.97	7.51	34.44	$103,251
	Bank neighborhoods	56.89	17.68	$36,754	11.85	6.26	34.36	$115,735
	Payday neighborhoods	70.97	30.77	$31,332	16.39	8.69	41.24	$92,987

ical differences between the data groups will be increasingly evident as the population of the study area increases.

The means by which "neighborhood" was defined was critical in the selection of an analytic strategy. I adapted the definition of "neighborhood" found in public documents filed with the Securities and Exchange Commission (SEC) by a leading payday lender, Check Into Cash Incorporated. According to these filings, Check Into Cash claims that "[C]onvenience of a store's location is extremely important to customers"; therefore, "[M]anagement seeks to open each new store within three miles of the market area that it is intended to serve" (Check Into Cash 1998). Accessibility was also cited as a key advantage of payday lenders in a study done for Union Bank in California by Andre Associates (cited in Stegman and Faris 2003, 13). Stegman and Faris (2003, 19, 23) also found that the rate of use of payday lending is positively associated with accessibility and that location was the primary variable in store profitability. My informal windshield surveys of payday-loan locations in a handful of metropolitan areas across the United States strongly suggests that payday lenders have adopted Check Into Cash's assessment of the importance of location. They agglomerate in patterns similar to automobile dealerships and furniture stores: it is easy to find commercial corridors with a half-dozen or more payday lenders crowded onto a single mile stretch.

Data necessary to conduct the statistical test of neighborhood similarities included address lists and census data. Seven variables were extracted from the 1990 census: percent white, percent black, median household income, percent below poverty, percent 50 percent below poverty level, percent renter-occupied at the block-group level, and median house value (see Table 1). Bank branch addresses were downloaded from the Federal Deposit Insurance Corporation (FDIC) website. Payday-loan outlet addresses in Louisiana and Illinois were obtained through each state's respective banking regulatory authority.

Study sites in Louisiana and Illinois are ideal for a variety of reasons. Payday lending is legal in both states, both states have witnessed recent legislative action on payday lending, and both states' regulatory offices eagerly shared GIS-ready address data for payday lenders. The eight counties selected for inclusion in the study were chosen because they represent a range of city sizes, from 131,000 in Rapides Parish, Louisiana to more than five million in Cook County, Illinois. Each county has a statistically viable number of banks and payday loan operations, and each has sizeable poor and minority districts. Cook County and the metropolitan parishes in Louisiana are also attractive candidates for study because, in some ways, they represent opposite ends of the economic development spectrum and patterns of cost of living and racial segregation. At the same time, all of these counties include a significant proportion of residents that have family histories deeply rooted in the debt servitude of the Delta South. This may be important, as familial attitudes toward debt and savings have been shown to affect the rate of payday lending use (Stegman and Faris 2003).

As a prelude to testing the hypothesis, income and ethnicity data were mapped for each county in the study at the block-group level. Next, the street addresses of no fewer than 95 percent of payday loan outlets in Louisiana were geocoded with a GIS program. In Cook County, 90 percent of addresses for both stand-alone payday-loan outlets and subcontracted payday operations—legally known as "limited-purpose branch offices"—were geocoded. Limited-purpose branches are typically payday-loan outlets set up inside previously established businesses. Subcontracting payday lending or co-operating with these businesses allows payday lenders to take advantage of good site locations and the host businesses' generally credit-impaired customer bases. Once the addresses of payday lenders were mapped, each block group within a quarter mile of any payday lender was extracted from the map. Most of the extracted block-group clusters consisted of three or four contiguous block groups. Collectively, these extracted block groups form a subset of data hereafter referred to as "payday-loan neighborhoods." The process was repeated for bank branch locations. Collectively, these clusters form a second subset of census block groups, hereafter referred to as "bank neighborhoods."

Ethnicity and income variables for each county were compared against the twin subsets of neighborhoods using a two-sample difference of means test. This test was chosen for several reasons. First, the test is a relatively simple one, and its ease of use may prove valuable to others, especially public-advocacy groups seeking to replicate this study in other regions. Second, it is capable of testing the fundamental questions issued by the test hypotheses. Similar tests have been successfully applied in other access studies in which ethnicity and income comparisons were sought (e.g., Talen 1997). Third, the large datasets (e.g., Cook County has over 1,000 bank branches, over 300 payday lenders, and more than 4,500 census block groups) made many of the competing accessibility measures unwieldy. This test is designed to determine whether or not two samples were drawn from a single population. As the test value of t grows, the probability decreases that differences between the two sample means are due to chance. When the value of t exceeds ± 1.96, the probability that the two groups are statistically similar drops to zero at the 95-percent confidence interval.

Findings

The results of the difference of means tests suggest that payday lenders are locating in neighborhoods that are poorer and have higher concentrations of minorities than their county of location as a whole. The test reveals an even stronger pattern of locational bias among banks, one in favor of neighborhoods that are wealthier and whiter than countywide means. These results are strongest in counties with populations in excess of 250,000 (see Table 1). In counties with populations under 250,000, t-test results are mixed, indicating that in less populous market areas, site-location strategies of banks and payday lenders are conditioned less by income and ethnicity than by limitations on retail space. In Ouachita Parish, for example, the 1990 countywide median household income was $22,442, for bank neighborhoods it was $20,914, and for payday loan neighborhoods it was $21,534 (see Table 1). Although these differences are not statistically significant, the trend is opposite to what critics of payday lenders expect (see Tables 2, 3 and 4). Ethnic patterns are also less distinct. Ouachita Parish is roughly 67 percent white and 32 percent black. Bank neighborhoods are 73 percent white and 26 percent black; payday loan neighborhoods are 62 percent white and 37 percent black. While these statistics do support the notion of ethnic bias, none of these differences produce statistically significant t-scores. Similar patterns hold true for Rapides, Calcasieu, Caddo, and Lafayette parishes. Among these less populous metropolitan parishes, only percent renter-occupied generated significant statistical differences.

In Caddo and Rapides parishes, several of the test results were the opposite of expectations. This is largely because neither parish has a sizeable commercial district in any poor or minority districts. Banks and payday lenders are largely concentrated along routes through neighborhoods that are above the county average for percent white and median household income. Here, the t-test revealed a significant locational bias on the parts of both banks and payday lenders *against* black and poor neighborhoods (see Tables 2 and 3). Accordingly, no significant statistical difference was found between bank neighborhoods and payday loan neighborhoods (Table 4).

Table 2 *t-Test Scores for Comparisons of Bank Neighborhoods versus Countywide Means*

County	% White	% Black	Median Household Income	% Poor	% Vpoor	% Renter-Occupied	Median House Value
Caddo	3.26*	−3.42*	1.79	−2.17*	−1.72	1.27	1.85
Calcasieu	1.35	−1.16	2.43*	−1.88	−1.45	1.01	2.39*
East Baton Rouge	2.83*	−2.85*	1.6	−1.44	−1.25	0.96	1.87
Lafayette	−0.74	0.59	−0.53	0.82	1.09	2.14*	0.50
Orleans	5.45*	−5.64*	3.32*	−2.89*	−2.58*	0.96	3.49*
Ouachita	1.17	−1.23	−0.92	−2.93*	−2.36*	−1.73*	1.39
Rapides	−0.11	0.02	0.37	−2.13*	−2.39*	−0.32	−0.24
Cook (IL)	8.70*	−10.07*	2.72*	−5.12*	−4.50*	−0.11	5.65*

** Significant at the 95 percent confidence interval.*

Table 3 *t-Test Scores for Comparisons of Payday Neighborhoods versus Countywide Means*

County	% White	% Black	Median Household Income	% Poor	% Vpoor	% Renter-Occupied	Median House Value
Caddo	2.96*	−2.97*	0.76	−2.32	−2.64*	0.80	−0.92
Calcasieu	−0.7	0.87	−0.26	−0.69	−1.03	2.36*	0.53
East Baton Rouge	−0.23	0.02	−1.34	0.28	0.33	1.69	−0.16
Lafayette	−1.02	0.91	−1.33	1.31	1.31	2.67*	−1.40
Orleans	−3.18*	2.82*	−3.05*	1.22	0.59	3.14*	−4.44*
Ouachita	−0.64	0.68	−0.38	−0.05	−0.17	1.86	0.25
Rapides	−0.63	0.58	0.47	−2.13*	−2.39*	−0.32	−0.24
Cook (IL)	−5.73*	3.34*	−8.75*	4.85*	3.55*	8.45*	−4.72*

**Significant at the 95 percent confidence interval.*

The lack of significant statistical differences in these smaller metropolitan parishes is directly attributable to their lack of viable retail-site options. Where market thresholds are less than 250,000, banks and payday lenders are largely confined to fewer than five retail-service clusters. In these parishes, the imperative to locate near target customers is diminished, because consumers are forced to do business in fewer available commercial districts. Smaller cities tend to have shopping districts less distinctly associated with area neighborhoods; here, everyone in the market range frequents all commercial strips and malls. In regions with larger populations, there may be numerous retail districts, each with distinct mixtures of retail and service establishments that reflect local neighborhood conditions. Where distance and travel costs are great, location becomes a more critical element of site location.

In the most populous counties in the study, neighborhoods with payday loan outlets nearby are generally much poorer and much less white than is the county as a whole. As expected, neighborhoods with banks are much wealthier and whiter than countywide averages (see Tables 2 and 3). Compared against one another, bank neighborhoods are substantially whiter and wealthier than are payday loan neighborhoods (Table 4). The largest study areas have the most extreme test scores. Mean differences among the three datasets are greatest in Cook County (see tables and Figures 1 and 2). Test results reveal substantial differences between payday loan neighborhoods and bank neighborhoods when income and poverty variables are compared. Ethnic differences among the test neighborhoods are greater still, with *t*-scores pushing past 10 for percent white and percent black.

Discussion

The results of the statistical tests suggest that the payday lending industry is targeting neighborhoods with a higher percentage of poor and minority residents. At the same time, traditional banks are avoiding poor and minority communities. In most counties, *t*-test results indicate that banks avoid poor and minority neighborhoods at a rate greater than payday lenders target such neighborhoods. These trends are most pronounced in the more

Table 4 *t-Test Scores for Comparisons of Payday Neighborhoods versus Bank Neighborhoods*

County	% White	% Black	Median Household Income	% Poor	% Vpoor	% Renter-Occupied	Median House Value
Caddo	−1.05	0.01	0.09	−0.3	−0.71	−0.35	−2.49*
Calcasieu	−2.08*	−1.58	1.6	0.85	0.25	1.44	−1.19
East Baton Rouge	−2.58*	−2.60*	2.42*	1.54	1.41	0.66	−1.79
Lafayette	−0.76	−0.38	0.38	0.58	0.33	0.59	−1.58
Orleans	−5.18*	−6.99*	6.78*	2.98*	2.11*	2.19*	−6.44*
Ouachita	0.24	−1.29	1.36	1.48	1.36	2.85*	−0.74
Rapides	0.08	−0.89	0.9	0.57	−0.93	0.03	0.35
Cook (IL)	−9.88*	−12.20*	10.80*	8.48*	6.80*	7.64*	−8.78*

**Significant at the 95 percent confidence interval.*

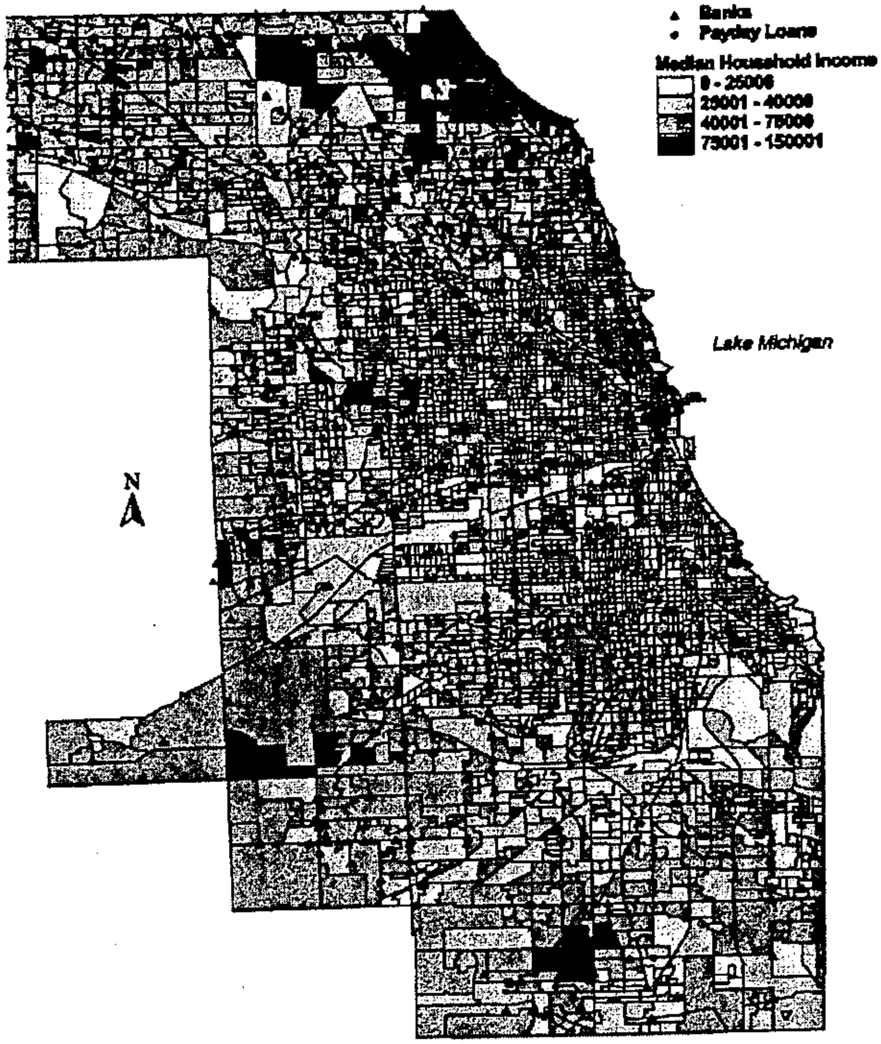


Figure 1 *Median household income and location of payday lenders and banks in Cook County, Illinois.*

populous study sites containing New Orleans and Chicago. In the less populous study sites, the site-location strategies of banks and payday lenders are less evident. Where market thresholds are small and the friction of distance is unexceptional, fewer retail districts emerge. In these instances, banks and payday lenders have less latitude in their location strategies.

The two sample difference of means test used in this study proved to be a useful tool in the characterization of difference between the target neighborhoods. Without this tool, it is difficult to quickly estimate the magnitude of statistical differences between the economic and demographic characteristics of target neighborhoods. However, the utility of this measure as a tool for engaging makers of public policy may be undermined by its inaccessibility to lay audiences, especially mass media audiences, whose political support might be needed to advance legislation on banking practices. The standardized nature of this test statistic may prove useful if can be successfully translated for consumption by voters and politicians.

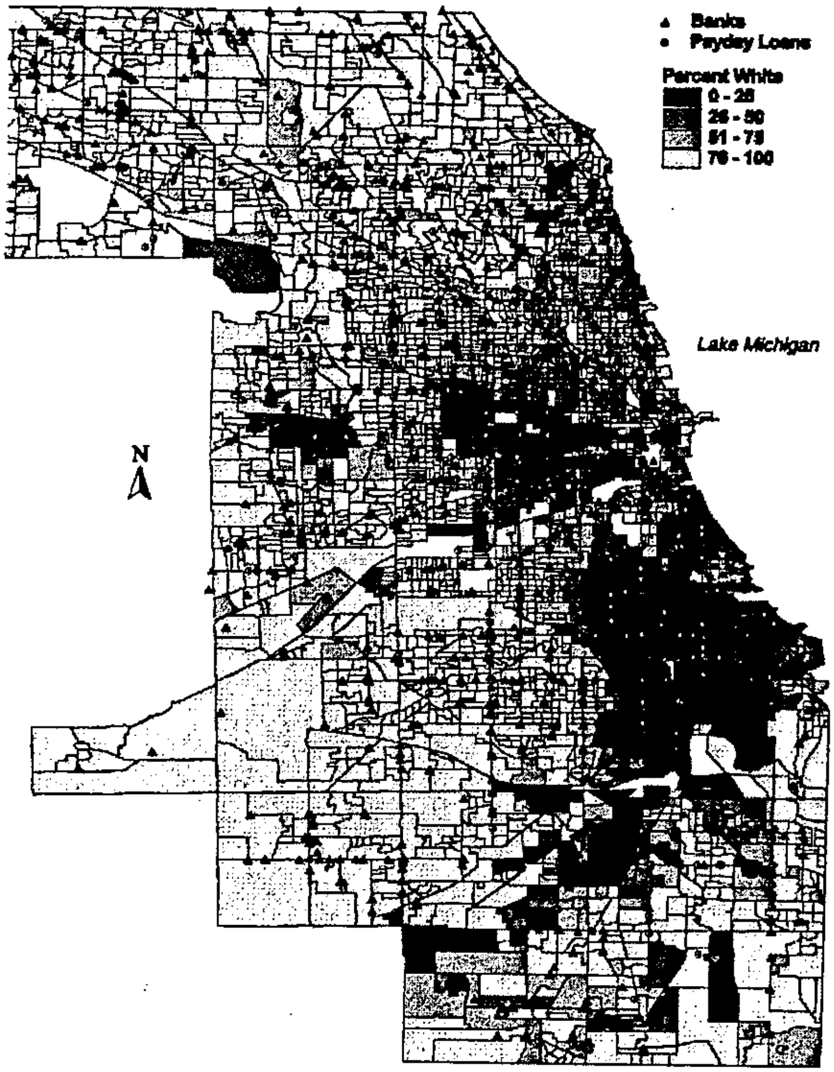


Figure 2 *Percent white and location of payday lenders and banks in Cook County, Illinois.*

I hope that my findings lend empirical support to the discourses surrounding urban life. If the metaphor of the stage is a useful one for understanding human action, then this study helps prove that the stages under the feet of America's inner-city residents are mined with trap doors. Payday lenders are but one invitation to make a bad decision, but one element in what appears to be the predatory landscape of the inner city. In addirion to the real costs of predatory lending, the psychological costs may be just as damaging. Perception of neighborhood quality has been shown to be an important and reliable measure of behavioral outcome (Hadley-Ives et al. 2000). Perceptive inner-city residents no doubt understand that opportunities to lower one's quality of life dot the landscape, especially where minorities predominate (see, e.g., Walters 1996). Stores selling overpriced groceries, lottery tickets, liquor, and tobacco compete unscrupulously for scarce dollars with payday lenders, rent-to-own stores, check cashers, pawnbrokers, and other rip-off artists.

While it is tempting to simply characterize predatory lenders as the sleazy villains in yet another scheme to take advantage of helpless inner-city victims, it would be wholly insufficient to do so. Indeed the appeal of payday lending lies in the effective and misleading marketing of payday lending and in the inability of some to fully comprehend the long-term cost of this type of credit (see, e.g., Bates 1997). What is less obvious is how the lack of transparent options for the credit-needy figures into the success of payday lending. This study partly supports the somewhat dubious plea of innocence made by payday lenders, who claim to serve communities underserved by traditional lenders. While it is true that payday borrowers are not completely unbanked, if they live in large cities they may find themselves riding a bus for many blocks to visit a bank that does not serve them pleasantly or appropriately. If traditional banks were able and willing to fulfill the intent of the fair-lending legislation of the 1970s, then payday lenders would have little market appeal. This self-reinforcing pattern of abuse and neglect is widely visible on the urban landscape. For each landscape item signifying structural predation, there is generally a landscape signifying structural neglect. The absence of quality schools, parks, banks, and grocery stores all figure into the construction and maintenance of structural restrictions upon residents' ability to make informed life choices. Far from being a pathologically bad credit choice, payday lending may seem to many inner-city residents to be the best of the bad options available.

If inner-city residents understand the proliferation of payday lenders and retreat of banks as signifiers of the systematic impoverishment of their neighborhoods, what, then, is the effect upon these residents? My guess is that payday lenders are quickly becoming signifiers of "the system" that, by hook or by crook, keeps the downtrodden down. The success of payday lending is very likely underwritten by inner-city cultures that have, over generations, come begrudgingly—or perhaps even passively—to accept perpetual indebtedness as a way of life.

The emergence of a two-tiered financial system offers many opportunities for additional study. The long-term effect of predatory lending practices on economically challenged neighborhoods, their crime patterns, and urban renewal efforts are particularly intriguing. Because payday lenders comprise only one segment of the alternative financial industry, further study into the spatial practices of check cashers, rent-to-own establishments, title-pawn outlets, and subprime lenders is warranted. Continued analysis of the spatial strategies of mainstream bankers is also necessary. How credit unions, community banks, and other consumer-friendly sources of banking sources factor in the production of positive urban landscapes presents yet more opportunities for research.

The growth of a two-tiered financial system in the United States is but one of a number of unwelcome consequences of the deregulatory spirit fashionable among American politicians during the last couple of decades. As has been the case elsewhere, deregulation has disproportionately affected the poor. Clearly, a need exists to revisit earlier banking legislation, and new legislation may be necessary. Pundits, politicians, consumer-advocacy groups, and other researchers have already forwarded numerous legislative suggestions for state and federal policy makers (see, e.g., Woodstock Institute 2000; PPI, AARP 2001; Stegman and Faris 2003), as has the payday-lending industry (NaCCA 1998). There seems to be general agreement that payday lenders can and should continue to provide their unique services. Without them, the prospect of encouraging considerably more dangerous and completely unregulated loan sharks reappears. A consensus may also be possible on appropriate measures to take to discourage multiple rollovers and other practices that create long-term, spiraling debt. Disagreements tend to emerge over the way in which payday lenders should be allowed to market their services and what constitutes a reasonable interest/fee structure.

Perhaps the most contentious debate is over the apparent lack of federal regulation of cross-border, interstate payday lending. Used to evade state regulations, interstate charter-bank lending undermines local and state authority and seems to transgress the spirit of laws intended to prevent such practices. Payday lenders who are willing to take advantage of the shelter afforded to interstate bankers by federal statutes should be held to federal regulations that require banks to equitably serve the communities in which they operate. Congressmen who shield local interests from federal regulation by standing behind the cloak of states' rights must also extend their logic in order to protect local constituents—especially the debt-prone ones—from out-of-state, predatory lenders. Left unchecked, the combination of financial neglect by legitimate bankers and predation by fringe bankers threatens to further destroy inner cities and to erode the already fragile condition of America's working poor. ■

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Thursday, April 22, 2004

High-interest lenders restricted

Council limits payday and auto title loan companies, pawn shops

By MICHAEL SQUIRES
REVIEW-JOURNAL

Concerned that high-interest lenders are clustering in the city's older neighborhoods, a divided City Council imposed distance requirements on the businesses Wednesday.

The council voted 3-1 to keep the high-interest lenders, including payday loan businesses, auto title lenders and pawnshops, from locating closer than 1,000 feet to similar operators and 200 feet from residences.

The ordinance is similar to Clark County's regulations on the businesses.

Councilman Larry Brown opposed the measure. Mayor Oscar Goodman, whose son, Eric, represents Check City, and Councilman Michael Mack, who is a consultant to Super Pawn, abstained from voting.

"We are being oversaturated in the city with these kinds of businesses," said Councilwoman Janet Moncrief, who represents Ward 1 and proposed the restrictions.

A city analysis that preceded her drafting the measure showed nearly 90 percent of the check-cashing businesses licensed by Las Vegas are in Wards 1, 3 and 5.

In general, that is the area between Owens and Sahara avenues and Rainbow Boulevard and Eastern Avenue.

More than 80 percent of Las Vegas' automobile title lenders and pawnbrokers are in those three wards as well.

Ward 3 Councilman Gary Reese and Ward 5 Councilman Lawrence Weekly joined Moncrief in voting for the limits, which the council can ignore in licensing the businesses.

The regulations also place restrictions on signage and hours of operation.

Representatives of the industry criticized the distance requirements as merely providing protection for bad operators by keeping competitors at bay.

"They are the personification of blight in some areas," attorney Paul Larsen said of some operators who paint their businesses garish colors. "But distance requirements do nothing but protect those businesses from competition."

Competition will drive out the bad operators, Larsen said.

Moncrief pursued the bill, in part, because of the high interest rates some businesses charge. Annual rates are 500 percent to 800 percent on average, according to experts. And some charge as much as 2,300 percent.

Critics accuse the industry of gravitating to low income areas where residents have a tougher time accessing conventional sources of credit.

Find this article at:
http://www.reviewjournal.com/lvrj_home/2004/Apr-22-Thu-2004/news/23712214.html

☐ Check the box to include the list of links referenced in the article.

MEMORANDUM

To: Ald. Joe Davis, Sr.

From: Jeff Osterman, Legislative Reference Bureau

Date: January 29, 2004

Subject: ARTICLES ON PAYDAY LOAN BUSINESSES

++

Attached you will find a number of newspaper and magazine articles relating to payday loan businesses. A payday loan is a small loan (typically less than $500) for which the borrower gives the lender a check in the amount of the loan, plus an interest fee, post-dated to the borrower's next payday. When payday arrives, the lender cashes the check unless the borrower "rolls over" the principal by paying a fee for another 2-week period. Key points of the attached articles include:

- Payday lenders charge very high interest rates - 20% or more for a 2-week loan, and up to 600-700% on an annual basis. For this reason, they are often viewed as "predatory" lenders or "loan sharks."
- If a borrower repeatedly postpones paying off his or her loan by paying another fee, the borrower's debt piles up quickly because of the exorbitant interest rates charged. What starts out as a small loan can quickly become a vicious financial cycle that is difficult to break and may lead to bill collectors, mortgage defaults, bankruptcies, etc. A study by the Indiana Department of Financial Institutions found that the average payday loan borrower rolled over his or her loan 10 times before finally paying off the principal.
- In many states (including Wisconsin), there is no limit on the interest rate that payday lenders may charge. This makes the payday loan business quite lucrative and has resulted in a rapid proliferation of payday loan stores across the country. Legislative efforts to impose interest-rate limits and other restrictions on payday lenders are often unsuccessful because the payday lending industry lobbies legislators heavily and is a major source of campaign contributions.
- In the Chicago area, payday loan businesses are disproportionately concentrated in black communities.
- Payday lenders are also seen as businesses that prey on consumers who lack credit cards and cannot obtain loans from conventional financial institutions.

- The Georgia State Senate recently passed a bill outlawing payday lending. Borrowers would have to obtain their loans from "traditional" lending institutions such as banks, finance companies and pawn shops.
- The New York City Council recently introduced legislation to require payday lenders to provide full disclosure of repayment terms and costs to borrowers.
- Legislators in the State of Washington have passed a law limiting the interest rate on the portion of a payday loan above $500 to 10% and extending the term of payday loan from 2 weeks to 45 days.
- In 2002, the State of California passed a law requiring semi-annual inspections of check-cashing businesses and the clear posting of loan fees.
- One payday loan company, to skirt laws regulating direct lending of cash, requires borrowers to buy phone cards every 2 weeks for a year instead of paying an interest fee.

You may also be interested in knowing that a bill to regulate "payday loan providers" was recently introduced in the State Senate. This legislation, 2003 Senate Bill 345 introduced on December 10, 2003 (copy attached), would create the following requirements and prohibitions:

- A payday loan provider may not assess fees or interest charges that, in the aggregate, exceed 5% of the loan amount.
- A payday loan provider may not make a loan with a term of less than 30 days.
- The payday loan provider shall give each borrower copies of educational brochures prepared by the Wisconsin Department of Financial Institutions relating to the operation and potential costs of payday loans.
- Each payday loan provider shall file an annual report with the Department of Financial Institutions' Division of Banking.

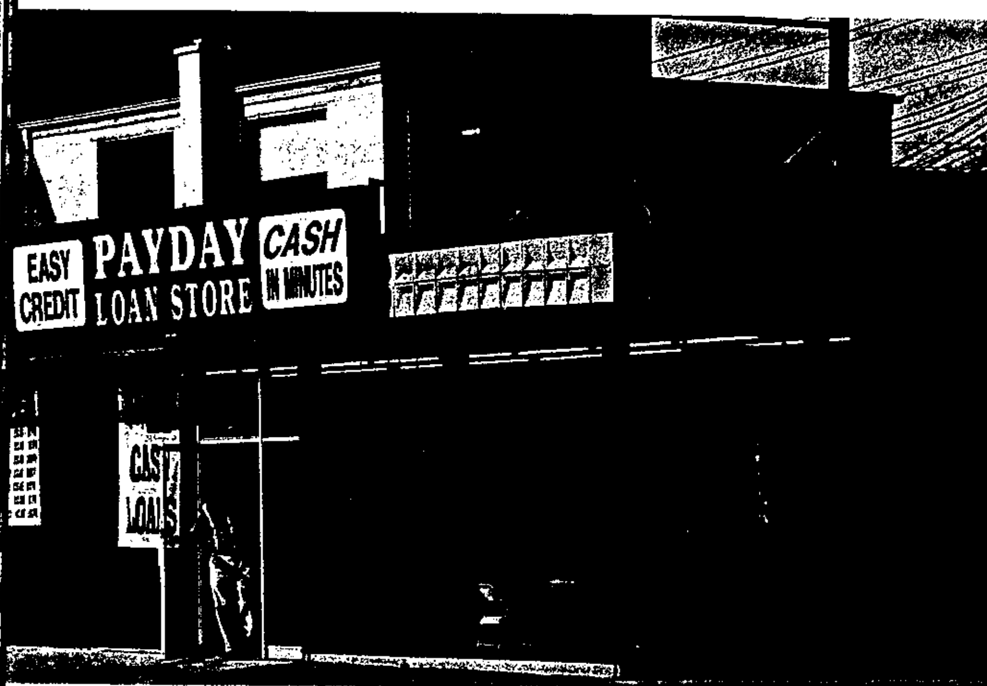
Since the proposed bill addresses some of the most serious and often-cited problems of payday loan practices (e.g., high interest rates and short terms), you may wish to consider expressing your support for this legislation to the sponsors.

03298-2

A Few Bucks Until Payday

Short-term lending is a growth industry in states all over the country. In many places, lenders can charge the customer whatever they want.

BY SHANE HARRIS



MARK HOFFMAN

If you're looking to borrow money, Wisconsin is one of the easiest places in the country to get some. It has no interest-rate limits of any sort, so no matter how desperate you are, the odds are a lender somewhere will make a deal with you at a rate he considers attractive. Of course, it may be a very high rate—20 percent or more for a two-week loan, which works out to high-triple digits on an annual basis.

But you will get the money. Wisconsin's laissez-faire usury law has helped lure to the state nearly 200 loan companies known colloquially as "payday lenders," companies whose small outlet stores specialize in providing up to $500 to strapped borrowers who use their next paycheck as collateral. In exchange for providing this service, the lender charges a fee, usually between $20 and $35 on each $100 borrowed.

It is a business that has grown remarkably fast. Once practiced primarily in a few Appalachian states, payday lending is now a national phenomenon. In 1996, according to Wisconsin finance officials, there were 17 outlets in that state making about 80,000 loans with a total volume of $11 million. Two years later, the number of lenders had grown to 175, and they were making 850,000 loans, totaling $200 million. By most accounts, the pace has picked up since then.

This doesn't particularly bother the state's Department of Financial Institutions, which is charged with the job of monitoring such businesses. Wisconsin's DFI points to market demand, not lax laws, as the cause for the burgeoning of the industry. "We would view it as a reflection of the payday lenders filling a need out there," says Dave Anderson, who handles legislative affairs for the department.

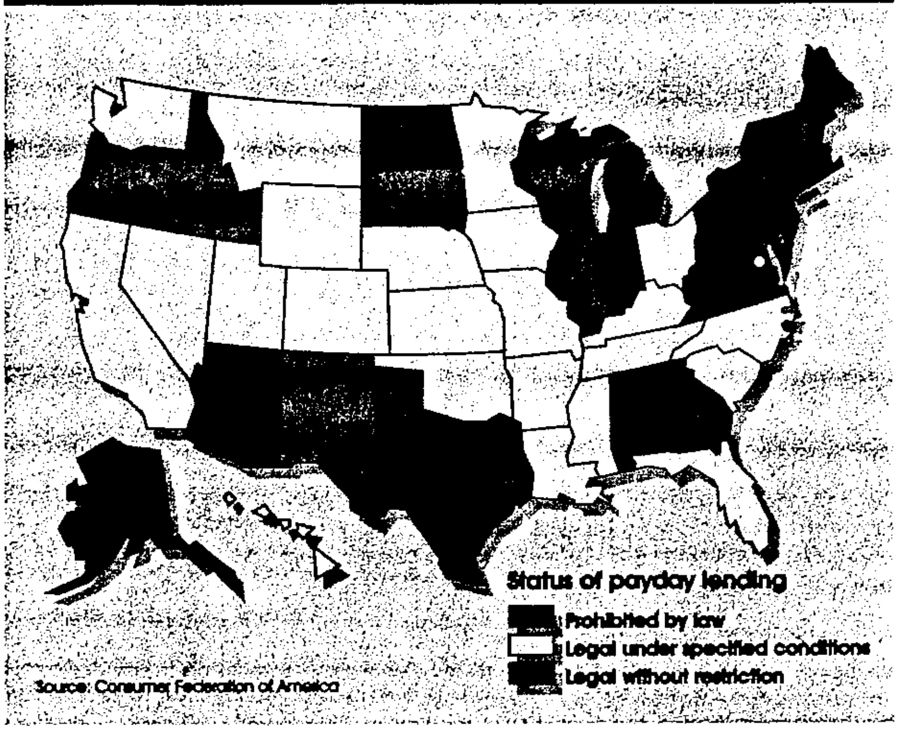
But not everyone sees the state's emergence as a payday loan mecca quite so benignly. State Senator Judy Robson calls the lenders "poverty sharks," and says they "have moved into the state and taken over." She points to Wisconsin's non-existent interest controls as the main source of the trouble, and has introduced a bill that would reimpose a ceiling on the rate any lending institution can charge.

Robson's legislation has made little progress so far, and in her view, this is because the payday lending industry, which operates more than 9,000 outlets nationwide, has become a major player in state-level campaign finance. In the last election cycle, the industry was the single largest out-of-state contributor to the campaign of Wisconsin Governor Tommy Thompson, and it gave generously to several of the members assigned to committees that consider financial legislation. The lenders also paid one of the state's top lobbyists $48,000 to argue the case against a reimposition of interest-rate controls.

A similar scenario has played out in other states where relatively lenient usury laws have encouraged payday lenders to set up shop. Last year in Indiana, where payday lending is a $285 million industry, the state Department of Financial Institutions supported a bill that would have cut the maximum amount that could be charged on short-term loans. The state's 550 payday lenders, organized as the Indiana Deferred Deposit Association, countered with a bill eliminating any dollar caps, and mounted what the group's director calls a "far-reaching" lobbying effort. Both bills ultimately died, but that left the lenders with a status quo most of them could live with. Mark Tarpey, supervisor of the DFI's Consumer Credit Division, laments that his agency simply wasn't equipped to deal with a massive and coordinated lenders' effort.

The industry has never been bashful about acquiring lobbyists in bulk, and

License to Lend



using them intensively. In Indiana, the Deferred Compensation Association began lobbying the issue during the legislature's summer recess, before the legislative session had even begun. When the issue came up in Tennessee a couple of years ago, the payday forces mounted what one state official referred to as a "blitzkrieg." "They hired a Noah's Ark of lobbyists," one legislator said afterward. "They hired a black lobbyist to get black votes. If we'd have had a transsexual, they would have hired a transsexual lobbyist."

There has been an extensive intervention on the other side of the issue, by consumer-protection groups such as the Consumer Federation of America and by state Public Interest Research Groups. Their efforts have been no less impassioned than the industry's—they charge the lenders with exploiting the most financially vulnerable segments of society—but they have been overwhelmed in money and manpower.

The financial transaction that has spurred all this zeal and effort is quite simple. A borrower uses the virtual certainty of his next paycheck to get a small amount of money—usually less than $500—right away. He writes a personal check to the lender for the amount of the loan, minus a fee. The lender agrees not to cash it until the borrower deposits his paycheck, usually within two weeks.

If all the transactions ended at this point, payday lending might not be very controversial. But frequently they don't. The borrower decides to postpone paying the principal by opting to pay another fee. If that cycle continues, debt piles up, and the borrower can be trapped underneath ever-mounting charges. One study by the Indiana DFI found that the average borrower rolled his loan over 10 times before paying off the principal in full. The president of Indiana's payday lender association doesn't dispute the state's assessment that the average customer isn't paying his loan back very promptly.

The crucial question for lawmakers and regulators is whether those additional payments are fees, as the industry insists, or interest, as consumer advocates argue. If they are interest, they are subject to regulation in most places.

The solutions suggested to deal with this problem, if it is a problem, are relatively simple. A state can treat the money as interest, and impose a ceiling on the percentage rate. Or it can call the same payment a fee, and place a limit on the dollar amount. Or, alternatively, it can limit the number of times a consumer can extend the life of a loan.

The industry considers both ceilings and strict fee limitations to be a threat to its right to do business. If payday lending has to be regulated, industry lobbyists say, some restriction on the number of debt rollovers would be preferable to any rate controls.

Nineteen states currently make payday lending difficult by treating the payday debts as interest and subjecting them to ceilings that the industry considers too low to allow them profitable operation. Twenty-three states allow payday lenders to do business based on provisions exempting them from the interest-rate caps that are applied to traditional lenders. Eight states, including Wisconsin, do not restrict payday lending in any way.

The issue of how to categorize borrower payments—as fees or interest—has been before the Indiana courts all year. After this year's legislature adjourned without passing any bill dealing with payday loans, the state DFI requested an opinion from the attorney general on whether the lenders were violating state law by making loans at annual rates above the statutory usury ceiling of 72 percent. The attorney general responded that the law was, in fact, being violated.

The lenders, in turn, sued the DFI in hopes of preventing the attorney general's opinion from taking effect. They argued that any reference to annual percentage rates is misleading when applied to short-term loans such as the ones their members issue.

In October, the Supreme Court dismissed the lenders' case, clearing the way for the usury law to be enforced against them. But further legal wrangling on this issue seems all but inevitable.

Wisconsin's financial regulatory agency, unlike the one in Indiana, has not taken a public position in favor of imposing interest-rate ceilings. The head of the Wisconsin Department of Financial Institutions, John Kundert, says that such caps "could very, very seriously affect the ability of these people to make their loans." He insists that borrowers share a great deal of the responsibility for educating themselves on the finer points of the financial transactions they make. And he believes that Robson's bill, imposing interest limits, died in the legislature last year mostly because consumers themselves weren't particularly favorable to it.

Robson has another explanation. "I don't think it's too puzzling," she says. "There was a lot of money moving through the legislature from these very powerful payday loan companies." G

Payday loans target blacks, study says ; Twice as many lenders found in African-American are

Chicago Sun - Times; Chicago, Ill.; Mar 11, 2003; Mark Skertic;

Start Page: 18
Personal Names: Mack, Gary
Companies: Payday

Abstract:
The analysis was done by Woodstock and the Monsignor John Egan Campaign for Payday Loan Reform. Researchers used Illinois Department of Financial Institutions data to track the practices of payday loan lenders i ZIP codes that were more than 75 percent white or 75 percent black.

Instead, [Gary Mack] said, the industry's position is that competition in the marketplace should determine how much lenders can charge. Payday-loan shops aren't trying to attract people who won't pay their loans and rack u interest costs, he said. Rather, he said, "The people in this business lend money because they want to get paid."

"Payday-loan rates remain high in Illinois because Illinois sets no limits," she said. "We're at a point now in Illinoi where we have more payday-loan centers than we do McDonald's."

Full Text:

Payday loan centers that charge high interest rates for short- term loans are targeting African-American communities ir the Chicago area, a report Monday found.

"We have long known that this industry pursues lower-income individuals, but these new findings now point to ways i which this industry also disproportionally targets communities on the basis of race," said Marva Williams, senior vice president of the Woodstock Institute, a Chicago not-for-profit group that analyzes lending practices.

The analysis was done by Woodstock and the Monsignor John Egan Campaign for Payday Loan Reform. Researchers used Illinois Department of Financial Institutions data to track the practices of payday loan lenders in ZIP codes that were more than 75 percent white or 75 percent black.

"You see the relationships when you look at the geography, regardless of income," said Woodstock analyst Geoff Smit

Smith said he found that, in predominantly white areas, there was .43 payday-loan offices for every 10,000 people, while mostly black areas had .87 such offices for every 10,000 residents.

Gary Mack, spokesman for the Illinois Small Loan Association, disputed the groups' findings that African Americans are targeted by the industry. "There's no targeting of anybody," Mack said. "There are payday-advance offices every place."

Mack said he believes the groups released their analysis to coincide with their push in Springfield for new laws that would impose tougher restrictions on payday lenders, including setting limits on interest rates.

Instead, Mack said, the industry's position is that competition in the marketplace should determine how much lenders can charge. Payday-loan shops aren't trying to attract people who won't pay their loans and rack up interest costs, he said. Rather, he said, "The people in this business lend money because they want to get paid."

The industry has grown to meet a need for those who need extra cash for a short amount of time.

Lenders provide cash to tide borrowers over until payday. But those who can't quickly pay off a loan find themselves paying several hundred percent interest annually.

Typically, the loan centers allow a borrower to write a check, even though the person doesn't have enough in the bank cover the check amount. On their next payday, they can either repay the loan, renew it at additional cost or let the chec bounce, resulting in bank fees.

Illinois places few restrictions on payday lenders, said Lynda DeLaforgue of the Egan Campaign, named for the late Chicago priest and social activist.

"Payday-loan rates remain high in Illinois because Illinois sets no limits," she said. "We're at a point now in Illinois where we have more payday-loan centers than we do McDonald's."

Senate OKs ban on payday leanding

Florida Times Union; Jacksonville, Fla.; Apr 8, 2003; Walter C. Jones, Times-Union staff writer;

Sub Title: [GEORGIA Edition]
Start Page: B-3

Abstract:
The bill makes illegal a practice called payday lending, in which a borrower gives a lender a check for repayment of the principle and interest dated ahead to payday.

[Don Cheeks] told his colleagues some borrowers had ended up in bankruptcy or even committed suicide becaus they couldn't repay the 600 percent interest rates charged by payday lenders.

[Ralph Hudgens] said he'd found it difficult to get a state license to make small loans. He argued for instituting regulations on payday loans rather than outlawing the practice.

Full Text:

ATLANTA -- Workers who need small loans for short periods will have to borrow from licensed, traditional lenders such as banks, finance companies and pawnshops if a bill passed by the Georgia Senate yesterday becomes law.

The bill makes illegal a practice called payday lending, in which a borrower gives a lender a check for repayment of th principle and interest dated ahead to payday.

Opponents of the bill sponsored by Sen. Don Cheeks said it would close nearly 300 businesses and put 1,000 people ou of work. Plus, they said, people needing the loans would still find them from illegal lenders.

"We're naive to think we're eliminating this market," said Sen. Chuck Clay, R-Marietta. "I think we're just driving it under the table."

But Cheeks, a Republican from Augusta who chairs the Banks and Financial Institutions Committee, said there are mo than 700 lenders licensed to make small loans across the state.

"Don't let them tell you they can't find a place to get a loan," he said.

Cheeks told his colleagues some borrowers had ended up in bankruptcy or even committed suicide because they couldn't repay the 600 percent interest rates charged by payday lenders.

"When you charge 600 percent interest, you are a leech," he said.

Sen. Ralph Hudgens, R-Comer, took a different view.

"The banks, I can assure you, don't want this business. They're not interested in loaning out $100 for a couple of weeks he said.

Hudgens said he'd found it difficult to get a state license to make small loans. He argued for instituting regulations on payday loans rather than outlawing the practice.

In the end, the Senate voted 46-6 in favor of outlawing it. It was the fifth time the chamber has passed similar bills onl to see them die in the House, where this year's version sits now.

Staff writer Walter C. Jones can be reached at (404) 589-8424 or via e-mail at waltermns@mindspring.com.

Fed Action Asked on Payday Loans

American Banker; New York, N.Y.; Apr 17, 2003; JOHN REOSTI;

*NAICS:*921130 *NAICS:*522110
Special Volume/Issue: Vol. 168, Issue: 74
Start Page: 7
ISSN: 00027561
Subject Terms: Sanctions
Consumer protection
Partnering
Predatory lending
Geographic Names: Delaware
Companies: **Federal Reserve Board** *NAICS:*921130
First Bank of Delaware *NAICS:*522110

Abstract:
The Wilmington-based First Bank of Delaware is one of a dwindling number still involved in payday lending. The $43.5 million-asset subsidiary of Republic First Bancorp in Philadelphia makes the loans in four states through agreements with three different check cashers. It had $5 million of the controversial short-term credits on its books at yearend.

"The comptroller and the OTS put a stop to their charters working with payday lenders, so the only place left for them to go is state- chartered banks," Ms. [Jean Ann Fox] said. The FDIC regulates state-chartered banks, and the Fed oversees holding companies.

Over the past two years a withering succession of regulatory actions, mostly by the OCC and OTS, and legal challenges underwritten by consumer groups have forced 11 banks to quit the payday business. Those still involved are small, state-chartered institutions like First Bank, according to Ms. Fox.

Full Text:

As part of the continuing assault on payday lender-bank partnerships, more than 60 representatives of various advocacy groups have asked the Federal Reserve to sanction a Delaware- chartered bank.

The Wilmington-based First Bank of Delaware is one of a dwindling number still involved in payday lending. The $43.5 million-asset subsidiary of Republic First Bancorp in Philadelphia makes the loans in four states through agreements with three different check cashers. It had $5 million of the controversial short-term credits on its books at yearend.

This week 66 advocates signed a letter labeling First Bank a predator. They want the Fed to quash the bank's payday-lending operation, following the lead of the Office of Comptroller of the Currency and the Office of Thrift Supervision.

Jean Ann Fox, the director of consumer protection for the Washington-based Consumer Federation of America, said sh thinks the pacts between banks and payday lenders could be eliminated if the Federal Deposit Insurance Corp. and the Federal Reserve took action.

"The comptroller and the OTS put a stop to their charters working with payday lenders, so the only place left for them go is state- chartered banks," Ms. Fox said. The FDIC regulates state-chartered banks, and the Fed oversees holding companies.

Harry Madonna, Republic First's president and chief executive, had not returned calls by press time.

Payday loans are made for two weeks at high interest rates. They are secured by the borrower's postdated check, and when the loan comes due -- after the borrower's next payday -- the lender cashes the check.

A few years ago payday lending seemed like a growth industry for financial institutions, with more than a dozen partnering with check cashers. Most banks would sell the loans back to the originating outfit -- reaping a bonanza of fee income -- and the check casher was able to circumvent state laws on interest rates, because the loans were being made by banks.

Consumer groups and regulators blasted the arrangements, likening them to "charter renting" and claiming they undercut state consumer- protection laws.

"There is no incentive to abide by even modestly restrictive state laws when a payday lender can partner with a bank," Ms. Fox said.

Over the past two years a withering succession of regulatory actions, mostly by the OCC and OTS, and legal challenges underwritten by consumer groups have forced 11 banks to quit the payday business. Those still involved are small, state-chartered institutions like First Bank, according to Ms. Fox.

"I hope we're in the final stages of this fight," she said.

PAY LOAN RACKET IS CHECKED

New York Daily News; New York, N.Y.; May 15, 2003; FRANK LOMBARDI DAILY NEWS CITY HALL BUREAU

Sub Title: [SPORTS FINAL Edition]
Start Page: 4

Abstract:
"These rates . . . are worse than usury, they're worse than loansharks," said Queens Councilman Leroy Comrie (D-St. Albans), the chief sponsor of the package of two bills and three resolutions aimed at curbing abusive payday loans.

According to Comrie and other backers of the legislation, some check-cashing operations in the city are a source of the payday loans, particularly in communities in the Bronx, Brooklyn and Queens.

Other councilmembers pressing for the legislation included David Weprin (D-Hollis), Helen Sears (D-Jackson Heights), Bill Perkins (D- Harlem) and Tracy Boyland (D-East Flatbush). The measures have the backing of Council Speaker Gifford Miller (D-Upper East Side).

Full Text:

Calling them "worse than loansharks," a group of City Council members introduced legislation yesterday to combat alleged payday loan scams.

Payday loans - sometimes called cash-advance loans - are obtained by cash-strapped working people, who sign agreements to repay them with their next paychecks, according to councilmembers sponsoring the bills.

But when payup time comes, the borrowers are socked with exorbitant interest rates that range from 24% to 700% - the politicians charged.

"These rates . . . are worse than usury, they're worse than loansharks," said Queens Councilman Leroy Comrie (D-St. Albans), the chief sponsor of the package of two bills and three resolutions aimed at curbing abusive payday loans.

Comrie said he has complaints and reports indicating the abuse involves "hundreds of loans each week."

But Rick Lyke, a spokesman for the Check Cashers Association of New York, said the 500 members of his group aren't providing payday loans.

"I don't know of any members of our association that are doing this," he said, adding that he also hasn't heard complaints about such loans being provided by check-cashing firms not in his organization.

The legislative package introduced yesterday includes two bills proposing city laws requiring lenders to provide full disclosure to borrowers of the repayment terms and costs and to include similar disclosures in advertisements touting the loans.

The three resolutions call on the MTA to bar advertising for payday loans from buses and subways, and ask state and federal officials to pass tougher regulations against the loans.

According to Comrie and other backers of the legislation, some check-cashing operations in the city are a source of the payday loans, particularly in communities in the Bronx, Brooklyn and Queens.

Web sites and 800-phone numbers are other sources of the loans, they said.

The loans are made by out-of-state banks that are not bound by New York State's anti-usury law, Comrie said.

The check cashers, who act as middlemen, take a cut of the interest payments, Comrie said.

"What we're talking about is legalized larceny," said Councilman Michael Nelson (D-Midwood), another sponsor. "Thi no doubt would make the mob envious."

Other councilmembers pressing for the legislation included David Weprin (D-Hollis), Helen Sears (D-Jackson Heights), Bill Perkins (D- Harlem) and Tracy Boyland (D-East Flatbush). The measures have the backing of Council Speaker Gifford Miller (D-Upper East Side).

[Illustration]
Caption: Leroy Comrie

A message to payday lenders

Spokesman Review; Spokane, Wash.; May 18, 2003; Bert Caldwell The Spokesman-Review;

*NAICS:*522291
Sub Title: [SPOKANE Edition]
Start Page: D1
Companies: Cash Store Ltd *NAICS:***522291**

Abstract:
Johnson sued The Cash Store in November 2001. Incredibly, the store manager who received the summons and complaint returned the documents to Johnson's attorneys. No attorneys for the lender showed up in Spokane County Superior Court, so Johnson obtained a default judgment for $26,701.

The Cash Store has not decided yet whether to appeal, according to attorney Brad Smith. The Appeals Court ruling was disappointing, he says, because the defendants never had the chance to find out who it was that made the threat of a criminal prosecution against Johnson, nor explore why her attorneys did not alert the store manager to the folly of returning the summons.

Last week, the governor signed SSB5452. The bill increases the maximum amount of payday loans to $700, but limits the interest rate for the portion in excess of $500 to 10 percent. The length of a loan is extended to 45 days. Fees and legal costs in the event of a default are capped.

Full Text:

Business columnist Bert Caldwell can be reached at (509) 459-5450 or by e-mail at bertc@spokesman.com

May 8 was a good day for Karen Schweigert.

With her graduation from the Gonzaga University School of Law only two days away, the Washington Court of Appeal upheld a judgment against The Cash Store for "unconscionable" lending practices and violations of the Consumer Protection Act.

Schweigert, an intern with University Legal Services, had prepared the complaint and argued the case on behalf of Angela Johnson.

Johnson's saga is truly horrific.

The single mother entered The Cash Store on North Division in January 2000 seeking a $250 loan to pay a veterinary bill. Told by a clerk the interest rate on a $500 loan would be lower, she borrowed that amount. As in most "payday loan" transactions, she left a postdated check to secure the borrowed amount, plus $75 to cover two weeks' interest. That lines out to an effective interest rate of 608 percent.

Two weeks later, Johnson returns with $575 cash, reclaims the original check, but takes out another $500 loan with the $75 fee and issues a new check. This routine was repeated 14 times.

By August, the fees exceeded $1,100. The $500 was still due. Finally, Johnson defaulted. Her financial woes snowballed from there.

The debt was turned over for collection. In October, a Cash Store employee allegedly told Johnson the matter would be referred to the police if she did not come up with $575, and a $25 returned check fee. The terrified Johnson left her home, a trailer with a paid-up mortgage and moved - with her daughter - in with her father.

She used her mortgage money to pay off The Cash Store, and she defaulted on the home loan. She owes more than $20,000 on the foreclosure deficiency.

Johnson sued The Cash Store in November 2001. Incredibly, the store manager who received the summons and complaint returned the documents to Johnson's attorneys. No attorneys for the lender showed up in Spokane County Superior Court, so Johnson obtained a default judgment for $26,701.

That got The Cash Store's attention. But the court refused to vacate the default judgment, so the case moved on to the Appeals Court.

There, the three judges ruled unanimously that The Cash Store did not have the evidence to make a defense against Johnson's allegations. Nor could returning the summons be considered "excusable neglect," another legal test for overturning default judgments. The term inexcusable idiocy comes to mind here, but back to the case.

The Cash Store has not decided yet whether to appeal, according to attorney Brad Smith. The Appeals Court ruling was disappointing, he says, because the defendants never had the chance to find out who it was that made the threat of a criminal prosecution against Johnson, nor explore why her attorneys did not alert the store manager to the folly of returning the summons.

At University Legal Services, supervising attorney Al McNeil says he thinks he knows why the judges did not pick ove legal niceties.

"It's clear to me they're sending a message to the payday lending industry," he says.

The Legislature and Gov. Gary Locke have a message, too.

Last week, the governor signed SSB5452. The bill increases the maximum amount of payday loans to $700, but limits the interest rate for the portion in excess of $500 to 10 percent. The length of a loan is extended to 45 days. Fees and legal costs in the event of a default are capped.

The Department of Financial Institutions will get additional resources to examine the industry, which in 2000 made 1.8 million loans in Washington, collecting fees of $80.4 million.

Most importantly, after a loan is renewed three times, the lender must offer a payment plan stretching out 60 days and providing for at least three separate payments.

Spokesman Whittier Johnson says DFI receives very few consumer complaints against the check-cashing industry.

"Consumers," he says, "know the deal."

Schweigert does not think so, and will wait to see what disclosures lenders make about the new payment plans before deciding whether the repeated loan rollovers that wiped out Johnson will stop.

Which brings up the last little sweetener to her court victory: Johnson is her sister.

"She's decided it's not a bad thing to have a sister in law school," says Schweigert.

That case, at least, is beyond appeal.

San Francisco Chronicle

S.F. consumer group tackles payday loans / Consumer Action says check-cashing firm abuses poor

San Francisco Chronicle; San Francisco, Calif.; May 23, 2003; Tom Abate;

Sub Title: [FINAL Edition]
Start Page: B.1
Subject Terms: Litigation
Consumer protection
Predatory lending
Geographic Names: San Francisco California

Abstract:

In its 2002 annual report, filed in September, ACE told shareholders that it was engaged in 10 court cases in Florida, Texas, Maryland, Indiana, Ohio and Arkansas. ACE said the common thread in these cases was the question of whether its affiliation with the federally chartered Goleta National Bank of Goleta (Santa Barbara County) made its payday lending activities subject primarily to federal law as opposed to state law.

In October, ACE and Goleta signed a cease-and-desist order with the U.S. Office of the Comptroller of the Currency, a federal agency that oversees federally chartered banks. Under the terms of the order, ACE and Goleta paid a combined $325,000 in civil penalties and agreed to end "unsafe and unsound payday lending activities," according to a government press release.

Full Text:

E-mail Tom Abate at tabate@sfchronicle.com.

A nonprofit consumer group in San Francisco has sued a Texas check-cashing firm, saying that its California offices have violated state law by charging too much interest on so-called payday loans typically used by people on low incomes.

In a lawsuit filed Thursday in state Superior Court in San Francisco, Consumer Action alleged that for the past several years, ACE Cash Express of Irving, Texas, "charged a fee of $17 for every $100 borrowed" and also "provided payday loans in excess of $300."

The suit says state law limits loan charges to $15 per $100 and the loan amount to $300. It seeks the return of the alleged excess fees and a court-ordered halt to the practices that gave rise to the lawsuit.

"Companies like ACE prey on consumers who have no credit cards and who cannot obtain a small loan from a bank on regular terms," said Consumer Action spokeswoman Linda Sherry.

ACE, a publicly traded firm that operates 1,170 check cashing stores nationwide, has 98 locations in California, including 10 in the Bay Area.

"We've just seen these allegations and we're studying them, but they appear to deal with business practices we've discontinued," said ACE spokeswoman Eric Norrington.

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The settlement also required ACE to terminate its payday lending relationship with Goleta by Jan. 1.

The practice of making payday loans has drawn increasing scrutiny from California officials, and last year, the state enacted a statute pushed by state Sen. Don Perata, D-Oakland, that was designed to tighten up rules regarding these loans.

Kam Coveyou, a spokeswoman for the California Department of Corporations, which will enforce the new statute, said it calls for new, biannual inspections of check cashing stores, requires clear posting of fees, and toughens penalties for violations.

Credit: Chronicle Staff Writer

Some loans just don't pay off: Payday stores thrive; borrowers labor to dig out
By Mark Niesse, Associated Press.

01/20/2003
Chicago Tribune
Sports Final 5

ATLANTA -- When Pam Sanson needed a quick $300 to pay the bills, she never expected her decision would cost her more than $900 in interest in just six months.

Such "payday loans" with exorbitant interest rates--600 percent in Sanson's case--are supposed to be prohibited in Georgia, where state officials touted a crackdown on lenders who preyed on the poor. But thousands of such loan stores continue to operate around the country, especially in poor, minority neighborhoods.

"It's like a virus spreading out there," Georgia Insurance Commissioner John Oxendine said. "It's very frustrating--we'll shut one guy down and a couple more will pop up."

Sanson borrowed the money last January and wrote a check for $375 that wasn't cashed as long as she and her husband paid the $75 interest on the loan every two weeks. "At the time, we were both working, and I didn't see any reason I wouldn't be able to pay it off the following payday," she said.

But her husband lost his job and her hours at Wal-Mart were cut because she had surgery. Eventually, Sanson couldn't afford to pay the $75 interest, much less the $300 principal. Her check bounced and USA PayDay threatened to send detectives to put her in jail, she said.

"That's when I got scared and started calling around for help," said Sanson, who hasn't heard from USA PayDay since she contacted the insurance commissioner's office.

Despite state and federal laws meant to prevent predatory lending, payday loan stores continue to thrive, with 20,000 to 24,000 locations nationwide that take in $2.4 billion in fees and interest each year, according to a 2001 report from the Consumer Federation of America.

The companies, which offer short-term loans quickly with few questions asked, charge as much as $30 every two weeks per $100 borrowed--the equivalent of a 720 percent annual interest rate.

Two companies, USA PayDay and Cash In Advance, were ordered by Oxendine to stop making loans this fall. Both appealed the rulings.

States are struggling to regulate payday loan businesses while complying with federal laws and allowing law-abiding banks to continue with their lending, said Jean Ann Fox, director of consumer protection for the Consumer Federation of America.

Lawmakers are trying to outlaw "rent-a-bank" agreements, in which payday lending chains pair up with tiny national banks to take advantage of a federal law granting banks the right to export high interest rates.

In October, federal banking officials barred ACE Cash Express, the nation's largest payday lender, from using a similar agreement to make high-interest loans in 18 states.

Cash In Advance uses a different arrangement. It sells telephone cards instead of directly lending cash, Oxendine said.

For example, customers who need $100 would get that much cash in exchange for promising to pay $22.50 for a phone card--which costs the company just $2.50--every two weeks for a year. If customers pay the loan plus 30 percent interest at any time, they can stop buying phone cards. If not, they will pay $585 for the $100 loan and 26 phone cards. Oxendine says the phone cards usually don't work.

USA PayDay owner Richard D. Clay II didn't return phone calls seeking comment. Stephen Ivie, an attorney for Cash In Advance, said the company is not in the payday loan business.

"They sell phone cards," Ivie said. "The contract Cash In Advance uses is similar to any contract with AT&T, Sprint, if you're getting a cell phone, or if you get Internet service from somebody."

The average person who uses payday loan services is a young parent making between $25,000 and $50,000 a year, said Penny Pompei, executive director of Community Financial Services Association, a payday industry group.

"If they have a car problem, or need an emergency medical bill, this is an option they should go to," she said. "It is a way to solve an immediate problem."

But Fox says payday loans target the poor and trap people in an endless cycle of debt.

"You keep paying the finance charges to roll the loan over to the next payday," she said. "Once you get started, you have trouble stopping. You don't get out of a financial hole by digging it deeper."

Authorities will have a hard time shutting down payday loan stores. So far, legal maneuvering has granted the companies temporary reprieves, and there are countless other businesses that haven't yet drawn the attention of authorities.

Payday loan companies argue that they should be regulated, but not the same way as other small loan providers, said Jet Toney, a lobbyist for the Georgia Community Financial Services Association.

He wants a law that would permit 15 percent short-term interest rates--about 360 percent annually--on small loans of between $50 and $500.

"It can help pay medical expenses for a sick child, or it can carry families through for their food until the next paycheck comes in," he said.

2003 SENATE BILL 345

December 10, 2003 – Introduced by Senators ROBSON, HANSEN and JAUCH, cosponsored by Representatives GROTHMAN, AINSWORTH, BERCEAU, BLACK, BOYLE, HINES, MILLER, PETROWSKI, PLOUFF, POCAN and TAYLOR. Referred to Committee on Agriculture, Financial Institutions and Insurance.

AN ACT ***to amend*** 422.201 (3); ***to repeal and recreate*** 138.09 (title); and ***to create*** 138.14 of the statutes; **relating to:** payday loan providers and providing a penalty.

Analysis by the Legislative Reference Bureau

Under current law, a lender other than a bank, savings bank, savings and loan association, or credit union generally must obtain a license from the division of banking in the Department of Financial Institutions (DFI) to assess a finance charge greater than 18%. This type of lender is generally referred to as a "licensed lender." With certain limited exceptions, current law provides no maximum finance charge for a loan entered into by a licensed lender.

Currently, a lender who makes payday loans is typically required to be a licensed lender. In a standard payday loan transaction, the lender accepts a personal check from the borrower, pays the borrower the amount of the check less any applicable finance charge, and agrees to wait a short time, such as two weeks, before depositing the check. Current law does not specifically regulate payday loan transactions.

This bill creates requirements and prohibitions that apply specifically to payday loan transactions. Under this bill, a lender, other than a bank, saving bank, savings and loan association, or credit union, who makes payday loans in the regular course of business (payday loan provider), may not assess fees or interest in a payday loan transaction in an aggregate amount that exceeds 5% of the amount of the payday loan. In addition, a payday loan provider may not make a payday loan with a term of less than 30 days. The bill also requires a payday loan provider to give each borrower copies of educational brochures prepared by DFI regarding the operation and potential costs of payday loans, to make annual reports to the division of banking in DFI, and to pay annually any reasonable filing fee imposed by the division of banking in DFI.

For further information see the ***state*** fiscal estimate, which will be printed as an appendix to this bill.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 138.09 (title) of the statutes is repealed and recreated to read:

138.09 (title) **Licensed lenders.**

SECTION 2. 138.14 of the statutes is created to read:

138.14 Payday loan providers. (1) DEFINITIONS. In this section:

(a) "Check" has the meaning given in s. 403.104 (6).

(b) "Department" means the department of financial institutions.

(c) "Division" means the division of banking.

(d) "Payday loan" means any of the following:

1. A transaction between a person and the issuer of a check in which the person agrees to accept a check from the issuer, hold the check for a period of time before negotiating or presenting the check for payment, and pay to the issuer, upon accepting the check, the amount of the check less any applicable fee.

2. A refinancing or consolidation of a transaction described in subd. 1.

(e) "Payday loan provider" means a person, other than a bank, savings bank, savings and loan association, or credit union, who makes payday loans in the ordinary course of business.

(2) MAXIMUM FEES AND INTEREST FOR PAYDAY LOANS. Notwithstanding ss. 138.09 and 422.201 (9), no payday loan provider may charge, contract for, or receive fees and interest for a payday loan in an aggregate amount that exceeds 5% of the amount of the payday loan.

(3) MINIMUM TERM FOR PAYDAY LOANS. No payday loan provider may make a payday loan with a term of less than 30 days.

(4) DISCLOSURE REQUIREMENTS. (a) Except as provided in par. (b), before disbursing funds pursuant to a payday loan, a payday loan provider shall provide the person obtaining the payday loan with a copy of each brochure provided by the department under sub. (6).

(b) Paragraph (a) does not apply if the person obtaining the payday loan has previously received a copy of each brochure from the payday loan provider.

(5) REPORTING AND RECORDKEEPING. (a) On or before March 15, every payday loan provider shall make an annual report to the division and shall pay any reasonable filing fee imposed by the division. The report shall cover business relating to payday loans made by the payday loan provider during the preceding calendar year and shall include any relevant information required by the division. The report shall be made upon forms provided by the division and shall be signed and verified by the oath or affirmation of the payday loan provider if an individual, one of the partners if a partnership, a member or manager if a limited liability company, or an officer of the corporation or association if a corporation or association. A payday loan provider that is licensed under s. 138.09 may include the information required to be reported under this paragraph in the payday loan provider's report under s. 138.09 (3) (f), if the information required under this paragraph is stated separately in the report from information relating to the payday loan provider's other business.

(b) Every payday loan provider shall keep the records relating to payday loans made by the payday loan provider separate from the records of any other business of the payday loan provider.

(6) EDUCATIONAL BROCHURES. The department shall provide brochures to educate individuals regarding the operation and potential costs of payday loans and regarding the laws of this state relating to consumer credit. Upon the request of a payday loan provider, the department shall supply the payday loan provider with copies of the brochures provided under this subsection. The department shall charge a payday loan provider a reasonable fee for brochures supplied under this subsection.

(7) PENALTY. Any person who violates sub. (2), (3), (4), or (5) may be fined not more than $500 or imprisoned not more than 6 months or both.

SECTION **3.** 422.201 (3) of the statutes is amended to read:

422.201 **(3)** ~~For~~ Notwithstanding sub. (2), for licensees under s. 138.09 and under ss. 218.0101 to 218.0163 and for payday loan providers under s. 138.14, the finance charge~~, calculated according to those sections,~~ may not exceed the applicable maximums permitted in and calculated under ss. 138.09, 138.14, and 218.0101 to 218.0163~~, respectively~~.

SECTION **4. Initial applicability.**

(1) This act first applies to payday loans made on the effective date of this subsection.

SECTION **5. Effective date.**

(1) This act takes effect on the first day of the 6th month beginning after publication.

(END)

SB345

SENATE BILL 345

An Act to amend 422.201 (3); to repeal and recreate 138.09 (title); and to create 138.14 of the statutes; relating to: payday loan providers and providing a penalty. (FE)

2003

12-10-03. S. Introduced by Senators Robson, Hansen and Jauch; cosponsored by Representatives Grothman, Ainsworth, Berceau, Black, Boyle, Hines, Miller, Petrowski, Plouff, Pocan and Taylor.

12-10-03. S. Read first time and referred to committee on Agriculture, Financial Institutions and Insurance

Tucson Citizen
www.tucsoncitizen.com

THURSDAY, JANUARY 22, 2004

Payday loans: easy, convenient - and pricey

No-questions-asked banking fills a void; interest rates as high as 60% for 60 days

ROMANO CEDILLOS
cedillos@tucsoncitizen.com

Pay $45 to get $300 with no credit checks?

Sounds like a great deal.

But there is a catch: The loan must be repaid in two weeks or the borrower will be charged more. With a possibility of the loan being rolled over for a total of 60 days - at a cost of $45 every two weeks, that means the $300, 60-day loan cost you $180 - about a 60 percent interest rate.

Not quite the good deal after all.

But what these "payday loan" operations offer is fast money and no credit checks - both of which are appealing to those in need of extra cash.

And while some people have gotten into financial trouble using these loans, others see them as a viable option.

"Banks always want some kind of collateral or real good credit," said South Tucson resident John Martinez.

"(Payday lending) is a nice commodity for the community," said Martinez, a frequent payday loan customer. "You may have to pay $45 for $300, but that's not bad. And the service is helpful as long as you're conscientious about paying it back."

But these lending operations are in the center of controversy, with one side claiming these companies are making millions of dollars on the backs of Pima County's most impoverished residents. Lenders say they are filling a need and not breaking any laws.

A recent study by the Southwest Center for Economic Integrity, a consumer advocacy group, says businesses, known as deferred-presentment companies, offering two-week payday loans are more likely than banks and credit unions to locate in low-income, high-stress, Latino neighborhoods.

"We mapped out these institutions," said Karin Uhlick, executive director of the center. "If you look at the characteristics in those areas, it's clear that (payday lenders) are attempting to reach certain sectors of the community."

The report, published last month, says "83 percent of payday-loan locations are within one-quarter mile of high/medium stress areas, compared to credit unions at 69 percent, and banks at 56 percent.

"Sixty-seven percent of payday-loan locations are within one-quarter mile of high-poverty areas," the report says, "compared to credit unions at 51 percent, and banks at 34 percent."

Most of the money payday lenders make is due to what is known as a "rollover," Uhlick says. That is when the customer cannot repay the loan and fee in the allotted two weeks and opts to pay only the fee and write another check for the amount of the initial loan, plus another fee. State law allows three rollovers after the initial loan.

"I won't say payday lenders are directly targeting a certain demographic," District 25 state Rep. Manuel Alvarez said, "but they are making it much easier for low-paid people to get into a debt they can't handle."

The rise in the state's bankruptcy rate from 2000 to 2003 is partly due to payday loan customers not paying off their loans in the first two weeks, Alvarez said. He is introducing a bill that aims to eliminate the rollover.

Uhlick said the payday lending industry "is also apparently trying to reach a certain demographic, such as senior citizens on Social Security and the working poor."

The Pima Council on Aging is concerned with the operation of payday lenders. In separate cases, two elderly Tucson women became so indebted to payday lenders they had to get help from Jennifer Walker, client advocate for the agency. Walker said one of the women was spending half her monthly Social Security check on her payday loan.

"The interest rate these places charge is usurious," Walker said. "And it's especially sad when an elderly widow uses a loan like this to fix the car she needs in order to get to her doctor."

But Jonathan Paton, the southern Arizona spokesman for the Community Financial Services Association, a payday lending industry group, said his members strictly adhere to state lending laws. He also said it is impossible for lenders to be selective when it comes to a customer's age.

Could lenders simply stop lending to seniors on fixed incomes? That could leave the lenders open to complaints of discrimination, Paton said.

"What are we supposed to do, tell people: 'We can't give you a loan because you're too old?'" he asked.

Uhlick's office has not accused the payday lending industry, which it refers to as "fringe banking," of breaking the law, but she says it is concerned with its ability to use "loopholes" that enable it to charge annual percentage rates 500 percent and higher when state law caps them at 36 percent.

"We're always concerned with lending practices that impact vulnerable citizens," said Robert Zumoff, assistant state attorney in the Consumer Protection and Advocacy section. "But I'm not aware of any targeting complaints against payday lenders. They're not doing anything illegal, as far as I know, but I am interested in reading the study."

Paton says the industry provides an important avenue for those who suddenly find themselves in a financial crunch.

There are many payday lenders in Tucson's middle-income neighborhoods, Paton said. A look through the phone book shows several payday-lending offices in middle-income areas such as the city's East and Northwest sides and midtown neighborhoods.

But the study is flawed, Paton said, because it does not differentiate between payday lending facilities and check-cashing outlets, most of which Paton does not represent. There are many more check-cashing outlets within the county's low-income areas, he said. Most of the fees charged at these outlets are for check cashing and not payday loans, which the outlet may or may not offer.

The typical check-cashing customer needs no proof of regular income and, in most cases, does not have a checking account, both of which payday lenders require, he said.

The absence of the traditional banking community within low-income and high-stress neighborhoods "has left a vacuum in some parts of town," Ward 5 Councilman Steve Leal said.

Of the 80 payday lenders that opened for business in the county from early 2000 to August 2003, more are in Ward 5, which covers most of the South Side of Tucson, than in any other ward, Leal said.

"When banks and credit unions moved out, nontraditional banking services moved in to respond to this niche market. But I don't believe these folks are guilty of violating predatory-lending laws," he said.

"It's unlikely that payday lenders are targeting low-income people," said Bruce Tunell, deputy superintendent of the Arizona State Banking Department, the agency that regulates payday lenders, "because the usage of the payday loan cuts across the economic spectrum."

Tunell's office has not received complaints of lenders targeting certain demographics anywhere in Arizona, he said.

Nicholas M. Boehler, manager of the Advance America center at 4990 S. Campbell Ave., which charges a 391.07 annual percentage rate, says his company does not focus on rollovers to make money.

Boehler's loan outlet competes with four other payday lenders in the area. A Bank of America branch and a Wells Fargo Bank teller machine are also close by.

"Our loans are meant to be a short-term solution to an immediate problem," Boehler said. "We've had thousands of customers use our service since we opened in 2000. Of those, only about 400 or so are active customers. Most people pay their loans and we never see them again."

WHAT IS A PAYDAY LOAN?

A payday loan is a small cash advance secured by a personal check. These loans of $50 to $500 are due in full on the borrower's next payday or within 14 days.

If the borrower is unable to repay the loan plus a 15 percent fee within two weeks, the lender allows for the loan to be extended, or rolled over, by having the borrower pay only the interest on the loan. The amount of the loan, plus another 15 percent fee, becomes due at the end of the second two-week period.

Payday loans are also known as cash-advance loans, check-advance loans, post-dated loans, and deferred-deposit check loans.

FOR MORE INFORMATION:

- Payday loan information: www.cfsa.net
- Information on managing finances is available at Consumer Credit Counseling's Web site: www.moneymanagement.org

STUDY FINDINGS ON PAYDAY LOANS:

Other findings of the Southwest Center for Economic Integrity study on Pima County's payday-loan industry:

- 37 percent of payday lenders are within one-quarter mile of areas with populations at least 50 percent Hispanic. Only 19 percent of banks and 18 percent of credit unions are in these areas.
- 60 percent of borrowers are women.
- 56 percent of borrowers are Hispanic.
- Typical annual percentage rate for payday loans is between 390 percent and 500 percent.
- $130 million worth of payday loans are issued annually in Pima County.
- $20 million in payday-loan fees paid by Pima County residents.
- Less than half (40 percent) of the borrowers repay their loans in the initial two-week period. Most people take three or more weeks to pay off loan.
- Some payday-loan customers surveyed took 10 weeks or more to pay off their loans. One person took 24 weeks. This customer said he paid fees totalling $612 on a $300 loan.
- 23 percent of borrowers use payday loans for an emergency (i.e. medical, car repair, travel costs due to death in family, etc.).
- 67 percent use the service to pay for general bills (i.e. groceries, rent, utilities, etc.).

A copy of the study can be requested by e-mail from the Southwest Center for Economic Integrity at: info@economicintegrity.org, or by calling the center at 971-1472.

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Milwaukee Journal Sentinel

Milwaukee Journal Sentinel (WI)

November 20, 2003

Teen charged in robbery, homicide
Complaint says boy was drinking beforehand

Author: JESSE GARZA; jgarza@journalsentinel.com, Journal Sentinel

Edition: Final
Section: B News
Page: 02

Estimated printed pages: 2

Article Text:

A 17-year-old boy who had been drinking brandy and smoking marijuana fatally shot a man outside a west side check-cashing service after robbing him of $10 and a cell phone, a criminal complaint says.

Shomas T. Winston of the 1500 block of N. 29th St. was charged with first-degree intentional homicide and armed robbery with the use of force in the slaying Friday behind Community Financial, 3432 W. Vliet St.

Cary T. Dace, 37, was shot four times in the parking lot of the business and died a short time later at Froedtert Memorial Lutheran Hospital in Wauwatosa, the complaint says.

According to the complaint:

A 13-year-old accomplice to the robbery was identified, taken into custody and interviewed by police.

The boy said he agreed to participate in the robbery with Winston and would look for a target at the check-cashing business by acting as though he were begging customers for money. The boy and a third suspect, identified only as "Dank," took turns looking inside the lobby of the business for potential victims.

They saw Dace walk into the business, and the boy said Dace "looked like he cashed a big check."

As Dace walked toward the parking lot, the boy signaled to Winston, who was waiting across the street at a bus stop.

When interviewed by detectives, Winston said he had been in front of the boy's house drinking brandy and smoking marijuana with others before the robbery. While there, he mentioned that he had been robbed of marijuana and money and needed a gun for protection.

Someone at the house was selling a .380-caliber handgun for $100, and Winston and the boy then came up with the plan to rob someone in order to get money to pay for the gun.

Winston accosted Dace in the parking lot with the gun and demanded money, and Dace gave him a $10 bill, a piece of paper and a two-way cell phone/pager. Winston said Dace indicated he had no more money, began to open the door to his car and said, "Shoot me."

Winston said he pointed the gun with his finger on the trigger in order to scare Dace and the gun went off "three or four times," the complaint says.

Record Number: 20031120094911191

Article Bookmark(OpenURL Compliant):Milwaukee Journal Sentinel (WI) : Teen charged in robbery, homicide
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Milwaukee Journal Sentinel

Milwaukee Journal Sentinel (WI)

November 20, 2003

Security guard shoots 2 at payday loan center

Author: From Journal Sentinel staff and correspondent

Edition: Final
Section: B News
Page: 03

Estimated printed pages: 1

Article Text:

A security guard wounded two people in an exchange of gunfire at a northwest side payday loan center, Milwaukee police said Wednesday.

A 26-year-old man and a 17-year-old boy were shot shortly after 5 p.m. Tuesday at Advance America, 8066 N. 76th St., Lt. Clint Harrison said.

Harrison could not confirm that the gunfire stemmed from a robbery attempt but said it occurred after the pair entered the business and one of them pulled out a gun.

Their wounds were not life-threatening; both were hospitalized under police guard Wednesday, Harrison said.

Record Number: 200311200951195