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HEADLINE: Freeze on check-cash stores OK'd

BYLINE: Norberto Santana Jr.; STAFF WRITER

BODY:

NATIONAL CITY -- City leaders say 10 check-cashing businesses are enough.

This week, council members voted 4-1 to approve a one-year moratorium on any new check-cashing or pay-day advance businesses in the city.

Council members said an emergency ordinance was needed because the proliferation of the businesses is "an immediate threat to the public health, safety and welfare" of city residents.

"They're providing a service which is gouging the income of the residents of our city," said Mayor Nick Inzunza.

Check-cashing and pay-day advance businesses charge what can be substantial fees for their services. For example, one National City store charges \$6 to cash a \$340 paycheck. A loan of \$300 for two weeks costs \$45.

Because most of the stores are on the city's two main thoroughfares -- Highland Avenue and Plaza Boulevard -- council members said the businesses could hinder redevelopment plans for the two areas.

"We're trying to redefine National City's image," said Councilman Frank Parra. "And I think a proliferation of check-cashing business doesn't help that."

Inzunza added, "Check cashing as an industry goes against redevelopment principles," because the stores don't offer residents a chance to save money or deposit funds.

"The sole purpose of a check-cashing store is to derive fees and interest," he said.

One industry representative said the council's action made little sense.

"It's not fair at all," said Rick Lyke, a spokesman for the Financial Service Centers of America, which represents 5,000 check-cashing stores throughout the country.

"It's actually pretty ridiculous," he said. "To use that to outlaw an entire class of legal industry is unfortunate. Millions of Americans use this service."

He said much of the opposition to check-cashing stores stems from misinformation.

"Ignorance in a lot of ways," Lyke said. "This tendency to think that everybody needs a bank account. Not everybody needs or wants a bank account."

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Lyke said bans on the business "are still quite rare."

In 1999, the Oceanside City Council prohibited any new check-cashing stores, beauty shops or dry cleaners in the downtown area.

National City's city attorney, George Eiser, said the council is on solid legal ground in limiting land uses, especially in redevelopment areas.

"The purpose of redevelopment is to eliminate blight," Eiser said. Check-cashing stores are "more characteristic of parts of the community that are blighted," he said.

Although council members approved the moratorium, they did allow an exemption for one new check-cashing business, USA Checks Cashed. Those business owners had already begun renovating a building on 16th Street and Highland Avenue.

That exception prompted City Councilman Frank Parra to cast the lone vote against the moratorium. Parra said that if city leaders are serious about stopping more check-cashing businesses from coming into the city, they should have included the new business.

"If we're going to get rid of them, why allow a new one to start?" Parra said.

Councilman Ron Morrison also objected to the exemption. Yet, after losing a series of motions over the issue, Morrison decided to endorse the ban with the exception.

Council members have asked the city's planning commission to study the check-cashing stores to determine whether they are a good fit for the community. Morrison and Inzunza also have been appointed to form a city task force to study Inzunza's desire to force all check-cashing stores out of the city within five years.

Norberto Santana: (619) 498-6634; norberto.santanafuniontrib.com

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HEADLINE: LIMITS ON LOAN FIRMS EYED;  
COUNTY CITES ONE FOR ZONING VIOLATION

BYLINE: Meredith Fischer, Times-Dispatch Staff Writer, Contact Meredith Fischer at (804) 649-6452, or [mfischer@timesdispatch.com](mailto:mfischer@timesdispatch.com), Times-Dispatch staff writer Chris Dovi contributed to this report.

**BODY:**

Chesterfield County doesn't want cash-advance companies that provide high-interest loans in its community business districts.

Not only has the county rejected applications from such businesses looking to locate in Chesterfield, it's now cracking down on one company that has already opened in the Meadowdale Shopping Center.

"This business is not right for this shopping center in the Dale District," said Chesterfield Planning Commissioner Sherinan Litton. "If they picked a brand new shopping center, fine. But they don't. They choose these low-income areas, and it does not help the community."

Chesterfield has cited Advance America, Cash Advance Centers of Virginia Inc., with a notice of zoning violation against the company's Meadowdale Boulevard store.

Advance America has appealed that decision. The matter is expected to go before the Chesterfield Board of Zoning Appeals today at 1 p.m.

"We were surprised by the notice because we had been previously approved to locate there and have been operating there for about a year," said Vicki Woodward, spokeswoman for Advance America, based in Spartanburg, S.C.

Woodward said the store had been affiliated with a bank but is now making loans directly to consumers.

County planning staff members have compared Advance America to a bondsman or a pawnbroker, charging that it is not the same as a bank and does not fall under the same zoning classification.

The company operates by charging a \$15 fee for every \$100 it loans. To receive a cash advance or payday loan, the customer writes a check for the amount of the cash advance plus the fee. The store holds the check until the customer's next payday.

This is not the first payday-lending company to have trouble with the county's zoning ordinances.

In November, the County Planning Commission recommended denial of an application for another short-term lender that wanted to open along eastern Midlothian Turnpike.

The company, Check Into Cash of Virginia LLC, withdrew its application before going before the county Board of Supervisors for a final vote. The company's attorney this week said he knew the case did not stand a chance.

"These businesses cluster around each other," said Chesterfield Supervisor Edward B. Barber, who represents the Midlothian District. "We are trying to create reinvestment. . . . Clearly check cashing is not a desirable business."

The issue has come to the forefront in Chesterfield just months after the state legalized short-term, high-interest loans like those provided by Advance America.

In April, Gov. Mark R. Warner approved a bill that licenses and regulates payday lending. Since then, such check-cashing businesses have been popping up all over central Virginia.

Advance America has 80 stores in Virginia that employ more than 200 people. Included are nine locations in the Richmond metro area.

Woodward said the company has not had any problems with zoning until now in Chesterfield.

In Henrico County, officials have taken note of the recent bloom of check-cashing businesses, but say they have so far only taken minimal steps to limit their proliferation.

"Maybe this becomes a big issue in six months . . . and maybe we adopt ordinances to deal with it," said Randy Silber, Henrico's assistant planning director. But for now, "If they meet the zoning, then they would be approved."

The only step Henrico has taken has been to ask some developers requesting business rezoning to ensure they will not open cash-advance businesses on their property.

"Now when rezoning cases are coming up, we're trying to encourage applicants to include [cash-advance businesses] in their list of prohibited uses for the property," Silber said.

Consumer advocates, AARP and religious leaders had pleaded with the state not to allow such companies to open up shop, saying these businesses trap vulnerable consumers into perpetual cycles of debt.

The companies, however, have said they meet consumer demand for small loans that most banks and other lenders won't provide.

"There are millions of consumers, middle-class consumers, that appreciate this service. You can't stereotype this customer," Woodward said.

"We are glad to have a chance to go before the board and look forward to a resolution. We would hate to see a restriction placed on this important credit option."