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### EDITORIALS:

## Loan sharks with class

### Payday lenders with high-tone names

BY [THE ARKANSAS DEMOCRAT-GAZETTE](#)  
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LITTLE ROCK — GERTRUDE STEIN didn't put it this way, but she might have: A loan shark is a loan shark is a loan shark. Even if he's not running some fly-by-night operation out of a strip mall close to the nearest military base, but is practicing his low trade under the aegis of some well-known name in American banking. Like, say, Regions or US Bank or Wells Fargo.

All three of those banking chains are getting around Arkansas' limits on loans (17 percent a year) by taking advantage of a carefully crafted federal loophole that lets out-of-state banks offer loans through their Arkansas branches that carry interest rates set not in this state but in their home states. That way, they can charge extortionate interest rates and it's all perfectly legal under federal law.

The result: These prestigious banks are collecting interest at rates from 120 percent to 500 percent a year on the kind of payday loans that were finally made illegal in Arkansas. But not for them. Naturally they're no longer called payday loans but go by more high-tone names-like "Regions ready advance" and "direct deposit advance," which is the term Wells Fargo prefers. But the victims are still people who may be too poor and/or desperate to qualify for other loans. And find themselves the natural prey of these loan sharks in pinstripe suits.

Remember the bad old days, and they weren't all that long ago, when payday lenders were everywhere, operating hundreds of storefronts in Arkansas, and charging annual interest rates that in some cases went as high as 400 percent, if not higher?

When the state was still in the grip of payday lenders, these bloodsuckers were being allowed to charge 36 percent interest a year-plus fees as high as \$150 on the front end. Then they were allowed to roll the loans over till the poor debtor might find himself in nigh-perpetual hock.

It was all about as close to involuntary servitude as the law allowed. A little \$500, 12-month loan at an annual interest rate of 36 percent and a \$150 "acquisition fee" could add up to the equivalent of an interest rate of 66 percent a year. (What, no pound of flesh, too?)

But the payday lenders that were finally chased out of Arkansas were small-time operators compared to big names like Regions, US Bank and Wells Fargo.

Leave it to big-time bankers, with their legal staffs and expertise in general, to take the poor suckers for whatever they're worth, little as it may be once the loan sharks finish with them.

It took Arkansas' attorney general (and a lot of other guardians of the public interest) a lot of years and trouble to run the ordinary loan sharks out of this state; now they find themselves up against classier types. But essentially it's the same racket.

If this kind of thing isn't against the law, it ought to be. Federal as well as state law.

If the next session of the Legislature can't give Attorney General Dustin McDaniel the additional tools he needs to quash this elevated scam because a state legislature lacks jurisdiction over these interstate banks, then the federal government needs to step in and do the right thing. Fast.

ARKANSAS' attorney general and his determined staff deserve a lot of credit for doing what they could to end this plague.

What a contrast Dustin McDaniel's record on this issue provides with that of an earlier attorney general (Mark Pryor) who gave the loan sharks a new lease on life in this state, allowing them to exploit the least of these for still more years.

Naturally enough, Mr. Pryor was almost immediately elected to the U.S. Senate, which explains a lot about (a) how easily an electorate can be misled, and (b) the present quality of Congress.

There is only so much even a good attorney general can do on the state level when the big banks are made the beneficiaries of a carefully crafted federal law.

Instead of passing still more rules and regs that burden small businesses, Washington needs to act against the kind of shylocks who are collecting interest rates in the three digits.

Even if a new, tough federal law against this scandalous practice didn't rouse the conscience of these big banks (if they have one), it would surely get their attention.

Making some actions felonies will have that effect.

A big office building and a fancy title on the door doesn't make predatory lending any less predatory. And it shouldn't be any less illegal.

The ragtag bunch camping out in Lower Manhattan who say they want to Occupy Wall Street just might have a point when they talk about the ethics-or lack thereof-of some of our oh-so-respectable banks.

The protesters' point is reinforced by news stories like the one on the front page of the paper Monday. ("3 banks bypass state law/ Offer payday loans to their customers" - Arkansas Democrat-Gazette, October 10, 2011.)

If even paranoids have enemies, why can't protesters have a legitimate point now and then? The way even a blind hog may find an occasional acorn.

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