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Arkansas Blog

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Payday lenders in retreat

Survey says the number of bloodsuckers (**payday lenders**) in Arkansas has dropped from more than 200 outlets to 33.

NEWS RELEASE FROM ARKANSANS AGAINST ABUSIVE PAYDAY LENDING

Payday lending industry suffers meltdown in Arkansas

AAAPL research indicates that another 65 payday lenders have stopped making loans, shrinking total in state to just 33—an 86% decline from March

LITTLE ROCK—The Arkansans Against Abusive Payday Lending (AAAPL) coalition today announced that a survey of payday lenders indicates another 65 payday lenders have stopped making loans, shrinking the statewide total to just 33—a significant decline from 237 in March of this year.

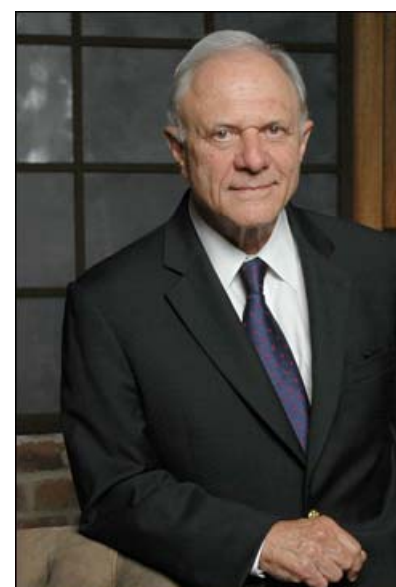
AAAPL's survey comes on the heels of the nation's largest payday lender, Advance America, announcing two weeks ago that it would close all 30 of its Arkansas stores no later than Oct. 31, 2008. The announced shutdown date for Advance America in Arkansas will come one day after the Arkansas Supreme Court hears oral arguments in a case that likely will determine the constitutionality of the Check-cashers Act, the 1999 law designed to provide payday lenders legal cover to operate in the state.

Just 33 payday lenders are still, as of today, making loans in Arkansas, AAAPL research shows—27 stores operated by First American Cash Advance and six stores operated by Cash Now. A complete list of those stores is attached.

These latest developments marking the meltdown of payday lending in Arkansas come eight months after the Arkansas Supreme Court issued two major rulings against payday lending in the state. Responding to these rulings, Attorney General Dustin McDaniel on March 18, 2008, ordered all 156 payday lenders licensed and regulated by the Arkansas State Board of Collection Agencies (ASBCA) to stop making loans. Following McDaniel's order, 101 of the 156 stopped making loans.

Additionally, ASBCA's five-member board voted 4-1 on Aug. 27, 2008, to notify the remaining payday lenders—including the 55 that initially defied the Attorney General's order—that these lenders would now be subject to state regulation. These lenders in a Sept. 12 letter from ASBCA's executive director were given until Oct. 15 to comply with the board's vote. Advance America announced Sept. 23 that it would close down all 30 of its Arkansas stores by Oct. 31. Like Advance America the other payday lenders that have stopped making loans have remained open and are attempting to collect their existing loans, but are refusing to grant new loans to consumers.

SEARCH



my source for the unvarnished truth... no special coloration of the news, just the pure news
- David Pryor, Little Rock Mayor



"Payday lenders have finally recognized the writing on the wall—that charging triple digit interest rates to Arkansas consumers is no longer business as usual in our state," said AAAPL Chairman Michael Rowett, Research and Communications Manager for AAAPL member Southern Good Faith Fund. "We commend Attorney General McDaniel, his staff and the four pro-consumer members of the State Board of Collection Agencies for taking the decisive steps that helped trigger the meltdown of this predatory industry in Arkansas. Consumers are the ultimate winners."

Rowett also commended H. C. "Hank" Klein, founder and President of AAAPL and primary author of six research reports on the payday lending industry issued by AAAPL between September 2004 and July of this year. The reports consistently called for payday lenders to charge no more than the Arkansas Constitution's maximum limit of 17 percent annual interest for consumer loans—and for all payday lenders in Arkansas to be subject to full and comprehensive regulation pending resolution of the Check-cashers Act's constitutionality.

When AAAPL's first comprehensive report was issued in March 2006, there were 275 payday lenders in Arkansas, and just 24 percent were regulated by ASBCA. By the time AAAPL's most recent report was issued in July 2008, the total number of payday lenders had shrunk to 137 and 60 percent were regulated.

"Arkansas consumers owe Hank Klein an enormous debt of gratitude," Rowett said. "Hank has dedicated countless hours of his time, energy, and expertise over the last several years to help AAAPL expose how payday lenders unconscionably fattened their pockets at the expense of consumers who were charged outrageously high interest rates and drowned in mountains of debt. Hank had the guts to tell it like it was, and our state is a much better place for consumers because of his efforts."

The Arkansas Supreme Court in the two decisions in early 2008 (one in January and another in February) indicated that payday lenders charging triple-digit interest rates were violating the Arkansas Constitution's usury limit of 17 percent annual interest for consumer loans; the Arkansas Deceptive Trade Practices Act; and the rules and regulations of the Arkansas State Board of Collection Agencies. In the case before the Supreme Court on Oct. 30, the high court will be asked to determine the constitutionality of the Check-cashers Act.

AAAPL is a coalition of 42 Arkansas individuals and organizations dedicated to improving the lives of their fellow citizens (particularly the working poor) by removing the abuses of payday lending from our state. Coalition partners are: AARP Arkansas; Air Force Sergeants Association - Chapter 658; Arkansas Advocates for Children and Families; Arkansas Consumer Law Center; Arkansas Education Association; Arkansas Hunger Coalition; Arkansas Hunger Relief Alliance; Arkansas State Representative David Johnson; Arkansas State Representative-elect Darrin Williams; Arkansas Trial Lawyers Association; Arnold, Batson, Turner & Turner, Attorney-at-Law; Association for Community Organizations for Reform Now (ACORN); AFL/CIO; Best Credit Services, Inc.; Better Business Bureau of Arkansas; Central Arkansas Development Council; Clark County Quorum Court Justice of the Peace Wayne Bowen; College Station Community Development Corporation; Community Development Department of the City of Jacksonville; Consumer Credit Counseling Service (CCCS); Crawford-Sebastian Community Development Council, Inc.; Family Council; Family Service Agency; Family Support on Little Rock Air Force Base (ex officio); Federal Reserve Bank of Little Rock; Jewish War Veterans of the U.S.A. -Arkansas Post 436; League of Latin American Citizens (LULAC); Legal Aid of Arkansas, Inc.; Military Officers Association of America (MOAA) - Arkansas Council of Chapters; NAACP/Arkansas; Nicholson Communications; North Little Rock Ministerial Alliance; private citizens; Pulaski County Cooperative Extension Service; Silver Haired Legislators Alumni Association (SHLAA); Southern Good Faith Fund; Springer's of Granite Mountain; The Interfaith Alliance of Arkansas; The Law Offices of Blankenship & Warner; United Way-Heart of Arkansas; U.S. Citizens for Fair Credit Card Terms, Inc.; and victims.

Posted by Max Brantley on October 9, 2008 09:33 AM | [Permalink](#)

Comments

Score one for the banks, credit unions (go get 'em Hank Klein!) and credit card companies - just keep those overdraft and over limit "fees" a rollin'! Max, I hope you stay just as diligent with your oversight of these institutions business practices. And please keep in mind, it sucks to be poor!

Posted by: cheapdate  | [October 9, 2008 10:10 AM](#)

Score one for the neighborhood loan shark, bootlegger, drug dealer and money launderer.

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ARKANSAS REPORTER

UA wants bottled water off can



Date: 10/9/20

By: [Doug Smith](#)

Breck Speed is displeased that the Sustainability at the University of Arkansas in Fayetteville is making his business unsustainable. [/more/](#)

THE INSIDER

[Vaccine law change](#)

Date: 10/9/2008
By: [Arkansas Times Staff](#)

Posted by: [bugeyedlittlefreak](#) | [October 9, 2008 11:13 AM](#)

Payday lender apologists heard from. The Arkansas Constitution doesn't address overdraft fees and credit card fees; it DOES address consumer loans and caps the APR at 17%. If you have problems with overdraft or credit card fees, call your Congressman and stop making excuses for the payday leeches--who are strictly in business to drown consumers in debt. Bank accounts and credit cards, if managed responsibly, won't incur any exorbitant fees. Payday loans rip you off from the get go and never let up.

Posted by: [muckraker](#) | [October 9, 2008 12:08 PM](#)

Next, let's consider those "buy and sell" arrangements that pawnbrokers use to collect 360% annual interest.

Posted by: [eLwood](#) | [October 9, 2008 01:01 PM](#)

"bank accounts. . . , if managed responsibly, won't incur any exorbitant fees."--muckraker

Really? An LA Times article from 2007 (access it by clicking my name), which cites something more than "because I said so," suggests that muckraker is full of, well, muck. Here are some choice quotes:

Elizabeth Warren, a Harvard professor who has written extensively on "tricks and traps" in financial-services products, said the automatic overdraft plans were "about exploiting consumer weakness."

"Many of us do not keep our checking accounts balanced to the penny every time. Many of us do not account for the number of days that the bank will keep a hold on a deposit. We can make a 50 cent mistake and be charged \$30 for it."

The Center for Responsible Lending's study said fees can be triggered by the order in which banks choose to clear checks and other charges to customers' accounts. By clearing larger transactions first, a bank can push an account into the red faster than if it first cleared smaller transactions, the study said.

It said banks "reserve the right to [clear] in the order they choose, and not necessarily in the order in which payments are made."

The article also discusses the fact that banks could warn customers that a debit card transaction would result in an overdraft (sort of like what happens when someone tries to use a credit card that is over the credit limit), but that banks decline to do so because of some claptrap about the costs. The cost to consumers from these fees was \$17.5 billion in 2006.

Lest muckraker say that I'm a "payday lender apologist," I note that I make no defense of those businesses here. But suggesting that there is a qualitative or moral difference (rather than the legal one that muckraker rightly points out) is false--both payday lenders and bank overdraft fees charge exorbitant interest for short-term loans, with the chief difference being that payday lenders would love to be able to get away with charging 20,000% interest (which is what overdraft fees amount to at the median--<http://tinyurl.com/4qwj5f>) like the banks do. Considering that so much of the opposition to payday lending is essentially a moral objection, it seems like the same objection applies to overdraft fees that banks charge.

Posted by: [Gaddis](#) | [October 9, 2008 01:03 PM](#)

My old bank will pay a non-customer running a check before it will pay it's own customer so that they can charge a return check fee in addition to the overdraft fee.

Posted by: [bugeyedlittlefreak](#) | [October 9, 2008 02:32 PM](#)

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A change in state law to allow pet owners to v; their dogs and cats against rabies every three ; instead of one may be part of the state Health Department's legislative package next year. /n

EDITORIAL

Everybody loved Mike

Date: 10/9/2008

By: Arkansas Times Staff

Ah, the Good Old Days of last year. /more/



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