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Study finds 33 payday lenders still operating in Arkansas

Friday, Oct 10, 2008

Arkansas News Bureau

LITTLE ROCK - The number of payday lending institutions in Arkansas has steadily dwindled since the state attorney general threatened in March to sue over their practice of charging interest rates that exceed the state usury limit, a survey released Thursday showed.

The survey by Arkansans Against Abusive Payday Lending, an advocacy group opposed to the practice, showed an 86 percent drop, from 237 operations in March to 33 stores operated by two companies.

The nation's largest payday lender, Advance America, announced last month that it would close all of its 30 Arkansas stores by Oct. 31.

Attorney General Dustin McDaniel issued cease-and-desist letters to payday outlets in the spring accusing them of violating Arkansas' 17 percent usury limit set by the state constitution. McDaniel demanded the practice stop and that outstanding debts be forgiven.

Leaders of the advocacy group called the sharp decline in operations a "meltdown" of the industry in Arkansas.

"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," the group's chairman, Michael Rowett, said.

McDaniel's March letter was sent to all 156 operations licensed and regulated by the State Board of Collection Agencies, and 101 of them stopped making loans.

The board voted in August to notify the remaining 81 lenders and the 55 that ignored the attorney general's letter that they would be subject to state regulation and were given to Oct. 15 to comply with the board's vote.

The state Supreme Court will hear arguments Oct. 30 on a lawsuit challenging the constitutionality of the 1999 Check Cashers Act, which has been used as a shield by payday lenders charging triple-digit interest rates, according to the advocacy group.

The Check Cashers Act deemed the charges paid on payday loans as

fees rather than interest. However, the Supreme Court ruled in January that the 1999 law did not provide payday lenders blanket protection from charges of violating the usury limit.

The ruling was the impetus for McDaniel's move to shut down the industry.

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