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Arkansas

Ark. court hears arguments on payday lending law
 Associated Press
 (2008-10-30)

Attorneys told the state Supreme Court today that a 1999 Arkansas law opened the door for payday lenders to charge triple-digit interest rates in violation of the constitution.



Opponents of the payday lending industry asked the Arkansas Supreme Court to strike down the 1999 Check Cashers Act, which they say allows payday lenders to make consumer loans with interest rates of more than 17 percent and

Today's hearing marked the third time the challenge to the law has come before the state court. A Pulaski County judge last year ruled that the act was constitutional after justices case back to his court without ruling on the law itself.

The act is being challenged as the number of payday lenders in the state has dwindled in the face of threats of lawsuits from the state's top attorney. An advocacy group said in a report that the number of payday lenders operating in the state has dropped from 237 in March 2007 following the cease-or-desist letters sent by Attorney General Dustin McDaniel.

McDaniel told the firms that their high-interest loans violated the usury limits of Arkansas' constitution and demanded that the firms stop issuing high-interest loans and forgive any outstanding debts.

An attorney for the Arkansas State Board of Collection Agencies, which regulates the industry, said the act does not condone unconstitutional interest rates and noted that firms have been charging high interest.

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