

## Lawmakers asked to change state payday lending law during legislative hearing

By Wesley Brown  
Arkansas News Bureau

LITTLE ROCK - Lawmakers heard testimonial after testimonial Thursday about abusive payday lending practices across the state, but most were not ready to embrace draft legislation that would change a seven-year-old law regulating the industry.

In a crowded hearing before the House and Senate judiciary committees at the state Capitol, witnesses contended the law is unconstitutional and called on the Legislature to either overhaul the Check Cashers Act of 1999 or write new law to get rid of payday lenders altogether.

Opponents says the law allows payday lenders to circumvent the state constitution's 17 percent interest limit and charge more than 400 percent interest on loans, costing the average payday loan borrower \$800 for a \$350 loan.

An industry supporter told lawmakers that better regulation, not eliminating the practice in Arkansas, was the answer.

"It is not the best thing in America, (but) the payday lending option is the cheapest alternative for consumers," said Willie Green, who traveled from North Carolina to speak at the hearing.

Green owns seven payday lending stores in North Carolina, South Carolina, Florida and Kentucky. The Shelby, N.C., businessman urged lawmakers to propose legislation to curb bad acts, especially companies offering short-term loans over the Internet.

"If you eliminated the payday lender, the only alternative is the Internet. Who is going to police the Internet?" Green asked.

Before Green's testimony, committee members listened to a parade of payday lending opponents who said abusive predatory lending practices are hurting low-income Arkansas, the elderly and minorities.

State Sen. Tracy Steele, D-North Little Rock, who has drafted a bill that would amend the 1999 act, said too many people are being victimized by the payday lending and check-cashing industries in Arkansas.

"I hope this is the start of a process for economic fairness and financial justice," Steele said.

The senator said bad actors in the industry are putting low-income people in "financial incarceration with no hope of parole," but he also acknowledged that few banking options exist for people who use the services.

"There were some constituents who have told me in no uncertain terms that one of the reasons they go to these financial institutions is because there were no other alternatives," the senator said. "This time, we are going to acknowledge that and research either opening the doors wider ... to help those who are underserved or unbanked."

Rep. Jay Martin, D-Little Rock, and Sen. Tim Wooldridge, D-Paragould, promoted a second bill that would enforce a provision in the state constitution that would make any usurious transaction illegal.

"Where there is no enforcement of a law, that law is basically a dead letter," Martin said.

However, several lawmakers repeatedly questioned Martin and Wooldridge, both candidates for lieutenant governor, about a provision in their draft legislation that would enforce the state's usury limits of 17 percent annually on consumers loans but would exempt banks, trust companies, credit unions and savings and loans from the enforcement provisions of the law.

Rep. Ray Kidd, D-Jonesboro, and Sen. Marvin Childress, R-Blytheville, repeatedly asked if the fees that banks charge for bounced checks and that retailers add for late payments were usurious practices under the constitution.

"If it is going to apply to (payday lenders), then we should apply it across the board," Childress said.

"Hold them to the same standards, because they are check cashers," Kidd said. "I assure you that the banks are not going to help these 'unbanked' people."

Other lawmakers also showed no sympathy for two witnesses before the panel who said they had been abused by predatory lenders.

Hazel Lynch of Jacksonville tearfully described how a check-cashing business harassed her at home when she didn't pay a \$300 loan.

Lynch said she was caught in a downward spiral of debt and depression for six months before she got legal help.

"It's been a nightmare," she said, tears streaming down her face. "I urge you ladies and gentlemen to do something to protect us."

But Rep. Booker Clemons, D-Pine Bluff, told Lynch that it was her responsibility to make good on the loan.

"I feel your pain, (but) if you borrowed the money, you should pay it back," Clemons said.

Other witnesses who testified during the four-hour hearing included former Sen. Cliff Hoofman of North Little Rock, who lamented his sponsorship of a bill that he said opened the door for predatory lenders by changing the state usury laws without putting in a penalty for violators.

"For that, I am sorry," Hoofman said.

Retired Navy Col. Dale Vande Hey, a Pentagon official, asked the panel for support at the state level in helping the military protect soldiers who often get in financial straits after seeking payday loans. Hey said the practice is hurting the preparedness of the nation's military.

Peggy Matson, executive director of the Arkansas State Board of Collection Agencies, defended her agency against criticism of lax regulation of payday lenders but said the current law needs more teeth. It has a number of loopholes that allow bad actors to take advantage of the law, she said.

Last week, Arkansans Against Abusive Payday Lending released a report that said loopholes in the state's payday lending law cost low-income Arkansans more than \$68 million annually.