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ARKANSAS POLITICS **McDaniel opposes loan shark bill**

Posted by Max Brantley on Fri, Feb 25, 2011 at 9:08 AM

A Democrat-Gazette article on the **loan shark bill being pushed by House Speaker-turned-lobbyist** Robbie Wills and Republican lawmakers (with some corporately owned Democrats thrown in for good measure) quoted a spokesman for **Attorney General Dustin McDaniel**, who'd been a foe of payday lending, saying the bill was "not anything alarming." Julie Thompson also was quoted in the D-G as saying the office had looked at the bill and didn't consider it an attempt to reopen payday lending.

Now comes this statement from McDaniel press aide Aaron Sadler:

Attorney General McDaniel's position on Senate Bill 568 was misstated in a news article today.

In fact, SB568 is unfriendly to consumers and could reopen this state to the unscrupulous, predatory lenders the Attorney General has successfully worked to shut down.

Former Speaker Wills and the bill's sponsors have been made aware of the Attorney General's firm opposition to this bill.

An interesting sidelight to this developing controversy is the full-court-press of the loan shark lobby to enlist black legislators and community leaders to the cause of higher interest rates for people who have a hard time getting credit. More to come on that.

UPDATE: New question. Important one. Will the loan shark bill set ANY INTEREST LIMIT AT ALL on loans covered by this bill? Robbie Wills seemed to suggest a 36 percent limit in his D-G interview, but I've now heard that's not necessarily the figure. What is the figure? I've asked Wills.

UPDATE II: Wills and I talked. He says the interest rate bill, if the lobby gets that far, will be a 36 percent APR cap. But the bill provides for other charges that make the effective APR much higher. It would allow a 5 percent charge for a late monthly payment (equivalent to 60 percent APR). It would allow a 10 percent origination fee on every loan, making the 36 percent APR actually 46 percent at the outset. Also, the legislation would allow a borrower to "renew" loans three times a year, with the 10 percent origination fee each time. Wills said these are all standard fees and would be under state regulation, nothing is being hidden.

Asked the need for an immediate removal of the 17 percent cap at a time of such low interest rates, Wills cited the absence of people making loans at such rates now for risky, unsecured borrowers. He drew a sharp distinction between installment lending and payday lenders. He said the group was open to discussion on the bill, including whether the maximum loan amount should be \$5,000 or less. He said consumer groups had reviewed the proposal and not reacted unfavorably.

UPDATE III: On the jump is a long note I received from Wills, along with some attachments in defense of installment lending. Unfiltered, I give him the floor:

Thanks for your time. I know you said you just don't like installment loans, but calling us "loan sharks" isn't fair. That's not what we're trying to do and we're bending over backwards to come up with a viable business model that everyone will be comfortable with.

I'm sending you several documents.

- (1) **The NBCSL resolution** that was provided to all members of the Legislature. It clearly explains the problem we're trying to fix.
- (2) Regulatory contacts for the surrounding states that have installment lenders. Please call them. I have no idea what they'll say but I bet overall they're satisfied with the industry.
- (3) **The Consumer Federation of America's 50-state scorecard** showing that they consider 36% an acceptable rate.
- (4) A **fact sheet from CFA on the Military Lending Act** where the DOD were on the list of allowed financial products not subject to a 36% cap. If it was a bad product they would have capped it, right?
- (5) **A state-by-state comparison** of small loan laws showing what each state does.

The goal is to get unbanked consumers a product that will cost them less and let them rebuild their credit score. Right now, if a person can't get a bank or credit union loan, they end up at a pawn shop or a rent-to-own store (both legal in AR) where they will pay astronomically-higher rates than what we've suggested. And those guys don't report to the credit bureau. Isn't it far better for someone to borrow \$250 and buy a TV (\$320 total when it's paid for — reported to the credit bureau so it helps their score) than go to a rent-to-own store and end up paying \$800 for the same TV?

The irony is APR can be "contra-indicator" of cost in small loans. Typically a smaller loan borrowed over a shorter period will cost less in terms of (1) total dollars and (2) finance charges as a percentage of principal, but have a higher APR. In other words, if the consumer opts to pay the loan back quicker, the actual cost of loan is less but the APR is more. This is the challenge of regulating small loans and why APR isn't always the fairest measuring stick.

So our position since most folks agree (1) that a need exists and (2) it won't go away (3) the need isn't being met under current law (in spite of the great rates advertised by CU's and banks, they don't lend to the folks we're trying to help), can't we at least try to come up with something that will work? And the hurry is that somewhere out there today, someone got turned down for a loan they need now. It's an emergency to them.

On another note, I know you don't approve of my new line of work. I didn't plan on being a lobbyist, if you'll remember, I really wanted to be in Congress right now. But it's given me a chance to provide for my wife and two girls, pay off my campaign debt and let me do something I love. All without being on the public payroll! So I guess I'm willing to bear your opprobrium to feed my family.

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Arkansas. The Misstate.

Posted by **Norma Bates** on February 25, 2011 at 9:17 AM | [Report this comment](#)



Who in the world at the AG's Office gave that original statement? That boy has great potential, but he's got to tighten-up that ship if he doesn't want it sunk by the USS William G. Halter or the flagship USS Michael A. Ross.

Posted by **Heights Observer** on February 25, 2011 at 10:38 AM | [Report this comment](#)



I can't believe that I agree with AG McDaniel..... this bill is bad....

Posted by **Teddy Republican** on February 25, 2011 at 11:04 AM | [Report this comment](#)



It's happening all over Norma but admittedly more pronounced in the slave states.

Posted by **eLwood** on February 25, 2011 at 12:13 PM | [Report this comment](#)



with Demos like Robbie Wills on the paid lobbying list Republicans won't have to work as much.

Posted by **eLwood** on February 25, 2011 at 1:09 PM | [Report this comment](#)



Just like one of the previous thread posters said . . . since La Cosa Nostra and Organized Crime has been so successfully prosecuted and driven from business (along with the local Arkansas wannabes), there is a crying need for loan-sharking providers for the poor and poor credit risks these days and lobbyist Wills, Republican and Dino sponsors are just providing a public service to fill a need.

Why does it seem that the self-righteousness of rapacious CCCRRR's know's no bounds . . . or society's acceptance of it.

Posted by **dottholiday-31%er** on February 25, 2011 at 1:53 PM | [Report this comment](#)



A choking man will agree to any price to save him. A desparate mother looking for food money will agree to any fee/interest rate/terms.

A state government is to protect the extremely vulnerable when desparate.

36 F'ing Percent!!!!!! You got to be kidding me! Plus fees! Plus 60% APR late fees!

When a person is down, stomp the F'ing S--- out of them.

What good is a government if they don't protect the down trodden from Shylock and a pound of flesh?

Posted by **Citizen1** on February 25, 2011 at 1:55 PM | [Report this comment](#)



If the government is not willing to protect the down trodden from exploitation by loan sharks, legalize prostitution so that a single mother can get a quick 50 bucks to feed her kids instead of making the only option a "LOAN" at 36 + + + % loan.

An hour of desperate humiliation has got to be less detrimental to a family than a spiraling cycle of massive debt.

Posted by **Citizen1** on February 25, 2011 at 2:00 PM | [Report this comment](#)



Credit Snobs Unite! These low credit score folks clearly don't know what's good for them so let's "help" them so much we completely cut them off from the credit we take for granted. You're complaining about a late fee? Late fees are a fact of life. If I pay my light bill one day late it costs me 5%. That's 2000% APR. If you bounce a check at the bank (the bank that won't lend to these folks) they hit you up for a \$30 NSF fee that translates to a 10,000% APR. Where's the outrage? We are so backwards...

Posted by **Peter Burton** on February 25, 2011 at 2:36 PM | [Report this comment](#)



How pervasive is corruption? I expected a trying medical marijuana test case, but didn't expect Judge Clawson in the 20th district to turn a deaf ear to perjury in order to protect the drug task force and prosecutor. Here too, it's been posted on Myspace, Facebook, <http://courthouseforum.com/>, my own websites, <http://daybrown.org> & <http://assetseizure.org> about the good old boys protecting the incomes of brothers. This blog is but one of many, but is there really any impact?

History shows how this sort of thing, the exploitation via the drugwar or credit fraud, keeps on increasing until somebody snaps and there's a revolution. Reform is never really possible.

Posted by **Day Brown** on February 25, 2011 at 2:52 PM | [Report this comment](#)



I would recommend a study released this month by National People's Action called Credit Segregation. It documents the damage done to communities by subprime mortgage lending and payday lending. Predatory lending does not address the problem of credit segregation. It's like asking a vampire to give a blood transfusion to a patient in need. It is unfortunate that some members of the Black Caucus have signed on as sponsors of this bill. The installment loan is just another form of payday lending. We must stop this bill and find more useful ways to end the barriers to credit for low-income and minority communities.

Posted by **arcommunity** on February 25, 2011 at 4:53 PM | [Report this comment](#)
