



Arkansans Against Abusive Payday Lending

www.StopPaydayPredators.org

The Decline of Payday Lending in Arkansas November 1, 2008

Arkansans Against Abusive Payday Lending (AAAPL) first located all the payday lending stores operating in Arkansas in February 2006. A report was issued at that time documenting there were 275 stores offering predatory short-term payday loans to consumers at triple digit interest rates in Arkansas.ⁱ

The number of active stores has steadily declined since the high of 275 stores as follows:

February 2006	275 Stores
November 2006	265 Stores
December 2007	239 Stores
March 18, 2008	237 Stores
April 4, 2008	136 Stores
Sept 24, 2008	90 Stores
Oct 9, 2008	86 Stores
Oct 16, 2008	80 Stores
Oct 31, 2008	78 Stores

With each report issued by AAAPL and with the decline in stores the question is often asked, “So the stores are declining, but are the remaining stores just getting more business?” or “Are the actual number of predatory payday loans also going down?” AAAPL believes we can now answer that question with some certainty.

South Dakota Licensed Payday Lenders - While the Arkansas State Board of Collection Agencies (ASBCA) does not keep records or even ask its licensees the volume of predatory payday loan transactions conducted in Arkansas, the South Dakota Department of Banking does. Each year when licenses are renewed, this agency asks its licensees a number of questions that we can use here in Arkansas to answer the question “Are Payday Loans Declining in Arkansas?”

Information gathered from South Dakota payday lenders helps determine the volume of payday loans granted in the state of Arkansas because the largest chain of Arkansas stores (53 stores) is operated using two payday lender licenses obtained from the state of South Dakota.ⁱⁱ Mount Rushmore Loan Company (SD License No. 2399) and Dakota Loan Company (SD License No 2383) are used by owners W. Cosby Hodges and Robert Srygley to fund the loans made at their 53 stores operating in Arkansas. Their loan volumes are as follows:

<u>Calendar Year 2006 -</u>	<u>Number of Loans Granted</u>	<u>Amount of Loans Granted</u>
Mount Rushmore Loan Company - #2399	228,133	\$75,259,600
Dakota Loan Company - #2383	None	None

Total	228,133	\$75,259,600
Divided by 53 Arkansas Stores	4,304	\$ 1,419,992
Divided by 12 – Volume per month	359	\$ 118,333
Average Amount of Loan		\$ 330

<u>Calendar Year 2007 -</u>	<u>Number of Loans Granted</u>	<u>Amount of Loans Granted</u>
Mount Rushmore Loan Company - #2399	119,739	\$36,437,754
Dakota Loan Company - #2383	45,065	\$15,129,611
Total	164,804	\$51,567,365
Divided by 53 Arkansas Stores	3,110	\$ 972,969
Divided by 12 – Volume per month	259	\$ 81,081
Average Amount of Loan		\$ 313

<u>Changes from Calendar Year 2006 to 2007</u>	<u>Number of Loans Granted</u>	<u>Amount of Loans Granted</u>
Total	(63,329)	(\$23,692,235)
Percent Change	-27.75%	-31.48%

This roughly 30 percent decline in both the number and dollar amount of predatory payday loans actually granted by the largest payday lender chain in Arkansas is during a time when other owners are going out of business and closing their stores. This lender has maintained a steady number of 53 stores in Arkansas and by all rights should have picked up business from those owners who decided to go out of business and those stores that have closed. Why, then, has their business declined about 30 percent while there is less and less competition for the payday loan business?

One potential cause might be extensive press coverage in Arkansas and nationally that highlights the payday lending industry's practices. Consumers who once might have not thought twice about borrowing from a payday lender are learning these loans are predatory and will hurt, not help, the consumers' financial well being.

Coverage of payday lending has significantly increased in Arkansas, as archived stories on AAAPL's Web site indicate. There were 44 posted stories in 2005; 148 stories in 2006; 142 stories in 2007; and 161 stories through October, 2008.ⁱⁱⁱ This extensive news coverage has made Arkansans much more aware that payday lending is "not an avenue to solving financial problems, but a dead end street" as stated by North Little Rock Mayor Patrick Henry Hays, an outspoken critic of the payday lending industry.^{iv}

Publicly Traded Advance America - Comparing the volume of loans of the largest payday lender in Arkansas for the years of 2006 and 2007 has some value. However, it fails to show the results of the most recent actions by Attorney General Dustin McDaniel in March/April, 2008 when he demanded that 156 payday lenders stop loaning money to consumers in Arkansas. One of the lenders that received letters from General McDaniel was Advance America – the largest payday lender in America with 30 stores located in Arkansas.

Advance America is a publically traded company. In its Form 10-Q dated June 30, 2008, filed with the Securities and Exchange Commission (SEC) Advance America disclosed a profit of only \$178,000 for all 30 stores in Arkansas for the first quarter of 2008, or about \$5,933 per office. Advance America responded to General McDaniel's demand that it stop lending and void all

outstanding loans not by voiding the loans, but renewing the loans at 0 percent interest starting March 19, 2008. These renewals lasted until Advance America developed its new money order payday loan product.

Advance America began offering this product in an effort to continue operating in Arkansas. Existing Advance America customers were required to renew their loans as money order payday loans. However, Advance America's Form 10-Q discloses that even this new product is not profitable. Advance America's net loss for the second quarter ending June 30, 2008, was \$ 576,000 for its 30 Arkansas stores, or a loss of about \$ 19,200 per store.^v

The Form 10-Q also discloses 17 outstanding lawsuits filed against Advance America, including three in Arkansas. According to disclosures in the SEC filing, one of the Arkansas lawsuits "seeks compensatory damages in amount equal to twice the interest paid on the loans, which would total approximately \$87 million in damages." Advance American could find that it was very costly to do business in Arkansas.

Sale of Businesses has stopped – What is an owner of a payday loan store to do when business is down, profits are off and the Attorney General has told you to stop making loans, void your loans outstanding and stop all collection efforts on your current loans and those past due and charged of loans that you own? The most obvious answer...sell out! However, this is easier said than done, because evidence indicates that payday lenders in Arkansas no longer have viable businesses to sell.

When AAAPL first documented all payday lending stores in Arkansas in February 2006, there were 27 stores that were operating without a license. The ASBCA subsequently told owners of these stores to get a license or close. By mid-2006 all of these stores had either obtained a license or sold out to new owners and only 10 closed their doors.

Later in 2006, the ASBCA ordered the payday lenders operating 29 stores in Arkansas using payday lender licenses from Missouri to get licensed or shut down, and the same thing happened. Those that could obtain a license from ASBCA did. Some sold out to new owners while 17 closed their doors. One owner, D. Michael Stout, who owned three stores, was able to sell two of his stores in Hot Springs and Conway to a new owner while being unable to sell a third store in Heber Springs which was closed.

All of the 156 stores targeted by the by Attorney General in his March 2008 crackdown either surrendered their license, closed their doors, or continued as another type of business – such as a pawn shop, tobacco shop, etc. To the best of AAAPL's knowledge none of the 156 stores were sold to new owners, while just 5 changed their license to only cash checks.

Fifty-five of the 156 tried to continue to make payday loans using new modes of operation which likely will be addressed by the Attorney General or the Arkansas State Board of Collection Agencies. The point is none of the owners were able to sell their stores to new owners while the cloud of being a payday lender in Arkansas hangs above them. Even Advance America (the largest payday lender in the country) when they announced on September 24, 2008 that they would be closing all their Arkansas stores on October 31, 2008 were unable to sell any of their 30 store locations. AAAPL believes payday lending businesses have no ongoing value as a business venture in Arkansas.

County by County Stores Decline - Statewide, payday lenders are losing ground and losing it very fast. When AAAPL published its report in February 2006 showing the location of all 275 predatory payday lenders in the state, 59 of the state's 75 counties had payday lending stores. A little more than two years later, the number of counties with any payday lenders has dropped to 32. A full 43 counties have no payday lending stores whatsoever

Payday Lenders by County in Arkansas

<u>Name of County</u>	<u># March 18th</u>	<u># Nov 1st</u>	<u>Name of County</u>	<u># March 18th</u>	<u># Nov 1st</u>
Arkansas	4	0	Lee	0	0
Ashley	2	0	Lincoln	0	0
Baxter	4	2	Little River	3	0
Benton	13	5	Logan	2	0
Boone	3	1	Lonoke	2	0
Bradley	2	1	Madison	1	0
Calhoun	0	0	Marion	0	0
Carroll	1	0	Miller	11	3
Chicot	1	0	Mississippi	7	3
Clark	4	1	Monroe	0	0
Clay	0	0	Montgomery	0	0
Cleburne	2	0	Nevada	1	0
Cleveland	0	0	Newton	0	0
Columbia	4	1	Ouachita	2	1
Conway	1	0	Perry	1	0
Craighead	4	2	Phillips	3	2
Crawford	4	1	Pike	1	0
Crittenden	3	2	Poinsett	1	0
Cross	4	2	Polk	2	0
Dallas	0	0	Pope	7	3
Desha	3	0	Prairie	0	0
Drew	3	2	Pulaski	28	13
Falkner	7	3	Randolph	3	1
Franklin	1	0	Saline	4	1
Fulton	0	0	Scott	1	0
Garland	10	3	Searcy	0	0
Grant	1	0	Sebastian	19	6
Greene	3	1	Sevier	2	0
Hempstead	7	1	Sharp	1	0
Hot Springs	3	1	St. Francis	3	1
Howard	2	0	Stone	1	0
Independence	3	0	Union	6	3
Izard	0	0	Van Buren	0	0
Jackson	1	0	Washington	11	7
Jefferson	6	3	White	4	2
Johnson	4	1	Woodruff	0	0
Lafayette	0	0	Yell	1	1
Lawrence	1	0	Total	237	78

AAAPL is optimistic that pressure from the Attorney General's office or potentially the ASBCA will likely prompt the remainder of the payday lending stores in Arkansas to close soon.

ⁱ www.stoppaydaypredators.org/Reports_Studies.html
ⁱⁱ On file with Arkansans Against Abusive Payday Lending
ⁱⁱⁱ www.stoppaydaypredators.org/News%20Articles.html
^{iv} Testimony before the Senate Insurance and Commerce Committee in March, 2007
^v Advance America Form 10-Q filed with Securities and Exchange Commission on pages 13 – 18 and 27 - 28.