



Payday lenders skirt law

IN SHORT A South Dakota loan company is called a sham by critics of its lending practices.

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In order to skirt Arkansas lending and usury laws, some payday lenders have cast themselves as "servicers" for a South Dakota loan company that is really just a shell, according to Hank Klein, president of Arkansas Against Abusive Payday Lending.

Payday lenders typically make two-week loans to customers at annual interest rates starting at about 350 percent and running to 1,700 percent or higher, according to consumer groups.

A high credit card interest rate, by contrast, would be about 21 percent.

Opponents of the payday advance lenders and check cash-

ers say the businesses flock to neighborhoods of low-income people likely to need ready cash without a lot of sophistication about their other options. These companies make easy-to-get loans, usually to less sophisticated customers, at annual interest rates nearly 25 times the limit allowed by Arkansas' usury laws.

Cosby Hodges, Jr. of Fort Smith, has incorporated 20 or more payday lending businesses in several Arkansas cities, including two in Jacksonville and others in Fort Smith, Rodgers, and Springdale. Jeff Forsey is CEO of Hodges' ACC Management Company in Fort Smith. He said the company's stores are servicers of a Sioux City S.D. Finance Company, which actually makes the loans and receives the interests.

What Forsey didn't say is that Hodges founded and manages the bank, according to Mount Rushmore's articles of organization in South Dakota. Neither Hodges nor Forsey could be reached for comment Friday afternoon.

Those articles were filed July 23, 2001, the same year that Hodges filed articles of incorporation for most of his Arkansas Check Cashers stores. Listed as a co-manager was Robert A. Srygley, according to a copy of the articles supplied by Klein. The same day, Hodges and

Srygley filed a second articles of organization in the name of Dakota Loan Company.

Klein says there is evidence that the only money that changes hands between the "servicers" and the Mount Rushmore Loan Company is a \$4 fee to pay to keep the company's one-woman office open.

"This is not about a South Dakota loan company extending its services to Arkansas," according to Klein. "It's about Hodges and Srygley founding a sham company to avoid answering to Arkansas' laws."

Interstate banking laws allow banks and loan companies to bring their interest rates and regulations with them to operate in other states, according to Klein.

North Dakota has no limits on interest rates, according to Klein, which, he said, was why many credit card companies and banks like Hodges chose to incorporate there.

The North Dakota law allows a licensee to renew or flip a payday loan as many as four times. It's not legal to do that even once in Arkansas.