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Military warns against payday lenders

IN SHORT Airmen are counseled against getting loans from predatory lenders, but there is not prohibition against borrowing money from the three lenders bunched near the base.

By JOHN HOFHEIMER
Leader staff writer

Even as local activists appeal to the state Supreme Court rulings favorable to the payday lenders and check cashers — predatory lenders, the activists say — Little Rock Air Force Base's and other military brass are warning their charges away from those lenders, whose interest rates, or fees, are considered usurious.

Brig. Gen. Kip Self, commander of the 314th Airlift Wing at LRAFB said he has no policy prohibiting airmen from getting such loans, but he directed further questions to financial and family services personnel.

Officials at Little Rock Air Force Base have said they discourage the use of such store-front lenders, where customers need only a current paycheck stub and a driver's license to obtain two-week loans of several hundred dollars, but Arkansans Against Abusive Payday Lending (AAAPL) say it's no accident that there are three such businesses within one-half mile of the Vandenberg-Hwy. 67/167 intersection. That's the commercial area closest to the base's main gate.

They are Advance America, which will make loans of as much as \$750, American Check Cashers and First American.

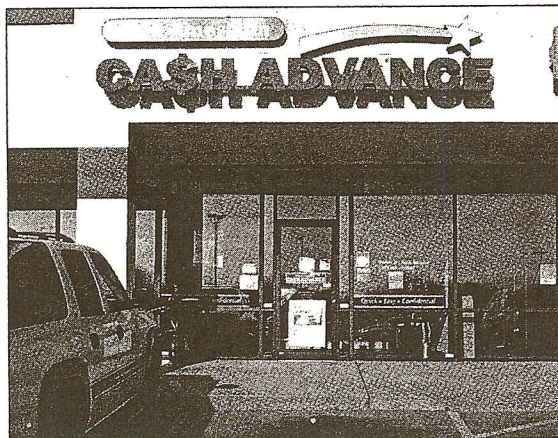
Arkansas law limits such loans to \$300.

"We do brief our folks in financial seminars through family support services," according to Lt. Jon Quinlan, deputy chief of public affairs. "We explain to the airmen how to manage finances, to do a budget, and we do address a little bit about the payday lenders and issues that could arise, such as high interest rates."

Quinlan said each airman goes through the seminar upon arriving at the base.

That's the responsibility of Patricia Page, with the bases' Family Services. She said the seminar is required for airmen and officers new to the base.

"If they are having financial dif-



JOHN HOFHEIMER/Leader photo

First American Cash Advance is one of three payday lenders in the vicinity of LRAFB, which has cautioned service members about interest charged by the firms.

ficulties, we do a budget and a spreadsheet to help," she said.

"We can help them with a one-time-only loan to help pay off payday loans and get them on track," she said.

"We try to track those in payday lending arena," she said, noting that they charge very high interest rates, not advantageous to airmen and their families.

In a brochure titled "Pay Day Lending: How to avoid the debt trap," airmen are informed that paying back a \$200, two-week loan with a \$60 finance charge is the equivalent of paying 782 percent annual interest. If the airman needed four extensions of the loan, it would amount to paying \$300 in fees plus the original \$200.

The brochures include alternatives to payday loans such as arranging a payment plan with creditors, getting advances from employers, getting credit counseling, credit union loans, cash advances on credit cards or military loans.

The commandant of the Marine Corps has warned his subordinates to keep their troops away from such lenders, and Sen. Elizabeth Dole has crafted legislation requiring a study of such lenders in relationship to military families.

A military coalition representing more than 5.5 million members has written a letter of support to Dole.

"Media reports spotlight images of streets leading to military bases replete with businesses offering

manding officers don't like them to default on loans, according to Hank Klein, a founder of AAAPL.

"Payday loans are attractive to Marines facing financial dilemmas because they are easily obtained," according to Hagee. "Such loans are usually small, short-term arrangements designed to tide over cash-strapped borrowers until their next paycheck. However, they are high interest, rapidly compounding loans that can devastate a Marine's personal finances — especially since most payday loans are not immediately paid off."

"Notably the interest and fees for payday loans average more than 300 percent above the loan amount. There are better options for Marines experiencing financial distress," he said.

Hagee suggested Marines take advantage of personal financial management programs stressing education and counseling.

"Commanders should also encourage marines to seek legal assistance prior to signing loan documents or other contracts," Hagee said. "Lastly, we must take firm and fair action through the armed forces disciplinary control board and other means to deny access to lenders who take unfair advantage of Marines."

"The military isn't 5 percent of my business," according to Cosby Hodges Jr., of American Check Cashers. "The military deserves to get loans too."

Hodges, of Fort Smith, has incorporated 20 or more payday lending businesses in several Arkansas cities, including two in Jacksonville.

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 cashers 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

"fast cash loans," wrote the coalition.

"Many of the brave men and women who volunteer to serve in the military enlist immediately after graduating from high school," they wrote. "Understandable, they have limited experience in financial matters and are easy targets for unscrupulous lenders. The average Seaman or private already lives on a relatively low income, and can ill afford to be saddled with ridiculously high interest loans and other indebtedness. The actions of these predators should be regulated and abuses made punishable by federal law."

Among those signing the letter were representatives of the Air Force Association, National Military Family Association, the Association of the Army and 33 other such organizations.

Financial pitfalls represented by payday lenders and check-cashers impact the readiness of Marines which "directly impacts unit readiness and consequently the corps' ability to accomplish its mission," according to Gen. M.W. Hagee, commandant.

Noting that about 7 percent of all military personnel rely on such high-interest, easy-to-obtain loans, Hagee said, "We must act to ensure our marines avoid financial pitfalls and make wise decisions."

Payday lenders like to work with people in the military because they know they have a regular check that won't bounce and that their com-