

EDITORIALS

Stop the loan sharks

Tracy Steele to the rescue

THEY SEEM to pop up in every poor neighborhood, and outside military bases. They go by different names and have different come-ons, but they're all in the same racket: preying on the poor. For here in the Natural State, you don't have to go to a zoo to see a predator. The two-legged, fiscal variety may be as close as the nearest strip mall. They're called payday lenders, but payday-grabbers might be a better name for them. And here's how they spring the trap:

In return for a loan of, say, \$350, the desperate borrower writes a check of his own for, say, \$400, but the lender agrees not to cash it for two weeks. That's \$50 interest on a \$350 loan for 14 days, which amounts to an annual interest rate of . . . 373 percent!

On the borrower's next payday, he—or she—has got to come up with enough money to cover the check or pay another fee to roll over the loan. Sometimes this can go on for months, with the poor sucker never managing to pay off the interest, let alone the principal. It's the biggest rip-off since Tennessee Ernie Ford owed his soul to the company store.

W-a-a-it a minute!

Don't we have a law against usury in this state? Not against this kind, thanks to the state legislature. Back in 1999, it passed the Arkansas Check Cashers Act, which solemnly declared that the fees charged by these payday lenders "shall not be deemed interest." That language is essentially a license to exploit the most vulnerable—or gullible—among us.

But now a legislator, North Little Rock's Tracy Steele, is riding to the rescue. He's introduced a bill that would bar payday lenders from making short-term loans of less than \$3,000. These shady loans are usually for much smaller amounts; it's the exorbitant interest—which is not considered interest, according to the law—that mounts up and traps people.

Senator Steele's bill would also prevent a payday lender from garnishing military

wages, impose a 50 percent tax on loans under \$3,000, and make it a misdemeanor to make loans less than that amount—a crime punishable by a \$5,000 fine or a year's imprisonment.

In short, this bill would drive these loan sharks out of business in Arkansas. Just as they were driven out of Georgia by a similar bill. (Senator Steele has modeled his proposal on Georgia's law.) Now if only the senator would be joined by enough colleagues, Arkansas might rid itself of this plague.

The state's attorney general, Mike Beebe, hasn't been much help. In a letter he wrote the Consumer Federation of America, he indicated that his office was investigating 18 payday-lending companies in this state, but in the same letter he passed the buck: "It is up to the Arkansas Legislature," he explained, "to repeal or amend the law, should they see a need to do so."

General Beebe's predecessor in office, Mark Pryor, was even less help. Despite earnest pleas from his own staff, he didn't object to the passage of the act that allowed these loan sharks to set up shop all over Arkansas. Which didn't surprise, since he'd accepted some \$14,000 in campaign contributions from payday lenders back in 1998.

Now it's up to the Legislature to drive these loan sharks out of Arkansas. Let's hope Tracy Steele attracts a lot of support for his good idea. The continued existence of this racket shames all of us in Arkansas.

Naturally the president of the Arkansas Check Cashers Association doesn't see it that way. He notes that only a couple of legislators objected when the Check Cashers Act made it into law back in '99. "I don't know why," he says, the legislators "would have decided that it was needed then but is not now."

Maybe that's because now they can see the sad results. Or, unlikely as it may seem to the cynics among us, maybe the Legislature's conscience has finally been aroused.

