VOLUME 19
NUMBER 4

THE LEADER

25¢
LARGEST PAID NON-DAILY NEWSPAPER IN ARKANSAS

FOUNDED IN 1987 • MIDWEEK EDITION • COVERING LONOKE, WHITE AND NORTH PULASKI COUNTIES WEDNESDAY, MARCH 16, 2005

Lenders may be hurt by legislation

IN SHORT A spokesman for Arkansas' storefront lenders says his group doesn't roll over loans, and rather than hurt working folks, he helps them.

By JOHN HOFHEIMER
Leader staff writer

If two bills currently before the Senate Judiciary Committee become law, "they would put us out of business," according to Jim Mead, president Arkansas Financial Services, doing business as Arkansas Check Cashers.

"People around the state will be coming to a closed door with an empty billfold, looking for some emergency money," Mead said.

"They'll fix it so working folks—most making $25,000 to $50,000 a year—won't be able to get money to pay bills," he said.

That's exactly what some state legislators and a coalition of consumer groups hope to do—keep payday lenders from making loans they call usurious.

Arkansans Against Abusive Payday Lenders includes representatives of the Arkansas Federal Credit Union, the local Better Business Bureau, ACORN, AARP, the League of Women Voters and the Consumer Federation of America. It was founded by Hank Klein of Arkansas Federal Credit Union and the president is Paul Kelly of Arkansas Advocates for Children and Families.

Mead thinks they are misinformed.

He went to the first meeting and says he was barred from the second meeting.

"We check cashers are pretty intelligent and industrious," said Mead. "We'll do something else. But what are the people of Arkansas going to do—where are they going to go to get a small amount of money for an emergency?"

Meade is referring to Senate Bill 948, sponsored by state Sen. Tracy Steele, D-North Little Rock, and Senate Bill 968, sponsored by state Sen. Tim Wooldrigdge, D-Paragould, and state Rep. Jay Martin, D-North Little Rock.

Steele's bill, titled "An Act to Create the Payday Lending Act; and for Other Purposes," would prohibit consumer loans of less than $3,000, provide additional protection for members of the armed forces, tax illegal loan profits at 50 percent and provide for fines as high as $10,000 and prison terms for as long as five years.

Senate bill 968 would make it a crime to charge more than 17 percent on a consumer loan, but exempts banks, trust companies, credit unions, savings and loans or "any other person or entity operating under provisions of federal law regulating loans or lending practices."

Each violation is subject to a $300 fine.

"I make about 15 percent profit by the end of the year," said Mead. "We're not getting filthy rich. Grocery stores make 18 percent and furniture store's mark up is two or three times," he said.

Mead disputed the widely held notion that payday lenders roll over loans, snowballing interest rates and leaving borrowers eternally in debt.

"They pick up the whole check or nothing," said Mead.

"We'll put them on a payment plan," he said, "with no additional interest or fees. We're just being nice to the customers."

"It doesn't happen in Arkansas because it's against the law. We can get fined out the kazoo.

"I was raised in a cotton patch," said Mead. "There were times $100 loan would have helped."

He said pawning goods was humiliating. Customers "can come into our place and make a loan with any finance check."