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Borrowers pay more at storefronts

IN SHORT When the FDIC tried to put new regulations on payday lenders, they upped the ante with even higher fees.

By JOHN HOFHEIMER
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When the Federal Reserve Board chairman Alan Greenspan raises interest rates, it's usually for one-eighth to one-quarter percent.

When some Arkansas payday lenders recently raised their rates, it was by 33 1/3 percent, according to consumer loan activist Hank Klein—and the rates already exceeded 300 percent when figured on a yearly basis.

Klein said one person—a client of

Please see **LENDERS**, Page 11A

▶ Lenders

Continued from Page 1A
attorney Todd Turner's—started with one payday loan, couldn't pay it off the next payday, took out another and another until she had six loans with an effective annual interest rate of 3,650 percent.

"You know I have been concerned about payday lenders exceeding the Arkansas constitutional usury rate, but this is the most extreme example I have seen yet. Talk about the greedy taking advantage of the needy," said Klein on Tuesday.

Recent FDIC regulations designed to protect consumers from perpetual debt by curtailing lending abuses

prompted some payday lenders to raise their "fee" by one third.

A \$100 loan, previously repaid two weeks later with \$315, now costs \$320 to redeem, according to Klein.

The new FDIC regulations allow consumers to have only one payday loan for three months out of a year. During that three months, the consumer will pay interest equal to the amount of money borrowed—and still owe the money borrowed.

ACE payday loans—active in Jacksonville—announced recently a three-year agreement with First Bank of Delaware.

ACE customers who exceed the maximum allowable loans according to the Federal Deposit Insurance Corporation's guidelines for payday lending, will now have access to a 20-week installment loan product offered by First Bank of Delaware.



Klein

Klein asked, "Is it going to be a reasonable rate, or also 500 percent?"

Some Jacksonville lenders, including those located near the front gate of Little Rock Air Force Base, have associated with such banks.

"They are trying to stay one step ahead of the FDIC," said Klein.

In a recent press release, EZCorp's third-quarter revenue totaled \$37.8 million, compared with \$31.8 million for the same period last year.

Through June, EZCorp opened 78 EZMoney stores, and in the fourth quarter, the company plans to open an additional 25 to 30 EZMoney stores.

While the immediate area has no EZMoney stores, the growth of this NASDAQ-listed company may be instructive.

"They wouldn't open more stores if it wasn't profitable," Klein said. "Who's regulating these people? Certainly not Arkansas."