

Hutchinson: Oust payday lenders

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Asa Hutchinson, Republican candidate for governor, called for an end to payday lending in Arkansas on Thursday in a speech in Little Rock to an AARP chapter.

"It's past time for somebody to step up and do away with this exploitative practice," Hutchinson said, according to a prepared statement issued by his campaign office. "Predatory payday lending is a trap for the unwary



Hutchinson



Beebe

that becomes a financial ball and chain around the necks of our working families and our most vulnerable citizens."

Hutchinson specifically called for revoking Arkansas' Check Cashers Law.

When it became law in 1999, the Check Cashers Law stated that charges made by payday lenders were considered fees and not interest, which meant the charges did not violate the state's constitutional limit of 17 percent annual interest on a loan.

A "technical corrections" act passed last year deleted that language from the Check Cashers

Act to correspond with a 2001 Supreme Court ruling, meaning the fees now are considered interest.

Hutchinson also said he supports "putting teeth" in the state's usury law by adding a fine for charging interest higher than the usury law allows.

In Arkansas, a payday loan typically works like this: The customer writes a check for \$400, for example, and receives \$350. The lender keeps the check for two weeks, but does not cash

it. The \$50 charge on a \$350 loan for 14 days equates to 371 percent in annual interest.

The customer often can't afford to buy back the check for \$400 in two weeks. So on payday, the customer is required to bring in \$400 in cash to get his original check back. Then the customer writes a new check for \$400 and gets \$350 back from the lender.

This adds another \$50 charge for the customer, who still must repay the loan in two weeks or

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repeat the process. This procedure keeps payday lenders from rolling over fees on a single check.

"This is certainly something that the Legislature should address, and, as governor, I'll work with lawmakers to correct this exploitative law," Hutchinson said in the statement.

Hutchinson spoke at a lunch meeting of the west Little Rock AARP, where he discussed several topics related to senior citizens. Low-income seniors are one group ripe for exploitation by predatory lenders, Hutchinson said, according to the state-

ment.

Zac Wright, a spokesman for Attorney General Mike Beebe's gubernatorial campaign, said Beebe as a state senator voted to repeal the Check Cashers Act in 2001 and as governor also would work to have it repealed.

"And he'll go a step further and look at new acts specifically to stop predatory lending," Wright said.

Willie Green, a North Carolina payday lender, told Arkansas legislators last month that payday lending is the cheapest alternative for consumers to borrow a small amount of money.

Jim Mead of Jonesboro, owner of several payday lending stores and a board member of the Arkansas Check Cash-

ers Association, also said last month that payday lending often gives poor people in the state their only source for emergency funds.

H.C. "Hank" Klein, president of Arkansans Against Abusive Payday Lending, said Hutchinson's remarks "were very positive towards our efforts to eliminate abusive payday lending in Arkansas."

Mark Johnson, the AARP's advocacy consultant, said the AARP would like to see all candidates for statewide office support the end of payday lending in Arkansas.

A case is pending before the Arkansas Supreme Court to determine whether the Check Cashers Law is unconstitutional.