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THE LARGEST PAID NON-DAILY NEWSPAPER

FRIDAY, JULY 14, 2006

TOP STORY >>Payday lender closes some shops

By JOAN MCCOY
Leader staff writer

IN SHORT: Storefronts in Cabot, Beebe, Searcy and Little Rock have closed as their owner faces \$1.3 million in fines for not having a valid license to make loans.

At least some of the 14 payday- lending businesses that a Fordyce man operated across the state, in-cluding several in the area, have closed since he was fined \$1.3 million for not having a valid license. A circuit court in Pulaski County will have to decide if the fine is reduced or increased.

Petitions for both scenarios were filed this week but no hearing dates have been set for either the petition filed Monday by Dennis Bailey, the business owner who says the fine is unfair, or the counter petition filed by Arkansas State Board of Collection Agencies that is asking for a judgment against Bailey for the \$1.3 million plus 6

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percent interest.

That state regulatory agency also is asking the court to order Bailey to cease all operations, turn over all his financial records and return money taken from his accounts before he was found guilty during a board hearing June 28 of violating state lending laws including operating without a license.

The Leader called several of Bailey's businesses Friday and found the ones in Cabot, Beebe, Searcy and Little Rock have closed. A woman answered the phone at the business in Walnut Ridge but said she was only there to tie up loose ends because the business was actually closed. A man's voice on the answering machine at the Bryant store said it was open and gave the hours, but repeated attempts to talk to an employee were fruitless.

Tom Thrash, attorney for Arkansas State Board of Collection Agencies, said Friday he didn't know how many of the businesses had closed. Paul Johnson, Bailey's attorney, could not be reached for comment.

Signs on the closed stores refer Bailey's customers to BMB Finance Company, LLC, in West Plains, Mo., where he holds the license to operate a lending business that he tried to use as a substitute for an Arkansas license.

The 14 stores include 10 that go by the name of Fast Cash in Beebe, Bryant, Corning, Fordyce, Harrison, Little Rock, Mountain Home, Searcy, Sheridan and Walnut Ridge.

The others are Fast Cash Check Cashers in Camden, Cash Advance in Hot Springs, Cash Advance in Cabot and Central Arkansas Check Cashing in Newport.

Through a payday loan in Arkansas, a customer writing a check for \$400, for example, typically would receive \$350. The lender would keep the check for two weeks without cashing it, allowing the customer time to buy it back.

If the customer doesn't buy the check back for \$400, the lender cashes it and the customer has paid \$50 to borrow \$350. But often the cycle continues because the customer can't afford to give up \$400 at the end of two weeks, so the check is purchased with \$400 cash needed possibly to pay the rent. Then a second, \$400 check is written to the lender who gives the customer another \$350 in cash and pockets another \$50 in interest.

A 1999 state law made payday lending legal in Arkansas and attempts to do away with the law have failed even though many say payday lenders prey on the state's poorest residents.

But one stipulation in the law is that the lenders must be licensed, and Bailey has operated since early 2005 without a license, which was refused because of problems with his state permits to sell alcohol and tobacco and because he stopped payment on a \$20,000 check he wrote in 2004 to pay a fine on an unlicensed he owned in Pine Bluff.

Peggy Matson, executive director of Arkansas State Board of Collection Agencies, said after Bailey did not immediately close his businesses as the board ordered that the board could have him charged with a Class A misdemeanor for operating a business without a license, but it was more important to close him down.

However that sentiment did not carry over to Bailey's relatives who have been charged with operating a business a business without a license and will have to appear in court on those charges.

His brother, Gary Don Bailey, who operated a business in Mountain View, will go to court July 26 to respond to the charge against him, while Steve Bailey, believed to be a nephew, has an Aug. 3, court date for operating an illegal business in Clinton.

POSTED BY THE LEADER AT 8:17 PM

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