

Arkansas Delegation Supports Payday Loan Interest Cap

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The Associated Press

LITTLE ROCK -- Members of Arkansas' congressional delegation said Friday that America has a responsibility to protect military service members and their families from predatory loans.

The House and Senate Republicans reached an agreement Friday on a measure imposing a 36 percent cap on the annual interest rate for payday loans to service members or their spouses. The measure was included in the defense authorization bill, which Congress approved Friday as well.

Second District Rep. Vic Snyder, D-Little Rock, the ranking member of the House Armed Services Committee subcommittee on military personnel, said that, while predatory lending hurts military service members and their families, it also has an impact on America's security.

Snyder said the measure is a "step forward in protecting the financial lives of our military personnel."

"Service members in financial trouble, who have attempted to solve their problems through predatory lending, often find themselves deeper in debt, and in some cases their financial situations have led to the loss of security clearances, letters of reprimand, nonjudicial punishment, and ultimately separation from the military," Snyder said in a letter to the chairman of the House Armed Services Committee, Duncan Hunter, R-Calif.

Payday lenders offer short-term loans against borrowers' paychecks and charge fees. Borrowers that cannot repay the loans by the next payday often "roll over" the loans repeatedly, leading to more charges.

The average annual percentage rate for payday loans is about 390 percent, and as lending fees add up, borrowers can end up paying an annual percentage rate of 800 percent or more.

The Defense Department strongly supported the rate cap measure after issuing a report earlier this year finding many payday lenders are clustered around military bases.

First District Rep. Marion Berry, D-Gillet, said America needs to take care of military personnel both at home and abroad.

"The last thing these brave men and women in uniform deserve is to fall victim to dangerous lending schemes that leave them saddled with debt when they return home," Berry said.

Sen. Mark Pryor, D-Ark., called the measure "very good news" for military and their families and said the measure could impact payday lending in other areas, as well.

"It really may give a good model that we could follow in other contexts, not just the military," Pryor said. "It is very pro-consumer and sounds like it's going to be effective."

Others in Arkansas' congressional delegation declined comment or did not immediately return a call for comment.