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## House Bill Would Limit Payday Lending Rates

By George Waldon

12/21/2006 11:40:19 AM

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## Legislation introduced

Thursday morning in the

Arkansas House of Representatives would make payday lending with high interest rates a crime.

House Bill 1036 creates a criminal offense of making unlawful consumer loans and levies a \$300 fine for each violation. The bill defines an unlawful consumer loan as one charging an effective annual interest rate greater than 17 percent, as prohibited by the Arkansas Constitution.

The measure would allow citizens to make complaints for police officials to investigate and prosecuting attorneys to take action. Lawmakers will consider the bill when the legislative session begins in January.

Rep. David Johnson, D-Little Rock, and Sen. Shawn Womack, R-Mountain Home, are the bill's lead sponsors. They are joined by 14 co-sponsors in the general assembly.

Both legislators spoke at a news conference at the state Capitol in the old State Supreme Court Room.

Johnson said it's time to put a stop to abusive lenders taking advantage of financially distressed consumers with small, high-interest loans masquerading as short-term solutions.

"In truth, it turns into a debt trap they can't escape," he said. "It's not uncommon for people to incur hundreds if not thousands of dollars of debt on a small loan."

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Womack said it is time to stop lenders from ensnaring low-income borrowers in an endless cycle of debt that creates an added barrier to entering the middle class. Reasonably priced credit should be available, even for small loans, he added.



"The goal here is to have the appropriate balance," Womack said.

Lt. Gov.-elect Bill Halter also spoke at the news conference in support of the measure and read excerpts from a Pentagon report on payday lending's effects on military personnel.

The U.S. Department of Defense is seeking protection from payday lenders preying on military personnel by setting a 36 percent interest ceiling or lower if mandated at the state level.

One example cited in the report included a family stationed at Little Rock Air Force Base in Jacksonville and a \$300 payday loan that led to thousands of dollars of debt and the breakup of a marriage.

"Folks, we can do better than this, and I commend Rep. John and Sen. Womack and other members of the legislation for taking on this issue," Halter said.

Johnson said the bill also would stop lenders attempting to bypass the Arkansas usury limit by incorporating in other states.

"We believe we have taken care of that issue," he said.

Johnson also noted the possibility of trying to repeal the Check Cashiers Act, too.

"We understand there is a demand for people to make small loans," he said. "We just expect them to do it within the bounds of the constitution."

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