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ARKANSAS

WEDNESDAY, FEBRUARY 28, 2007

EDITORIALS>>Lenders kill legislation

Here is our civics lesson for today. If you don't want to spend a lot of money to keep your financial advantages in the Arkansas Legislature there is a way. Just spend it in the right place.

The payday lending industry had plenty of money to spend to protect its license to grind the faces of the poor, but instead it hired the shrewdest lobbyists and dropped its money into just the right campaign kitties. Yesterday it paid off.

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You will remember that last week the bill to halt the usurious practices of the check cashers (House Bill 1036) passed the House of Representatives 90-3. Rep. David Johnson, D-Little Rock, the sponsor, was a little nervous about its prospects in the Senate. The Brotherhood, the prevailing faction in the Senate, was known to be hostile but even a few of that group signed on as sponsors.

Before it could go to the full Senate, the bill first had to get a do-pass from the Senate Insurance and Commerce Committee, seven members strong, a group that traditionally protects the interests of industry over consumers. Commercial interests steer their friends on to the committee. That is where the payday lenders spent their money in 2006.

Arkansas Financial Services, one of the big payday firms, settled \$500 each in October on five of the seven members of the committee, those who were up for re-election. They were Barbara Horn of Foreman, Bob Johnson of Bigelow, Paul Bookout of Jonesboro, Paul Miller of

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Melbourne and Terry Smith of Hot Springs. Jack Critcher of Batesville, the president pro tempore of the Senate, is a member but was not up for election last year and could not receive gifts, but he was known to be a friend of the lenders anyway.

In Arkansas, it only takes \$2,500 to buy off a committee.

Rep. Johnson and others made the overwhelming case for the bill at the committee hearing Tuesday morning. It would fine loan sharks \$300 for each usurious loan. Sen. Jim Argue of Little Rock made the motion to recommend it to the Senate. Sen. Horn gave him a courtesy second. Argue cast the only vote for it. It needed four. Horn was silent and so were the others. So unless three of the five who received campaign gifts are tormented by guilt and vote later to bite the meaty hands that fed them, the bill is dead.

Payday lenders collect interest on small loans to working people all the way from 300 percent to highway robbery. The interest limit under the Arkansas

Constitution is 17 percent, but a statute sneaked through the legislature in 1999 exempts the advance check cashers by declaring that the charge for delayed check cashing was not really interest.

Sooner or later, the Arkansas Supreme Court will outlaw the practice and the lenders will leave the state. Later obviously because the courts keep ducking a definitive ruling on the constitutionality of the law. But the courts once more become the salvation because the democratic branches of government failed the people again.

POSTED BY THE LEADER AT 10:30 AM

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