

Old Foes Form Odd Alliance

Payday lending unites senators

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Bob Johnson, a well-do-do businessman, is the state senator from Bigelow most widely credited with forging the so-called Brotherhood, a coalition that wrested control of the Senate two years ago.

Percy Malone, a well-to-do pharmacist and businessman, is the state senator from Arkadelphia generally viewed as the member of the former ruling clique who was most widely resented by the Brotherhood.

These polarizing fellows thawed their relations before our very eyes Tuesday morning. They huddled. They passed a note. They quoted each other.

It was poor people who brought them together. Or it was the people who prey on poor people with predatory lending practices. Or it was the lobbyists hired by the people who prey on poor people.

Sen. Jim Argue of Little Rock may have leaned toward the latter two. He said the way to help poor people is not to entice them with short-term loans at 300 percent annualized interest rates that they may not be able to repay or, even if they can, may lead to follow-up advances that serve to discount their wages permanently.

But here's the countering view, the one advanced by our strange new bedfellows, Johnson and Malone: The poor won't be able to get food or clothing or their old clunkers fixed to get to work in the first place unless they can borrow a little cash from time to time against their next paychecks.

They must get this money from people who are in business to extend such cash, commonly called payday lenders. These businesses can't be expected to offer such a

service unless they can disregard the state Constitution's impractical usury limit and charge stratospheric interest rates to make risky loans worthwhile.

With only Argue saying "no," the Senate Insurance and Commerce Committee gave a do-pass recommendation on a voice vote to a hollow bill drawn up by the payday lending industry itself. The whole exercise was to appear to respond to a genuinely substantive bill holding payday lenders to the 17 percent constitutional ceiling that had sailed out of the House of Representatives.

The payday lending industry's hired gun lobbyists had always plotted to let the House pass the bill and stop it in this very Senate committee. They could rely on Bob, Percy and every other member except Argue. You had Paul Miller of Melbourne, Terry Smith of Hot Springs, Barbara Horn of Texarkana, Jack Critcher of Batesville and Paul Bookout of Jonesboro.

Malone said you can't ask a businessman to make "75 cents on a hundred." He explained that a two-week loan of a hundred bucks at 17 percent annualized interest would only earn approximately 75 cents. Johnson told Mark Johnson, testifying lobbyist for the AARP, which supports the House bill, that he'd dare any AARP member to go halves with him on a business making 75 cents on \$100.

Bookout told me he voted with the payday lending industry because he'd been convinced by a back-home cash advancer in Jonesboro named Jim Mead that there wasn't much margin in the business.

I called Mead. He said that, at best, an operation such as his could expect a gross profit of 15 percent. The only way to make a living on that, he said, is to run a low-overhead mom and pop like his or be part of a large chain dealing in high volume.

For one thing, he said, he never again lays eyes on a fifth of the people to whom he makes a cash advance.

He'd have to shut down if held to 17 percent annualized interest, he said.

Mead said there are many people who can't afford to fix a flat if it happens at the wrong time of the month.

"If I have to put up a 'closed' sign, I don't know what they're going to do," he said.

I'm not sure either. But it might be whatever they were doing before the payday lending industry exploded in Arkansas in 1999. And it ought to be something not taking an exponentially larger chunk of their meager earnings than the rest of us pay on our credit cards, which are predatory enough.

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