

# Committee Endorses Industry-Supported Payday Lending Bill

THIS ARTICLE WAS PUBLISHED ON WEDNESDAY, MARCH 28, 2007 7:17 PM CDT IN NEWS

By John Lyon  
The Morning News

[EMAIL THIS STORY](#)

[PRINT THIS STORY](#)

[COMMENT ON THIS STORY](#)

LITTLE ROCK -- A House committee on Wednesday endorsed a bill placing limits on payday lenders, although critics say the bill does little or nothing to protect consumers.

The House Insurance and Commerce Committee voted 11-7 to endorse Senate Bill 923 by Sen. Terry Smith, D-Hot Springs. The bill advances to the full House.

The bill is supported by the payday lending industry and sets no cap on the amounts payday lenders can charge. A competing bill by Rep. David Johnson, D-Little Rock, limits payday lenders' fees to 17 percent, the maximum interest level the state constitution allows on consumer loans, but Johnson's bill has stalled in the Senate Insurance and Commerce Committee.

Critics of the payday lending industry say the lenders take advantage of customers by charging fees equivalent to triple-digit interest rates. Defenders say for people in need of small, short-term loans, payday loans are the best option.

Presenting the bill to the committee, Rep. David Dunn, D-Forrest City, admitted the legislation does not address every concern people have about payday lending.

"I'm going to tell you right now, this is not a perfect bill, but in the words of Representative Johnson, we can't make perfect outdo good," Dunn said.

The bill would prohibit "rollover" loans, or loans to cover payments due on another loan from the same lender, and would require payday lenders to make extended payment plans available to consumers who are unable to pay loans on time.

A lender found to have provided a rollover loan would have to pay the customer twice the amount of the check or \$1,000, whichever is greater.

Also under the bill, a customer could rescind a check from a payday lender within one day of receiving it, with all fees refunded.

The bill prohibits check cashers from going to a customer's place of employment to collect on overdue accounts or threatening a customer with criminal action. It requires payday lenders to advise customers their services are not to be used for long-term financial needs and credit counseling is available as an alternative.

Peggy Matson, executive director of the State Board of Collection Agencies, which regulates payday lenders, said the board does not have the authority to tell payday lenders to give customers more time to repay loans. Senate Bill 923 would give the board that authority, she said.

H.C. "Hank" Klein, testifying on behalf of AARP and Arkansans Against Abusive Payday Lending, said rollover loans are already illegal in Arkansas. Instead, payday lenders allow customers to refinance loans repeatedly, putting them deeper in debt, and Senate Bill 923 would not change that, he said.



The bill provides "no real protection" for consumers, Klein said.

Rep. Bruce Maloch, D-Magnolia, said if Senate Bill 923 did not pass, there would be no legislation this session to regulate payday lenders.

"Fifty percent of something is better than 100 percent of nothing," he said.

Rep. David Rainey, D-Dumas, said he feared passing the bill would be worse than doing nothing because "people who use check-cashing services will believe that this is a better situation than what they've had before."

Rep. Janet Johnson, D-Bryant, proposed an amendment to the bill adding two members to the five-person State Board of Collection Agencies, which regulates payday lenders. The additional members would be a retired member of the military and representative of nonprofit consumer counseling services.

Dunn said the amendment was a hostile amendment intended to kill the bill. Johnson said she was not trying to kill the bill.

The committee rejected the amendment in a 5-10 vote.

## Reader Comments (0)

The following comments are provided by readers and are the sole responsibility of their authors. The Morning News does not review comments before their publication, nor do we guarantee their accuracy. By publishing a comment here you agree to abide by our [comment policy](#). If you see a comment that violates our policy, please [notify the web editor](#).

[Click here](#) to read the [Editor's Blog](#).


---

## Leave Your Comment

Name:

Comments:

Current Word Count:

Image Verification: 



EMAIL THE WEBMASTER | SEE JOB OPENINGS AT THE MORNING NEWS