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Market Watch**State News****House panel approves new restrictions for payday lenders**

By *ANDREW DeMILLO*
 Wednesday, March 28, 2007 1:44 PM CDT

LITTLE ROCK - New regulations for payday lenders were advanced by a House panel Wednesday, despite objections from advocacy groups who complain that it will still allow the lenders to charge more than 17 percent interest.

By an 11-7 vote, the House Insurance and Commerce committee approved the new restrictions for the businesses. The bill, however, is significantly different from a bill defeated by a Senate panel that would have fined lenders \$300 each time a customer is charged an interest rate above 17 percent, the limit in the state's constitution on consumer loans.

"We really like we need to come out with some kind of regulation on payday lenders this session," said Sen. Terry Smith, D-Hot Springs, the bill's sponsor. "I would hate to think that we would possibly run out of time and be right back where we started."

The bill allows customers to rescind the checks within a day and says no check casher can threaten a criminal "hot check" charge against a client for extending a loan. The bill also allows the state Board of Collection Agencies to go after check cashers breaking the state's laws, giving customers the greater of two-times the value of their check or \$1,000.

The bill requires check cashers to tell customers their services are to be "used for short-term financial needs only, not as a long-term financial solution."

Through a payday loan in Arkansas, a customer can write a check for \$400 and receive only \$350 for it. The lender would keep the check for about two weeks without cashing it, allowing the customer time to buy back the check.

The \$50 charge on the \$350 loan for 14 days is the equivalent of 371 percent annual interest, well above Arkansas' usury limit of 17 percent per year.

A coalition of advocacy groups that pushed for the fines for the payday lenders opposed Smith's measure, saying it was an industry-backed bill that would still allow lenders to charge triple-digit interest rates.

"I think this is very detrimental for consumers and for the military," said Hank Klein, head of Arkansas Against Abusive Payday Lending. "It does nothing. It's an industry bill that's simply window dressing."

Smith's bill now goes to the House for a vote.

A service of the Associated Press(AP)

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