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Payday-lending bill squeaks out of panel

BY DAVID SMITH

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LITTLE ROCK — A House of Representatives committee that

overwhelmingly voted for a bill seven weeks ago that would have killed payday lending in Arkansas passed another bill Wednesday that is supported by payday lenders.

Eleven of the 20 members of the House Insurance and Commerce Committee voted for Senate Bill 923 on Wednesday, with several representatives saying they wanted to do something to restrict payday lenders.

Committee Chairman Sid Rosenbaum, R-Little Rock, cast the decisive 11th vote for the bill. Seven members voted against the bill and two were absent. The bill already has passed the Senate. If it passes the full House, it will go to Gov. Mike Beebe for his signature.

Beebe, who was one of two senators to oppose the Checkcashers Act of 1999, has not decided whether he would sign the bill, Matt DeCample, his spokesman, said Wednesday.

“The way I read this bill is that it would



State Sen. Terry Smith (from the left) state Rep. David Dunn and attorney Tom Hardin presented Wednesday, SB923, the senate version of a payday loan bill, in the House Committee on Insurance and Commerce.

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tighten up [payday lenders] a little bit more than they are right now. Is that correct?" Rosenbaum asked Tom Hardin, a lawyer with the Rose Law Firm who was described as the "brains behind this operation" by Rep. David Dunn, D-Forrest City, one of its sponsors.

Hardin, who testified on behalf of the payday-lending industry's Arkansas Financial Services Association, agreed with Rosenbaum. Hardin wrote the Arkansas Checkcashers Act of 1999, which allowed and regulated payday lending.

"The way I read it is that this does put more regulation on the [payday lending] industry," Rosenbaum said. "I think we need to tighten this industry up a little bit. I'm concerned if we do nothing we'll get nothing."

Rep. Janet Johnson, D-Bryant, who tried unsuccessfully to add an amendment to SB923, said there will be attempts to defeat the bill on the House floor, but she would not elaborate on what measures might be tried.

SB923 amends sections of the Check-cashers Act.

The bill would set penalties on "rollovers," or renewals, of paydayloans, which are already prohibited by the Check-cashers Act, and restrict loans made to military personnel and their spouses. Recent federal legislation, which will become effective on Oct. 1, puts a ceiling on interest charged by payday lenders at the interest limits of a state, which is 17 percent in Arkansas.

The Senate bill also would require payday lenders in Arkansas to tell customers the loans should be used for short-term needs and advise customers with credit problems to seek credit counseling.

It would allow a payday lender to extend payment plans for a loan with at least four installments over 60 days, if the lender agrees.

But opponents of payday lending said SB923 is only "window dressing" and will do little to limit the estimated 275 payday lending stores in Arkansas that make small loans.

In testimony before the committee, Hank Klein, president of Arkansans Against Abusive Payday Lending, said the bill is consumer friendly.

Klein said the proposed extended payment plan provides little help to "poor borrowers caught in the debt trap of refinancing or renewing their payday loan payday after payday."

He said borrowers seldom use the extended plan in other states that offer it. Only 0.51 percent of borrowers take advantage of the plan in Florida and even fewer do in Oklahoma, Klein said.

Cosby Hodges, who owns several payday-lending stores in Arkansas, declined to comment about the committee's vote.

Bradley Rogers, president of the Arkansas Financial Services Association, did not return a call seeking comment.

Payday lenders contend that people short of cash should be able to take out small, short-term loans.

In Arkansas, taking out a payday loan works like this: The customer writes a check for \$400, for example, and receives it in cash. The lender usually keeps the check for two weeks before cashing it.

A \$50 charge on a \$350 loan for 14 days equals 371 percent in annual interest. Under the Arkansas Check-cashers Act, customer must repay the loan before the agreed-upon date or the lender must cash the check. Once the loan is repaid the check deposited the customer can take out another loan by exchanging another check for cash and promising to repay the loan.

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On Feb. 7, the House Insurance and Commerce Committee passed, 18-1, a bill that would have capped the interest rate on payday loans at 17 percent, the maximum allowed by the Arkansas Constitution. Payday lenders said if the bill became law it would put them out of business because the interest rate was too low to make a profit on the risky loans.

That bill passed the full House, 90-3. It died, however, when it did not get out of the Senate Insurance and Commerce Committee.

Four members of the House Insurance and Commerce Committee who voted Wednesday for SB923 also were sponsors of the more-restrictive House bill that died in the Senate - Rosenbaum; Rep. Mark Martin, R-Prairie Grove; Rep. Bruce Mal DMagnolia; and Rep. Bill Abernathy, D-Mena.

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