

The shame of Arkansas And the Ledge still won't stop it

IF WE didn't know better, and we don't, we'd think the 86th General Assembly, like its predecessors going back to 1999 and the notorious Check Cashers Act of that year, was just a front for the state's loan sharks.

These predators feed off the poorest, most desperate borrowers in the state, charging up to 371 percent annual interest on small loans. But instead of finally cracking down on them, the Ledge seems poised to settle for just another ineffectual gesture—a fig leaf favored by the payday lenders themselves. If even that little bit of reform ever makes it into law.

When this session was still new and there was some hope that even the Arkansas legislature could do the decent thing on occasion, the House Insurance and Commerce Committee voted to do what the state should have done years ago—limit these payday lenders/loan sharks to the same rate of interest that applies to all other loans made in this state: 17 percent.

The folks who run this racket say charging “only” 17 percent on such small loans—instead of, say, 371 percent—wouldn't be profitable, and they'd have to close down their operations statewide.

Awww, wouldn't that be a shame? Actually, it's just what ought to happen. The shame is that they're allowed to operate at all. They should have been shut down years ago. For the sake of the whole state's conscience. There are now an estimated 275 such fleece-the-poor storefronts in Arkansas, and every one of them is a standing disgrace. Oh, the things we allow to be done in our name! How can a state with a conscience let these sharp operators go on preying on the least among us year after year?

Easily, it seems. Because last week the same House committee that voted to put these loan sharks out of business in Arkansas narrowly approved a bill that would only pretty up their operation around the edges. This version of the bill would restrict loans to military personnel, who have proven a particularly vulnerable mark for these people, and penalize “rollovers,” a way to extend this legalized form of usury for ever and ever. And that's about it.

And so it goes. Rapaciously. With the blessings of the elected representatives of the people of Arkansas. We all ought to be ashamed.

But there's hope from another quarter. As when any state neglects its responsibilities, the feds are starting to step in. As of October 1st of this year, a new federal law will limit the interest rate on loans made to military personnel. The limit will be 36 percent a year, or the legal interest rate in the state in which the loan is made. In Arkansas, that'd be 17 percent.

We still wouldn't bet against the loan sharks; they can afford to hire the best lawyers with their ill-gotten gains, and find a way around the best-drafted laws, much less the ones Arkansas lawmakers can produce.