



THE LARGEST PAID NON-DAILY NEWSP

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TOP STORY >>Opponents fight payday lenders

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Despite the state General Assembly's failure to criminalize high-interest consumer loans during the 2007 session, just completed, there is progress on several fronts, according to Hank Klein, founder of Arkansans Against Abusive Payday Lending (AAAPL.)

In the Arkansas House, lawmakers voted overwhelmingly to take not only the interest but also the principal out of payday loans. But members of the Arkansas Financial Services Association sandbagged the bill in the Senate Commerce and Banking Subcommittee with a few well-placed \$500 campaign contributions.

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for an average of 14 days, Klein said. According to the Center for Responsible Lending, the average payday borrower pays \$800 to borrow \$325. A 14-day payday loan typically costs Arkansas borrowers 372 percent to 869 percent annually in interest.

Amendment 60 to the Arkansas Constitution, adopted by voters in 1982, governs usury and limits interest on consumer loans to a maximum of 17 percent per year. Klein said the good news includes a Defense Department initiative, passed by Congress, to make it illegal to make loans to members of the active duty military and their families at interest rates higher than 36 percent annually. Also, the payday lenders failed to push through a bill Klein said was virtually meaningless—"We call it window dressing"—that would have allowed its supporters to pose as doing something to curb abusive loans.

The industry's bill passed the Senate 30-3, but "we stopped it in the House 57-27," said Klein. Also, after a slow start, Peggy Matson, director of the Arkansas Board of Collection Agencies, has begun making payday lenders accountable to state law.

Klein said that in the last two weeks, Matson took Dennis Bailey to court and won a \$1.3 million judgment against him for an illegal affiliation with a Missouri Bank. One of his "Fast Cash" stores had been operating in Cabot, he said.

Matson will hold a hearing May 21 on a payday lender operating in Jacksonville, American Cash Advance, located in the old Wal-Mart Center, Klein said. The

company allegedly made loans as high as \$900 in violation of the \$300 loan cap in Arkansas, and the loans are made as a money order, which the company then charges 10 percent to cash.

The Federal Deposit Insurance Corporation (FDIC) has clamped down on payday lenders associating themselves with banks. As a result, ACE (American Cash Express) in Little Rock quit doing business in April. After Oct. 1, it will be illegal to lend money to active duty service members and their families at interest rates greater than 36 percent. Payday lenders in Arkansas routinely make \$300, two-week loans for \$350.

That's in excess of 300 percent when figured as an annual interest rate, while the state's usury rate is 17 percent. Furthermore, it prohibits the lenders from taking a check for security and an arbitration clause in the contract that won't let borrowers resolve issues in court. It also prohibits access to a person's bank account. The law is also aimed at tax refund anticipation lenders, he said.

In local courts, Fort Smith lawyer Todd Turner has a case remanded from the state Supreme Court to Circuit Judge Barry Sims' court that would force bonding companies to make good on bonds when payday lenders default.

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