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Legal usury in Arkansas

Editorial

By Jim Edwards, Managing Editor

Call us Pollyannas, but we we've wondered why somebody couldn't make a living operating payday lender operations at a reasonable interest rate instead of viciously high fees.

The thought occurred to us again while reading about the circuit court proceeding involving a lawsuit against Advance America Servicing, Inc.

The court action here dealt primarily with whether civil courts on this level have the jurisdiction to deal with the case and whether plaintiffs have the right to sue in court instead of going to arbitration, according to agreements they signed when borrowing money. These are matters that Circuit Judge David Guthrie of El Dorado is considering.

But, the real bone of contention is whether the payday lending industry has free rein to charge whopping interest rates.

Sure, the people who operate these kinds of businesses are being allowed to call the money they charge on loans "fees" instead of what it really is, which is interest, which Arkansas law stipulates cannot be higher than 17 percent.

But, by getting away with the dodge of calling interest rates fees, payday lenders are able to charge people who can least afford it almost unbelievable interest rates. According to court documents, Advance America applied fees that amounted to 295.12 percent on one plaintiff's contract and fees of over 150 percent in the cases of two other plaintiffs.

The situation was described well by H.C. Klein, advocacy volunteer for the Association for the Advancement of Retired Persons, who said, "These people are barely making ends meet, will go to one of these places for what they think is a quick fix and find out that it's a nightmare. They never get out from under it."

The argument for the ridiculous interest rates called fees is that the usurious payday lenders meet a need, lending money to people who couldn't otherwise get it. That may be true, but in the long run, has a service or disservice been provided when it puts folks in financial holes they can never dig out of?

It would be one thing if the fees charged in excess of allowable interest rates were halfway reasonable. But, they're obviously not reasonable and are, in fact, punishingly and cruelly excessive.

We urge our legislators to convince the next General Assembly to have the guts to end the predatory practice by these leeches.