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### TOP STORY >>Restrictions upset payday lenders

By JOHN HOFHEIMER  
Leader senior staff writer

With implementation of a new 17 percent interest limit on payday loans to members of the military and their families in Arkansas, the cash cow may be drying up for lenders who target the military.

The military has taken a firm position against payday lenders, and in Arkansas, state Rep. Jeff Wood (D-Sherwood) authored a bill approved by the General Assembly in 2005 to limit the interest charged on military payday loans to 17 percent, the maximum interest allowed in the state.

Some lenders found a way around that limit, but this

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month, a federal law took effect limiting loans to members of the military and their families to 36 percent interest except where state law called for less. So, in Arkansas, 17 percent is officially the highest interest a payday lender could charge—not much for an industry that regularly charged 400 percent interest or more for its small loans.

Studies have shown that payday lenders and the check cashers tend to congregate near military bases, and in fact, three of four Jacksonville payday lenders are within a mile of base property outside Little Rock Air Force Base's Vandenberg gate.

Clustered just east of state Hwy. 67/167 are Advance America, First American Cash Advance and American Check Cashers.

At Little Rock Air Force Base, arriving airmen are briefed on payday lenders and discouraged from using the services, according to Sgt. Arlo Taylor, the public information officer. "We work to encourage financial education," he said.

The base does provide some services, such as Airman's Attic, Air Force Aid and Good Samaritan loans, according to Hank Klein, the founder of Arkansans Against Payday Lending and former head of the Arkansas Federal Credit Union.

"There ain't much future in our industry," said payday entrepreneur W. Cosby Hodges of Fort Smith. "The (Arkansas Federal) Credit Union has come out with a product (for the military)," he said, which hurts the

payday lenders.



Although the credit union announced a low-interest loan product for the military a few months ago, it has yet to make its first such loan, according to Terry Vick, the credit union's vice president.

“We’ve had a few inquiries, with people gathering information,” he said.

The new, small, relatively low-interest loans, which also have a savings component to them, will be advertised on Little Rock Air Force Base soon, he said.

Criticized at every turn, Arkansas’ payday lenders and their first cousins, the check cashers, are finding business increasingly difficult and less profitable, Hodges said.

Whether or not the situation is as grim for the makers of small, short-term, high-interest—some say usurious—loans as the picture Hodges paints, it seems certain that they operate now in a tougher environment.

Hodges said he was thinking about closing some of his stores, perhaps including the two in Jacksonville.

Hodges, who owns outright 17 payday and check cashing stores in Arkansas, mostly under his American Check Cashers brand says the check-cashing business is increasingly competitive, with chain stores like Wal-Mart cashing paychecks for as little as \$3.

The largest payday lenders have hundreds of stores across

the country and are listed on the New York Stock Exchange or are owned by banks or other publicly traded companies.

Combined with new state and federal laws limiting the amount of interest that can be charged military families for payday loans, directives from Federal Deposit Insurance Corp., lawsuits and negative publicity, some payday lenders and check cashers have left the state.

“We haven’t done a payday loan this year,” said Hodges, who had created his own out-of-state finance company to permit him to circumvent state caps on the amount that could be loaned.

There are about 24,000 payday loan stores in the United States, and last year, about 19 million people used one, according to an industry spokesman.

Many communities have more payday loan stores than McDonald’s restaurants.

“Between the combination of the activists (AAAPL), and so much has been happening in the market over the past five or six years, with Wal-Mart getting in the business, how can anybody compete with that?” Hodges asked.

Klein said Wal-Mart is not only cashing checks, but putting money centers in 1,000 stores, part of what Business Week magazine called “the retailing giant’s relentless push into financial services.” The retail giant already offers money-transfer and check cashing.

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