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MONDAY, NOVEMBER 26, 2007

### TOP STORY >>Lenders' decision to bring appeal

By JOHN HOFHEIMER  
Leader senior staff writer

Attorney Todd Turner on Friday promised a Supreme Court challenge of the state's payday lending law in the wake of Pulaski County Circuit Judge Barry Sims' decision Tuesday that found high-interest, short-term payday loans constitutional.

Twice previously the state supreme court remanded Sims' decision back to him.

Although payday lenders routinely charge at more than 20 times the state's constitutionally set 17 percent annual interest rate cap, Sims found such loans and the law allowing them constitutional.

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Turner, who has fought payday lenders in Arkansas, called the decision a disappointment, but “no surprise. (Sims) indicated last year he thought it was constitutional.”

Turner said it would seem obvious that charging several hundred and even several thousand percent for a loan is not legal when the state constitution caps interest at 17 percent, but judges tend to presume statutes as being constitutional.

The payday lending industry got special legislation approved in 1999 defining the monies paid were “fees” not “interest” and thus exempt from the 17 percent interest cap.

“We’ve had judges in several counties declare (the statute) unconstitutional in individual check cashing cases,” said, Turner, but the payday industry didn’t challenge those decisions, fearing that the state Supreme Court would declare the entire law unconstitutional statewide.

Turner said he hoped the Supreme Court would hear the appeal within six or eight months. He said briefs would be filed and the court would likely ask for oral arguments.

Turner is arguing a separate case affecting payday lenders on December 6. He is trying to force the surety bonding companies to make good on unpaid judgments against the lenders.

Nationally, payday lenders are on the defensive, following new legislation limiting interest on loans to members of

## fees on builders



the military and their families and various rulings by the Federal Trade Commission and the Federal Deposit Insurance Corporation.

The Community Financial Services Association—the trade group for about 60 percent of the nation’s payday lenders—last week ordered its members to put poster-sized fee schedules at each store where customers could see them.

In Central Arkansas, only Advance America—traded on the New York Stock Exchange—and Arkansas Check Cashers, owned by Cosby Hodges of Fort Smith, are members of the CFSA.

According to the association, 594 percent is the legal amount of interest that can be charged in Arkansas for a \$100, 14-day loan.

Anti-payday loan activist Hank Klein says actually the Arkansas Check Cashers law allows 572 percent interest on that loan, the highest of any of the neighboring states.

Oklahoma allows 391 percent, Tennessee 460 percent, Missouri 521 percent, Louisiana 524 percent and Mississippi 572 percent.

Some states, including New York, Massachusetts and Texas don’t allow payday loans.

South Dakota, on the other hand, has no interest limit, which is why some lenders have chosen to attach themselves to institutions in that state.

The CFSA says its members provide an important service to people needing small amounts of cash over a short period of time to deal with sudden auto repairs, buy medication or for other purposes.

But a recent study in North Carolina, which outlawed payday loans in 2006, found that absence of storefront payday lending had “no significant impact on the availability of credit for households in North Carolina. The vast majority of households surveyed reported being unaffected by the end of payday lending,” saying they used an array of options to manage financial shortfalls.

Payday lenders say they are falsely accused of an array of sins.

The say they don't target low-income people but that most of their customers earn between \$25,000 and \$50,000 a year. They don't target seniors, 68 percent of their customers are younger than 45, only 4 percent older than 65. Nearly all have at least a high school diploma.

“One hundred percent have steady incomes and active checking accounts, both of which are required to receive a payday advance,” they say.

POSTED BY THE LEADER AT 8:30 AM

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