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THE ARKANSAS LEADER

THURSDAY, JULY 31, 2008

TOP STORY >> Many check cashers here are still holding on

Although nearly half of the payday lending businesses located in Arkansas have closed under pressure in the last two years, nearly all the lenders based in Jacksonville, Gravel Ridge, Sherwood, Lonoke, Cabot and Searcy remain open, according to a study released on Wednesday by Arkansans Against Abusive Payday Lending.

Attorney General Dustin Mc-Daniel served notice that his office would not tolerate usurious loans many times the state's 17 percent usury limit, sending cease-and-desist letters to 156 storefront operations March 18.

Since then, 101 lenders have closed their doors.

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Speaking on condition of anonymity, one lender predicted “all stores will be closed in 12 to 18 months.”

The attorney general’s action followed two Arkansas Supreme Court decisions (one in January 2008 and another in February 2008) indicating that payday lenders charging triple-digit interest rates were violating the Arkansas Constitution’s usury limit for consumer loans; the Arkansas Deceptive Trade Practices Act; and the rules and regulations of the Arkansas State Board of Collection Agencies.

Overall, the number of payday lenders in Arkansas has shrunk by 43 percent since McDaniel’s March order—from 237 to 136.

The 136 still in operation include the 55 operating in defiance of Attorney General McDaniel’s order, and 81 that currently operate outside of state regulation.

McDaniel and his staff have said these 81 will face scrutiny and potential action given the Attorney General’s long-term goal that all payday lenders in Arkansas cease operations.

“We certainly commend him for deciding to crack down on these lenders,” said Michael Rowett, a consumer advocate. “Of the 156 (outlets sent letters), 101 have stopped making loans.” I’m disappointed that the industry leaders refuse to recognize the clear, unmistakable signals that it’s no longer business as usual

SPORTS>> Cabot comes up
game short

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in Arkansas.”

“We’re pretty satisfied,” said Justin Allen, chief deputy attorney general Friday afternoon. “It could be better but it could be a lot worse. The vast majority have at least quit that operation, but there’s still plenty to be done.

“As a general matter, those who surrendered their licenses have quit working,” he said. “Most are out of business.”

Allen said there would be more lawsuits in the next few weeks targeting the lenders who got letters but are trying to skirt the law. Typically, a customer would write a \$400 postdated check to a payday lender, then receive \$350 cash, with the lender keeping the balance. The \$50 interest on a two-week, \$350 loan is equivalent to 371 percent annual interest rate.

SHAPESHIFTING LENDERS

“Many of these stores call what they’re doing ‘restructuring’; we call it a masquerade,” Rowett said. “We are confident that like the 101 others targeted by the attorney general, these 55 eventually will be shut down, but unfortunately, more consumers will be victimized in the meantime.”

The 55 defiant payday-lending stores are using four business models in an effort to evade the attorney general’s order.

Forty of them are using the money order scheme, said Rowett. Loans are issued as a corporate check or money order, with borrowers coerced into cashing it at the payday lender's for a 10 percent fee, which translates into a triple-digit annual interest rate.

Eight more stores pose as credit-services organizations where, in Rowett's words, "A payday lender, for a large fee, "finds" a loan from another lender to "fund" the loan for the borrower. Usually, the payday lender that "finds" the lender and the lender that "funds" the loans are owned by or affiliated with the same individuals or corporate entities."

Six stores, owned by Jay Breslau and Kelly Breslau, use a model used by 53 unregulated payday-lending outlets operated by W. Cosby Hodges of Fort Smith and Robert Srygley of Fayetteville.

In this model, Arkansas payday lenders obtain a payday lender license from South Dakota and attempt to export that license into Arkansas to grant payday loans to Arkansas consumers in stores located in Arkansas, Rowett said.

The last of the 55 noncompliant stores, owned by Dan Hughes, takes applications in Hope and then drives to Stateline Road in Texarkana, Texas, to complete the transaction.

Those payday lenders not sent cease-and-desist letters by the attorney general's office were operating without a license and will be targeted later as McDaniel works to close down all payday lenders in the state, according to Allen.

LOCAL LENDERS

In Sherwood, Partners Check Service, 8000 Hwy. 107, surrendered its license April 2.

Cash Now of Arkansas, 3301 E. Kiehl Ave., is making so-called "credit services organization" loans, while nearby Cash Advance, 3901 E. Kiehl Ave., was sent an order to cease and desist by the attorney general.

In Jacksonville, three of the four payday lenders were not sent letters by the state Attorney General's Office, and remain open.

They are First American Cash Advance, 2126 North 1st St, American Check Cashers, 912 West Main St., and American Check Cashers, 509 J.P. Loop Road.

Advance America, 2021 1st St., remains open, listed as servicing money-order payday loans. There are two lawsuits pending against it.

The only Gravel Ridge payday lender, Cash Mart, 14208 Hwy. 107 North, surrendered its license April 16.

In Lonoke, Simpson's Buy and Sell, 405 North Center St., surrendered its license on April 28.

The only Cabot lender, Cash Now of Arkansas, 100 Northport Drive, is operating as a credit-services organization making payday loans.

Of the four payday lenders in White County, all of them in Searcy and all on Race Street, Advance America, 2502 E. Race St., is open, as a money-order payday lender.

Payday Now, at 2137 E. Race street, surrendered its license April 14.

The attorney general's office didn't send letters to the other two—First American Cash Ad-vance of 3511 E. Race St. and American Check Cashers, 2714 E. Race St.

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