

Payday Lenders Defy AG Order To Close



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Dozens of payday lenders are still in business all over Central Arkansas four months after Attorney General Dustin McDaniel ordered them to close down.

Payday lenders aren't supposed to issue loans with interest rates above 17%. That rate is established in the Arkansas constitution. The state says many go well beyond that even into the hundreds of percent interest.

Under increased pressure some lenders have closed down but a new study finds there's more work to shut them all their doors.

Many people turn to payday lenders in a money pinch.

"You haven't seen money pinch until you get under their hooks," says Jim DePriest in the attorney general's office. "They will suck you dry."

Arkansans Against Abusive Payday Lending say most lenders are complying with an order sent out by McDaniel to shut down. Of 156 letters mailed out, 101 have complied and turned in their lending license but 55 are still operating right now.

"This is going to be a long hard fight, the tougher ones are the ones yet to come," DePriest says.

DePriest handles consumer protection in the attorney general's office and says remaining payday lenders are digging in their heels.

"Ultimately we have to probably sue them unless we can convince them that we were right," DePriest says.

We wanted payday lenders to convince us they're right, but no one would give FOX16 an interview.

Michael Rowett with AAAPL says operators have developed alternative ways to complete high interest loans since McDaniel issued his cease and desist order.

"In the past in testimony before the legislature they made it clear that they don't think they're doing anything wrong," Rowett says.

McDaniel's office says now there's really no room to negotiate...

"In many cases in consumer protection there is a dialogue, there's a middle ground," DePriest says.



"I'm afraid in this one there's really not much middle ground. We want them to stop."

But the concerted effort to get all payday lenders out of the state will likely take years. And the crackdown isn't limited to the 55 still in operation. There are another 81 payday lenders that are operating but don't have a license. The state has not issued letters to those businesses yet. Copyright 2008 Newport Television LLC All rights reserved. This material may not be published, broadcast, rewritten, or redistributed.