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Usury measure dead in Senate

Friday, Jul 11, 2008

By Aaron Sadler

Stephens Washington Bureau

WASHINGTON - Sen. Blanche Lincoln, D-Ark., on Thursday threw in the towel on her latest bid to raise a state-mandated cap on some loan interest rates in Arkansas.

The state's senior senator had hoped to attach an interest rate amendment to broad housing legislation that was nearing completion in the Senate.

But Lincoln said Republicans, particularly Sen. Jim DeMint of South Carolina, protested any additions.

Lincoln said the issue now shifts to the House, where she said she is hopeful Arkansas lawmakers could take up the matter.

All four of the state's congressmen have said they support the Lincoln bill to permit Arkansas lenders to charge higher interest than allowed by the state constitution.

"This bill is certainly still in play and it's an appropriate place for us to make sure that the changes are made to the banking and insurance code," Lincoln said.

Action is needed soon to protect the Arkansas Student Loan Authority, she said. The authority may be unable to find banks willing to provide enough capital for student loans this fall with the usury limits in place, she said.

The measure would raise the interest-rate cap to 17 percent for non-bank lenders like furniture stores and auto dealers.

Banks in Arkansas are already exempt from the state usury law, which limits interest rates charged by lenders to a rate currently around 7.25 percent.

Congress voted in 1999 to free banks from the constitutional usury provision that dates to the 19th century.

The 1999 vote was intended to help Arkansas banks stay competitive with out-of-state lenders unrestricted by an interest-rate cap.

Lincoln said non-bank lenders need the same relief. The businesses

can't offer the same financing deals as out-of-state competitors to people with low incomes or poor credit histories, she said.

Some consumer advocates are skeptical that a bill allowing for higher interest rates is consumer-friendly.

"Changing the usury law may be helpful in some respects to businesses, but not necessarily to the consumers themselves," said Ruth Holloway, director of customer service for Consumer Credit Counseling Services of North Little Rock.

Others have complained that any decision to negate part of the state constitution should be made by Arkansans, not by Congress.

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