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Ark. down to just 33 payday lenders, study says

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By ANDREW DeMILLO | 09 Oct 2008 | 02:37 PM ET

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LITTLE ROCK, Ark. - The number of payday lenders operating in Arkansas has dropped by about 86 percent since the state's top attorney threatened legal action over their high-interest loans, a new study says.

Arkansans Against Abusive Payday Lending, an advocacy group opposed to payday lending released a survey Thursday that says the number of payday lenders operating in the state has dropped from 237 in March to just 33.

Attorney General Dustin McDaniel in March sent a cease-and-desist letter to payday outlets that accused the firms of charging high interest rates that violate the state's constitution. McDaniel's letter demanded that the firms stop issuing high-interest loans and forgive any outstanding debts.

Advance America, the largest payday loan provider in Arkansas, announced last month that it would close all its outlets in the state because of the lawsuit threat.

Heads of the advocacy group cited the steep drop as evidence of a "meltdown" of the payday lending industry, which they say preys on consumers by charging triple-digit interest on some loans. McDaniel's letter to the payday lenders accused the firms of violating the state constitution's 17 percent cap on interest.

"Payday lenders have finally recognized the writing on the wall — that charging triple-digit interest rates to Arkansas consumers is no longer business as usual in our state," said Michael Rowett, chairman of Arkansans Against Abusive Payday Lending.

The executive director of the Arkansas State Board of Collection Agencies has given payday lenders in the state until Oct. 15 to comply with the Check Cashers Act, which regulates payday lending practices. Arkansans Against Abusive Payday Lending Practices said the lenders targeted

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by a Sept. 12 letter included 55 that initially defied McDaniel's cease-and-desist letter.

The Arkansas Supreme Court on Oct. 30 will hear arguments in a lawsuit challenging the constitutionality of the 1999 Check Cashers Act, a law that advocates say payday lenders have tried to use as a shield in charging high-interest rates.

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