



## State's Payday Lenders Number Fewer Than 90 156 Told In March To Halt Loan Business

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Seven months after Attorney General Dustin McDaniel told about half the payday lenders in Arkansas to shut down, fewer than 90 stores are doing business in the state, a regulator said Thursday.

On March 18, McDaniel's office mailed letters to 156 payday lenders, telling them to stop making payday loans because they were in violation of Arkansas' constitutional usury limit. That represented more than half of the 277 stores in operation in Arkansas at the time.

Most of the companies that did not receive McDaniel's letter said their businesses were operated with financing through out-of-state firms.

Many payday lenders targeted by McDaniel closed after receiving his letter.

What might have been a decisive factor in the closure of many stores that were not cited by McDaniel, was a letter the Arkansas State Board of Collection Agencies sent to about 120 payday lenders last month.

In the two-paragraph letter, Peggy Matson, executive director of the collections board, told the payday lenders their loans must comply with the Arkansas Check-cashers Act, which was passed in 1999 with wording that stipulated that interest on payday loans was actually a fee and therefore not in violation of the state's 17 percent usury limit. But the act was amended after a 2001 Arkansas Supreme Court decision that struck the language that called the interest a fee.

Some of the payday lenders were making loans above the allowed \$400, and some might have been holding more than one check from a customer, both also violations of the act, Matson said.

The letter said payday lenders must be in compliance by Wednesday.

Two major payday lenders who received letters from Matson and who finance loans through South Dakota

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companies Cosby Hodges of Fort Smith and Robert Srygley of Fayetteville have stopped making payday loans at some or all of their 53 stores, said Michael Rowett, chairman of Arkansans Against Abusive Payday Lending.

Rowett said his organization called stores in North Little Rock and Arkadelphia owned by Hodges and Srygley and were told that the stores had stopped making new loans as of Oct. 3.

But all 53 stores owned by Hodges and Srygley still are in business and making loans, Matson and Hodges said.

"For eight years, we have held a valid money-lending license from South Dakota and we have been fully regulated by the state of Arkansas for eight years," Hodges said. "And we would submit that [payday lending is] cheaper than many alternatives, such as overdraft protection, pawnshops and other forms of credit that people will be forced to do if we go out of business." In Arkansas, taking out a payday loan works like this: The customer writes a check for \$400, for example, and receives \$350 in cash. The lender usually keeps the check for two weeks before cashing it.

A \$50 charge on a \$350 loan for 14 days equals 371 percent in annual interest. Under the Check-cashers Act, the customer must repay the loan before the agreed-upon date or the lender must deposit the check. Once the loan is repaid or the check deposited, the customer can take out another loan by exchanging another check for cash and promising to repay the loan.

Often a customer who takes out a \$300 payday loan may end up paying more than \$1,000 in interest and fees, McDaniel has said.

Matson's letter had a positive impact on many payday lenders deciding to stop doing business, Rowett said.

According to Arkansans Against Abusive Payday Lending, the stores still open in Arkansas include 26 owned by First American Cash Advance, four owned by Jay Breslau and two owned by Kelly Breslau.

McDaniel sued the Breslaus last month in Pulaski County Circuit Court for violations of the Arkansas Deceptive Trade Practices Act and the state constitution. The Breslaus' stores in Conway, Harrison, Huntsville, Ozark, Russellville and Springdale service loans through Freedom Finance Co. in South Dakota, a firm owned by the Breslaus, the lawsuit said.

Payday lenders in the state have finally "recognized the writing on the wall," Rowett said.

"Whether they are operating in Arkansas or claiming to operate out of South Dakota, which was a sham in the first place, they've realized that charging triple digit interest rates to Arkansas consumers is no longer going to be business as usual in our state." On Oct. 30, the Arkansas Supreme Court is scheduled to hear arguments in a lawsuit challenging the constitutionality of the Arkansas Check-cashers Act.

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