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State Supreme Courts

THURSDAY, OCTOBER 30, 2008 3:26:00 PM

Arkansas justices hear arguments in payday lending case

BY CHRIS RIZO

LITTLE ROCK, Ark. (Legal Newsline)-The Arkansas Supreme Court on Thursday heard arguments over whether payday lenders can charge triple-digit interest rates in violation of the state's constitution.

The high court is being asked to strike down the Check Cashers Act of 1999, which critics say allows payday lenders to charge consumers interest rates above what the state constitution allows.

The Arkansas Constitution caps interest that may be charged at five percent per annum above the Federal Reserve Discount Rate at the time of the contract, or about 17 percent currently.

The Arkansas State Board of Collection Agencies, which regulates the state's payday loan industry, said the law allows lenders to charge interest rates above the constitutional limit.

The Supreme Court has twice before heard challenges to the law. The case before them Thursday came after a Pulaski County judge ruled last year that the Check Cashers Act was constitutional.

State Attorney General Dustin McDaniel, for his part, has taken on payday lenders, threatening them with legal action for charging what he characterized as exorbitant interest rates.

In March, the Democratic attorney general sent cease-and-desist letter to several payday lenders, demanding the firms stop issuing high-interest loans and forgive any outstanding debts.

Then, in May, McDaniel filed lawsuits against 20 payday lenders that he said were continuing to violate the constitutional cap on interest rates.

From Legal Newsline: Reach reporter Chris Rizo at



Arkansas Supreme Court justices



Dustin McDaniel (D)

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