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\$380,673,714	\$306,581,197	\$12,493,051	\$22,552,353	57304	57187	Rich Wallace			Jacksonville	72078	3.00%		1.25%												13
\$142,237,396	\$136,304,375	\$11,882,630	\$8,263,689	18730	18362	Jim Monroe																			



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UPDATED: Arkansas Court Hears Arguments On Payday Lending Law

By The Associated Press

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LITTLE ROCK, Ark. (AP) _ A 1999

Arkansas law opened the door for payday lenders to charge triple-digit

interest rates in violation of the constitution, attorneys told the state's highest court on Thursday.

Opponents of the payday lending industry asked the Arkansas Supreme Court to strike down the 1999 Check Cashers Act, which they say allows payday lenders to make consumer loans with interest rates of more than 17 percent annually.

"I can't think of another situation where Arkansas gives you a license to go and break the law," attorney Chris Averitt told justices during oral arguments.

The hearing Thursday marked the third time the challenge to the law has come before the state's highest court. A Pulaski County judge last year ruled that the act was constitutional after justices sent the case back to his court without ruling on the law itself.

The act is being challenged as the number of payday lenders in the state has dwindled in response to threats of lawsuits from the state's top attorney. An advocacy group said in a report this month that the number of payday lenders operating in the state has dropped from 237 in March to just 33 following the cease-or-desist letters sent by Attorney General Dustin McDaniel.

McDaniel told the firms that their high-interest loans violated the usury limits of Arkansas' constitution and demanded that the firms stop issuing high-interest loans and forgive any outstanding debts.



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An attorney for the Arkansas State Board of Collection Agencies, which regulates the industry, said the act does not condone unconstitutional interest rates and noted that firms have been sued for charging high interest.

"In this case, there is nothing in the act that is precluding the attorney general from prosecuting cases that are in violation of usury," attorney Tom Thrash told the court. "There is nothing in the act that gives anyone a defense of the usury claim."

Through a payday loan in Arkansas, a customer writing a check for \$400, for example, typically would receive \$350. The lender would keep the check for about two weeks without cashing it and thereby allow the customer time to buy back the check.

The \$50 charge on the \$350 loan for 14 days equates to 371 percent, well above Arkansas' usury limit of 17 percent.

Thrash afterward said that striking down the act would essentially deregulate the state's check-cashing industry.

"They would have no limitation, no regulation and no restrictions whatsoever," Thrash said. "If you keep the act in place, these check cashing industries and businesses have restrictions and limitations that are regulated by the State Board of Collection Agencies."

Opponents of the payday-lending industry were unsuccessful last year with efforts to get legislators to approve a law banning the high interest rates charged by the firms. A Senate panel rejected a House bill that would have fined lenders \$300 each time a customer is charged an interest rate above 17 percent.

Likewise, the House rejected a Senate bill that would have allowed customers to rescind the checks within a day and said no check casher could threaten a criminal "hot check" charge against a client for extending a loan. The proposal allowed the state Board of Collection Agencies to go after check cashers breaking the state's laws, giving customers \$1,000 each or twice the value of their check, whichever was greater.

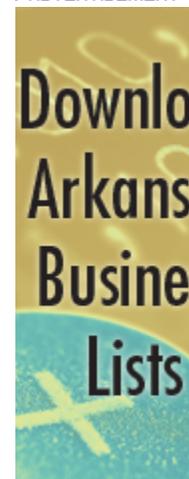
Todd Turner, an Arkadelphia attorney representing those suing the state over the act, said he's pleased with McDaniel's moves against the lenders but said that the risk of the high-interest loans remains with the law on the books.

"We think it needs to be off the books, because who knows what the next attorney general will do?" Turner said.

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