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Proposed Amendment On Interest Rates Advances

By Mark Carter

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Lawmakers arrived at a compromise on a proposed Constitutional amendment that would ease interest rates on consumer and government loans, and on Wednesday received the committee stamp of approval that will send the measure on its way to the 2010 general-election ballot.

The amendment would cap interest rates at 17 percent, repealing a provision that limits consumer-loan interest rates to 5 percent above the Federal Reserve discount rate. In addition, the amended version removes the limits on government loans and bonds and allows for bond-financing of energy-efficient state building projects.

The measure, by Rep. Ed Cheatham, D-Crossett, nows heads to the House and Senate floors for expected approval. It originally entailed consumer loans only but was amended to absorb language from competing proposals by Sen. Shane Broadway, D-Bryant, and Rep. Bruce Maloch, D-Magnolia.

With two proposed amendments already approved for voters' consideration, the General Assembly can refer one more this session.

Bankers had warned on Tuesday that passage of HJR 1004 in its original form could shut down commercial lending in the state by

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overturning a federal law that allows Arkansas banks to charge interest as high as any out-of-state institution doing business in Arkansas. But following Wednesday's vote, Arkansas Bankers Association president Ken Hammonds said bankers' concerns had been addressed in the new language.



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Broadway told committee members the new and improved version of the amendment would help economic development, job creation, small businesses, energy efficiency and the state's ability to offer student loans.

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