



Opponents: High-interest Ark. payday lenders close

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LITTLE ROCK, Ark. - All payday lending stores in Arkansas have closed or stopped offering the triple-digit interest rates that violated the state constitution, opponents announced Tuesday.

The last payday lending chain in the state closed all its stores on July 31, ending a decade in which the businesses flourished under a loophole created by the Legislature. The state Supreme Court ruled the loophole unconstitutional last year and the state attorney general's office filed lawsuits to force the businesses to close.

Assistant Attorney General Jim DePriest said Tuesday that three of those lawsuits remain active, even though the businesses have shut down their payday loan operations. He said the lenders drained a quarter of a billion dollars away from families and others who fell into ballooning debt from the loans.

"For well over 100 years, the people of the state of Arkansas have expressed their public policy that they are not going to allow loan sharking, that they are going to protect the people who need the most protection and this is reflected in our constitution," DePriest told reporters. "This is vindication for that public policy here today."

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

The \$50 charge on the \$350 loan for 14 days is the equivalent of interest at a rate of 371 percent a year, well above the 17 percent limit set in Arkansas' constitution. However, the 1999 Check Cashers Act declared that income earned by payday lenders was a fee and not interest, avoiding the constitutional limit.

At the height of payday lending, about 275 lenders offered the loans throughout Arkansas. Todd Turner, an Arkadelphia lawyer who brought a series of lawsuits over the 1999 law, said the lenders kept their customers paying thousands in loan payments over a check worth only \$300. If customers failed to pay, Turner said, some lenders threatened to go to prosecutors and seek hot check charges.

"That's a collection tactic other lenders don't have," Turner said. "If someone's holding a check you wrote, you're worried about a hot check as a criminal penalty."

Fourteen other states have outlawed payday lending.

Opponents gathered in front of a closed payday lending store at a strip mall in southwest Little Rock. Some stores that offered the payday loans remain open but now only provide check-cashing services or sell calling cards.

DePriest acknowledged that illegal loans will continue, but said the attorney general's office would work to protect consumers.

"We are talking about loan sharking, an industry that's been around for 2,000-plus years," he said. "We are mindful that loan sharking will go on."

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