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Arkansas now shed of payday loan stores

BY DAVID SMITH

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LITTLE ROCK — The last of what had been as many as 275 “payday

lending” stores in Arkansas have closed their doors nine months after the Arkansas Supreme Court ruled that such loans were illegal.

First American Cash Advance, an Atlanta-based company, has closed its remaining 27 stores in Arkansas, Jim De-Priest, deputy attorney general, said Tuesday as he stood in front of a First American store at 6420 Colonel Glenn Road in Little Rock.



Payday lending is history in Arkansas [WATCH VIDEO](#)

“The law was on our side, and we were determined to move forward,” DePriest said. “We had discussions with all these operations and told them, ‘We’re not stopping. You’ve got to go, or we’ll see if the court will make you go.’”

A common scenario was for a two-week loan to accrue more than 300 percent interest on an annualized basis. In March of 2008, state Attorney General Dustin McDaniel mailed letters to 156 stores, ordering them to close or face lawsuits.

Arkansas consumers spent an estimated \$25 million a year in interest on payday loans, DePriest said, citing a report by the Center for Responsible Lending, a North Carolina nonprofit research organization that tracks what it considers predatory lending practices throughout the country. The attorney general’s office didn’t actually have to sue any of the large payday lenders, including First American Cash Advance, DePriest said.



Assistant Attorney General Jim DePriest speaks about the closures of payday lending stores throughout Arkansas as he stands with opponents of the stores in front of a closed store along Asher Ave. on Tuesday morning.

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"First American had their legal opinion that they were legal," DePriest said.

"They held out for a while, but ultimately the message from our office was go or we sue. So they decided they would shut down."

Payday lenders argued that they provided a service to consumers in Arkansas who needed small loans.

They also claimed that the interest was less than paying overdraft fees to banks or losing collateral to pawnshops.

"We're talking about a quarter of a billion dollars lost by Arkansas consumers" since the Legislature allowed payday lending with the Arkansas Check-cashers Act of 1999, DePriest said.

"From now on, that will be \$25 million [a year] that Arkansas consumers are going to spend on rent, on mortgages, on food, on utilities, things they ought to be spending it on," DePriest said.

The Arkansas Check-cashers Act said that the money made from a payday loan was a fee and not interest, skirting a state constitutional limit on interest at 17 percent.

But in a unanimous decision in November, the Supreme Court declared the practice illegal, saying the loans "are clearly and unmistakably usurious."

Here's how such loans in Arkansas worked: A customer wrote a check for \$400, for example, and received \$350 in cash.

The lender usually kept the check for two weeks before cashing it.

The annual interest rate on such a 14-day loan was 371 percent. The customer had to repay the loan before the agreed-upon date or the lender was required to cash the check. The customer could repay the loan, let the check be cashed or write a new check - essentially extending the original loan.

Often a customer who took out a \$300 payday loan ended up paying more than \$1,000 in interest and fees.

One other group of more than 50 payday lending stores - owned by W. Cosby Hodges of Fort Smith and Robert Srygley of Fayetteville - closed in December, DePriest said. Hodges and Srygley operated the stores by financing the loans in South Dakota, which, they claimed, made them subject to South Dakota law and not Arkansas law.

"We convinced Mr. Hodges and Mr. Srygley that we would take them to court," DePriest said Tuesday. "And although it was not a drop-dead winner - they had an interesting and clever legal argument - we were confident that we would prevail."

Payday lenders finally realized that the handwriting was on the wall, Michael Rowett, chairman of Arkansas Against Abusive Payday Lending, said at Tuesday's news conference.

Todd Turner, an Arkadelphia lawyer who tried Sharon McGhee v. Arkansas State Board of Collection Agencies before the Supreme Court, said he was first contacted 12 years ago by a Morrilton woman who had spent hundreds of dollars on a payday loan and still owed the \$300 principal.

The payday lender was threatening to have her arrested for a hot check.

"She called me in tears and thought her kids were going to be taken away from her because she was going to have to go to jail," said Turner, who is also chairman of the Democratic Party in Arkansas. "I told her she wouldn't because [the loan] was illegal."

At the peak in 2006, there were 275 payday lending stores in Arkansas, according to a report by Arkansas Against Abusive Payday Lending. That dwindled to 136 in July last year after McDaniel's demands and to 80 in December after the Supreme Court's decision.

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