

Payday loans wiped out in Arkansas -- is this a trend?

[Mitch Lipka](#) 

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4 tweets Three years ago more than 250 payday lenders were doing business in Arkansas. As of this week, all are out of business.

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Arkansas represented a unique opportunity for opponents of payday lending. The state constitution includes a cap on interest rates that state officials and advocates used to drive the industry [out of Arkansas](#).

Nine months ago, the Arkansas Supreme Court overturned a state law as unconstitutional for permitted bloated interest rates to be charged [setting the stage for the demise of the industry](#) there.



Payday loans allow borrowers to get short-term cash advances on their paychecks typically at extremely high interest rates plus fees.

In 14 other states and the District of Columbia, rate limits prevent high-cost lending.

"More and more, states are passing or enforcing laws that reinstate the long dormant notion that usury – in this case short-term loans at hundreds of percent APR – is bad for the economy, not good for it.," said Ed Mierzwinski, consumer program director for the U.S. Public Interest Research Group, told WalletPop.

Another consumer advocate deeply involved in educating people about the dangers of payday loans cheered the events in Arkansas.

"This is a great victory for the [broad consumer coalition in Arkansas](#) which has worked for years to drive predatory lending out of the state and enforce their constitutional usury cap to curb high-cost lending," said Jean Ann Fox, director of financial services for the [Consumer Federation of America](#).

Arizona voters enacted curbs set to take effect in 2010. In the other states, interest rates can run from an APR of 156% (Texas) to 1,955% (Missouri) to no cap at all (Delaware, Idaho, Nevada, South Dakota, Utah and Wisconsin).

"The perils of using payday loans include paying triple-digit interest rates for very short-term balloon payment loans, risking bounced check fees from both the payday lender and the borrower's bank when checks written to secure loans are returned unpaid, and becoming trapped in

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repeat borrowing," Fox said..

"Using payday loans increases consumers' chances of ending up in bankruptcy, falling behind on paying other bills, and losing their bank accounts."

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