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So long, payday lenders of Arkansas!



On August 11th, Arkansas Against Abusive Payday Lending (AAAPL) [formally announced](#) that the state was finally free and clear of payday lenders. Nine months earlier, the Arkansas Supreme Court had found that the law allowing payday lenders to operate in the state violated the state constitution. The payday lending industry had been claiming that payday loans didn't fall under the category of consumer loans, which are capped at 17% APR across the state. Luckily, the Supreme Court, prodded to act by Arkansas Attorney General Dustin McDaniel, ruled against these abusive lenders and in favor of protecting the state's consumers.

At its peak in 2006, Arkansans were suffering at the hands of 275 payday lenders around the state. Now, they join the ranks of 14 other states, the District of Columbia, and the US military, that have banned these usurious products.

[Payday lending](#) is one of the most abusive lending practices in existence today, with lenders charging APRs of 390% or more, often to those who can least afford the expense. These short-term loans are particularly harmful in that they are designed to create a cycle of debt. Most borrowers are not able to repay the loans when they come due in just two weeks and end up taking out repeat loans, each of which requires the same hefty fee but leaves the amount owed unchanged. Responsible short-term loan products do exist – we have recently blogged about two of these [here](#) and [here](#).

Congratulations to all the advocates and consumers who helped to make this accomplishment possible. Fifteen down, thirty-five to go!

(Photo: [Tommy Ironic](#))

Tags: [payday loans](#), [Usury](#)

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