



Payday Lenders Still Active In Arkansas On Internet

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LITTLE ROCK — The last payday lender operating a store in Arkansas closed its doors this summer, but Attorney General Dustin McDaniel said that hasn't stopped predatory lenders from continuing to target Arkansans.

Though it hasn't filed any lawsuits against them yet, the attorney general's office has sent about 30 warning letters to so-called payday lenders who have either loaned or offered to loan money to Arkansas residents over the Internet.

"In March 2008 when I announced my intention to drive payday lenders from Arkansas, I also cautioned that the effort would likely be long-term," McDaniel said.

"We are heartened that we were able to close down the brick-and-mortar payday (lenders) in 18 months, but still mindful that the task is not complete. Our efforts, now focused on Internet-based payday lenders, continue unabated," he said.

In two rulings last year, the Arkansas Supreme Court said lenders charging high fees for short-term loans violated the state constitution, which limits interest rates on loans to 17 percent.

Following those rulings, McDaniel told payday lenders to shut down or face litigation. By August of this year no payday lender had a store open in the state, but McDaniel's office continues to receive complaints from Arkansas who have obtained payday loans over the Internet and found themselves deeper in debt because of high fees.

"We'll contact the payday lender, tell them to back off, tell them to cancel the loan, stop all collection efforts and, by the way, stop doing business in the state of Arkansas," said Deputy Attorney General Jim DePriest.

Meanwhile, the attorney general's office advises the recipient of the loan to shut down any bank account involved in transactions with the company and to stop paying on the loan. DePriest said that works "pretty well" to solve the consumer's problem.

Some companies have complied and stopped accepting applications from Arkansas residents, DePriest said. The attorney general's office checks compliance by going back to the companies' Web sites and trying to apply for loans.

Some companies have ignored the warnings. The state has not ruled out taking those companies to court, though no lawsuits have been filed yet, DePriest said. He acknowledged suing an Internet company can be tricky.

"Sometimes you try to trace them and they end up being in the Philippines or Botswana or somewhere like that, to the extent that you can even figure out where they are," he said.

But when it comes to helping consumers get out of the clutches of predatory lenders, DePriest said the state has been successful — when consumers have been willing to make a complaint. Presumably there are many in the state who are in debt to payday lenders but have not filed complaints, he said.

"If you could, ask the consumers to please come to us. Tell them we can help them with online payday loans," he said.

Defenders of the payday loan industry have argued consumers sometimes need short-term loans banks aren't willing to offer. To address that issue, Arkadelphia-based Southern Bancorp, which has locations in Arkansas and Mississippi, is working to develop what it says will be a legal, non-predatory alternative to payday loans.

The details haven't been worked out yet, but Southern Bancorp expects to make an announcement in the first quarter of 2010, said CEO Joe Ricotta.

"Those people (payday lenders) would not have been successful if there was not a need for some type of product. All we're trying to do is offer the consumer a product that seems to be needed in the market, without the high cost associated to it," Ricotta said.



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