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## Battle over Ark. payday loans moves to Internet

By: The Associated Press | 04 Oct 2009 | 05:35 PM ET

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LITTLE ROCK, Ark. - Although brick-and-mortar payday lending stores have been chased out of Arkansas, Attorney General Dustin McDaniel says another threat persists: short-term, high-interest loans offered over the Internet.

McDaniel says his office sent about 30 warning letters to payday lenders who have loaned or offered to loan money to Arkansas residents online.

"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," McDaniel said.

Through a payday loan, a customer writing a check for \$400 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.

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.

With the Internet lenders, some companies have complied and stopped accepting applications from Arkansas residents, Deputy Attorney General Jim DePriest said. The attorney general's office checks compliance by going back to the companies' Web sites and trying to apply for loans.

DePriest said the state has not ruled out taking the Internet lenders to court, though no lawsuits have been filed yet. He acknowledged that suing the companies may be difficult but not impossible.

"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.



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