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**Opinion**

Publication Date: Tuesday, August 17, 2010

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## State Capital — Week in Review

Published: Tuesday, August 17, 2010 12:11 PM CDT

Sen. Robert Thompson

LITTLE ROCK – The state attorney general’s office has filed a lawsuit against payday lending companies that operate on the Internet because the interest rates charged to Arkansas residents amounts to 782 percent annually.

The companies do business as Arrowhead Investments, Inc., and Galaxy Marketing, Inc. The attorney general also sued an individual named Christopher Hodes, alleging that he controls the companies and markets payday loans to Arkansans through their web sites.

Over the past couple of years the attorney general has aggressively enforced anti-usury provisions in the state Constitution. His work resulted in the closure of more than 250 payday lending locations in Arkansas, which were collecting tens of millions of dollars every year in excessive fees and finance charges.

Payday lenders specialize in loans of relatively small amounts, ordinarily of a hundred or a few hundred dollars. The interest rates are enormous, in violation of Article 19, Section 13 of the Arkansas Constitution, which limits the amount of interest that may be charged in a lending transaction.

When a borrower falls behind to a payday lender it immediately becomes extraordinarily difficult to catch up with payments. Many borrowers become permanently indebted to the payday lender due to the exorbitant interest rates. For example, over the course of a year a borrower may repay \$300 on a payday loan that originally was \$200, but still be in debt to the lender.

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Under the state Constitution, payday lenders are limited to charging interest rates no greater than 5 percent above the Federal Reserve Discount Rate, which in the current quarter is only 0.19 percent.

Arkansas banks have more leeway in the interest rates they charge. They are in direct competition with banks that have buildings in Arkansas but are chartered in other states, such as Ohio and Alabama, where the interest limits are higher.

The attorney general’s lawsuit asks the court to prohibit the Internet payday lenders from operating in Arkansas, and to cancel the high-

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8	9	10	11	12	13	14
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122.71 ↑ 1.79%

interest loans already made by the Internet payday lenders to Arkansas residents. In addition, it seeks the return of interest payments that Arkansas borrowers made to the lenders.

The Arkansas Constitution says any loan contract with excessive interest rates shall be void as to the unpaid interest.

If you have problems with payday lenders, or with debt collectors trying to collect on a payday loan, you can contact the attorney general's Consumer Protection Division. The mailing address is 323 Center St., Suite 500, Little Rock, AR, 72201. The toll free telephone number is 800-482-8982. You can also call 501-682-2341.

**Athletic expenditures**

An audit of 68 Arkansas school districts showed that on average the schools spent \$266 per student on athletics. The audit covered the 2008-2009 school year and was done by the Bureau of Legislative Audit.

Here is another way of looking at it, according to the audit: the schools spent an average of 3.52 percent of their revenue on athletics. One school district spent 1 percent. At the top of the list was a school district that spent 6.6 percent of revenue on athletics.

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