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From *Andrew Demillo*, February 25, 2011 - 7:37 PM

Ark. AG opposes bill giving Legislature authority to raise interest rate for small loans

By Andrew Demillo

LITTLE ROCK, Ark. (AP) - Attorney General Dustin McDaniel is opposed to legislation that would give lawmakers the authority to raise the interest rate limit for small loans and believes it would open the door to predatory lending in Arkansas, his office said Friday.

A spokesman for McDaniel said that the attorney general was opposed to a measure advocated by a group chaired by former House Speaker Robbie Wills that would allow the General Assembly to change the interest rate charged on loans less than \$5,000. A constitutional amendment approved by voters last year set the state's interest rate at 17 percent.

McDaniel spokesman Aaron Sadler said the attorney general views the proposal as

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"unfriendly to consumers and could reopen this state to the unscrupulous, predatory lenders the attorney general has successfully worked to shut down."

The attorney general announced his opposition to the legislation a day after his office told the Arkansas Democrat-Gazette that he didn't view the bill as an attempt to reopen the state to payday lending. In an article published Friday, the newspaper reported that a spokeswoman for McDaniel said the bill is not anything alarming.

Wills, who now heads the Arkansas Installment Lenders Association, is advocating the change and says it would allow installment lenders to make loans to Arkansas residents who have poor credit.

"If someone has bad credit and a bank won't give them a loan or a credit card, they have very few options in Arkansas they can turn to," Wills said.

Wills said he was surprised by McDaniel's announcement and said he had been providing the attorney general's office drafts of the proposal for his review. Sadler said an attorney from McDaniel's office told supporters of the bill Monday that he could not support the legislation.

The proposal would require three-fourths of both the House and Senate to support it, and Wills said a second bill would propose an interest rate for the smaller loans. Wills said the new interest rate his group supports would be \$3 per month for every \$100 borrowed, which is equal to a 36 percent annual interest rate.

McDaniel had successfully pushed for the closure of hundreds of payday lenders in the state in 2008. The state Supreme Court ruled that year that a loophole that allowed the lenders to operate and charge triple-digit interest rates violated the constitutional limit on interest rates.

Online:

Interest Rate Proposal:

<http://www.arkleg.state.ar.us/assembly/2011/2011R/Bills/SB568.pdf>

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