

## Small loan exemption bill arrives at Senate

BY DAVID SMITH

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**LITTLE ROCK** — A bill that would allow a small-loan interest rate higher than the state limit of 17 percent was introduced in the Arkansas Senate on Thursday.

Senate Bill 568 would change Amendment 89 to the state constitution. The amendment was passed in November and set Arkansas' interest-rate limit at 17 percent to allow the General Assembly to establish the interest rate that could be charged on loans less than \$5,000.

The bill doesn't state what that interest rate would be. Another bill, which would be filed later if Senate Bill 568 passes, would set that interest rate.

Thursday's bill requires approval of 75 percent of Senate and House members. The later bill would require only a majority to be passed.

The measure is "absolutely not" an attempt to reinstate "payday lending" in Arkansas, said Robbie Wills, former speaker of the House and executive director of the Arkansas Installment Lenders Association, which helped draft the bill.

More than 250 payday lending offices in Arkansas were closed in 2008. The attorney general's office claimed the lenders were violating Arkansas usury laws. The payday lenders often charged annual interest rates of more than 400 percent on small loans.

The closing of payday lending stores left a gap for Arkansans who have poor credit and cannot get loans from banks or other lenders, the bill says.

The bill proposes to provide small loans to Arkansans who have no other alternative to borrowing money, Wills said.

"Our industry is vehemently opposed to payday lending, because it has been a nightmare to the installment lending industry," Wills said. "What we would propose doing is having a very tightly regulated small-loan industry, overseen by the [Arkansas] Securities Department."

The interest rate would be based on how much an individual borrowed and for how long the loan was, Wills said. Typically, the finance charge would be \$3 per month for every \$100 borrowed, he said. That equals 36 percent on an annual basis.

The minimum duration to pay back the loan would be six months and the maximum would be 18 months, Wills said.

He believes the bills have a good chance of passing, Wills said. If they do, Wills said, as many as 500 jobs could be created at about 150 small-lending stores across Arkansas before the end of the year.

Other states have similar small-loan businesses, Wills said.

Heath Abshire, commissioner of the Securities Department, said that he has no position on the small-loan bills, but added that if they pass, the Securities Department would agree to be the regulator.

"We would want to make sure there is a system of regulation there that would be strong, has teeth and not just a licensing scheme," Abshire said. "It would be a licensing system with an enforcement side."

Michael Rowett, spokesman for Arkansans Against Abusive Payday Lending, which helped eliminate payday lending in the state, said his organization has not studied the bill and hasn't yet taken a formal position on it.

Julie Thompson, a spokesman for the attorney general's office, said the bill "is not anything alarming."

The attorney general's lawyers looked at the bill and didn't consider it an attempt to reopen payday lending, Thompson said.

Senate Bill 568 is sponsored by state Sens. Michael Lamoureux, R-Russellville; Jack Crumbly, D-Widener; Jeremy Hutchinson, R-Little Rock; Ruth Whitaker, R-Cedarville; Steve Harrelson, D-Texas; and Jason Rapert, R-Bigelow.

In the [House of Representatives](#), the bill is sponsored by [Jon Woods](#), R-Springdale; [Fred Allen](#), D-Little Rock; [James Word](#), D-Pine Bluff; and [Barry Hyde](#), D-North Little Rock.

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