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## Small-loans bill clears panel

### It's warmed-over payday lending, state official warns

BY [DAVID SMITH](#)

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LITTLE ROCK — A bill to establish a small loan industry in Arkansas passed in a House of Representatives committee Wednesday, over the strong objections of a deputy attorney general.

Rep. Jon Woods, R-Springdale, sponsor of the bill, said it is designed to help Arkansans who have difficulty getting small loans.

The bill “would assist underserved consumers with obtaining equal access to consumer credit and financial opportunities.” It would allow loans from \$250 to \$5,000 to be made to borrowers for terms of six to 48 months.

The bill also allows for fees to be charged to borrowers, including 5 percent for late payments, \$25 for a bounced check and an unspecified amount for officially recording documents related to the loan. The fees wouldn't be considered interest, the bill said.

That language is similar to what was in the Arkansas Check Cashers Act of 1999 and was ruled unconstitutional by the Supreme Court, Jim De-Priest, deputy attorney general, told the House Insurance and Commerce Committee.

The Check Cashers Act allowed more than 10 fees, which the Supreme Court ruled were interest and unconstitutional.

They included fees for photographing the person getting a loan, copying documents and keeping customer records in a safe.

The Arkansas Installment Lenders Association helped draft the bill as well as similar ones before the House and Senate.

Robbie Wills, former speaker of the House and currently executive director of the association, said the Arkansas Securities Department would oversee the industry.



Photo by [Steve Keesee](#)

Rep. Jon Woods (left), R-Springdale, with fellow House Committee on Insurance and Commerce member Rep. Barry Hyde, D-North Little Rock, saw his personal-loan bill pass the House despite objections by the attorney general's office.

House Bill 1846 is “essentially the Arkansas Check Cashers Act of 1999 warmed over, brought back in the hopes that you will pass it again,” De-Priest said.

The Arkansas Supreme Court struck down the Arkansas Check Cashers Act in 2008, ruling that payday lending violated the state constitution.

Since 1999, payday lenders had charged interest rates on small loans that rose higher than 400 percent in some instances. Arkansas loans are limited to no more than 17 percent interest.

From 2008 to 2009, efforts by Attorney General Dustin McDaniel closed all payday lending stores in Arkansas, more than 230.

“It took us 10 years to undo the harm of the Check Cashers Act of 1999,” DePriest said.

The committee passed House Bill 1846 on a vote of 11-3. Voting for the bill were Woods; Reps. Bryan King, R-Berryville; Terry Rice, R-Waldron; Jonathan Barnett, R-Siloam Springs; Keith Ingram, D-West Memphis; Henry Wilkins IV, D-Pine Bluff; Marshall Wright, D-Forrest City; Mark Biviano, R-Searcy; John Catlett, D-Rover; Allen Kerr, R-Little Rock; and Fred Allen, D-Little Rock.

Voting against the bill were Reps. Buddy Lovell, D-Marked Tree; Reginald Murdock, DMarianna; and Jeff Wardlaw, D-Hermitage.

A similar bill, House Bill 1572, was on Wednesday’s agenda but did not go before the House Insurance and Commerce Committee. HB1572 would amend Amendment 89 of the state constitution and would require a 75 percent vote to pass in the House and Senate. HB1846, which passed Wednesday, will require only a simple majority to pass.

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