ARKANSAS POLITICS

AARP opposes installment lending bill

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The **AARP** has announced its opposition to legislation to remove the constitutional 17 percent **interest limit on small loans**. The measure is being pushed by the loan sharks of the installment lending business. To win approval, the industry has retreated from an initial bill that piled a huge number of fees (another word for interest) on the loans. But if the legislation is approved, the industry won't quit until it has full loan-sharking powers like those it wields in other states.

~~The bill~~ A somewhat similar bill has cleared House committee. A Senate committee gets its shot tomorrow. Approval of any from of the legislation opens the door to the return of predatory payday lending.

AARP release follows:

The Arkansas Senate Insurance and Commerce Committee is scheduled to consider tomorrow, Tuesday, March 15, 2011, a bill that would override the Arkansas Constitution’s interest rate cap on consumer loans.

Senate Bill 568, drafted and promoted by out-of-state lenders, is a special order of business on the Senate Insurance and Commerce Committee’s agenda tomorrow. The committee meeting begins at 10 a.m. in Room 171 of the state Capitol in Little Rock. A copy of the agenda is attached.

AARP Arkansas opposes Senate Bill 568, as do Arkansas Attorney General Dustin McDaniel and the Arkansans Against Abusive Payday Lending (AAAPL) coalition, which played a key role in removing predatory payday lending from Arkansas for good in 2009. Representatives of AARP Arkansas and AAAPL will attend Tuesday’s committee meeting to testify against passage of SB568.

In Voices of 50+ Arkansas: Dreams and Challenges, a survey released last month by AARP, 76 percent of respondents reported worrying about one or more consumer protection issues. More than half said they are concerned about unfair and deceptive business practices. More information about this survey is available at http://assets.aarp.org/rgcenter/general/voices-america-dreams-challenges-ar.pdf

Arkansas voters in November 2010 approved Amendment 89 to the Arkansas Constitution, which increased the maximum lawful rate of interest on consumer loans from a sliding scale to a flat 17 percent Annual Percentage Rate (APR). This increase opened many additional lending opportunities while still protecting the citizens of Arkansas from high-cost predatory loans.

Amendment 89 specifically provides that the “maximum lawful rate of interest” on consumer loans “shall not exceed 17 percent per annum [year].” SB568, using a questionable interpretation of Amendment 89, would authorize the Legislature, by a 75 percent vote of both chambers, to set a higher interest rate for so-called “installment loans” so the out-of-state lenders could set up shop in Arkansas.

“Senate Bill 568 could reopen Arkansas to the abuses of predatory lending,” said H.C. “Hank” Klein, AARP Arkansas Leadership Volunteer for Financial Issues and AAAPL founder. “It took nearly 10 years for payday lenders to be driven out of our state. Arkansas doesn’t need to repeat this unfortunate period in our state’s history. If these out-of-state lenders want to make loans exceeding the interest rate cap increased by voters just four months ago, these lenders should seek a specific constitutional amendment to achieve this, so Arkansas voters have full knowledge of what they are authorizing.”

In states bordering Arkansas, annual interest rates as high as 87 percent for a $500 six-month loan and 81 percent for a $1,000 one-year loan are allowed, according to the most recent Small Dollar Loan Products Scorecard issued by Consumers Union, the Consumer Federation of America and the National Consumer Law Center. See http://www.defendyourdollars.org/pdf/Scorecard-5-12-10.PDF

Tags: installment loans, loan sharks, AARP