

What is a Payday Loan?

Payday loans are small loans, usually \$100 to \$500 made for an average of 14 days. To qualify, you need a job and a checking account.

There is no credit check.

What are the Alternatives to Payday Loans?

How Do Payday Loans Work?

The typical payday lending scheme works like this:

A borrower with a steady job and a checking account borrows money for short-term needs such as to pay an overdue bill, buy Christmas presents, or cover an unexpected financial emergency.

The borrower usually receives between \$100 and \$500, and agrees to repay the loan when his next payday arrives, typically 14 days later. The borrower leaves a check for the loan amount plus a "fee".

The fee usually amounts to more than 400 percent interest on an annual basis (Annual Percentage Rate – APR).

On payday, if the borrower does not have the funds to cover the payday loan, the "debt trap" begins. Without the money to repay the original loan, the borrower rolls the loan over and over again each payday or visits another payday lender to cover the first payday loan, which leads to enormous fees and debt.

Are Payday Loans Legal?

Until now, yes. In 1999, the Arkansas legislature passed Act 1216,

a law that classifies the charge for borrowing as a "fee" rather than as interest.

By simply changing what interest is called, the legislature has allowed payday lenders to charge fees that would otherwise be illegal under any other name.

However, cases throughout the state have struck down payday lenders' practices as usurious.

The Arkansas Constitution caps interest rates for consumer loans at a maximum of 17 percent.

There is a case pending in the Arkansas Supreme Court that will determine if the law is constitutional.

Who are Arkansans Against Abusive Payday Lending?

Arkansans Against Abusive Payday Lending is a coalition of people and organizations dedicated to ridding our state of abusive payday lending.

Payday lenders tend to prey on low-to-moderate income families, college students, military personnel and the elderly.



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