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Groups oppose bill that would alter law on loan-interest cap

DAVID SMITH

ARKANSAS DEMOCRAT-GAZETTE

Consumer groups and the state attorney general's office oppose a Senate bill that proposes to alter Arkansas' 17 percent interest rate cap.

The bill, which seeks to amend the state constitution concerning the interest-rate limit on loans, was filed this month as Senate Bill 900. It proposes to have the General Assembly define the maximum lawful rate of interest allowed in Arkansas.

The bill is on the agenda for today's meeting of the Senate's State Agencies and Governmental Affairs committee.

AARP opposes the bill, said Michael Rowett, spokesman for AARP in Arkansas.

"It appears to be an effort to increase the effective in-

terest rate for small loans," Rowett said.

Arkansans Against Abusive Payday Lending, which has fought payday lending in Arkansas since 2004, also opposes the bill, said Hank Klein, founder of the group.

Payday loans often have annual interest rates of 300 percent or higher.

Attorney General Dustin McDaniel said he views Senate Bill 900 as an attempt to bring payday lending back to Arkansas.

"I can't think of any other reason [for the bill]," McDaniel said Monday. He'll testify against the bill today, McDaniel said.

"If the people were intending to give the General Assembly the power to define interest, they could have

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Interest

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put it [in Amendment 89],”
McDaniel said. “But it wasn’t
placed there.”

The Supreme Court has
ruled repeatedly that only it
can define interest, McDaniel
said.

Sen. Jon Woods, R-Spring-
dale, a sponsor of the bill, did
not return phone calls seeking
comment. Sen. Jane English,
R-North Little Rock, also a
sponsor and a member of the
State Agencies committee, al-
so did not return a call seeking
comment.

Other sponsors of the bill

include Sen. Linda Chester-
field, D-Little Rock; Sen. David
Burnett, D-Osceola; Rep. Mi-
cah Neal, R-Springdale; Rep.
Robert Altes, R-Fort Smith;
Rep. Mary Lou Slinkard, R-
Gravette; and Rep. Karen Hop-
per, R-Mountain Home.

The Arkansas Constitution
sets the maximum loan-inter-
est rate that can be charged to
state residents at 17 percent
per year. Arkansas voters ap-
proved setting the state’s cap
in 2010, Rowett said.

“If another increase is
sought, supporters of increas-
ing the state’s interest rate cap
on small loans should seek a
constitutional amendment to
achieve this, so Arkansas vot-

ers will have full knowledge
of what they’re authorizing,”
Rowett said.

Woods was also a sponsor
of a bill in 2011 that was de-
signed to permit small loans
to collect more than 17 percent
interest. Arkansans Against
Abusive Payday Lending, the
AARP and the attorney gen-
eral opposed that bill.

Language in the 2011 bill
was similar to language in
the Arkansas Check Cashers
Act of 1999, which was ruled
unconstitutional by the Su-
preme Court in 2008, the at-
torney general’s office said at
the time.

In March 2008, McDaniel
notified the state’s payday

lending businesses that they
must cease violating the Ar-
kansas Constitution’s prohi-
bition against usury. By July
2009, the last of what had been
about 275 payday loan opera-
tions was closed.