

Payday loan bill sent back to Senate panel

BY DAVID SMITH
ARKANSAS DEMOCRAT-GAZETTE

Stymied Monday night, a bill that could heavily restrict the payday lending industry in Arkansas will be resubmitted to a Senate committee, supporters said Tuesday.

The Act to Create the Offense of Unlawful Consumer Loans would allow for a \$300 fine on each loan with more than 17 percent in annual interest. Payday lending businesses make thousands of loans a year that exceed that annual rate.

Arkansas has more than 150 payday loan companies.

Some committee members questioned whether the bill would adversely affect pawn shops, the rent-to-own industry or credit-card companies.

Acknowledging that criticism, one of the bill's two sponsors, Sen. Tim Wooldridge, D-

Paragould, said Tuesday that he is talking with committee members to see what changes need to be made to get a favorable vote.

The bill failed to get the required four votes Monday night in the Senate Judiciary Committee. It is co-sponsored by Rep. Jay Martin, D-North Little Rock.

The vote was tied 3-3 with one member absent. More than half the 45 people at the meeting wore red buttons indicating opposition to such loans.

Paul Kelly, senior policy analyst with Arkansas Advocates for Children and Families, said Tuesday that opponents of the bill "did a good job of confusing the issue."

No roll call was taken, but those voting for the bill were Sens. Irma Hunter Brown, D-Little Rock; Kim Hendren, R-

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Gravette; and Mary Anne Salmon, D-North Little Rock. Voting against it were Sens. Sue Madison, D-Fayetteville; Jerry Taylor, D-Pine Bluff; and Ed Wilkinson, D-Greenwood, chairman of the committee. Sen. Jim Luker, D-Wynne, did not attend the meeting, which began unusually late in the afternoon.

A typical payday loan works like this: The borrower writes a check for, say, \$400 and receives a loan of \$350. The payday lender agrees not to cash the check for two weeks. The \$50 interest — payday lenders call it a fee — on a \$350 loan for 14 days equals a 373 percent annual rate of interest.

Arguments that the measure could affect other businesses, such as pawn shops and the rent-to-own industry, prompted Kelly to say Tuesday: "That has nothing to do with this bill. Those issues are another part of state law that aren't part of what we're trying to do."

Tom Hardin, a lawyer with the Rose Law Firm in Little

Some committee members questioned whether the bill would adversely affect pawn shops, the rent-to-own industry or credit-card companies.

Rock, speaking against the bill, said it could be used against pawn shops, because the fees on their transactions fall within usury limits.

Hardin said the state Constitution already has penalties for anyone charging usurious interest, including the loan's being voided and the lender's paying twice the interest collected.

Cliff Hoofman, legislative affairs specialist with the attorney general's office and a former senator, told the committee that Attorney General Mike Beebe's position has never changed on payday lending.

Beebe was one of two senators who voted in 1999 against the Arkansas Check Cashers Act,

Hoofman said. It established the Division of Check Cashing Companies within the Arkansas State Board of Collection Agencies, allowing payday lenders to be licensed by the state.

In 2001, Beebe and Hoofman tried to repeal the act, Hoofman said.

"[Beebe] has a number of investigations and actions going on in his office today with regards to usurious actions," Hoofman said.

Kelly said supporters of the bill — including organizations such as AARP, the United Way, the NAACP, the Cooperative Extension Service and the Good Faith Fund — don't have the influence in the Legislature that payday lenders have.

"It is a classic case of monied interests and well-paid lobbyists going to battle against more grass-roots consumers," Kelly said. "It shows the different ways in which legislation gets passed."

Another bill, sponsored by Sen. Tracy Steele, D-North Little Rock, would make it illegal for payday lenders to make loans of less than \$3,000. That bill has not been brought up for a vote.