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Editor wins prize for column

(This column from last December won first place in the National Newspaper Association's Better Newspaper Contest.)

The state Supreme Court could put the so-called payday lenders out of business in Arkansas.

Consumer advocates are challenging Act 1216 of 1999 that allows predatory lending in the state with rates as high as 650 percent.

The victims are the working poor and the military.

Arkansas should follow the example of several other states



Garrick
Feldman

and ban storefront payday lenders. This outrage must not continue.

Business has never been better, thanks to our state Legislature that almost unanimously exempted payday lenders from limits on interest rates, which are dis-

guised as fees and supposedly legal, although the Supreme Court may have other ideas about that.

Eager to attract new industries to Arkansas and even more eager for campaign contributions, the Legislature rolled out the red carpet for these out-of-state loan sharks at the expense of the working poor and folks in the military.

Let's hope the Supreme Court rolls the red carpet back up and sends the payday lenders packing. This is one

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DAVID SCOLLI/Leader photo

In this file photo, customers enter a payday lender in Jacksonville to get extra cash for the holiday. The Supreme Court sent a suit against the lenders to a lower court.

► Feldman

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new industry we can do without.

It's a \$40 billion business that started a decade ago in rural Tennessee and grew an estimated 12 to 18 percent this year. Profit margins are 15 percent — far higher than what banks earn — or about \$6 billion a year.

You can see the young airmen entering storefronts with signs advertising cash advances, where they get loans against their next paychecks at outlandish rates.

These businesses are not far from the main entrance to Little Rock Air Force Base, which is how payday lenders like it.

They set up shop near military bases all over the country — sometimes 100 or more in one community — and prey on young military people desperate for a few hundred dollars so they can make a car payment and put food on the table for their families.

Leader reporter John Hofheimer has written a series of articles highlighting the abuses in the payday industry, whose owners are often shadowy figures with headquarters in states like Nebraska, which allows lenders to charge whatever interest rates they can get away with. This is how the scheme works: Payday lenders all across the country will let young recruits borrow, say, \$300.

They'll make a check out for \$375, which they hope to cover on their next payday.

But they realize they can't pay their other bills if they repay the loan in a couple of weeks, so they go back and extend the loan, and before they know it, they owe the loan sharks twice what they borrowed a few weeks ago.

Many states have banned payday lenders, including Georgia and New York, but not Arkansas, where politicians encourage the fleecing of America.

It's estimated that nearly 15 percent of America's 105 million households borrow from payday lenders, and that figure is even higher in the military, about 25 percent, or some 180,000 service families who fall victim to these sharks at rates only the Mafia can surpass.

That kind of rip-off would land the average banker in prison, but the payday lenders get away with it because politicians let them charge whatever rates they want.

These payday lenders wouldn't exist without the support of big banks that loan them money, including Bank of America, Wells Fargo, J.P. Morgan, Wachovia and other behemoths, who prosper at the expense of the least fortunate.

It's a shame that military people, who often make the ultimate sacrifice for their country, are the payday lenders' easiest targets because enlisted people are underpaid and overworked.

It doesn't bother the politicians that the victims are often the same people who protect us from our enemies. While serving abroad they must worry if their spouses can make the interest payment on the 600 percent loan they took out before they shipped to Iraq.

It's time to pull the plug on these unscrupulous lenders in Arkansas and across the nation.

Until these payday lenders are kicked out of Arkansas, the Pentagon should make these lenders off-limits for service members.

Stressed out and often unsophisticated, these military folks need basic financial counseling.

They should know, for example, that they can borrow for a lot less from their own credit union.

When they do get in trouble, they can turn to military services' relief societies, which often make interest-free loans to members to pay off the payday lenders.

You don't want a service member fighting for his country while he owes the local loan shark thousands of dollars.

The patriots in the state Legislature should have thought about that when they invited the payday lenders into Arkansas.

Let's hope the state Supreme Court rights this wrong during this holiday season, even if the lenders say, bah, humbug.

(Postscript: The Arkansas Supreme Court has remanded a lawsuit against payday lenders to Circuit Judge Barry Sims' court.)