

VOLUME 19
NUMBER 89



THE LEADER

25¢

LARGEST PAID NON-DAILY
NEWSPAPER IN ARKANSAS

WWW.ARKANSASLEADER.COM

FOUNDED IN 1937

MIDWEEK EDITION • COVERING LONOKE, WHITE AND NORTH PULASKI COUNTIES

WEDNESDAY, JAN. 18, 2006

PAYDAYLENDING

Banks could be alternative

IN SHORT Easier loans could be available in the future to compete with lenders.

By **JOHN HOFHEIMER**
Leader staff writer

Banks and credit unions aren't quite ready to start competing with payday lenders and check cashers for those needing quick and easy \$100, \$200 and \$300 loans, but some could be within another month or two, according to Hank Klein, a volunteer and founder of Arkansans Against Abusive Payday Lending.

Meanwhile, Klein has suggested a number of alternatives to the high-interest payday loans that can trap a consumer in a vortex of debt.

Such lenders exist throughout the area and the state. Three of them are located near the intersection where Little Rock Air Force Base traffic gets to Jacksonville's commercial district.

Currently it's easy for consumers needing money until the

next payday to go to such lenders with a driver's license and a pay-check stub and leave with a small, high-interest loan that at first sounds like it carries a reasonable interest rate.

"One alternative is the credit card," Klein said Tuesday.

Or, workers can approach their bosses for a pay advance.

Arkansas Federal Credit Union, at which Klein served as president until a few months ago, makes loans as small as \$100 he said.



Klein

Most banks want to loan at least \$2,500 and require more paperwork and assurance than the payday lenders.

Interest on a cash advance on a consumer's credit card is only 4 percent as high as a payday lender would charge, Klein

said.

In some places, AARP can direct folks needing help with utility bills to agencies that can lend money or even pay the bill.

For some people, buffeted by high seasonal utility bills, leveled billing could help them.

People afraid they are going to

be late paying a bill should talk with the company owed.

If you can't make a car payment, call and talk to the company, Klein said.

Some have a grace period of several days that might get the consumer to their next payday and the ability to pay the bill.

Even a pawn shop can be a better alternative in some situations, he said.

Klein authored one of two reports issued Monday by Arkansas Advocates for Children and Families.

The other, authored by Paul Kelly, senior policy analyst for the group, said that at the time they took out a payday loan, 79 percent of borrowers in a focus group were getting calls from creditors demanding payment, 61 percent had credit card debt they couldn't pay and 82 percent said they couldn't keep up with their monthly rent or utilities.

Half of those participants had applied for a loan but were denied because of bad credit and two-thirds said they had no other way to raise money for debts. Forty-three percent said they had filed for bankruptcy.