

# Payday lender: Pullout possible

## Advance America has 30 sites in state

BY DAVID SMITH ARKANSAS DEMOCRAT-GAZETTE

One of the largest payday lending operations in Arkansas said Wednesday that it may be forced to stop doing business in Arkansas.

Advance America Cash Advance Centers Inc. of Spartanburg, S.C., said the Federal Deposit Insurance Corp. has ordered “certain banks” to stop providing payday advances. If Advance America is no longer able to get the bank loans to do its payday lending, it said it could be forced to close its 30 stores in Arkansas and its 101 stores in Pennsylvania.

In its press release, Advance America did not give details about the FDIC’s investigation. Advance America’s lending agreement is with First Fidelity Bank of South Dakota.

The lender’s stock closed at \$14.27 Wednesday, up 2.1 percent. Shares are up 15 percent for the year.

There are 275 payday lending stores in Arkansas, said H.C. “Hank” Klein, founder of Arkansans Against Abusive Payday Lending. Only about a fourth of those are licensed by Arkansas’ Check Cashing Division, Klein said.

Two other companies that have a total of 50 payday lending stores in Arkansas also receive loans from federally regulated banks to fund their business, Klein said. First American Cash Advance has 30 stores in Arkansas and America’s Cash Express has 20, he said.

A typical payday transaction works like this: The customer writes a check for \$400, for example, and receives \$350. The lender agrees to retain the check for two weeks without cashing it. The \$50 charge, which payday lenders call a fee, on a \$350 loan for 14 days equals a 373 percent annual rate when viewed as interest.

The customer often does not have \$350 to buy back the check in two weeks. So he pays another \$50 to keep the check from being cashed. Some borrowers caught in this cycle have paid two or three times the amount of their original check.

Arkansas’ Check Cashers Act, passed in 1999, says fees charged for payday loans “shall not be deemed interest.” If they were considered interest, the fees would violate the Arkansas Constitution, which says loans with interest rates above 17 percent a year are void.

Advance America is the largest payday lender in the country with almost 2,600 offices in 37 states.

Stephens Inc. of Little Rock was one of the eight firms that helped take Advance America public in 2004. Members of the Stephens family and employees of Stephens Group Inc. and Stephens Inc. owned almost 2.1 million shares of Advance America in August 2004 when Advance America made its first Securities and Exchange Commission filing, indicating its intent to go public.

But by December 2004, when Advance America went public, only the Elizabeth Ann Stephens Campbell Revocable Trust was listed as having ownership in Advance America, almost 430,000 shares. That is less than 1 percent of the company’s stock.

A case is pending before the Arkansas Supreme Court to determine if the Check Cashers Act is unconstitutional.