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FINANCIAL BATTLE



DAVID SCOLLI/Leader photo

Hank Klein, president of Arkansas Against Abusive Payday Lenders and a former credit union executive, continues his crusade against payday lenders.

FDIC: Don't help lenders

IN SHORT Those payday lenders that have affiliated with out-of-state banks to skirt Arkansas lending regulations could be hurt by the federal directive.

By JOHN HOFHEIMER
Leader staff writer

The Federal Deposit Insurance Corporation told banks to quit helping payday lenders make high-interest loans, but the two payday-ending companies most likely to be affected say don't count them out.

The intersection of Vandenberg Boulevard and North First Street—just off Little Rock Air Force Base property—has two payday lending stores and one McDonald's, which is pretty much the state average, according to Hank Klein, president of Arkansas Against Abusive Payday Lenders.

AAAPL released its latest study on Arkansas payday lenders this week, and stressing the prevalence of such lenders, noted that there are nearly twice as many payday lenders in Arkansas as there are McDonald's restaurants.

In Arkansas, there are 275 payday lenders, but only 127 McDonald's, said Klein.

MOST UNREGULATED

Of the 275 lenders, 209 are not at all regulated, according to the study—and of those that are regulated by the state Board of Collection Agencies, the consumer representative is an officer who helped incorporate 20 or more Arkansas payday lending stores, said Klein in disbelief.

There are 30 payday lenders in Pulaski County, including two

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► Payday

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in Sherwood and four in Jacksonville, according to the study.

The Sherwood lenders are Partner's Check Store on state Hwy. 107 and Money Depot on East Kiehl Avenue.

Jacksonville stores include Advance America Cash Advance and First America Cash Advance, both near the McDonalds and two American Check Cashers stores, one on West Main Street and one on J.P. Wright Loop. In White County, there are seven payday lenders, including one on DeWitt Henry Drive and six in Searcy. Lonoke County has two payday lenders, Cabot Cash Advance, and in Lonoke, Simpson's Buy and Sell.

MAY STAY OPEN

Employees at the two lenders near that intersection, Advance America Cash Advance and First American Cash Advance, say they haven't been told their stores would close, and spokesmen at the corporate offices for each said they were optimistic they could continue to do business in Arkansas.

Advance America, which has about 2,600 payday lending stores in the United States, 30 of them in Arkansas, said it would be looking at alternatives should the out of state banks they work with cut them off, so they can continue "servicing the needs of the consumers in Arkansas," said Jamie Fulmer, director of investor relations.

Because the FDIC has told banks to quit working with payday lenders, Advance America will cease for now its operations in Pennsylvania, said Fulmer. We will stop offering payday loans at the close of business March 27, but will continue to service loans through April 31, he said.

PROVIDE CONSUMER CHOICE

"Our objective is to continue to provide consumers with a choice," he said. "We believe our product is a viable alternative to services such as bank overdraft and unregulated options such as Internet lending."

"We are working with our bank partner," said Robert Manning of First America, "and I don't know the details of the FDIC decision, but as of this time we don't have any definitive plan to stop making loans."

Manning said First America has about 500 stores nationwide, with 30 or 40 in Arkansas.

RECOMMENDATIONS

The AAAPL study recommended enforcing the state usury cap of 17 percent interest per year; that the state Supreme Court rule on the Check Cashers Act of 1999—which exempted payday lenders from limits on interest, that all payday lenders be licensed and regulated by the Board of Collection Agencies, that payday lenders be prohibited from avoiding state laws by partnering with out-of-state banks and finance companies and the "public-at-large" representative be unaffiliated with payday lenders.

AAAPL MEMBERS

Currently, the representative is a corporate officer with a payday lending company.

AAAPL is a coalition of the following groups: AARP/Arkansas; Southern Good Faith Fund; Arnold, Batson, Turner & Turner Attorneys at Law; Federal Reserve Bank of St. Louis, Little Rock Branch; ACORN; Pulaski County Cooperative Extension Service; Nicholson Communications, Arkansas AFL-CIO; Better Business Bureau; Central Arkansas Development Council; NAACP; College Station Community Development Corporation; Community Development Department of the City of Jacksonville; Consumer Credit Counseling Service; Family Council; Family Service Agency; Family Support Center on Little Rock Air Force Base; League of Latin American Citizens, and United Way of Pulaski County.