



The Dow Jones
Industrial
average closed
at 11,253.24.

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BUSINESS & FARM

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Check Cashers Act gets critical eye

BY DAVID SMITH
ARKANSAS DEMOCRAT-GAZETTE

A joint meeting of the Senate and House judiciary committees heard testimony Thursday on two bills proposing to change Arkansas' Check Cashers Act.

A bill sponsored by Sen. Tracy Steele, D-North Little Rock, would limit fees charged by payday lenders to a maximum of 10 percent of the value of the check. In addition, the customer could be charged \$10 for identification cards.

A typical payday loan works like this: The customer writes a check for \$400, for example, and receives \$350. The lender keeps the check for two weeks but does not cash it. The \$50 charge on a \$350 loan for 14 days

equates to 371 percent in annual interest.

The customer often lacks enough money to buy back the check for \$400 in two weeks. So on payday the customer is required to pay \$400 and receives his original check back. The customer writes a new check for \$400 and gets \$350 back from the lender.

This adds another \$50 charge for the customer, who still must repay the loan in two weeks or repeat the process. The process works this way because payday lenders are prohibited from rolling over fees on a single check.

The other bill is sponsored by Sen. Tim Woolridge, D-Paragould, and Rep. Jay Martin, D-

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Arkansas Democrat-Gazette/STATON BREIDENTHAL

Glenda Malone of North Little Rock fights back tears as she testifies Thursday at the state Capitol about payday lending.

Cashers

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North Little Rock. It would make it a criminal offense to make unlawful consumer loans. It would limit the interest charged on a consumer loan to 17 percent, the maximum allowed by the state constitution.

If payday lenders have to lower their fees, as Steele's bill proposes, or limit their interest to 17 percent, it would be impossible to stay in business, Willie Green, a North Carolina payday lender who also owns stores in other states, told the legislators.

"If you could show me a way where I can offer this product [at a lower interest rate] and make money and stay in business, I'll do it," said Green, who owns no stores in Arkansas.

Neither bill is likely to remain in its current form by next year, when the Legislature meets. All three legislators told the two committees that they were open to modifying the bills to make it more likely the Legislature would pass them.

Green argued that payday lending is the cheapest alternative for consumers to borrow a

small amount of money.

Instead of an interest rate of about 370 percent, the annualized interest rate on a bank's bounced check fee, often \$30 or more per check, equals about 1,200 percent, Green said.

But two North Little Rock women fought back tears to tell the legislators they were victimized by the high interest rates and tactics of payday lenders.

Glenda Malone said payday lending is an "abusive trap" that leads to a "circle of debt."

She borrowed about \$460 to cover some household expenses after her husband lost his job when he suffered an injury. When she couldn't repay the loan, she said, she was subjected to harassment and scare tactics by the payday lender, who called her at her place of work and threatened to tell her employer she wasn't paying her debts.

In a three-month period, before taking her problems to an attorney, Malone said, she spent \$1,400 trying to pay off her loan.

Hazel Lavern Lynch, who lives on a fixed income, borrowed \$300 to go on trips for a family reunion and a high school class reunion. She thought she

would repay the debt when she returned to her part-time job in two weeks. But she wasn't rehired and couldn't pay back the loan.

The payday lender continually called her home, talked to her 84-year-old mother and interviewed her neighbors about the debt, Lynch said.

She eventually began to lock

her doors, close her blinds and not answer the phone, Lynch said. After reading a newspaper article, she called a lawyer, who sued the payday lender.

She decided to tell her story, Lynch said, hoping to prevent her children or grandchildren from going through the same situation.