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Lawmakers are asked to change lending law

By WESLEY BROWN
Arkanssa News Bureau

Lawmakers heard testimonial after testimonial Thursday about abusive payday lending practices across the state, but most were not ready to embrace draft legislation that would change a seven-year-old law regulating the industry.

In a crowded hearing before the House and Senate judiciary committees at the state Capitol, witnesses contended the law is unconstitutional and called on the Legislature to either overhaul the Check Cashers Act of 1999 or write new law to get rid of payday lenders altogether.

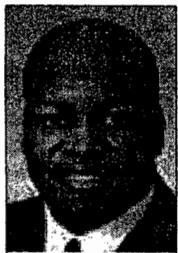
Opponents says the law allows payday lenders to circumvent the state Constitution's 17 percent interest limit and charge more than 400 percent interest on loans, costing the average payday loan borrower \$800 for a \$350 loan.

An industry supporter told lawmakers that better regulation, not eliminating the practice in Arkansas, was the answer.

"It is not the best thing in America, (but) the payday lending option is the cheapest alternative for consumers," said Willie Green, who traveled from North Carolina to speak at the hearing.

Green owns seven payday lending stores in North Carolina, South Carolina, Florida and Kentucky. The Shelby, N.C., businessman urged lawmakers to propose legislation to curb bad acts, especially companies offering short-term loans over the Internet.

"If you eliminated the payday lender, the only alternative is the Internet. Who is going to police the Internet?" Green asked.



Steele

Before Green's testimony, committee members listened to a parade of payday lending opponents who said abusive predatory lending practices are hurting low-income Arkansas, the elderly and minorities.

State Sen. Tracy Steele, D-North Little Rock, who has drafted a bill that would amend the 1999 act, said too many people are being victimized by the payday lending and check-cashing industries in Arkansas.

"I hope this is the start of a process for economic fairness and financial justice," Steele said.

The senator said bad actors in the industry are putting low-income people in "financial incarceration with no hope of parole," but he also acknowledged that few banking options exist for people who use the services.

"There were some constituents who have told me in no uncertain terms that one of the reasons they go to these financial institutions is because there were no other alternatives," the senator said. "This time, we are going to acknowledge that and research either opening the doors wider ... to help those who are underserved or unbanked."

Rep. Jay Martin, D-Little Rock, and Sen. Tim Wooldridge, D-Paragroud, promoted a second bill that would enforce a provision in the state Constitution that would make any usurious transaction illegal.

"Where there is no enforcement of a law, that law is basically a dead letter," Martin said.

However, several lawmakers repeatedly questioned Martin and Wooldridge, both candidates for lieutenant governor, about a provision in their draft legislation that would enforce the state's usury limits of 17 percent annually on consumers loans but would exempt banks, trust companies, credit unions and savings and loans from the enforcement provisions of the law.