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## NEWS

### More legal trouble for check cashers

#### Leader staff report

A little-known provision of a housekeeping bill passed at the end of the 2005 legislative session may help put payday lenders out of business.

Tucked within the 130 pages of the bill, sponsored by Rep. Will Bond, D-Jacksonville, entitled "An Act to make various corrections to the Arkansas Code of 1987 annotated; and for other purposes," is language changing the Check Cashers Act of 1999.

That 1999 act exempted payday lenders and check cashers from the state's interest and usury laws by calling interest "fees" and saying that deferred payment checks were not "loans." The 2005 bill strikes language exempting check cashers from the usury laws.

The changes in language bring the law into line with a 2001 state Supreme Court decision in the matter of *Luebbers v. Money Store Inc.*, which held that legislators didn't have the right to decide how the Constitution defines usury and interest, according to Matt De-Cample of the state Attorney General's Office.

The state interest cap is 17 percent, while payday lenders make their money by effectively charging hundreds of percent for small, short-term loans.

"People making payday loans — they have to work around the Arkansas law," said DeCample Tuesday. "We sued one in Jonesboro. They are giving Internet rebates."

DeCample said with the FDIC cracking down on banks involved in payday lending schemes and the state getting tougher, Arkansas might cease to be a hospitable environment for such lenders.

"The feds hold the trump card," said DeCample.

Meanwhile, the attorney general's office is keeping a close eye on the operations.

When the check casher's act was passed in 1999, then-senators Mike Beebe and Mike Ross were the only state senators to vote against it.

"I think we need to take a new look at the law," said Bond, who added that he's been concerned about the abusive lending for some time.