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VOLUME 20
NUMBER 7

THE LEADER

25¢
LARGEST PAID NON-DAILY NEWSPAPER IN ARKANSAS

WWW.ARKANSASLEADER.COM

FOUNDED IN 1987 • MIDWEEK EDITION • COVERING LONOKE, WHITE AND NORTH PULASKI COUNTIES WEDNESDAY, MARCH 22, 2006

DOORSOPEN

Payday lenders aren't leaving yet

IN SHORT

The state's largest payday lender has parted ways with its out-of-state bank, but the lender gets licenses to keep doors open in Jacksonville and in other areas around the state.

By JOHN HOFHEIMER
Leader staff writer

The celebration was short-lived for consumer advocates who thought the state's largest high-interest payday lender would close all 30 of its Arkansas stores this summer, including the one at 2021 First Street in Jacksonville.

Advance America Check Cashers had partnered with a South Dakota bank, importing banking laws from that state instead of more restrictive Arkansas laws. Recently the Federal Deposit Insurance Corporation ordered banks to stop working with payday lenders making extreme high interest loans.

The Advance America stores will remain open, said a company spokesman, but will no longer be affiliated with South Dakota-based First Fidelity Bank.

The Arkansas Board of Collection Agencies, which regulates check cashers and

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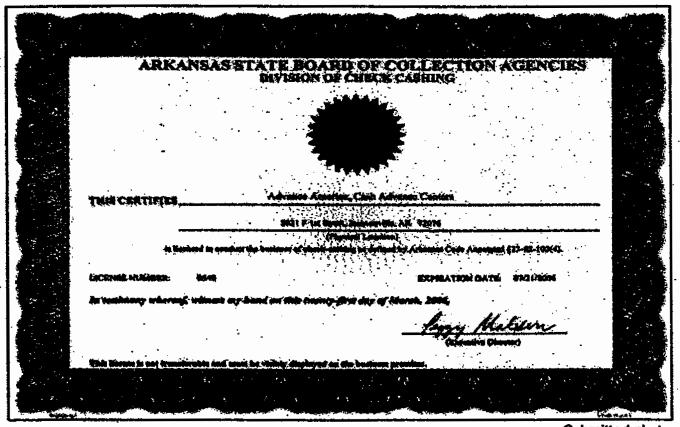

Submitted photo

Advance America has taken out a new license so it can operate in Jacksonville.

▶ Lenders

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payday lenders, issued 30 licenses March 8 for Advance America's stores.

"Our intention is to continue operating (and) offering services," said Jaime Fulmer, director of investor relations for the company. "We have no plans to shut down the centers. As for how we intend to operate, we don't have an announcement."

Pressed, Fulmer would not say whether or not Advance America, which has about 2,500 stores in 36 states, would continue making payday loans in Arkansas.

Advance America grossed $500,000 per month in Arkansas last year—that's $6 million—so many expect the company to continue making payday loans under Arkansas law, which is slightly more restrictive than the South Dakota law it has been operating under.

Advance America had announced in its 2005 Securities and Exchange Commission filing that it would quit making payday loans in June and stop servicing those loans at the end of September.

The SEC filing was necessary because Advance America is traded on the New York Stock Exchange under the symbol AEA.

The SEC filing reflected First Fidelity's announcement that it would stop working with payday lenders, as instructed by the Federal Deposit Insurance Corporation.

Operating under the umbrella of the South Dakota bank, Advance America made payday loans of as much as $900 with interest—lenders call it a fee—of 20 percent, typically for two weeks.

Operating under Arkansas law, a consumer could borrow only $350, leaving the lender a $400 check for the two weeks. That's 10 percent interest for the two weeks, plus a $10 fee, according to Peggy Matson, director of the Arkansas Board of Collection Agencies.

"We'll continue on, fighting the abuse that we see in charging people 500 to 800 percent interest," said Hank Klein, speaking for the consumer coalition Arkansans Against Abusive Payday Lending.

"I'd like to think they've seen the handwriting on the wall," said Klein, "but my belief is they will figure out another scheme. "Would you give up $6 million a year?"

"We understand that up in Michigan, (Advance America) just became check cashers until the loan law got changed."

But Klein warned that under Arkansas licensure, Advance America would be under the scrutiny of Todd Turner, an attorney who has won several decisions against such lenders.

Klein's group has been critical of what they say is Matson's failure to rein in the high-interest lenders.

Matson's office audits each payday store about twice a year and is hiring another auditor to make quarterly examinations of those lenders.