

# Arkansas News Bureau

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Fri, Jul. 7, 2006

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## Payday lenders reinventing business model to skirt state law, opponent says

Tuesday, Jun 27, 2006

**By Wesley Brown**  
**Arkansas News Bureau**

LITTLE ROCK - The nation's largest payday lender stopped offering payday loans across Arkansas late last week, but Advance America said Monday it would keep doing business in the state.

Jamie Fulmer, spokesman for Spartanburg, S.C.-based Advance America's Cash Advance Centers Inc. said the company's 30 stores in Arkansas would begin operating as check cashers this week.

"We don't expect a disruption in services to our customers," Fulmer said.

Current law prevents licensed check cashers from offering "deferred presentment" checks over \$400, according to the Arkansas State Board of Collection Agencies. But the 1999 Check Cashiers Act allows some out-of-state banks affiliated with check cashers not licensed in Arkansas to hand out small loans over that amount, the agency said.

"We will operate under the existing law," Fulmer said.

Peggy Matson, executive director of ASBCA, said Advance America received a license from the agency's board in March to offer check cashing services in the state.

The company will now be able to offer "some payday advances in compliance with state law," Matson said. "They will not be operating under the bank model anymore."

However, one of the most vocal opponents of the payday lending industry in Arkansas said Advance America is simply reinventing itself to offer similar transactions that opponents contend are illegal.

"This is very curious," said Hank Klein, president of the Arkansans Against Abusive Payday Lending.

Advance America first announced in March that it would stop offering installment and payday loans in Pennsylvania and Arkansas following a Federal Deposit Insurance Corp. investigation earlier this year. The inquiry resulted in a determination to crack down on payday lenders by examining their partnerships with state-chartered banks.

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Advance America had operated in Arkansas through a partnership with First Fidelity Bank of Burke, S.D. Other out-of-state banks with operations in Arkansas include First American Cash Advance, which runs 30 payday loan storefronts in Arkansas through a partnership with Burke, S.D.-based Community State Bank.

Rushmore Loan Co., based in Sioux Falls, S.D., operates 55 short-term loan stores across Arkansas under the names of Money Depot, Show Me The Money, Cash 4 U and Check N Tote.

The recent FDIC ruling instructed certain banks to discontinue offering payday cash advances and alternative credit products if they could not adequately address regulator's concerns regarding those products.

Advance America shut down 117 retail centers in North Carolina and 101 in Pennsylvania.

However, the payday lender resumed operations in Pennsylvania last week by rolling out a new service that gives customers a \$500 line of credit for a monthly participation fee, plus interest on outstanding loan balances.

Also, Dallas-based Ace Cash Express said in April it would stop giving short-term consumer loans in Arkansas and Pennsylvania offered by Republic Bank of Kentucky on June 30.

"As I understand it, they will now be operating as a check casher," Matson said.

Klein and other payday lending opponents blame the 1999 act for opening up loopholes that allow what opponents refer to as predatory lenders to circumvent the state constitution, which limits interest rates on consumers loans to 17 percent annually.

Opponents say payday lenders charge rates as high as 520 percent.

Klein said Advance America and Ace are simply getting around state and federal laws again. In the past, he has accused the ASBCA board of conflict of interest with the payday lending industry and of lax regulation of the 1999 act.

Klein said Monday that the last hope to keep predatory lenders out of Arkansas may lie with the state Legislature and several politicians now running for office.

Republican gubernatorial candidate Asa Hutchinson and Attorney General Mike Beebe, the Democratic nominee, among others, have promised to overhaul the seven-year-old act.

"The law never should have been passed in the first place," Klein said.