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Payday lending: Group calls for increased regulatic

JOANNE BRATTON
Bulletin Staff Writer

A member of an Arkansas lending advocacy group said the recent \$1.3 million fine against an Arkansas payday lender is a "big step in the right direction."

Last week, the Arkansas State Board of Collection Agencies issued one of its biggest fines against Dennis Bailey of Fordyce, who was operating 14 cash advance stores in Arkansas without a state license, including one in Mountain Home, the board ruled.

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On Wednesday, the ASBCA closed the fifth, Fast Cash of Mountain Home, which was operated by Bailey.

The agency alleged that Bailey used a West Plains, Mo.-based finance company as a conduit to loan cash to customers.

As a result of the board's order, customers of the Fast Cash stores in Arkansas are not obligated to

repay their outstanding loans.

"Up until now, the state has not been enforcing the law," said Matt Price, chairman of Arkansas Against Abusive Payday Lending, a coalition that works to rid the state of abusive payday lending.

The AAAPL, along with other consumer advocate groups, work to discourage consumers from using cash advance companies because of high fees and lack of state regulation, according to the organization.

Many businesses with license permits are not regulated by the agency because of an interpretation of the 1999 Check Cashers Act, leaving some businesses to evade the law that limits interest to 17 percent annually, according to the AAAPL.

Payday loans are small cash advances.

To get a loan, a customer gives the lender a postdated personal check or authorization for automatic withdrawal from his or her bank account for the cash amount plus the lender's fees.

The customer has the option of paying back the money in exchange for the personal check, letting the lender deposit the check to collect for the loan, or writing a check for a new advance to repay the prior loan, according to the Center for Responsible Lending, a national research and advocacy group.

Proponents of the payday lending business say cash advance companies provide a needed service for those who need cash immediately.

Payday lending is considered a short-term financial solution to make ends meet for their customers, according to the Advance America Cash Advance Web site.

Some customers may be trying to rebuild their credit but cannot make their payments or afford the cost of bounced checks.

Although state law limits interest on consumer loans to 17 percent, often payday lending companies impose an annual percentage rate of more than 500 percent, Price said.

Repeatedly rolling over cash advances could lead consumers into a cycle of debt, he said.

Arkansas law states that a payday loan may not exceed \$400 and can only be rolled over three times, Price said.

But some companies loan as much as \$1,000 and roll over for more than one year, he said.

A February study by AAAPL showed less than half of payday lenders operating in Arkansas are licensed with ASBCA.

As a result, the coalition is asking payday lenders to use a state-contracted database to enforce loan limits and to provide industrywide data to the regulators and the public, according to the study.

AAAPL also wants to bar payday lenders from making consumer loans with interest rates of more than 17 percent annually and require all payday lenders in the state to be licensed and regulated by the ASBCA.

Consumer advocates say customers would be better served by finding a different way for getting a short-term loan, such as borrowing from family members or using a cash advance on a credit card.

"It's unfortunate people turn to outlets that are so predatory and only works when people are in a cycle of debt," Price said.

"There are other alternatives out there."

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