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## \$1.3 Million Fine Signals Crackdown On Payday Lending Practices (Editorial)

By Arkansas Business Editors  
7/10/2006

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Is the move last month by the Arkansas State Board of Collection Agencies to levy a \$1.3 million fine against a payday lender a sign of a crackdown on the practice in the state?

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We certainly hope so, but that board hasn't shown much desire to monitor the predatory practices of the industry since the lenders have been allowed to operate in the state under the 1999 Check Cashers Act.

Arkansans might well have to wait until after the November elections and then the next session of the General Assembly before any real change can occur.

Both of the major gubernatorial candidates, Attorney General Mike Beebe and Asa Hutchinson, are saying they'll revisit the 1999 law in the next session.

We've long said the law should never have been approved. We continue to say that it is a bad law. Heck, we still hold it against now Sen. Mark Pryor, D-Ark., for not fighting against it and taking donations from the payday lending lobby while he was attorney general.

But back to the current happenings.

The Arkansas State Board of Collection Agencies, in issuing what is one of its largest fines against Dennis Bailey of Fordyce, took a step in the right direction. Bailey was operating 14 cash advance stores in the state without a license. That's welcome relief for those who won't have to repay their loans at the Fast Cash stores.

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Although state law limits interest on consumer loans to 17 percent, payday lending companies have charged an annual percentage rate of 500 percent or more. That is simply wrong and keeps those who go to those predatory lenders in bondage to a cycle of debt.

A study by Arkansans Against Abusive Payday Lending earlier this year said that less than half of the payday lenders in the state are licensed with the Arkansas State Board of Collection Agencies. That shouldn't be. The agency has been up and running for more than five years. Why has the agency been so lax in getting all of them licensed and setting up regulations for all to follow?

In another good bit of news, Advance America, the nation's largest payday lender and operator of 30 stores in the state, halted those services in Arkansas and switched to operating as a check casher. The move came about after the Federal Deposit Insurance Corp. said it would crack down on payday lenders by examining their partnerships with state-chartered banks.

Also last month, the attorney general's office expanded a payday lending lawsuit filed earlier in the year accusing lenders of charging exorbitant interest rates on loans.

The expansion added Money In A Flash.net locations in Little Rock and West Memphis to a lawsuit it had filed in February against the firm's Jonesboro location.

The AG's office also filed a separate lawsuit against [MagnoliaMoney.net](#).

A change in the law is needed, but that will take time. Meanwhile, all of us should keep our eyes open wide to make sure state law is followed.

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