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Arkansas Democrat Gazette

NORTHWEST ARKANSAS EDITION



Fayetteville : Lawsuit: Lending at 300% a sham

BY SHARON C. FITZGERALD
 Posted on Friday, August 4, 2006
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FAYETTEVILLE — The Arkansas attorney general's office filed a lawsuit Thursday against a woman over allegations that her business made illegal loans to people while keeping the titles to their vehicles.


The lawsuit against Nora Sims and Quick Kar Sales was filed in Pulaski County Circuit Court in Little Rock, according to a news release from Attorney General Mike Beebe's office.

Court documents claim Sims and her employees charged people as much as 300 percent interest on loans up to \$ 600. If customers were late with payments, they would have to pay stiff late fees or face the possibility of losing their vehicles.

The lawsuit ends a year-long investigation into the company, which opened in May 2005.

"This company was not only making illegal loans, they went as far as to have a large sign out front advertising them," Beebe said in the news release. "This fraudulent scheme took advantage of consumers already in financial trouble and profited from their misfortune."

The large yellow sign — which read "Need Money ?? Need Money ?? Cash for Titles and You Keep the Car !" — was not up Thursday at the business at 2718 N. College Ave. in Fayetteville.

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Sims did not return a phone call for comment Thursday and the business was closed. Signs on the front door said it was not accepting new customers and for people to leave payments in a drop box on the side of the business.

The lawsuit said customers would “sell” their vehicles to Quick Kar Sales and then buy them back through weekly payments. They could keep the car while the loan was being paid back but had to leave the vehicle’s title and a set of keys with the company.

In the lawsuit, state officials asked the court to stop the business from making the “title loans” and pay restitution to customers who traded their titles for money.

Matt DeCample, spokesman for Beebe’s office, said the business is violating the state’s Deceptive Trade Practices Act by charging high rates of interest and coercing people to pay “holdoff” payments so their vehicles would not be repossessed.

“We got one call about the business and started investigating,” DeCample said. “During our investigation we contacted about 25 customers. But we’ll probably discover there are more out there.”

Kathrun Baughman of Siloam Springs gave Quick Kar Sales the title to her 1994 Chevrolet in June 2005 in exchange for \$ 350. She agreed to pay back \$ 600.

“Our bills were piling up, and we were driving around and we saw the sign,” Baughman said. “We didn’t know what else to do and we had to pay the rent.”

She said she had paid \$ 500 when her family fell on hard times and missed three payments. Employees at Quick Kar Sales told Baughman she would have to pay an additional \$ 400 to catch up her account, she said.

“We just accepted the fact that we were going to lose our van,” Baughman said. “It was the only thing we have of value... it was the only thing we had paid off.”

The van, which broke down last summer, sat in her front yard for months before someone from Quick Kar Sales came and towed it away, Baughman said.

She didn’t realize the business was violating state law until she received a letter from Beebe’s office earlier this year. DeCample said the attorney general’s office contacted people from a customer list that Sims provided during the investigation.

Baughman said she doesn’t plan to borrow money from another

business like this. "I'm a little naive," Baughman said. "I didn't even think they were doing something they weren't supposed to do. We just needed the money." DeCample said this is the second time the office has filed a lawsuit against a title-loan company in recent years. He said most investigations end with the businesses closing and making reparations to customers before a lawsuit is ever filed.

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