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Democrats Favored With Most Payday Lender Contributions

By James Gordon

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Attorney General Mike Beebe, who is also the Democra-tic nominee for governor, has filed seven lawsuits against payday lenders, including the three announced early this month.

Yet, according to research conducted by Arkansans Against Abusive Payday Lending and reviewed by Arkansas Business, known owners and operators of payday lending stores have funneled more than \$60,000 into political campaigns for the 2006 election cycle, almost all of which went to the Arkansas Democratic Party or to Democratic candidates.

Most of the contributions came either directly or indirectly from a few closely linked business associates operating payday lending stores in the state through out-of-state corporations.

According to Peggy Matson, executive director of the State Board of Collection Agencies charged with regulating payday lenders in Arkansas, these lenders are currently not subject to the Check Cashers Act of 1999, the controversial law that allowed the payday lending practice to expand throughout the state.

Arkansans Against Abusive Payday Lending, an alliance of consumer groups founded in 2004 by former credit union executive Hank Klein, compiled the information from mandatory reports filed with the Federal Election Commission and the Arkansas secretary of state. The group also gathered information from databases maintained by the Center for Responsive Politics and the National Institute on Money in State Politics.

With \$36,800 in donations, the Arkansas Democratic Party is the biggest

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political beneficiary of payday lenders for the 2006 election cycle. Next in line are specific Democratic candidates: Dustin McDaniel, the party's nominee for attorney general, and incumbent Rep. Mike Ross each received \$10,000. Attorney general and gubernatorial hopeful Mike Beebe received \$4,000.

The Beebe campaign declined to comment Thursday, saying it was not given enough time on the day of a fundraiser with former President Bill Clinton.

McDaniel said there was clearly a market for payday lending in the state, but the law needed to protect consumers. He pointed to the State Board of Collection Agencies' recent \$1.3 million fine against an unlicensed payday lender in Fordyce as an example that the current law does have teeth.

"But perhaps the law should be expanded to bring into the folds those (payday lenders) operating inside the state but outside the current law," McDaniel said, adding that any such law would have to take into account possible federal statutory pre-emption.



The only donation to the Republican side of the ticket came in the form of a \$1,000 contribution to the Arkansas Republican Party by the Capitol Group, a lobbying firm run by Don Tilton, who is a registered lobbyist for Arkansas Financial Services Association and Community Financial Services of America, among other clients. The Capitol Group also gave \$2,100 to the

state Democratic Party and \$2,000 to Beebe's campaign.

Bob Srygley of Monticello and Cosby Hodges of Fort Smith and companies they control distributed a total of \$26,000. Srygley and Hodges co-founded Mount Rushmore Loan Co. of Sioux Falls, S.D., which makes loans through 50 payday lending stores in Arkansas

Hodges' wife, Patricia, who is a registered agent for at least one of her husband's companies, also gave a total of \$7,500. Srygley's wife, Angel, also gave \$2,000.

Denise Stewart, director of operations for American Check Cashers, one of Cosby Hodges' companies, gave \$2,000. Stewart also sits on the State Board of Collection Agencies as a representative of the check cashing industry.

(Another Srygley associate, Gary Frala, fills a second seat on the five-member board. Frala is CFO of Srygley-owned Washington County Financial Management of Fayetteville and manages daily operations for 32 payday advance stores. Gov. Mike Huckabee has twice appointed Frala to the board as an "at-large" representative.)

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Graham Streett, an executive at Washington County Financial and secretary for multiple other payday lending stores owned by Srygley and Hodges, gave \$500.

William Webster IV and George Johnson Jr. collectively gave \$6,500. Webster and Johnson co-founded Advance America of Spartanburg, S.C., the nation's largest payday lender. Johnson's wife, Susan Phifer Johnson, who personally owns more than 2 million shares in Advance America, also gave \$2,500.

In March, Advance America said it would cease operations in Arkansas, but some of the contributions came as late as July 2006.

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