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Organization cites payday lender actions

JOANNE BRATTON
Bulletin Staff Writer

An advocacy group working to reform Arkansas law on payday lending practices has alleged two Mountain Home stores offer loans larger than allowed by state law.

First American Cash Advance and Payday Money Store No. 10, both off U.S. Highway 62 East, allegedly offer loans larger than allowed by state law, among other violations, according to the Arkansans Against Abusive Payday Lending. The group plans to release statewide figures about all payday lending institutions during a press conference today in Little Rock.

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The three payday lending stores in Mountain Home are licensed by the Arkansas State Board of Collection Agencies, as required by state law, and are regulated by the agency, said Peggy Matson, executive director of the agency's check-cashers division.

"We are watching both of these operations," Matson said of First American and Payday Money. "We are aware of what they are doing. We're checking that they comply with the law, and review their transactions to see if it falls under the transactions we regulate."

The Arkansas State Board of Collection Agencies is responsible for regulating the activity of check-cashing companies and investigates allegations of overcharges, early depositing of checks and criminal prosecution of insufficient checks.

"They are licensed by the state but do not follow the rules of the state," alleged Hank Klein, president of Arkansans Against Abusive Payday Lending.

At issue is an interpretation of the 1999 Check-Cashers Act, which allows payday lenders to circumvent the state constitution that limits interest rates to 17 percent annually by charging excess fees, according to the AAAPL.

The constitutionality of the Check-Cashers Act is being challenged through a lawsuit, and last week the Arkansas Supreme Court returned the lawsuit to a Pulaski County Circuit Court.

Payday loans involve short-term loans where someone writes a check to the check cashing company for more than the amount borrowed. Customers who are approved for loans write a personal check for the loan amount plus a fee. If the customer pays off the loan before the date the personal check is to be cashed, the personal check will be returned. If not, the company will deposit the personal check, paying the loan.

First American Cash Advance, which has headquarters in Georgia, allows a maximum loan of \$900 for 14 days with a \$106 cost, with a total payback of \$1,006, according to figures from the AAAPL.

The state's check-cashing law states a deferred presentment check should not exceed \$400.

A company representative with First American Cash Advance could not be reached for comment Tuesday.

The AAAPL also took issue with the Payday Money Store No. 10, which has headquarters in South Dakota. The store requires more than one check as security, offers a maximum \$500 loan with an \$89 fee and a total payback of \$589, all against state law, according to AAAPL.

A Payday Money Store official could not be reached for comment Tuesday.

Payday loan companies are allowed to have lending institutions out of state and import rates from another state, Matson said. The Arkansas State Board of Collection Agencies can enforce the Arkansas Check-Cashers Act in those instances only when officials in the company's home state say loans offered in Arkansas would be in violation of that state's law, Matson said.

Since a March study by the AAAPL, six payday lenders were operating in Baxter County. Since then, the Arkansas State Board of Collection Agencies required all the stores to either obtain a state license or close. Three stores, Fast Cash of Mountain Home, Morgan Cash Advance and Payroll Advance, have since closed, Klein said.

A third store, Mountain Home Quick Cash at Highland Circle, remains open and follows state law, according to figures from the AAAPL.

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