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Arkansas Business News Story

Study: Payday Lending Has Better Licensing, But Regulation Lacking

By Arkansas Business Staff

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Arkansans Against Abusive Payday Lending, or AAAPL, on Wednesday released an updated study of payday lending in Arkansas that shows about half of Arkansas' 265 payday lenders are still not being regulated by the state.

In March, the group released a study that presented the first comprehensive examination of how the payday lending industry operates in Arkansas. The study showed that 24 percent of the payday lenders operating in Arkansas were both licensed and regulated by the state.

Since the March report, the state agency charged with regulating payday lenders, the Arkansas State Board of Collection Agencies, has taken some steps toward better licensing and stricter regulation, AAAPL said.

The latest data shows that 55 percent, or 146, of the state's 265 payday lenders are now licensed and regulated by this state agency to make payday loans.

That leaves 45 percent unregulated, the report said.

Of those, the report said 38 percent, while licensed by the state, are not regulated and are allowed to make loans that don't comply with the state board's own regulations. Another 7 percent are neither licensed nor regulated by the state.

"Recent actions taken by the ASBCA represent a step in the right direction in favor of Arkansas consumers," said H. C. "Hank" Klein, founder and president of AAAPL. "However, a regulation rate of 55 percent would still get an 'F' on any academic grading scale. While progress has been made, much more remains to be done. No payday lender in Arkansas should be allowed to operate without both a license to make payday loans and meaningful regulation by the [state board]."

Among the state board regulations the report says lenders aren't following: customers having more than one check held by the same payday lender at a time; lenders making loans in amounts greater than \$400; loan terms longer than 31 days; and lenders not issuing loans in cash.

Payday lending in Arkansas has been the subject of constant litigation since the General Assembly adopted the Check Cashers Act of 1999. The Supreme Court voided part of that law in 2001 in a case styled Luebbers v. Money Store

Inc. but has not directly ruled on the question of whether the fees charged by payday lenders are tantamount to interest in excess of the constitutional limit, as argued by opponents of the short-term lending practice. If the fees are calculated as interest, the rates routinely exceed 300 percent.

Last week, the state Supreme Court [again declined to rule on the constitutionality](#) of the law.

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