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BY LEADER STAFF

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Leader staff report

Rep. Sandra Prater, D-Jacksonville, along with several other lawmakers on Thursday filed a bill that would fine payday lenders and other institutions for making high-interest consumer loans. The bill would prevent the triple-digit interest rates some payday lenders charge in the state. The bill would fine businesses \$300 for charging more than 17 percent interest on loans.

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(See editorial, p. 6A.) Under the proposal filed Thursday, the fine would be levied for each high interest loan.

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“The case has now narrowed down to the question of, is 400 percent higher than 17 percent? I think we know the answer to that,” said H.C. Klein, president of Arkansans Against Abusive Payday Lending, a coalition of groups seeking to end the practice of payday loans. The state’s Constitution limits interest on consumer loans to a maximum of 17 percent annually, but opponents of payday lending have said the state’s Check Casher’s Act allows payday lenders to charge higher interest rates.

Through a payday loan in Arkansas, a customer writing a check for \$400, for example, typically would receive \$350.

The lender would keep the check for about two weeks without cashing it and, thereby, allowing the customer time to buy back the

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check. The \$50 charge on the \$350 loan for 14 days equates to 371 percent interest, well above Arkansas' usury limit of 17 percent.

In November, the Arkansas Supreme Court sent a lawsuit challenging the Check Cashers Act back to a Pulaski County Circuit Court, rejecting an earlier ruling that those suing must first exhaust administrative appeals before seeking a decision by the courts.

“Payday lenders operate by offering what they advertise as a short solution to financial distress, and in truth for many people who fall victim to them, it becomes a death trap they can’t escape,” said Rep. David Johnson, D-Little Rock. Sen. Shawn Womack, R-Mountain Home, said he understands the need for providing credit to people who can’t normally get loans but said the payday lending industry’s growth concerns him.

The Associated Press contributed to this report.

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