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THE LARGEST PAID NON-DAILY NEWSPAPER

FRIDAY, DECEMBER 22, 2006

## EDITORIALS >> Kick out the usurers

Rep. Sandra Prater (D-Jacksonville) deserves praise for sponsoring a bill that might put the worst of the abusive payday lenders out of business in Arkansas. But we fear the industry will fight to let the storefront usurers stay in business and keep charging exorbitant rates on the poorest families, including those in the military.

Payday lending is the cat with a thousand lives. Although the lenders violate the state constitutional prohibition of usury, flagrantly, the courts seem incapable of that simple declaration. Last month, the Arkansas Supreme Court detected a technical flaw in the lower court's handling of a payday-lending case and dispatched the question back to the subordinate court yet one more time.

The bill would impose a \$300 fine on any lender other than banks, savings and loan associations and credit unions that is convicted of charging annual interest rates of more than 17 percent, which is the Arkansas constitutional limit on consumer loans. A similar bill came close to passing in 2005, but the payday lending

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companies are astonishingly influential in the legislature for outfits that did not exist 15 years ago. They employ one of the most influential lobbyists, Don Tilton, who also happens to be close to the new governor, Mike Beebe.

The bill will face the same hokey but nettlesome questions: Will it run pawnshops out of business? Or credit-card companies? Or the rent-to-own businesses? And why exempt the big boys — the banks, thrifts and credit unions? (They are regulated by other federal and state laws.) The 17 percent interest limit is a fraction of what the worst of the payday lenders charge their desperate customers. The lenders couldn't stay in business for very long since they're used to charging many times that proposed limit: In many cases, payday lenders have been known to charge 200-300 percent interest.



This area is littered with payday lenders operating out of storefronts with garish neon signs that promise easy cash without mentioning the outrageous fees and interest that go with those loans. Once customers are trapped in an endless cycle of borrowing, they realize there's no escape from the usurious rates the payday lenders have sprung on them: Borrowers, many of them service members and their families, cannot repay the loans since they're stuck with fees and interest several times above the principal.

These lenders cluster around military bases for a good reason: They know that young service members often find themselves in financial straits when they're off fighting a war and their spouses run their households as best as

they can with limited resources. That's when the predators suck the blood from their victims, hounding them at all hours of the day and night and making them take out more loans to finance the previous loans. It's a disgrace and an abomination.

Bill Halter, the incoming lieutenant governor, observed that a Department of Defense report had recommended that states take some action because the prey of the 300-percent lenders are often military men and their families. The Legislature should never have allowed the payday lenders into Arkansas, which once had the lowest interest rates in the nation. But the storefront operators greased their way into our neighborhoods with the help of the Legislature, which exempted the lenders from interest limits, calling them fees instead.

The Legislature could atone for past sins by supporting Rep. Prater's legislation to kick the money changers out of our communities. This holiday season, the victims of abusive lending deserve relief from predators. When the Legislature meets next month, it should approve the bill without delay. Borrowers, consumer advocates and other people of goodwill owe a debt of gratitude to Rep. Prater and her colleagues who have stood up for the most vulnerable among us.

We have our worries that the bill, even if becomes law, will not do the job. It would toll only upon conviction, whereupon the business would pay a \$300 fine. An occasional \$300 fine may not deter the leeches. But we

commend our lawmakers who are trying to protect the most desperate and vulnerable among us. Let's pass the payday lending bill and see if it works.

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