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## **NEW PAYDAY BILL**

IN SHORT: Payday lenders will be criminals if proposed bill passes the new legislature.

By John Hofheimer

Consumer advocates think they have finally tightened a noose around the necks of usurious payday lenders and check cashers in the form of a new bill due for consideration when the 86<sup>th</sup> General assembly is convened next week.

Efforts to outlaw payday lending during the last session were not as well organized and didn't have as much support as the bill to be considered this year, and they never got out of committee, according to Hank Klein, founder of Arkansans Against Abusive Payday Lending.

State law caps interest rates at 17 percent per year, but until now, the onus has been on the borrower to hire an attorney and sue. If House Bill 1036—An Act To Create The Offense Of Unlawful Consumer Loans; To Enforce The Provisions Of Arkansas Constitution, Article 19..., passes, payday lending will be a crime.

The bill, which already counts 14 state representatives including Sandra Prater, D-Jacksonville, among its cosponsors, makes payday lending a criminal offense, which can result in an arrest by police and criminal charges by prosecutors, Klein said.

It would specifically cap consumer loans at 17 percent except in circumstances like banks and credit unions, where the jurisdiction is federal. Each payday loan, typically \$300 for two weeks with an annual interest rate of between 373 percent to 869 percent, would be punishable by a fine of \$300.

The payday lenders themselves, in the form of the Arkansas Financial Services Association, maintain the small, high interest loans are necessary for some Arkansans and already are regulated “in such a way that cash advances against payroll checks are limited and assure that every person

using them fully understands exactly what the costs are,” according to a letter from Bradley Rodgers of Stuttgart, the group’s president.

In a letter to the editor, Rogers charges the leader with tossing around the word “usurers” with “great abandon.” “That word implies that someone is making unreasonable profits,” Rodgers wrote.

Actually, usury is defined by the state constitution as being an interest rate in excess of 17 percent, not “making an unreasonable profit,” and as Klein has said, 400 percent is in excess of 17 percent.