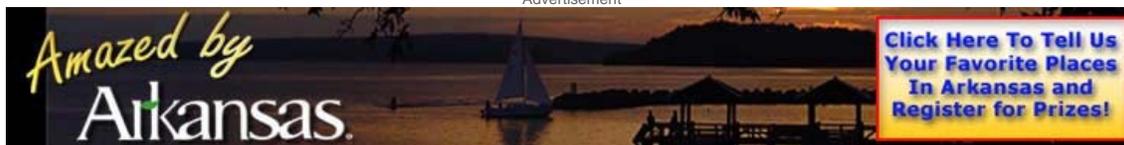


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Lawmakers Debate Payday Lending Bill

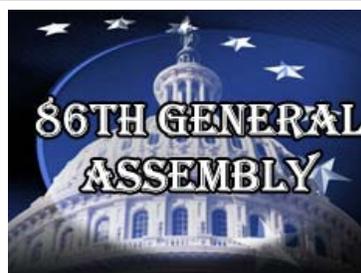
The debate over payday lending in Arkansas began Wednesday at the state Capitol. A Little Rock lawmaker introduced a bill that would prevent payday lenders from charging triple-digit interest rates.

There are nearly 300 payday lenders in the state of Arkansas and Rep. David Johnson, D-Little Rock, says their business is good. In fact, he says it's too good. Johnson explains, "What happens is when that loan comes due in two weeks people still don't have the \$345 to pay and so they begin this debt trap cycle over and over again."

Johnson is pushing legislation that he hopes would better protect payday lending customers.

During Wednesday's committee meeting, one lawmaker asks Johnson, "Would a payday lender in your estimation be called a loan shark?" He responds, "Yes, I thought that's who we were talking about."

Johnson's bill would fine payday lenders \$300 dollars for every loan that exceeds a 17 percent interest rate. It's already illegal, but right now, there is no penalty for breaking that law.



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Hank Klein, who founded the coalition Arkansans Against Abusive Payday Lending, says, "It's worse than loan sharking. Loan sharks in Chicago in the 60s charged 240 percent, so this is far worse than loan sharking."

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Klein says a bill protecting consumers from illegal lending practices is long overdue.

"On average in our country, a person takes out a \$325 loan and ends up paying back \$800 before that loan is paid off," says Klein.

Not all lawmakers are supporting the bill. Rep. Allen Maxwell, D-Monticello, worries the law could end up hurting the working poor more than helping them.

Maxwell explains, "This lady just called me very upset and said I use them all the time and they help me and she said I wouldn't have been able to get my grandchildren presents because nobody else would loan me any money. That's the kind of people I'm concerned about."

Johnson says, "The issue is whether payday lending is the solution and payday lending is not the solution."

Some payday lenders and other opponents say the proposal would unfairly target one business, while exempting others such as pawnshops.

One reason lawmakers say this is such a hot button issue is because of the effective lobbying going on, on both sides.

The bill was tabled Wednesday and is expected to be brought back before committee next week.

Alyson Courtney, Reporter
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