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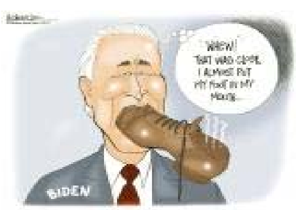




# Committee tables payday lending bill

Thursday, Feb 1, 2007

**By Jason Wiest**
**Arkansas News Bureau**

LITTLE ROCK - A bill that would impose a fine on payday lenders for charging interest rates above the 17 percent state usury limit stalled in a House committee Wednesday.

The House Insurance and Commerce Committee deferred action for a week on legislation that would fine lenders $300 per offense for charging interest in excess of 17 percent on payday loans.

House Bill 1036 by Rep. David Johnson, D-Little Rock, also would strike all references to fees in the 1999 check cashier's law and add references to the state's 17 percent usury limit. Critics of payday lenders say they have skirted the state constitution's usury limit by saying they charge fees on loans, not interest.

Opponents of Johnson's bill said say the measure would discourage payday lenders from doing business in the state and leave no options for borrowers who need money but are turned down by traditional lending institutions.

Some members questioned a provision in the bill that would exempt pawn shops from the proposed new regulations.

"Have we opened the door for them to get into this business?" Rep. Bruce Maloch, D-Magnolia asked.

Johnson acknowledged that a perfect bill would include every business, but said doing so would be "politically impossible."

"I'm having a hard enough time just fighting the payday lenders," he added.

Peggy Matson, executive director of the state Board of Collection Agencies, which regulates payday lending businesses, said the bill had other flaws.

Matson complained that instead of limiting fees on the act of check cashing, the bill says businesses cannot charge more than 17 percent interest annually to cash a check. Cashing a check only takes minutes, making calculating an annual percentage rate impossible, she said.

"I would like to see the (term) fees left in there so that I can enforce the law," she told the committee.

A lawsuit pending in Pulaski County Circuit Court seeks a declaratory judgment that the fees payday lenders charge is interest.

"Obviously we do need some kind of regulation in this industry," Rep. Allen Maxwell, D-Monticello said, mirroring comments made by other committee members. But members were concerned that too much regulation would kill the business.

"If we pass this law and the payday lenders go out of business, where do these people turn then?" Maxwell asked.

"Our argument is that payday lending is not the solution to poverty," Johnson said, offering government services as alternatives.

"When someone's on fire, you pour water on them, you don't pour gasoline on them," Hank Klein, founder of the Coalition Against Payday Lending, told the committee.

However, a market demand exists for fast cash, and doing business with payday lenders is a consumer choice, former state Rep. Booker Clemons of Pine Bluff, testified.

"To what point should the government protect you and to what point should the buyer have some responsibility?" Rep. Keven Anderson, R-Rogers asked.

Johnson said the people who borrow money from payday lenders might not understand what they are getting themselves into and might not be thinking past getting the money immediately.

Supporters of the bill offered banks as an alternative to payday lenders, but Anderson said banks were an unlikely alternative.

"I highly doubt that if you don't let them do something beyond 17 percent these people are going to have a place to go" for high-risk loans.

"I think this is a prohibition bill," said Bradley Rodgers, president of the Arkansas Financial Services Association, the trade association for payday lenders.

The industry already is governed and regulated and it helps people who need short-term cash, he said.

"I thought it would have been a little easier than this," Klein said after committee members pulled the bill for more discussion next Wednesday.