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Dunn questions fairness of payday lending bill

Published: February 02, 2007

The fairness of a bill targeting payday lenders was challenged Wednesday, delaying a committee vote in the Arkansas House of Representatives.

Rep. David Dunn, D-Forrest City, was quoted in the Associated Press as saying to members of the House Insurance and Commerce Committee, "We have isolated one industry and not the banks, not the utilities and not the pawn shops and not the other people out there who are taking advantage of people."

Contacted Thursday, Dunn said he is not opposed to the bill itself, only to its wording.

"Let me start by saying that I agree, the industry needs some cleanup. There is no doubt about that," Dunn said. "I originally signed onto the bill, because I thought it has merit."

However, he said there are some issues with the bill, such as constitutionality, given the way it is written.

"I think it is unconstitutional and won't hold muster," he said. "We're trying to work out some details on how to get some things done that will restrict predatory-type lending practices, while still giving folks who need this type of access to cash the ability to do that. We don't want to shut down the industry but would like to clean it up. This bill by Rep. (David) Johnson (D-Little Rock), would basically shut down the industry. We're working on some language, but we have not gotten it perfected yet."

Johnson's proposal would impose a fine of \$300 on payday lenders for every loan they make carrying an interest rate higher than 17 percent. 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, allowing the customer time to buy back the check.



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The \$50 charge on the \$350 loan for 14 days is the equivalent of 371 percent annual interest, well above Arkansas' usury limit of 17 percent per year.

On another legislative matter, Dunn commented on the governor's proposal to cut the sales tax on groceries in half. The measure passed the Senate unanimously.

Dunn said the governor has support in the House, "But we have a better plan to give tax relief to people who need it the most."

He said the alternative plans are more progressive, and will benefit senior citizens and families.

On Thursday, The House Committee on Revenue and Taxation recommended passage of an increase in the income tax exemption for retirees and a \$75-a-person tax credit for low-income Arkansans.

The bills are being pushed as an alternative to Beebe's proposal, which has already passed the Senate, to halve the state's 6-cent sales tax on groceries.

Dunn has also filed two bills on other topics.

One HB1368, would change the composition and requirements of the state Board of Cosmetology.

"It may sound a little bit humorous, you might think that would not be an issue," said Dunn. "But this board governs all cosmetology schools in the state, and we are going to try to change some of that membership around and see if we can get a board that is a little more friendly to business people out there."

He said there are currently no term limits for board membership, and that will be one thing addressed. "It's a perpetual board," he said.

The other bill, HB1367, Dunn said, is "a cleanup bill on some utility rights of way. Some utility companies have asked me to carry it." The title of the bill is "to provide that a certificate of public convenience and necessity is not required for construction on an existing transmission line or to increase an existing facility's capacity."

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