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State News

Bill targeting payday lenders advanced by House panel

By ANDREW DeMILLO
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LITTLE ROCK - A bill to prevent payday lenders from charging triple-digit interest rates was endorsed by a House panel Wednesday, over the objections of lobbyists who claimed it unfairly targeted one industry.

The House Insurance and Commerce Committee recommended passage of the proposal to fine payday lenders \$300 every time a customer is charged an interest rate higher than 17 percent.

Several members of the committee questioned the bill's sponsor, Rep. David Johnson, whether the measure would take away an option for low-income people who need loans.

"This bill presents the question of whether this option is a solution," said Johnson, D-Little Rock. "Payday lending is clearly not the solution. By making payday lending go away, we're making things better."

Also Wednesday, the Senate Judiciary Committee endorsed a bill eliminating the requirement for a person to retreat before using deadly force in their home's yard or nearby buildings. The committee also supported bills requiring pornographic materials be hidden behind blinders in stores and repealing a law defining when a person is carrying a knife as a weapon.

Opponents of payday lending have said the state's Check Casher's Act allows payday lenders to charge higher interest rates, even though the state's constitution limits interest on consumer loans to a maximum of 17 percent annually.

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.

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.

Lobbyists and lawyers for the payday lending industry said they were disappointed with the committee's decision.

"We felt the committee disregarded legitimate needs of a sizable consumer market for well-regulated and informed, short term cash advances with which working people meet a multitude of personal and family emergencies of daily life," Bradley Rogers, president of the Arkansas Financial Services Association, said after the committee's vote.

The payday loan bill now heads to the House floor.

In the Senate's judiciary committee, Sen. Jerry Taylor returned with limited version of his bill expanding when deadly force can be used. Taylor, D-Pine Bluff, previously sought to eliminate the retreat requirement in all public places. A similar House bill faced criticism in committee Tuesday.

The committee endorsed Taylor's amended bill, which allows a person to use deadly force

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in the land immediately around their homes.

"It's progress," Taylor said after the vote.

The bill now heads to the Senate floor, along with a bill approved by the committee repealing a state law that defines carrying a knife at least 3 1/2 inches long as a weapon.

A bill by Sen. Denny Altes, R-Fort Smith, also won approval of the judiciary committee. His bill would require stores selling pornographic magazine or books to hide them behind blinders so the "lower 2/3s of the material is not exposed to view."

Altes said the bill would restore a law struck down by the federal courts after a 2003 amendment by the Legislature. By removing the requirement that materials be physically removed from areas a minor can reach, Altes said he believed the law would stand up to judicial review.

"Hopefully, we won't be challenged," Altes said.

However, Sen. Sue Madison, D-Fayetteville, questioned if what could be considered "harmful to minors" was too vague.

"Are we talking about cigarette ads?" Madison asked. "That's very broad."

A bill earlier approved by the House expanding visitation rights to step-grandparents and former step-grandparents failed to win the Senate committee's endorsement.

Associated Press Writer Jon Gambrell contributed to this report.

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