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Anti-payday lending bill falters

Wednesday, Feb 28, 2007

By Doug Thompson
Arkansas News Bureau

LITTLE ROCK - A bill to hold payday lenders to the state usury limit stalled in the Senate Insurance and Commerce Committee when only one of the committee's eight members voted for it.

The vote followed an hour's debate on House Bill 1036 by Rep. David Johnson, D-Little Rock.

Johnson said payday lenders charge rates on loans ranging as high as 600 percent on an annual basis. The state constitution sets the usury rate at 17 percent.

The bill would fine payday lenders \$300 each time they charge interest rates that would exceed 17 percent a year if applied throughout the year. For instance, if a loan lasted one month but charged 10 percent in that month, that would exceed the limit under the bill.

Sen. Jim Argue, D-Little Rock, voted for the measure. Two other members were not present when the vote was taken.

Sen. Percy Malone, D-Arkadelphia, was one of the five members present who did not vote. He said in an interview afterward that a state Supreme Court case was pending to decide whether the usury provision of the Arkansas Constitution applies to short-term loans of between six and 30 days.

Malone also said the state has regulatory powers that apply to payday lending.

"We are going to make some effort to increase the regulation of payday, hopefully in this session," he said.

Malone said there were few sources of loans for high-risk borrows in short-term financial difficulty. If a customer needed a loan of \$100 for one week, for instance, "nobody's going to give it for interest that amounts to 75 cents," Malone said.

The argument that payday loans are an avenue for people without credit ignores the facts, Mayor Patrick Henry Hays of North Little Rock told the committee.

"It's not a avenue. It's a trap," according to Hays, who said his

appearance before the committee was as a citizen, not as mayor. He said a relative by marriage had to pay thousands of dollars to settle with lenders after he kept borrowing to cover previous loans.

"The fight's not over yet," said Michael Rowett of the non-profit group Arkansans Against Abusive Payday Lending.

Opponents of the bill, meanwhile, told the committee that the bill unfairly singles out payday lenders and does not include other lenders such as pawn shops.

Peggy Matson, executive director of the State Board of Collection Agencies, told the committee there are approximately 280 payday lenders in the state. About one-third do not make loans but restrict themselves to cashing checks for a fee, she said.

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