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TOP STORY >>Lenders kill bill to set limits on loans

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Payday lenders succeeded Tuesday morning in burying in the Senate Insurance and Commerce Committee a bill that would have fined lenders who violate the state’s 17 percent usury law, apparently discounting testimony of victims of payday lenders, North Little Rock Mayor Pat Hays, an association of military sergeants and others.

At least two of the committee members, including the chairman, received $500 campaign donations from the payday lenders organization. And in all, Arkansas Financial Services made $2,500 in contributions to committee members, according to the Arkansas Times blog.

While supporters pin their hopes on another vote later in the session, a local legislator with more than two decades of service says second attempts rarely succeed. (See Editorial, p.10A.)

In a hearing packed with supporters of the bill to make payday lenders accountable, only Sen. Jim Argue (D-Little Rock) voted for it. In fact he was the only one who voted at all. It takes five votes in the eight-person committee for a bill to get a “do pass” recommendation and be forwarded to the complete Senate.

Sen. Jack Critcher, D-Batesville, asked a series of questions that seemed in opposition to the bill, then left before the vote. In attendance but failing to vote were senators Paul Miller, D-Melbourne, chairman; Percy Malone, D-Arkadelphia, vice chairman; Terry Smith, D-Hot Springs, Bob Johnson, D-Bigelow and Paul Bookout, D-Jonesboro.

A quick check of records on file at the Secretary of State’s office showed that both Malone and Bookout accepted $500 campaign contributions from the payday lenders.

“We thought we had three votes and hoped for five,” said the Senate sponsor, Sen. Sean Womack.

Pat Hays spoke not as the mayor of North Little Rock, but as a man whose brother-in-law was threatened with jail because he couldn't repay his loans after he lost his job. Hattie Daniel, an ACORN representative, called herself "a victim and survivor of payday lenders."

A 29-year employee of UAMS, her husband died in 1999, her daughter was stressed out and she needed $750 to get her car running to care for her grandchildren. She had $250 and borrowed $500 from payday lenders for $575.

"The nightmare began," she said. Over the next months, she kept rolling her loan over for an additional $65 each time. When she got her income tax refund, it cost her $2,240 to settle her original $500 loan. Another man said small payday loans cost him about $7,000 and he nearly lost the family farm he mortgaged to pay off the small loans.

An array of consumer groups including AARP, ACORN, the Consumer Federation of America, the Better Business Bureau and the Arkansas Education Association, say they expect the bill may be refiled.

"We're only half-way through the session," said Hank Klein, founder of Arkansans Against Abusive Payday Lending.
State Sen. Bobby Glover, D-Carlisle, however, said that bills that failed the first time—especially by a wide margin—rarely make it out of committee the second time.

If a bill fails to get out of committee the second time, it cannot be reintroduced until the next session of the General Assembly.

"I'm not understanding the chemistry," Argue said. "It had huge support in the House." In the House in early February, the bill passed with 90 of the 100 representatives voting for it.Either assuming the outcome or, like Oscar nominees, having a statement prepared "just in case" Arkansas Financial Services Association President Bradley Rodgers handed out a statement after the vote that read in part, "We believe this bill would have further restricted the free choice of hard-working Arkansans in securing short-term credit used to meet family emergencies."

Otherwise, "Arkansas consumers would be faced with the higher costs of bounced checks, bank overdraft protection, pawn shops and credit card late fees that damage credit ratings."

Rodgers, a Stuttgart resident, owns four payday-lending stores.

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