

Another legislative shell game



Pat Lynch

It looks like one of the blazing, chili-pepper-hot issues of this legislative session will be payday lending.

The terminally overeducated, big-brain observers might say that this development is “counterintuitive.” Put simply, so any Arkansas lawmaker can easily figure it out, the business of payday lending is so odious, exploitative, predatory and repulsive that any measures taken to protect the ordinary people should never be considered controversial.

Amendment 60 of the Arkansas Constitution is also known as the 1982 Interest Rate Control Amendment. It ties the maximum interest for business and consumer loans to the prime interest rate. Without making this into some sort of science fair project, this wise measure sets the top interest rate for Arkansas lenders at 17 percent. Of course, corporate criminals in South Dakota and Delaware do things differently, but for the most part reputable Arkansas lenders seem to get by somehow.

Payday lenders often locate around military bases. Being shrewd business folks, they know that young people, away from home and not making a lot of dough, might tend to make bad financial decisions.

Taking advantage of our men and women in uniform is reprehensible, but we should not lose sight of the chilling reality that the primary offense is the astounding rates assessed by these bold practitioners of legalized thievery. State Rep. David Johnson’s proposed House Bill 1036 deals with the problem head-on by punishing the overboard interest charges.

The language of Amendment 60 calls on the General Assembly to pass laws to enforce the measure, but somehow that simply has never happened. The result is that Arkansas has regressed from having a strong, reasonable and protective law to a climate that provides no recourse from these well-heeled rip-off artists.

Incomprehensible and outrageously excessive rollover charges, along with the shady practice of chasing after military personnel like a moonshiner on Saturday night, might be among the least endearing business strategies of this insidious “industry”—a real industry produces some sort of product or service that might benefit society—but we must all remember that it is all about the interest rates. Any proposed legislation failing to deal with the fundamental excessive cost of the transaction is nothing but a miserable deception.

The payday-lending combine is getting stinking rich on a multibillion-dollar enterprise, and the desperation is starting to show up in advertising that attempts to put a softer glow on the brass-knuckle tactics of corporate predators. Interest rates in the range of 300 percent and much higher, coupled with the convenient invitations to “roll over” the loan, are nothing to a debt trap. It is a, for the unfortunate borrowers, a Devil’s Island of economic despair.

Payday lenders don't do favors for anybody except themselves, so it is certainly "counterintuitive" that any responsive lawmaker would not be anxious to take care of the folks back home by curbing a wicked practice roundly condemned by such unlikely allies as the AARP and the Pentagon. Are the simple lives of humble, working people of so little consequence that they are to be bought and sold at the price of campaign contributions?

A Senate committee has darned near killed the good payday lending bill put forward by Johnson, and there is an industry-backed proposal masquerading as reform drifting through the halls of state government. There also are some very smart people among the forces of light, so the courageous and intelligent bill that would punish lending rates above the constitutionally set rate of 17 percent may yet rise from its legislative tomb. There is about to be one heck of a rumble over something about which most decent people would never disagree.

Without substantive regulation, a law that controls the actual interest rate charged, this shameful economic injustice may end up before the people as an initiated act. Arkansans have already made themselves clear on term limits, ethics and the tobacco settlement. The people put lawful restraints on usury into the state Constitution by passing Amendment 60 over two decades ago and they can certainly finish up the job this time.

The General Assembly has distinguished itself by passing tax relief and significant public school legislation, so we know there is more than a little political will residing under the dome. Could there possibly be any downside to protecting our hard-working neighbors? That is, after all, the essence of public service.

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