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## arkansas business news story

**Support Fining Payday Lenders (Billie Ann Myers Commentary)**

By Billie Ann Myers

3/12/2007

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It is so simple. I have a hard time understanding how anyone could question the need for House Bill 1036.

It establishes a small fine of \$300 each time the constitutional limit on interest of 17 percent APR is exceeded. That seems so straightforward to me: This is the law. Here is the penalty for breaking it.

It seems straightforward as well to a large coalition of organizations that represents a great percentage of the registered voters in Arkansas. This coalition, Arkansans Against Abusive Payday Lending, encompasses a broad range of interest groups from across the state who have worked for eight years to right this wrong, but currently seven people on the Senate Insurance & Commerce Committee are preventing the law from being passed. I can't for the life of me understand why.

The so-called "business" of lending small sums of money to people at exorbitant and usurious rates is not good for Arkansas. Exceeding the limit on interest rates is unconstitutional, yet it is allowed to go unpunished. This shows a flagrant disregard for the law and weakens our whole legal foundation. The hands of our prosecutors and judges are tied because the legislature has failed to establish a penalty for breaking this law. Why have a law if you're not going to enforce it? But how can you enforce it, if there is no penalty for breaking it?

Without a penalty and legislative action, abusive payday lenders will continue to take full advantage of this opportunity to charge 300-700 percent interest to some of the most vulnerable, hard-working contributors to our society – young soldiers, airmen and airwomen, seniors on limited incomes, single

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parents.

This so-called “business” is also economically unsound. Payday lending is a multimillion-dollar business in Arkansas. That is money that could be spent in local businesses and could ultimately support the local economy. Our economy also suffers because the productivity of employees caught in this debt trap is effectively reduced because they fear payday lenders will harass them at work or threaten to garnish their wages.

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The Pentagon became so concerned about the harm these loans do to troop readiness and morale that Congress passed a law limiting the interest that a military member could be charged. The Pentagon also sent a letter urging states to enforce their own interest laws as well. That would make a big difference to the troops and other Arkansans who deserve protection from abusive payday lending.

I understand this. Eighteen members of the Arkansas House Insurance & Commerce Committee understand this. Ninety members of the Arkansas House of Representatives understand this. Most of the senators in the Arkansas Senate understand this. However, seven of the eight members of the Senate Insurance & Commerce Committee chose not to vote on this issue, effectively killing it in committee. One has to wonder why they are having so much difficulty understanding something so simple.

If the usury law is not a good one, then change the Arkansas Constitution. If the poorest people of Arkansas need 300 percent – up to 3,600 percent – interest rates, then change the law. But if the usury law is a good law for the rich people, then why isn't it a good law for the poor people? And if the usury law is a good law, then give it teeth so it can be enforced. These seven senators are effectively repealing the law by refusing to assign a penalty for breaking it.

One thing elected officials must listen to and understand is the voters. You can call (501) 682-2902 or (800) 294-8069 and ask state Sens. Critcher of Batesville, Johnson of Bigelow, Miller of Melbourne, Bookout of Jonesboro, Horn of Foreman, Malone of Arkadelphia and Smith of Hot Springs to do the right thing and vote HB 1036 out of the Insurance & Commerce Committee with a “do pass” recommendation. And while you are at it, please be sure to ask your senator to vote yes when the bill is presented in the full Senate.

Payday lending is unconstitutional. It's bad business. Why do these seven senators refuse to fix it? You have to wonder.

(Billie Ann Myers is state president of AARP. Her daughter, Olivia Myers Farrell, is CEO of Arkansas Business Publishing Group. E-mail Myers at [bamyers@aol.com](mailto:bamyers@aol.com).)

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