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Compromise Bill on Payday Lending Wins Senate Approval

Tuesday March 13, 2007 2:43pm



Little Rock (AP) - A bill that would tighten some rules on Arkansas payday lenders won the support of a Senate committee Tuesday. But the measure is a weaker version of a bill that had failed earlier.

The bill, by Democratic Senator Terry Smith of Hot Springs, allows those seeking payday loans to rescind the checks within a day and says no check-casher can seek a criminal "hot check" charge against a client for extending a loan. The bill also allows for the state Board of Collection Agencies to go after check cashers breaking the state's laws.

However, the bill does not require check cashers to comply with the 17% usury limit set in the state constitution.

A House bill requiring that was previously voted down by the Senate Insurance and Commerce Committee.

Smith's bill, which he described as a compromise providing some oversight of the industry, now heads to the Senate floor.

A customer making a \$350 payday loan in Arkansas would write the check-cashing company a check for \$400. 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% annual interest. That is well above Arkansas' usury limit of 17% per year. The bill does not require compliance with the 17% limit.

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Janice Lequie

IP: Logged

Posted: 03/13 9:43p ET

LoL. You gotta love Arkansas's laws. Allow the rip off cash checking payday loan business's to charge 371 per cent interest for a loan, but fine and put in jail people that sell a Razorback sports ticket for a few dollars more than its face value.

Based on the Razorbacks' play during the regular season, did they deserve an NCAA tourney invitation?

 Yes

 No

 Undecided

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williamsk
IP: Logged
Posted: 03/13 8:23p ET

WHAT A WORLD!!!!

The state should stay out of the business practices if they were legal to begin with. The "government" should not dictate how a business is run or what a business can charge for its service. The market decides what they should charge and the returning customers justify the price they charge. The customers are at fault. There are other options for those with financial troubles.

I know, I know LittleRockstar, I'm a privileged white dude with wealthy grandparents who left me millions and am the nephew of Bill Gates. What would I know about money problems.

Lumberjack
IP: Logged
Posted: 03/13 4:24p ET

Let's not stop with payday lenders. Don't allow Credit Cards to charge more than 17X in Arkansas. What's the difference? White most people with decent/good credit won't see 20 + percent it would still be against the law - emirite?

TWIN1957
IP: Logged
Posted: 03/13 4:06p ET

PAY DAY LENDERS ARE JUST A BUNCH OF CROOKS. APPARENTLY THEY SUPPORT THE HOUSE AND SENATE PRETTY WELL.

ezgoi59
IP: Logged
Posted: 03/13 3:34p ET

The payday lending industry is charging a FEE, not interest. If I am one day late with my \$25 water bill, the late FEE is \$1.15. That equates to 1679X interest. If 17X ANNUAL interest is all that should be charged, my late FEE should only have been a little over a penny for one day.

Let the market dictate the interest rates...remove the cap on loans.

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