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Compromised Bill (Editorial)

By Arkansas Business Staff

3/19/2007

Sometimes in politics compromise can be a good thing. It allows for progress on issues when taking a hard-line stand means nothing gets done.

When it comes to clamping down on payday lenders it's difficult to grasp just what is going on in the state Senate, where the Insurance & Commerce Committee last week approved Senate Bill 923, a so-called compromise measure that flies in the face of the state Constitution.

The House has passed House Bill 1036, which would require check cashers to comply with the state's 17 percent usury limit. But for some reason, members of the Senate committee seem bent on maintaining a dual set of interest rate limits: one for check cashers and another – the one set in the Constitution – for everyone else.

It simply makes no sense for check cashers, who prey on low-income residents who can least afford to pay higher interest rates, to be exempt from the law.

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What does make sense is the House bill that makes it a criminal offense to make unlawful consumer loans – those that charge an effective annual rate above the 17 percent usury limit – and levies a \$300 fine for each violation.

Sen. Terry Smith, D-Hot Springs, ought to be ashamed to introduce a bill that protects the payday lenders and gives them a pass on obeying the law. But shame is in short supply these days. Members of the Senate Committee, with the notable and laudable exception of Sen. Jim Argue, D-Little Rock, aren't at all ashamed of their role as enablers of unconstitutional loan-sharking.

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We would like to think the House measure would pass in the Senate – if the committee would allow it to get to a vote on the floor. So far, it has refused, offering instead this “compromise” bill that allows anyone 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 the state Board of Collection Agencies to go after check cashers that break the state's laws. That's laughable. What law – the state Constitution? No, check cashers are apparently exempt from that, which is why they can get away with charging the equivalent of 300 percent interest and more. And the Board of Collection Agencies is a joke, too. Its supposed representative for the “public at large,” Gary Frala of Fayetteville, is treasurer and controller of a payday lender.

A while back the Pentagon issued a report on payday lending's effects on military personnel, and on Oct. 1 federal rules will cap interest on payday loans for military personnel and their spouses to 36 percent or the interest

limits of a state, which in Arkansas is 17 percent.

Marine Corps Maj. Gen. Mike Lehnert called payday lenders “parasites, bottom-feeders and scumbags.”

SB 923 does allow a base commander to place a specific payday lender off-limits to military personnel, but apparently the Senate committee is willing to allow the military personnel based in Arkansas to be at the mercy of the sharks.

And just who is on the Senate panel that approves of the payday lender-sponsored compromise bill?

They are, as we intend to remind readers on a regular basis, Sens. Paul Miller, D-Melbourne; Percy Malone, D-Arkadelphia; Jack Critcher, D-Batesville; Smith; Barbara Horn, D-Foreman; Bob Johnson, D-Bigelow; and Paul Bookout, D-Jonesboro.

Compromise bill? Or compromised senators? You decide.

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