



THE LARGEST PAID NON-DAILY NEWSP

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TOP STORY >>Law gives borrowers lower-rate alternative

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With a new federal law poised to limit to 36 percent annually the interest that can be charged members of the military, Arkansas Federal Credit Union will introduce a new consumer loan to replace the predatory loans currently available by so-called payday lenders and check cashers.

Payday lenders in Arkansas typically make say a \$300 loan for two weeks with a payback of \$350, charging hundreds of percent interest when figured as an annual percentage, but the new law takes effect by October 1.

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Not coincidentally, Arkansas Federal Credit Union—which has taken a leadership position for several years in

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opposing the payday lending industry—will begin offering military appreciation loans at 18 percent annual interest, according to Terry Vick, vice president of lending for the credit union.

The loan is intended to help the troops get out of payday difficulties, Vick says.

“We’ll lend up to \$750 and (also) help build a \$375 savings account,” he said.

The money in the savings account is placed on hold until the entire loan is paid off over the course of a single year.

Essentially, the borrower is getting \$1,125 for \$115 interest, instead of paying \$50 to borrow \$300 for two weeks.

Vick said the loan and savings would help the borrowers out of current difficulties, with money in the bank to face the next emergency.

He said those attending a sergeants’ meeting at Little Rock Air Force Base had warmly received the proposal. Arkansas Federal Credit Union is located just outside the base’s Vandenberg gate.

Vick said if the loan product is well received and works, it might be made available to other credit union customers, probably by employee grouping.

“It’s not (going to be) a money maker for us,” said Vick.



In North Little Rock, where there are twice as many payday lenders and check cashers per capita as in the entire county, the city council has approved the first two readings of an ordinance placing a two-year moratorium on new payday lenders and check cashers.

Throughout all of Pulaski County, there is one such lender per 10,000 population, but in North Little Rock—home of Camp Robinson — the ratio is one lender per 5,000 population. In Jacksonville, home of Little Rock Air Force Base, the ratio is one lender per 6,000 residents.

Attorney General Dustin McDaniel said Tuesday that he is against payday lenders, but that it's tricky to write legislation that limits their activities without affecting banks, which charge \$25 or more per check in overdraft protection—amounts that sometimes figure higher than payday loans.

He said the North Little Rock moratorium could help limit payday lenders but he believes the answer might be for banks to make small, short-term loans available to consumers at interest rates lower than the state's usury cap.

That's what the credit union is doing with its military loans.

POSTED BY THE LEADER AT 7:58 AM

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