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# Arkansas Democrat Gazette

**NORTHWEST ARKANSAS EDITION**

## Payday lenders to repay patrons

BY DAVID SMITH

Posted on Tuesday, December 11, 2007

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Arkansas Attorney General Dustin McDaniel said Monday his office has settled nine lawsuits against payday lenders whose loans were tied to getting Internet access.

Defendants will pay a total of \$ 1 million, including \$ 800, 000 in restitution to

Arkansas customers, and stop any debt collection efforts on outstanding contracts. McDaniel estimated about \$ 4. 5 million in outstanding balances on existing contracts will be canceled.

Restitution to customers will be handled by McDaniel's office.

"Addressing these unconscionable business practices is a priority of mine, and it is my belief that this agreement will go a long way towards eliminating schemes of this nature in Arkansas," McDaniel said in a prepared statement.

Jim DePriest, deputy attorney general of the consumer division, estimated that the businesses had revenue of about \$ 9 million during the 4 1 / 2 they operated.



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DePriest said that \$ 200, 000 of the settlement will be used to cover some of the attorney general's costs. Customers of the businesses will get their money, and the attorney general's office will be paid last, DePriest said. The businesses had about 10, 000 customers in Arkansas, he said.

"They took the position that they weren't in the lending business at all," DePriest said in a telephone interview. "All they did was sell Internet access and you got a rebate, just like you might get a rebate if you bought a TV at Best Buy. We convinced them that we had a pretty good case that we could pierce that and convince a court that these people weren't signing up for the purpose of getting Internet access." The defendants allegedly solicited consumers to set up three Internet accounts, receiving a \$ 100 rebate for each account. The customers then were required to pay \$ 20 every two weeks for each account.

Under the agreement, a customer with three Internet accounts would pay \$ 120 a month for dial-up Internet access, a service that normally costs about \$ 5 to \$ 10 a month.

The business model was simply a disguised payday lending scheme, with annual interest rates exceeding 500 percent, McDaniel said in the statement.

"We figure that that is usurious," DePriest said.

In the settlement, if a customer took out \$ 300 in loans and paid more than that back, he likely will be repaid everything over \$ 300, DePriest said. If a customer never paid more than they borrowed, they will not receive part of the settlement because they lost no money, DePriest said. Their debt will be canceled, however, DePriest said.

In Arkansas, a typical payday loan works like this: The customer writes a check for \$ 400, for example, and receives \$ 350 in cash. The lender usually keeps the check for two weeks before cashing it.

A \$ 50 charge on a \$ 350 loan for 14 days equals 371 percent in annual interest. Under the Arkansas Check-cashers Act, the customer must repay the loan before the agreed-upon date or the lender must deposit the check. Once the loan is repaid or the check deposited, the customer can take out another loan by exchanging another check for cash and promising to repay the loan.

The businesses reaching the settlement operated under the names Dialing 4 Dollars. Net, JonesboroMoneyOnLine. Net, CrossettCash. Net, ConwayCash. Net, Money. Net, ElDoradoOnline. Net, MagnoliaMoney. Net and MoneyInAFIash. Net.

Stores were located in Conway, Crossett, El Dorado, Jonesboro, Little Rock, Magnolia, Pine Bluff, Texarkana and West Memphis.

Defendants in some of the cases included Dwight Blake of Memphis and members of his family — Elaine Blake, Phyllis Blake, Robert Blake and Yvonne Blake.

Customers of the businesses should contact the attorney general's at (501 ) 682-2007 in central Arkansas or (800 ) 482-8982 in other areas of the state with questions about the settlement and whether they qualify for restitution.

Gov. Mike Beebe began filing the lawsuits in 2005 while he was attorney general.

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