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Third of Ark. Payday Lenders Unregulated

By ANDREW DeMILLO updated 5:31 p.m. CT, Wed., Dec. 19, 2007

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LITTLE ROCK - More than a third of the payday lenders operating in Arkansas are not being regulated, opponents of the lending practice said in a study released Wednesday.

The study by Arkansans Against Abusive Payday Lending, a coalition of groups seeking to end the practice of payday loans, said the state has improved its licensing of payday lenders but called for more oversight.

Sixty-six percent of the state's 239 payday lenders are licensed and regulated by the Arkansas State Board of Collection Agencies and 34 percent are licensed and unregulated, the study said. The report noted that the state, which last year did not license 7 percent of payday lenders, has licensed them all.

The report said the businesses it defined as "regulated" were those being monitored for compliance with state law, while the unregulated companies apparently got no oversight.

"Regulating some payday lenders but not others is like enforcing the drinking age for beer, but not for wine," said Michael Rowett, the coalition's chairman.

The coalition, which includes AARP and the AFL-CIO, has pushed for the elimination of payday loans but Rowett said in the meantime the state needs stricter enforcement of payday lending businesses.

Through a payday loan in Arkansas, a customer writing a check for \$400, for example, typically would receive \$350. The lender would keep the check for about two weeks without cashing it and, thereby, allowing the customer time to buy back the check.

The \$50 charge on the \$350 loan for 14 days equates to 371 percent interest, well above Arkansas' usury limit of 17 percent.

The number of payday lenders in the state has dropped over the past two years from 275 in March 2006 to 265 last November.

Rowett said the coalition is hopeful the state Supreme Court will overturn a Pulaski County judge's ruling that the law allowing payday lenders does not violate Arkansas' constitution.

Opponents of the payday-lending industry were unsuccessful earlier this year with efforts to get legislators to approve a law banning the high interest rates charged by the firms. A Senate panel rejected a House bill that would have fined lenders \$300 each time a customer is charged an interest rate above 17 percent.

Likewise, the House rejected a Senate bill that would have allowed customers to rescind the checks within a day and said no check casher could threaten a criminal "hot check" charge against a client for extending a loan. The proposal allowed the state Board of Collection Agencies to go after check cashers breaking the state's laws, giving customers \$1,000 each or twice the value of their check, whichever was greater.


Payday-lending opponents said the Senate measure would have done little to regulate the industry.

Peggy Matson, executive director of the Arkansas State Board of Collection Agencies, said she disagreed with the report's findings and defended the board's enforcement.

"The group confuses their opinions and beliefs with what the law actually is," Matson said.

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