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## TOP STORY >>Year not good to payday lenders

By JOHN HOFHEIMER  
Leader staff writer

This has been a tough year for the payday lenders, check cashers and others of their ilk who essentially make small consumer loans at annual interest rates of hundreds of percent, according to Hank Klein, who founded Arkansans Against Abusive Payday Lending, which delights in confounding such lenders.

“The FDIC stopped banks from partnering with them,” Klein said Saturday, and those lenders that tried to disguise the lending as an expensive Internet service settled a lawsuit with the Arkansas attorney general for \$1 million and a promise to stop doing such business in the



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## TWO SCHEMES DOWN

“That’s two of four schemes they can’t use here,” Klein said.

Arkansas’ usury law allows a maximum of 17 percent on loans, but some payday lenders affiliated themselves with banks and finance companies in other states where there were no limits, then claimed to “import” those interest rates to Arkansas.

Todd Turner is the payday lenders’ worst nightmare—a motivated consumer activist with a law degree and the inclination to use it.

Turner was given “a good court decision” from a Ouachita County judge last week in his suit against Advance America—one of the country’s largest payday lenders. Clauses in Advance America’s loan contracts stipulate that borrowers couldn’t take them to court, but had to resolve any complaints in arbitration.

“The judge said no,” Klein said.

In another case, where a bonding company has declined to pay a judgment against its payday client, Turner has made oral arguments before the state supreme court.



The number of payday lending-type stores in Arkansas has dropped from 275 in 2006 to 239 now, Klein said.

In the past the numbers had continued to grow.

The one victory the payday lenders won in Arkansas this year was a significant one.

The House of Representatives passed a bill that would have found payday lending illegal and unconstitutional—charging 340 percent or more in a state with a 17 percent interest cap—but the bill was blocked in Senate committee.

## CAN'T HIDE

In the past, every time opponents found a way to shut down payday lending, it morphed into a slightly different creature, Klein said. “They are running out of ways to hide this.”

The percentage of Arkansas' payday-type lenders who submit to regulation has grown from 26 percent in March 2006 to 66 percent today, according to AAAPL.

Regulation is by the state Board of Collection Agencies.

In Jacksonville, First American Cash Advance on North First Street is among the licensed but unregulated lenders, as are American Check Cashers on West Main and on JP Wright Loop.

"Payday loans are a losing proposition every day, and this is especially true this time of the year, when payday loans and the holidays make for a very unmerry mix," according to Michael Rowett, chairman of AAAPL.

"We commend the state Board of Collection Agencies for making continued progress toward better regulation, but consumers deserve nothing less than the protections of complete, comprehensive regulation."

## LEGAL COVER

AAAPL believes that the Check-cashers Act, the 1999 state law that gave the industry legal cover to operate in Arkansas, clearly violates the Arkansas Constitution. But as long as the law remains in force, AAAPL believes that each of the state's 239 payday lenders should be regulated under the provisions of the Checkcashers Act.

The average payday borrower ends up paying \$800 to borrow \$325.

Research shows that payday lenders are disproportionately located near military bases and disproportionately target customers who are minority or low-income.

The lenders challenge this characterization of their customers, saying they make loans to borrowers who might have no other recourse.

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