

ABOUT ROBY BROCK

ROBY'S BIZBLOG

Breaking business and political news from around Arkansas
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Tuesday, March 18, 2008 - 2:06:10 PM

FEDS CUT KEY RATE BY THREE-QUARTERS OF A POINT

The **Federal Open Market Committee** voted 8-2 to cut the fed funds rate from 3% to 2.25%, its lowest level since December 2004. The Feds also signaled more reductions are likely to stimulate the economy.

In a statement released in conjunction with the rate cut, the **Federal Reserve Bank** said, "Recent information indicates that the outlook for economic activity has weakened further. Financial markets remain under considerable stress, and the tightening of the credit conditions and the deepening of the housing contraction are likely to weigh on economic growth over the next few quarters."

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Tuesday, March 18, 2008 - 11:22:05 AM

AG CALLS ON PAYDAY LENDERS TO CEASE OPERATIONS (UPDATED)

Attorney General Dustin McDaniel announced today that he is sending letters to payday lending businesses operating under a license in Arkansas, asking them to stop the practice immediately. Citing two recent Arkansas Supreme Court opinions, **McDaniel** advised payday lenders that charging exorbitant interest rates on loans violates both the constitutional limit and the Arkansas Deceptive Trade Practices Act, a law enforced by the Attorney General.

McDaniel called on the businesses to cease their lending practices immediately, void any and all current and past-due obligations of their borrowers, and refrain from any collection activities related to the loans. A failure to do so would likely result in the filing of a lawsuit by the Attorney General, he said.

"These businesses have made a lot of money on the backs of Arkansas consumers,

mostly the working poor. Charging consumers interest in the range of 300 to 500 percent is unlawful and unconscionable, and it is time that it stops," **McDaniel** said. "It is my hope that they comply with my demand but, if they do not, I stand ready to take them to court."

UPDATE: The **Arkansas Financial Services Association**, which represents the businesses often referred to as payday lenders, has issued a statement in response to **Attorney General Dustin McDaniel's** threat this morning to sue companies conducting business in Arkansas.

"We respect the office and responsibilities held by the Attorney General of Arkansas. However, the demand for the payday advance industry exists because we offer our customers a product that is more transparent and less expensive than the alternatives. The hard reality is that many hard-working, well-informed Arkansans sometimes fall short of cash between paydays. Efforts to prohibit or limit the supply of products in this market hurt consumers.

"Arkansans choose payday lending because it costs less than paying bank and merchant overdraft fees and late payment fees on credit cards and utilities, and is preferable to costs and fees or losing collateral to pawn shops. Across the country where consumer choice for payday advances has been limited, other fees have risen, bankruptcies have increased, competition in the marketplace has been reduced, and many consumers have been driven to the Internet or off-shore for higher priced payday advances. Singling out one source of consumer credit, when other choices are actually more expensive, does not resolve the need or demand for the product in the marketplace."

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Tuesday, March 18, 2008 - 10:41:17 AM

PARAGOULD IS SITE FOR \$75 MILLION PLANT

Axis LLC, a joint venture between **American Railcar Industries (ARI)** and **Amsted Industries**, today announced plans to locate a new 135,000 sq. ft. axle manufacturing facility in **Paragould**. The company will invest \$75 million in the facility, which will employ 40 people. The axles produced will be used in railcars and **Axis** expects production to begin by the third quarter of 2008.

"This is another great example of existing business bringing new ideas and investments to Arkansas," **Governor Mike Beebe** said. "American Railcar has already had a major economic impact on Northeast Arkansas, and this new partnership with Amsted Industries will continue the positive growth in Greene County."

American Railcar Industries has existing manufacturing facilities in **Paragould**