



Markets

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Ark. Official Goes After Payday Lenders

By ANDREW DeMILLO Associated Press Writer
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LITTLE ROCK, Ark. — Arkansas' attorney general moved Tuesday to shut down payday lending companies in the state, saying the fees they charge harmed the working poor and violated the state constitution's ban on high-interest loans.

Attorney General Dustin McDaniel said he was sending letters to about 60 companies that run payday lending services, asking them to shut down immediately and void customers' debts or face the likelihood of lawsuits.

"It is the position of this office that you must cease and desist your payday lending practices," McDaniel said in the letters. "In addition, I hereby demand you void any and all current and past-due obligations of your borrowers and refrain from any collection activities related to these payday loans."

He added that failure to comply "will likely lead to litigation to enforce the laws of Arkansas."

McDaniel based his actions on opinions issued last month by the state Supreme Court. He said they make it clear that the high interest rates charged by payday lenders violate the state constitution and the Arkansas Deceptive Trade Practices Act.

The Arkansas constitution has an unusual provision that bars lenders from charging an annual interest rate higher than 17 percent.

The state's Check Cashers Act, passed in 1999, had allowed payday lenders to operate by specifying that their fees "shall not be deemed interest." But the Supreme Court ruled that the act did not give lenders "blanket protection" from the constitutional interest limit.

The Community Financial Services Association of America, an industry trade group, did not have an immediate comment on McDaniel's announcement.

In a typical payday lending transaction, someone wanting a loan goes to a check-cashing company and writes a check. The company gives the person cash, minus a fee, and agrees not to cash the check until his or her payday. In effect, the borrower gets a short-term loan for a fee.

A person writing the lender a check for \$400, for example, typically would receive \$350. If the loan was for two weeks, the \$50 fee charged on the \$350 loan equates to 371 percent annual interest, well above Arkansas' 17 percent limit.

"These businesses have made a lot of money on the backs of Arkansas consumers, mostly the working poor," McDaniel said in a statement. "Charging consumers interest in the range of 300 to 500 percent is unlawful and unconscionable and it is time that it stops."

In December, McDaniel had settled lawsuits that accused businesses of offering illegal payday loans disguised as instant cash rebates for Internet service. The 14 businesses agreed to close

and pay \$1 million to settle the lawsuits.

On the Net:

<http://www.ag.arkansas.gov/>

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sonofafitch wrote:

Once again BIG GOVERNMENT decides the people are too stupid to make their own decisions and has to step in to protect us from ourselves. The sad thing is that we allow them to do it. Until Americans WAKE UP and realize that the people we elect to public office aren't smart enough to make it in the real world or are slick enough to steal from us while we watch, this will continue to happen. Why doesn't the Chronicle also publish a list of all banks and lobbyists that contribute to the Ark AG's political campaign?!? The banking industry PREYS on the lower income segment of our economy to a far greater extent than any other business. Ever bounce a \$25.00 check and have to pay a \$35.00 fee? What's the interest on that? And no I don't work for a payday lender. I just don't believe we're as stupid as our government officials think we are. And it is our duty to question authority when they step over the line.

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