



St. Mark Baptist Church
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 Temperature: 60° Humidity: 93%
 Wind: Northwest at 13.8 mph
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Updated: McDaniel Tells Payday Lenders To Shut Down Or Face A Lawsuit



The state's Attorney General announced Tuesday morning he is shutting down all payday lenders. Those are businesses that give loans with very high interest rates attached.



Attorney General Dustin McDaniel has had enough of payday lenders. He announced Tuesday affective immediately he is shutting them down.

McDaniel says. "I am directing my public protection department to send cease and desist notices to 156 businesses located throughout Arkansas whose business is in the form of payday lending."

Payday lenders offer cash loans for higher interest rates, sometimes 300- 500%. Many times the person who needs the cash can not keep up with paying the interest off.

The Attorney General based his decision on two recent Supreme Court opinions. In both of those cases, which came down earlier this year, the court said the act of pay day lending is deceptive and prohibited in the Arkansas constitution.

State Representative David Johnson led the fight against pay day lenders in the most recent legislative session. His bill created a criminal penalty for those engaging in pay day lenders practices.



Johnson says, "What will happen is someone gets a loan for \$300 but with an interest rate of 300 to 400 percent it becomes hundreds and hundreds of dollars. So that large amount of money is interest, unlawful interest they've been making."

Cheney Pruett, who represents a trade association for pay day lenders, says eliminating their services would hurt consumers.

Pruett says, "They're limiting consumer credit choices which in turn makes them go to higher priced alternatives, such as bank overdraft fees, late fees on credit cards and utilities."

Regardless, McDaniel's staff is already busy mailing letters to all 156 lenders. The pay day lenders will have until April fourth to respond, or face a lawsuit.

McDaniel says he's been investigating pay day lenders for quite some time--but the recent Supreme Court opinions prompted his decision.

A spokesman for the trade association representing pay day lenders says it's too soon to know if they'll challenge the decision in court.

The following is an emailed statement from the Arkansas Financial Services Association, a trade group that represents pay day lenders:

"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."

KTHV & Associated Press
Robert Bell, Executive Producer
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