



Arkansas Blog

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Shut down or I'll sue



That's the ultimatum **Attorney General Dustin McDaniel** issued to **payday lenders** at today's news conference, which I mentioned yesterday.

It's our deadline day so I couldn't attend. I'm still awaiting the answer to a question I submitted to McDaniel through a spokesman yesterday:

What took you so long?

The Arkansas Constitution and Arkansas Supreme Court precedent have been clear on these usurers' practices for, like, forever.

PS -- The lenders can continue to operate if they're willing to settle for 17 percent APR. That's a mere 13.5 points above the federal discount rate and the payday loans are generally fully collateralized by checks, so you'd think the bloodsuckers might be able to eke out a living from the business.

MCDANIEL NEWS RELEASE

LITTLE ROCK— 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. McDaniel defines “payday” lending as short term loans that charge interest in amounts that vastly exceed the usury limit imposed by the Constitution of the State of Arkansas.

Based on the strength of two recent Arkansas Supreme Court opinions, McDaniel is advising payday lenders that charging exorbitant interest rates on these loans violates both the constitutional limit and the Arkansas Deceptive Trade Practices Act, a law enforced by the Attorney General. McDaniel demands that the payday lenders 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 these type loans. A failure to do so will likely result in the filing of a lawsuit by the Attorney General.

According to a 2005 study by the Center for Responsible Lending, it is estimated that payday lenders cost Arkansas consumers \$25 million in fees and excessive interest each year.

"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."

Posted by Max Brantley on March 18, 2008 11:07 AM | [Permalink](#)

Comments

Think we could get McDaniel to go after the credit companies, the real users? I'm paying 30% to HSBC, et al on a hell of a lot more debt than any check casher would allow me to rack up.

But, in all of Max's (& DoG's) wailing & gnashing of teeth about the check cashers I've never seen word one about the credit card sharks.

ARK. BLOG: The credit card companies are purely evil. The evil bankruptcy bill is their work. But here's the difference: They've obtained federal bypasses that allow them to legally charge confiscatory interest rates. Hateful though they are, there's no legal recourse save law changes. The payday lenders have been playing fast and loose, to put it charitably, with state law -- aided by state lawmakers and other elected officials.

Posted by: 70%er  | [March 18, 2008 11:46 AM](#)

Why in the hell would you even use a card with a 30% interest rate? You do have a choice. Get out the scissors and cut it up, now.

Posted by: Nemo  | [March 18, 2008 12:03 PM](#)

Also, those credit card terms aren't contrary to AR usury laws.

Posted by: JK  | [March 18, 2008 12:13 PM](#)

erm. Cuz I needed more than the check casher would lend & the banks just laughed at me.

Posted by: 70%er  | [March 18, 2008 12:22 PM](#)

"The lenders can continue to operate if they're willing to settle for 17 percent APR."

Have they considered how many more customers they might get at this rate? Seems like virtually all credit card rates, except on those cards issued in Arkansas, top 20-plus percent, even if you have sterling credit. Most also warn, in microscopic print, that they can charge as much as 35 to 38 per cent if you make the slightest economic bobble.

Bobbles can include getting caught a day late when a card company decreased the grace period from 25 to 20 days, then regularly took eight to ten days to get my statement to me AND eight to ten days to get the payment posted to my account.

Get your payment in the mail the next day and pray? Not in this house. Damn good reason to tell credit card companies to take a long hike on a short pier. Unfortunately too many people put up with it.

(Guess what? Call to cancel and you immediately and without asking get a supervisor who has the power to rescind the late charge, give you back the 25 day grace period and apologize for any inconvenience.)

Crooks, the lot of them, but you have to fend for yourself because so many of the credit card companies are



headquartered in states -- Nevada, Delaware and North Dakota come to mind but I'm sure there are many more -- which allow this sort of nonsense and Congress is loath to interfere because of states' rights issues. Pure BS.

70%er, you might try to find a card that offers an introductory rate, but read the fine print, follow the terms to the letter, throw every extra penny at it and don't use the card anymore. If getting out from under means taking your lunch to work, cooking at home, re-examining your cell phone and cable or satellite usage, anything you can do to tighten your belt, do it.

And family has to pitch in too. Kiddies don't need a brand new car, cell phones or the latest thing to hit the stores, no matter how much they squall. It'll hurt for a while, but it'll be worth it. Been there, done that.

Posted by: Doigotta  | [March 18, 2008 12:42 PM](#)

What took so long, you ask?

I'd venture a guess that most of his legal staff has been so busy doing pro bono work for the chicken houses getting sued by Oklahoma for dumping chicken shit (not Mike Beebe, the real thing) into our water. Now that the case is wrapping up, they'll have time to work on little stuff like this.

Posted by: calmwriter  | [March 18, 2008 12:46 PM](#)

I think that no credit card company should be allowed to do business in Arkansas if they charge more interest than Arkansas laws allow.

Besides, there's a bank in Arkansas that only charges 7 1/2 percent interest.

Posted by: chasv  | [March 18, 2008 12:54 PM](#)

70%er, Listen to Doigotta, he is providing some good advice. I hope you are able to make more than the monthly payment, or you will never get out from under that high interest rate. I once had a good friend that got so far into credit card debt that she could not buy a new car because no one would give her a loan, or a lease on a car. Her parents had to end up buying the car and she paid them back. She was 45 years old. And she said that about it, almost all her debt was for clothes and shoes. She is still trying to recover years later.

Posted by: Earl  | [March 18, 2008 01:38 PM](#)

To put things in perspective, today's action by Attorney General McDaniel is, indisputably, the most comprehensive and proactive action taken against payday lenders by a state official in the 9 years since the Legislature passed the law that shamefully allowed these outfits to set up shop legally in our state. Luckily, that law (which was written by the payday lending industry, by the way), the legislative equivalent of a boil on our state's collective backside, has at last been lanced.

Max is correct that federal law specifically exempts credit card companies from state usury laws. If you think credit card rates are too high, write your congressman and U.S. senator. There's nothing anyone at the state level in Arkansas can do about credit card rates. It's worth pointing out that the example cited of a 30% APR credit card is dwarfed by the 300% APR and higher charged in each and every payday lending transaction.

But the lack of state enforcement authority on credit card rates shouldn't preclude the state from taking action on financial entities it CAN regulate--namely, the payday lenders. Sayonara, leeches.

Posted by: muckraker  | [March 18, 2008 02:20 PM](#)

Which one, chasv? Simmons is near that but you have to have "excellent" credit. A "good" rating might net you a slightly higher rate but still decent rate.

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Posted by: Doigotta  | [March 18, 2008 02:30 PM](#)

That pic of Dustin shows how he is still wet behind the ears. Man, we need older more mature men in positions of most importants. Damn, he doesn't know the difference from democracy and communism by not throwing out a law the legislators passed in 2005 that is clearly communist.

Posted by: chasv  | [March 18, 2008 02:34 PM](#)

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Posted by: chasv  | [March 18, 2008 02:35 PM](#)

Simmons is it, Doigotta.

That pic of Dustin shows how he is still wet behind the ears. Man, we need older more mature men in positions of most importants. Damn, he doesn't know the difference from democracy and communism by not throwing out a law the legislators passed in 2005 that is communist.

Posted by: chasv  | [March 18, 2008 02:37 PM](#)

>>Also, those credit card terms aren't contrary to AR usury laws.<<

If you carefully notice when you "apply" for a credit card the application will clearly say which state's laws apply. The card companies are located in North Dakota (I believe) where usury limits are very high and terms of the contract between you and the cc company are slanted heavily in favor to the cc company. The transaction between you and the cc company is considered as having taken place in ND.

Until there is a change in federal law there is not much Ark's AG can do about cc abuses.

Posted by: eLwood  | [March 18, 2008 02:53 PM](#)

Payday lenders. Usurious "credit" rates. Okay. Let's take a look.

The MSM (print, TV, interactive) is driven by advertising urging everybody to aspire to a certain lifestyle, certain clothes and cars, certain flat-screen TVs, certain deodorants. Spend, spend, in other words. Consume!

Truth? Consumers' actual spending power has steadily declined in the past forty years. Jobs have disappeared: often outsourced to countries whose populations are grateful to work for \$20 a day.

So MSM advertising fuels a constant, daily desire to keep-up-with-the-Joneses. Even though the Joneses occupy the top 5% of Americans.

Which in turn fuels the credit industry - including payday lenders.

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Nobody NEEDS a flat-screen TV or a Prada purse. But, by God I can CHARGE it! I'll never even notice that I'm paying 50% more than the purchase price in interest because I can enjoy it all NOW!

In other words, I'm living beyond my means.

That's right, Razorbacks. Try this little experiment. Put all your credit cards in a lock-box at your bank, so they're not readily available in your wallet or pocket.

Carry only an ATM card. ONLY!

Does the thought frighten you? Then you've got a problem and you're supporting the "credit" industry to the tune of billions annually, because you, "Have to have it NOW," only you can't afford to pay cash for it.

Big ticket items like a home or car? Of COURSE you don't pay cash, unless you're in the top 1% bracket.

The rest of life? Wanna save big bucks? If you can't pay cash, don't buy it.

MSM advertising creates the desire: the "credit" industry creates the means. The means to keep you locked into an every increasing debt lifestyle.

Of course, if everybody realistically lived within their means, we'd actually see to what degree the majority of Americans have sunk economically, and how subservient they truly are to the powers that be who collect all that interest.

Except for people who live within their means.

I'm with Simmons too. Have been for 30 years. Like their rates.

But I'm fine with payday lenders. Like I'm fine with fortune-tellers.

Anybody who consistently overextends themselves financially needs some lessons in life-management issues - available free at social services agencies like the Family Services Agency in North Little Rock.

If somebody chooses to consult a fortune-teller to talk with dead relatives, fine. Pay up. Maybe it's worth it to you.

If somebody chooses to position themselves to need a payday lender, fine. Pay up. Maybe it's worth it to you.

Sure, I'd like to see a cap on payday lenders' (and banks, for that matter) usurious interest rates and "fees."

Better, I'd like to see Americans educate themselves on their financial habits, motivations, self-education and monetary practices. Living within our means would quickly reveal the TRUE state of the American economy.

The resources are out there. But it takes a bit more work than simply accepting the next credit card offer that arrives in your mailbox.

Posted by: NormaBates  | [March 18, 2008 04:06 PM](#)

Amen, Norma.

I was ignorant in college, as I still am often today, and I got a wallet full of plastic which I promptly used used. Along with my college degree, I had the joy of facing bankruptcy. Years later with good credit and a house earning equity (actually, right now, maybe it's not) I've adopted the system you just mentioned. It's debit only for me, no credit, unless it's a dire emergency. It's tough. I often turn down offers to join peers after work for drinks or dinner because it simply isn't in the bank. They all use plastic like there is no tomorrow. For some of them, financially, tomorrow will be very bleak.

I think it's caused me to suffer, as often these after work get togethers turn into tomorrows meeting topic. Maybe they're better for it, maybe I'm not very smart. Either way, I'll pass on the plastic.

Posted by: calmwriter  | [March 18, 2008 04:28 PM](#)

CalmWriter -

Dr. Norma, here. (Somewhere between Dr. Ruth and Dr. Laura). God, do I identify with the problem you elicit. Namely, after-work socializing over drinks and / or dinner when you can't afford it and have to put it on plastic, thus elevating the actual price of your \$4.50 scotch and water to \$22.

Smoove move to decline these "parties."

The trick? To pre-think ironclad excuses for not participating. "My grandmother died and I have to do visitation in El Dorado tonight." That's good once. Frankly, you cannot continue killing off imaginary family members for long without let's-have-a-drink work colleagues gazing askance. Really, you can't.

What to do?

Simple.

Join them for after-work festivities! Just have a soft-drink or two! No dips-and-chips. No booze. "Nah, I just don't drink much." Simple.

Better? Establish street cred whilst sipping a single Coke. "Ever since my DUI, I hate to drink and drive." Also subliminally implants socially PC message.

Enjoy their company for the price of a Coke.

You're welcome.

Dr. Norma

Posted by: NormaBates  | [March 18, 2008 05:17 PM](#)

How about a cartoon for this rainy day.....click on Cato

Posted by: Cato  | [March 18, 2008 05:25 PM](#)

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