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Friday, March 21, 2008

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State to check cashers: Shut down

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Arkadelphia, AR

By Donna Hilton

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Arkadelphia attorney Todd Turner said he is pleased that his work on behalf of consumers is paying off. Turner referred to Tuesday's announcement by Arkansas Attorney General Dustin McDaniel telling check cashing operations in the state to shut down.

Turner said he is "happy about what I've been hearing." He has worked for many years on the repeal of the state Check Cashers Act that allows the check cashing services to charge large interest rates to consumers.

He maintained that the practice, which results in consumers paying more than 300 percent interest on loans, is unconstitutional. The Arkansas Constitution allows lenders to charge interest rates of no more than 17 percent.

McDaniel gave Turner some of the credit for his decision to close the companies.

"Todd represented the consumers on both of the Supreme Court cases that were handed down this year," McDaniel said. "Those rulings paved the way for this

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effort. He (Turner) has long been a champion for consumers on this issue, and his work is paying off."

In letters to check cashing companies, McDaniel demanded that the payday lenders shut down immediately. He also demands the companies forgive any current or past-due debts of their customers.

"It is the position of this office that you must cease and desist your payday lending practices," McDaniel said in the letter. "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 said he based his actions on two recent Supreme Court opinions that make it clear that the high interest rates charged by payday lenders violates the state constitution and the Arkansas Deceptive Trade Practices Act.

In payday lending, a person who wants a loan writes a check to the lender, and the company agrees not to cash the check for a specific period of time, and gives the customer a portion of the amount of the check.

The remainder is retained by the lender as the "fee" for the loan. At the end of that period, the company will cash the check to get their money back.

The practice has created fear in the minds of some of the companies' customers, Turner said. "Some of these people are terrified that they'll be arrested" for disobeying the rules. "I tell them that this is not a criminal matter. It's like a mortgage that can be collected by foreclosure, but not criminal action."

Turner said he was proud of McDaniel for his decision. "He's doing his job."

One lending company in Arkadelphia verified that they were open for business on Tuesday after McDaniel's announcement.

However, the employee said she could not comment on the situation and offered to fax her company's

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