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Arkansas Democrat Gazette

NORTHWEST ARKANSAS EDITION

Closing, 22 payday lenders tell state

BY DAVID SMITH
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Arkansas Attorney General Dustin McDaniel said Tuesday that more than 20 payday lenders have said they plan to close in response to his directive last month to 156 payday stores that they have to shut down by Friday.

On March 18, McDaniel's office mailed letters to 156 payday lenders, telling them to "cease and desist your payday lending practices" because they violate the state's constitutional 17 percent usury limit.

Gabe Holmstrom, spokesman for McDaniel, said 22 stores have said they will close.

"And based on additional reports from consumers, it appears several others are winding down as well," Holmstrom said. "No one has said they will fight the order in court." Holmstrom declined to name the 22 stores.

"We'll wait until after the deadline has come and gone before we say who did what," Holmstrom said.

Jerry McCoy, owner of All American Cash Advance in Wynne, said Tuesday he hasn't made a decision about what he will do.

McCoy said last month that he would wait until attorneys for the state association give advice about what to do.

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"I'm not at liberty to say what we're going to do," McCoy said.

But Cheney Pruett, president of the Arkansas Financial Services Association Inc., said the association has no specific plan for payday lenders as a group, other than to advise that they check with their own attorneys.

Some stores have already closed and some are in the process of closing, Pruett said.

"But it is the goal of any of the members of the association to continue to serve our customers while operating lawfully," Pruett said. "We stand behind this statement: The bottom line is that if this is successful and all payday lenders are closed, Arkansans will pay more for short-term cash. We're the least expensive alternative for shortterm cash." Pruett said the possibility of filing a lawsuit against McDaniel was discussed at a meeting of association members last week.

"But as far as whether that will happen, I don't know," Pruett said.

On Tuesday, Arkansans Against Abusive Payday Lending said that Advance America Cash Advance Centers seems to be using a strategy it used two years ago in Pennsylvania. Advance America is based in Spartanburg, S. C., and operates 30 payday lending stores in Arkansas.

Jamie Fulmer, director of public affairs for Advance America, did not return a call for comment on Tuesday.

Signs at some Advance America stores in Arkansas indicate the company will not be making loans to new customers, the antipayday-lending group said. But loans to existing customers can be renewed at no interest.

"It is our belief that they are using this to basically bide time to keep their customer base so they can snare people in some other project and claim it is not payday loans," said Michael Rowett, chairman of the group.

After three months of interest-free loans in Pennsylvania two years ago, Advance America began offering loans at 5.98 percent interest but also charged a "monthly participation fee" of \$ 149.95, Arkansans Against Abusive Payday Lending said. Pennsylvania eventually found the practice illegal, the anti-paydaylending group said.

In Arkansas, taking out a payday loan works like this: The customer writes a check for \$ 400, for example, and receives \$

350 in cash. The lender usually keeps the check for two weeks before cashing it.

A \$ 50 charge on a \$ 350 loan for 14 days equals 371 percent in annual interest. Under the Check-cashers Act, the customer must repay the loan before the agreed-upon date or the lender must deposit the check. Once the loan is repaid or the check deposited, the customer can take out another loan by exchanging another check for cash and promising to repay the loan.

Often a customer who takes out a \$ 350 payday loan may end up paying more than \$ 1, 000 in interest and fees, McDaniel said last month.

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