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- HOME
- BLOGS
- THIS WEEK'S ISSUE
- ENTERTAINMENT
- GUIDES
- MULTIMEDIA
- REAL ESTATE
- CLAS

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## Arkansas Blog

SEARCH

[« Nonsense](#) | [Main](#) | [We've had it »](#)

### Death rattle or stall?

Attorney General Dustin McDaniel appears to be satisfied that payday lenders are heeding his demand that they stop usurious lending. But are they?

McDaniel, who had threatened to sue companies that continued to lend at more than the constitutionally permissible rate of 18 percent, had sent letters to companies representing 156 payday-lending locations. He said today that 52 companies had advised him that they will “comply with the laws of Arkansas” at all their locations and that another seven had ceased operations. But do the “laws of Arkansas” include the state Constitution, as it is rigidly interpreted by the Supreme Court? McDaniel said that “in the coming days and weeks” he would try to ensure the accuracy of their representations.

Meantime, the lenders opened a counteroffensive. If the payday lenders leave Arkansas, they ask, how will needy people obtain loans for emergencies? (Will they have to get by until the next payday as they did before the check cashers moved in a decade ago?) They cite a New York federal bank study and other sources that concluded that the other remedies — bounced checks, bankruptcy, overdraft protection, credit-card late fees and offshore payday advances — were far costlier than the typical 391 percent interest charged by payday lenders.

By fall, the Arkansas Supreme Court should settle matters with some finality.

McDaniel’s press release and that of the Arkansas Financial Services Association are on the jump.  
McDaniel on Payday Lenders: A Good Start,  
But a Long Way to Go

LITTLE ROCK— Today, Attorney General Dustin McDaniel announced a large response to the 156 letters sent March 18th to licensed payday lenders demanding they cease illegal lending practices in Arkansas.

As of today, the Attorney General’s office has received direct word from fifty-two companies advising that they will comply with the laws of Arkansas, which were outlined in the March 18th letter. Based on media reports, consumer calls, and other contacts, the Attorney General has reason to believe that another seven have also ceased issuing payday loans. These fifty-nine companies account for almost all the 156 locations that were targeted by the March 18th letter.

In the coming days and weeks, the Attorney General will be making an effort to ensure the accuracy of these companies’ representations and reports. To the extent any of these businesses continue to either make usurious loans or collect on such past loans, they make themselves prime targets for litigation.

The Attorney General wants it clear that individuals and entities that have engaged in the unlawful practice

in the past, including those that responded by letter, are not clear from liability for those past acts. However, the primary focus at this time is to stop the practice. Finally, those companies that engage in usurious payday lending that did not receive the letter this time will be addressed in the near future.

"While I am pleased with the initial response, there is still much work to be done," McDaniel said. "My staff and I remain committed to bringing about the end of illegal payday loans in Arkansas."

News Release  
Arkansas Financial Services Association

We respect the office and responsibilities held by the Attorney General of Arkansas. Payday lenders in Arkansas are currently regulated under the Arkansas Check Cashers Act and service thousands of households annually. In addition, the industry employs approximately 1,000 Arkansans.

We do not know the future of the payday advance industry in Arkansas. As Attorney General McDaniel said in his press conference, many lenders have closed their doors while others have decided to stop deferred presentment services. One thing we do know is that if all payday lenders are forced to close their doors in Arkansas, Arkansans will pay more for short term credit. The bottom line is that working adults are best served when given a variety of options and trusted to make financial decisions based on what's best for them and their families.

Eliminating payday loans as an option does not eliminate the need for short-term credit. Instead it forces consumers to choose between more expensive alternatives such as fees for bounced checks, overdraft protection, or late bill payments or even unregulated off-shore Internet lenders. All products or fees which consumers say they use payday loans to avoid.

Posted by Ernest Dumas on April 8, 2008 07:26 PM | [Permalink](#)

## Comments

Well one more special interest group failed to learn that Money is God. You would have think they of all people should know that. Had they worshiped the modern god and sent it to McDaniels none of these problems would befall the payday lenders. Government is a racket and money moves every bit of it.

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The honest politician is one who, when he is bought, stays bought. ~ U.S. Senator Cameron (1862)

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Posted by: eLwood  | [April 8, 2008 07:55 PM](#)

The bankers are behind this and if it were possible they'd shut down all the federal credit unions. There should not be any charge for hot checks because eventually they'll get their money. A business should be responsible for all the check they cash, period. Like it used to be.

Posted by: chasv  | [April 8, 2008 08:46 PM](#)

Offshore payday lenders? Just how does that work?

Posted by: OPRA  | [April 9, 2008 12:45 AM](#)

Offshore payday lenders? Just how does that work?

Posted by: OPRA  | [April 9, 2008 12:46 AM](#)



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