

# Not All Payday Lenders Close

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By [John Henley Jr.](#)  
The Morning News

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ROGERS - Not all payday lenders in Arkansas have stopped giving loans. Some haven't even been told to stop.

Dustin McDaniel, state attorney general, announced March 19 he was sending letters to all payday lenders in the state asking them to stop making payday loans immediately, according to a news release obtained from the Arkansas Attorney General's Web site.

W. Cosby Hodges Jr. with American Check Cashers and Graham Street with Payday Money Stores both said they did not receive any letter.

"There's quite a few of them operating under the banking model," said Justin Allen, chief deputy to the attorney general.

They claim they fall under federal banking regulations and are not subject to the state's usury law and the Arkansas Constitution, "But, we believe they are," Allen said.

The state's usury law limits to 17 percent the interest that can be charged on a loan. Payday lenders are required to put an annual percentage rate on contracts. Payday Money Stores charge a \$15 fee for a \$100 loan, which must be paid back at the end of a two-week period, Street said. When applied to Payday's terms, the annual percentage rate is 390 percent.

American and Payday are both licensed and regulated by Mount Rushmore Loan Co. Hodges is listed in the articles of organization as the organizer of Mount Rushmore, according to documents obtained from the South Dakota Secretary of State's Web site.

Marilyn Person is listed as the registering agent, according to the articles. Person is the agent listed for South Dakota by National Corporate Research. National is a professional registered agent company that provides nationwide statutory representation, according to its Web site.

Hodges, who is also listed as the vice president of H & S Payday Money Store, according to the Arkansas Secretary of State's Web site. Hodges declined to speak on the record.

Allen said there are several different models under which payday lenders can and do operate.

"One model involves cashing checks and charging membership fees," Allen said. "It's only limited by a person's creativity.

"The idea is for them to separate as much as possible the interest from the loan," Allen said.

The most common type of model for payday lenders is the deferred presentment model, which is provided for by Act 1216 passed by the Arkansas Legislature in 1999.

Deferred presentment involves taking a check from someone, giving them money and allowing the customer to repurchase their check at a later time.

Allen said the attorney general's office will get to payday lenders operating under other models, but said it will take time.

More than 90 percent of the 156 payday lenders targeted by the letter have closed, McDaniel announced on Tuesday.

Street noted that although Payday is licensed and regulated in South Dakota, they are also licensed and regulated in Arkansas, as well.

"We're all against 400 percent interest," Street said.

"The idea that payday lending will go away is incorrect," Street said. "There will just be higher forms of lending like Internet-based payday lending, which is not regulated."

Street maintains that what Payday charges is a fee-based service, not a loan.



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"Whatever success payday lending enjoys is a result of it being the most cost effective financial solution for our customers," Street said.

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**arkietex** wrote on *Apr 9, 2008 10:13 PM*:

" Boy is this smelly or what? Street states that he is against 400 percent interest rates, but also states he charges a fee that equates to a 390 percent interest rate. Look we all know that you can claim it as a fee, but by any other name it is interest on the money they "Loan" you for two weeks. For that matter, what Bank does not charge fees? What is a return check fee? Overdraft Fee? Can those not be considered as wrong as the fee Check Cashers charge? "

**ozarks** wrote on *Apr 10, 2008 1:46 PM*:

" You are correct arkirtex. Banks, Pawn shops and check cashiers all bleed their customers. I would not have so much of a disagreement with our great attorney general if all applied the same to all loans. My bank would charge \$17.50 if I were to bounce one \$1.00 check and that same check could be run through 2 times. And the business has a \$25 fee. That is a heck of an interest rate. But you can't borrow from payday loans if needed to make sure the check didn't bounce in the first place. Those folks that borrow from paydays know what they are doing and should have the freedom borrow, or the state. During taxes, I needed a one page monthly statement I had misplaced. That was a \$20 fee. It never ends. The banks call them fees, come and help me attorney general. Save me from my bank taking hundered from me every year for all kinds of fees and never laon me a penny. Big Brother needs to get out of our lives and stop protecting us from ourselves. "

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