Monday, April 14, 2008 10:57 AM CDT

McDaniel Does State Great Service

Here, here for Attorney General Dustin McDaniel.

McDaniel has pounced on payday lending firms with both feet, and has done so in response to two rulings from the state Supreme Court, which said the triple digit interest rates charged by these outfits on a short-term basis were “unconscionable.”

Last month, McDaniel sent letters to the 60 or so companies that operate 156 lending outlets across the state saying they needed to stop their practices.

“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,” McDaniel wrote, according to an Arkansas News Bureau report.

In response, more than half of the 60 companies initially indicated they would close. Last week, 52 of them, which represent 147 outlets, said they would no longer issue loans with interest rates above the state’s usury limit of 17 percent.

McDaniel said early on that he thought this would be a tough fight with the companies, but that hasn’t been the case.

“It’s possible that everyone has agreed to comply with our demands,” he said, pointing out that indications were that the other seven companies were going to comply as well. “This response was honestly not expected, and it is very, very encouraging.”

Payday lenders have said their service is needed and that what they charge are fees, not interest, and as such, their practices are legal under the 1999 Check Cashiers Act. The Supreme Court, however, has said the act does not give the companies blanket immunity from complying with state usury laws or allow practices that violate the Arkansas Deceptive Practices Act.

Those who oppose the practices of payday lenders say they prey on the poor and others who can’t get conventional loans.

“As badly as I’m concerned about people who need $50, $100 or $250, I’m more concerned about them winding up paying $1,000 or more to try to repay it,” McDaniel said. “They were in poor financial straits when they needed that micro-loan, they obtained it, and then all of a sudden, they’re caught in a trap that makes their financial circumstance all the worse.”

Payday lenders point to fees that other businesses charge and say those are tantamount to high interest as well, such as overdraft protection at banks and late payment fees for credit cards. McDaniel said he was aware of those situations but that federal law and not credit cards. McDaniel said he was aware of those situations but that federal law and not state law may govern those institutions. In the end, though, he said he wanted to bring the payday lenders that operate within the state into compliance with state law.

The attorney general said his office would be watching these businesses as they changed their practices and that businesses that continue to make high-interest loans or collect interest on previously made high-interest loans would be subject to lawsuits.

As the payday lenders said, there’s a place in the world for short-term loans, and we have no argument with that stance, but the Supreme Court has determined that that place in the world will be associated with reasonable interest rates. It’s encouraging to see the state’s attorney general quickly and eagerly putting some muscle behind the ruling and protecting those who are vulnerable and who found themselves sinking ever deeper into debt because of these high-interest loans.

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