

Payday Lenders Still Open

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By Jason Wiest

Arkansas News Bureau • jwiest@arkansasnews.com

LITTLE ROCK — About one-third of the payday lending operations Attorney General Dustin McDaniel ordered to shut down or face lawsuits are still up and running after adopting new business models to try to avoid regulation, opponents of the practice said Wednesday.

A report released by Arkansans Against Abusive Payday Lending showed 55 of the 156 payday lending stores McDaniel warned were, in the group's opinion, still acting illegally.

"Many of these stores call what they're doing a restructuring. We call it a masquerade," Michael Rowett, the advocacy group's chairman, said at a news conference.

McDaniel's office said it is investigating the stores acting under different models that might not comply with state law.

"We cannot definitely say, however, at this time that each and every such operation is illegal," the attorney general's office said in a statement.

In May, McDaniel filed four lawsuits against 20 stores he said did not comply with cease-and-desist letters his office sent warning payday lenders to stop the practice or face lawsuits.

Of the 55 stores still operating after receiving the letters, 15 are owned by the current president of the state payday lenders' trade association, his predecessor, the industry's representative on the state board that regulates the industry and two of his relatives, the group said.

"It's disappointing that the industry, particularly its leaders, refuses to recognize that a clear, unmistakable signal was sent by both the Arkansas Supreme Court and Attorney General McDaniel," Rowett said.

Cheny Pruet, the association's spokesman whose father owns seven payday lending operations across Arkansas, did not immediately return a call Wednesday seeking comment.

Forty stores now issue loans as a corporate check or money order, then ask customers to cash it at the store for a 10 percent fee, the group said. The fee translates into an annual percentage rate higher than the state's 17 percent usury limit, the group said.

Other stores are charging customers fees to find loans for them from another lender but the businesses are usually affiliated, according to the group. Still others attempt to operate in Arkansas on a payday lending license from South Dakota.

A store in Hope processes loans and approves borrowers, who are given a folder with their paperwork and instructed to go to Texarkana, Texas, where the loan will be completed at another store with the same owner, the group said.

A chain of three pawnshops that operates payday lending stores buys a vehicle from a customer, who then repurchases the vehicle at a higher price in three monthly payments with no interest, the group said. The difference in price, when viewed as interest, exceeds state's usury limit, the group said.

An additional 81 stores remain open, having not received a letter from McDaniel because they are not regulated for compliance with the Arkansas Check Cashers Act of 1999 by the Arkansas State Board of Collection Agencies.

The total number of payday lenders operating in the state has fallen from 237 in March to 136 this month, the advocacy group said.

"Each and every payday lender operating in the state of Arkansas is currently under



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