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Payday lenders refuse to shut down

Thursday, July 24, 2008

Jody Shackelford, Staff Writer

Shut down or we will shut you down - with a law suit, was the cry of Arkansas Attorney General Dustin McDaniel in early 2008, but as of July 16 one out of every three lenders are still in operation and working to avoid state regulations, according to the Arkansas State Attorney General's Office.

The report by Arkansans Against Abusive Payday Lending shows that 55 of the 156 payday lenders targeted by McDaniel with cease-and-desist letters earlier this year are still in operation.

A report from an advocacy group said the lenders, "have developed new business models in an attempt to avoid even the minimal regulations of the Check Cashers Act and, more significantly, the recent crackdown by the Attorney General."

McDaniel said lenders statewide would be served with a lawsuit if they did not stop all functions as of April 4.

101 lenders closed in response to the cease-and-desist order. The attorney general in May filed lawsuits against 20 payday lenders that he said were violating the state's constitution by charging high-interest loans.

McDaniel stated that the lenders in some cases were charging customers nearly 300 percent interest per year, while lenders said that interest schedule was flawed because they only charge a one time fee per loan that is to be paid within 30 days; further saying no interest is incurred if the balance is not paid in that time period, only a one time late fee applied.

The advocacy group said that the total number of payday lenders operating in Arkansas has dropped from 237 in March to 136 this month.

McDaniel's office has said he focused on companies that offer deferred presentment loans, where the businesses not only exchange cash for a check but also agree to delay the depositing of the check for a specific time.

In an April interview with Chief Operating Officer Ginger Holaway of Cash Mart at the corporate office in Mountain Home, she explained the other side of the coin.



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The Arkansas State Board of Collection Agencies controls the licensing of payday lenders and Holaway said the rules and regulations set by the board are what they follow.

Holaway said the business follows a fee schedule handed down by the state itself. Based on that schedule a person is told how much they can borrow based on their income.

"We don't want people to borrow money that they can't afford to borrow," Holaway said.

Holaway explained that a person wanting to borrow \$350, which by law is the most any one person could borrow in the state of Arkansas, is charged a \$50 fee, bringing the total to \$400. The \$50 fee includes a \$10 administrative fee and 10 percent of the face value of the check (\$400).

"The situation is that when a person comes in to get a loan they write us a check for \$400. We hold that check for 30 days, \$350 plus the \$50 fee. All of these loans are for 30 days. After 30 days they bring in the cash, the \$400, and then we give them their check back and it is all done and over with," Holaway said.

Since the interview with Holaway in April, the Cash Mart in Highland has been closed.

McDaniel's says the \$50 charge on the \$350 loan for 14 days is the equivalent of interest at a rate of 371 percent a year, well above Arkansas' 17 percent limit set out in the state's constitution.

Arkansans Against Abusive Payday Lending (AAAPL) has developed an alternative product to the traditional Payday Loan for Banks and Credit Unions to offer their customers/members.

This product, a Payday Alternative Loan (PAL), features a reasonable interest rate established by the Financial Institution, installment payments that fully amortize the loan in 6-12 months and a savings component that helps the borrower establish a savings account equal to the amount borrowed, according to the group.

The advocacy group also offers alternative ideas for individuals in the place of payday lending, including payment plan with creditors, overdraft protection at a bank or credit union, advances from employers, Consumer Credit Counseling Service (CCCS), cash advances on credit cards, credit union loans, military relief societies, help from friends and family, emergency assistance programs and cost of a bounced check or late fees.

Lawsuits are expected for payday lenders still in operation in Arkansas.

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Banks Charge MORE than Payday Loans

Researchers at East Carolina University's Department of Economics published an analysis of payday loans compared to charges by bank overdraft services.

The result: the rates of payday loans were twenty times lower than the alternative.

To quote the study, "Banks charge customers who occasionally bounce checks (one to 10 times per year) interest rates exceeding 6,000 percent. Those who overdraft their

accounts more frequently can pay more than \$3,000 in fees annually. In an extreme example, a bank forced one individual to pay an interest rate of over 260,000 percent for a mere \$3 overdraft left outstanding for a single day."

The banks are driving the attacks on payday lenders. They make BIG BUCKS and CHARGE MORE!!! THEY WANT THE WHOLE PIE.

Hank Klein in Arkansas started his crusade as a main player at an Arkansas Credit Union as a way of increasing PROFIT!!!!

When payday lenders leave, , BANKS CHARGE EVEN MORE!!!

-- Posted by **DarwinAward** on Thu, Jul 24, 2008, at 6:57 PM

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