



Arkansans Against Abusive Payday Lending

www.StopPaydayPredators.org

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Advance America actions in Arkansas mirror company's effort in Pennsylvania to evade 2006 crackdown

Billed as the nation's largest payday lender, Advance America demonstrates industry resistance to Attorney General's March 18 shutdown order as April 4 response deadline approaches

LITTLE ROCK—Arkansans Against Abusive Payday Lending (AAAPL) today cautioned Arkansas consumers that Advance America's recent actions in the Natural State mirror the payday lender's efforts in Pennsylvania to evade a 2006 crackdown on the industry's abusive practices.

Signs displayed at Advance America locations in central Arkansas state that the company will not be making any loans to new customers, but loans to existing customers can be renewed at 0 percent interest (see attached picture). Advance America, which currently operates 30 locations in Arkansas (see attached list of locations), used this same approach in Pennsylvania after the Federal Deposit Insurance Corporation (FDIC) in March 2006 advised banks not to partner with payday lenders. After a bank severed its partnership with Advance America, the payday lender employed the 0 percent interest approach to retain its customer base while it developed a new means of evading Pennsylvania's ban on payday lending.

Arkansas Attorney General Dustin McDaniel on March 18, 2008, issued cease and desist letters to payday lenders in Arkansas, citing two recent Arkansas Supreme Court decisions that made clear payday lenders were subject to the Arkansas Constitution's 17 percent annual interest rate cap on consumer loans. Payday lenders in Arkansas were ordered to stop making loans and to forgive any debts owed on existing loans. Attorney General McDaniel gave payday lenders until April 4—this coming Friday—to respond to the letters.

"Advance America in Arkansas apparently is mounting an encore performance of its unsuccessful 2006 effort to evade a payday lending crackdown in Pennsylvania," said Michael Rowett, Chairman of Arkansans Against Abusive Payday Lending. "Advance America's actions, in clear defiance of the Attorney General's directive, symbolize the Arkansas payday lending industry's continued attempts to avoid accountability and keep padding profits by charging consumers abusive and outrageous interest rates."

In Arkansas after the March 2006 FDIC advisory, First Fidelity Bank of Burke, S.D., decided to end its partnership with Advance America. Advance America received licenses from the Arkansas State Board of Collection Agencies and decided to make payday loans under the state's Check-cashers Act of 1999, a payday lending-industry written law designed to allow payday lenders to circumvent the Arkansas Constitution and charge Arkansas borrowers 372 percent to 869 percent in annual interest for a two-week loan. Attorney General McDaniel in his March 18 announcement stated that payday lenders shouldn't rely on the Check-

cashers Act as a legal defense to charge a higher rate of interest than allowed by the Arkansas Constitution.

Pennsylvania had never authorized triple digit interest rate payday loans. So in June of 2006, Advance America's 100 stores in Pennsylvania introduced a so-called "Choice Line of Credit" with limits up to \$500. The annual interest rate was 5.98 percent—but borrowers were also charged a "monthly participation fee" of \$149.95. During the three-month period after First Fidelity Bank stopped partnering with Advance America and before the new product was introduced, Advance America charged its existing customers in Pennsylvania 0 percent annual interest for loan renewals—the same practice currently employed in Arkansas.

The Pennsylvania Department of Banking in September 2006 sued Advance America over the Choice Line of Credit product, contending that the monthly participation fee should be considered interest and not to include it was deceptive and misleading. In July 2007, the Pennsylvania Commonwealth Court ruled against Advance America and the company closed all its stores and left the state. See the attached July 2007 news release from the Pennsylvania Department of Banking.

"Arkansans Against Abusive Payday Lending applauds Attorney General McDaniel for his proactive and decisive actions in favor of Arkansas consumers who have been or could be victimized by payday lenders," Rowett said. "We call on Advance America to stop playing games with consumers and abide by the clear, unmistakable language of the Attorney General's directive to stop making loans—period."

Arkansans Against Abusive Payday Lending is a coalition of 40 Arkansas individuals and organizations dedicated to addressing issues related to abusive payday lending in our state. This coalition consists of: AARP/Arkansas; Southern Good Faith Fund; Arkansas Advocates for Children and Families; Air Force Sergeants Association - Chapter 658; Arkansas Consumer Law Center; Arkansas Education Association; Arkansas Hunger Coalition; State Representative David Johnson; Arkansas Trial Lawyers Association; Arnold, Batson, Turner & Turner, Attorney-at-Law; Association for Community Organizations for Reform Now (ACORN); AFL/CIO; Best Credit Services, Inc.; Better Business Bureau of Arkansas; Clark County Justice of the Peace Wayne Bowen; Central Arkansas Development Council; College Station Community Development Corporation; Community Development Department of the City of Jacksonville; Consumer Credit Counseling Service (CCCS); Crawford-Sebastian Community Development Council, Inc.; Family Council; Family Service Agency; Family Support on Little Rock Air Force Base (ex officio); Federal Reserve Bank of St. Louis—Little Rock branch; Jewish War Veterans of the U.S.A. - Arkansas Post 436; League of Latin American Citizens (LULAC); Legal Aid of Arkansas, Inc.; Military Officers Association of America (MOAA)-Arkansas Council of Chapters; NAACP/Arkansas; Nicholson Communications; North Little Rock Ministerial Alliance; private citizens; Pulaski County Cooperative Extension Service; Silver Haired Legislators Alumni Association (SHLAA); Springer's of Granite Mountain; The Interfaith Alliance of Arkansas; United Way—Heart of Arkansas; U.S. Citizens for Fair Credit Card Terms, Inc.; and victims.
