



Arkansans Against Abusive Payday Lending

www.StopPaydayPredators.org

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Updated study of payday lending in Arkansas shows better licensing, but regulation still lacking

Regulation rate of 55% would get an 'F' under any academic grading scenario

LITTLE ROCK—Arkansans Against Abusive Payday Lending (AAAPL) today released an updated study of payday lending in Arkansas that shows nearly half of Arkansas' 265 payday lenders are still not being regulated by the state.

In March 2006, AAAPL released a study that presented the first comprehensive examination of how the payday lending industry operates in Arkansas. The March study showed that just 24 percent of the payday lenders operating in Arkansas were both licensed and regulated by the state.

Since release of the AAAPL report in March, the state agency charged with regulating payday lenders, the Arkansas State Board of Collection Agencies (ASBCA), has taken some steps toward better licensing and stricter regulation. The latest available data shows that **55 percent**, or 146, of the state's 265 payday lenders are now licensed and regulated by this state agency to make payday loans.

Still, a large portion—45 percent—are not being regulated. Thirty-eight percent (102 payday lenders), while licensed by the state, are not regulated and are allowed to make loans that don't comply with the ASBCA's own regulations. Another **7 percent (17 stores)** are neither licensed nor regulated by the state.

"Recent actions taken by the ASBCA represent a step in the right direction in favor of Arkansas consumers," said H. C. "Hank" Klein, founder and president of AAAPL. "However, a regulation rate of 55 percent would still get an 'F' on any academic grading scale. While progress has been made, much more remains to be done. No payday lender in Arkansas should be allowed to operate without both a license to make payday loans and meaningful regulation by the ASBCA."

ASBCA regulations not being followed include customers having more than one check held by the same payday lender at a time; lenders making loans in amounts greater than \$400; loan terms longer than 31 days; and failing to issue loans in cash.

Payday loans are small loans, usually \$100 to \$500, made for an average of 14 days. A 14-day payday loan, if made in compliance with the Check Cashers Act of 1999, costs Arkansas borrowers **372 percent to 869 percent annually in interest.** Article 19, Section 13 of the Arkansas Constitution, which governs usury, limits interest on consumer loans to a **maximum of 17 percent annually.** The constitutionality of the Check Cashers Act is being challenged in a case recently before the Arkansas Supreme Court.

According to the Center for Responsible Lending, the average payday borrower pays \$800 to borrow \$325. Research shows that payday lenders are disproportionately located near military bases and disproportionately target customers who are minority or low-income.

AAAPL research offers insight into the wealth-stripping aspects of payday lending. Payday lending in Arkansas potentially takes \$68,797,300 annually from Arkansas households — money that could be put to better use building wealth and assets.

Recommendations in the report to ensure that Arkansas consumers receive the protections against high-interest loans guaranteed under the Arkansas Constitution include:

- No payday lender should be allowed to make consumer loans with interest rates of more than 17 percent annually.
- The Arkansas State Board of Collection Agencies (ASBCA) should license all payday lenders and every payday lender that is licensed should follow the Check Cashers Act and rules and regulations as written by the ASBCA, with no exceptions. Until the constitutionality of the Check Cashers Act is decided by the courts, every payday lender should be required to follow all of the act's licensing and regulation provisions.
- Arkansas regulators should require payday lenders that partner with banks to comply with all applicable provisions of the Check Cashers Act.
- Arkansas regulators should require payday lenders that are making loans to Arkansas borrowers using a license in South Dakota to comply with all the provisions of the Check Cashers Act.
- Arkansas regulators should require payday lenders, including those that require customers to purchase corporate money orders or Internet "rebates," to design their payday loan products to comply with all the provisions of the Check Cashers Act and there should be no hidden fees allowed.

Arkansans Against Abusive Payday Lending is a coalition of Arkansans dedicated to improving the lives of their fellow citizens (particularly the working poor) by removing abusive payday lending from 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 Interfaith Alliance ;Arkansas Trial Lawyers Association; Arnold, Batson, Turner & Turner, Attorneys-at-Law; Association for Community Organizations for Reform Now (ACORN); AFL/CIO; Better Business Bureau of Arkansas; Central Arkansas Development Council; College Station Community Development Corporation; Community Development Department of the City of Jacksonville; Consumer Credit Counseling Service (CCCS); Family Council; Family Service Agency; Family Support on Little Rock Air Force Base (ex officio); Federal Reserve Bank of Little Rock; Jewish War Veterans of the U.S.A. - Arkansas Post 436; League of Latin American Citizens (LULAC); Military Officers Association of America (MOAA)-Arkansas Council; NAACP/Arkansas; Nicholson Communications; North Little Rock Ministerial Alliance; private citizens; Pulaski County Cooperative Extension Service; Silver Haired Legislators Alumni Association; United Way of Pulaski County; and individual victims of payday lending.