



# Arkansans Against Abusive Payday Lending

[www.StopPaydayPredators.org](http://www.StopPaydayPredators.org)

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CONTACT: Nathan Pittman  
(501) 371-9678 ext. 111

## **Payday loans and the holidays: a very ‘unmerry’ mix**

*Arkansans urged to think twice about using high-interest loans to meet holiday expenses;  
updated report shows progress in state regulation but improvement still needed*

Reports may be viewed by visiting the following link:  
<http://www.aradvocates.org/newsroom/paydaylending.asp>

LITTLE ROCK—Arkansans Against Abusive Payday Lending (AAAPL) today released an updated study that shows the proportion of Arkansas payday lenders regulated by the state has increased to 66 percent—a positive development that still leaves more than one-third of these high-interest lenders operating without meaningful state oversight.

Regulation has improved significantly—from 24 percent in March 2006 to 55 percent in November 2006 to 66 percent this month, AAAPL research shows. However, this still leaves 34 percent of the current 239 payday lending outlets in Arkansas unregulated by the Arkansas State Board of Collection Agencies (ASBCA), the state agency charged with regulating payday lenders.

Continued lack of comprehensive state regulation reinforces why AAAPL urges Arkansans to think twice about using these high-interest loans to meet holiday expenses, said Michael Rowett, chairman of AAAPL and research and communications manager for Southern Good Faith Fund, an AAAPL coalition member. Today’s report is AAAPL’s third comprehensive study of payday lending in Arkansas—following earlier studies released in March 2006 and November 2006.

“Payday loans are a losing proposition every day, and this is especially true this time of the year, when payday loans and the holidays make for a very unmerry mix,” Rowett said. “We commend the state Board of Collection Agencies for making continued progress toward better regulation, but consumers deserve nothing less than the protections of complete, comprehensive regulation.”

The average payday borrower ends up paying \$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 believes that the Check-cashers Act, the 1999 state law that gave the industry legal cover to operate in Arkansas, clearly violates the Arkansas Constitution. But as long as the law remains in force, AAAPL believes that each of the state’s 239 payday lenders should be regulated under the provisions of the Check-cashers Act.

Article 19, Section 13 of the Arkansas Constitution limits interest on consumer loans to a maximum of 17 percent annually. Payday loans, which are small loans, usually \$100 to \$400, made for an average of 14 days, if made in compliance with the Check-cashers Act of 1999, costs Arkansas borrowers 372 percent to 869 percent annually in interest. A legal challenge to the constitutionality of the Check-cashers Act is pending before the Arkansas Supreme Court.

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The 81 payday lenders currently unregulated by the state attempt to disguise their loans as payday loans made in another state or as another type of transaction in attempts to evade oversight—when these products are clearly payday loans made in Arkansas and subject to Arkansas regulation.

The 158 payday lenders currently regulated by the state are monitored to ensure that transactions meet the requirements of the Check-cashers Act, including customers having no more than one check held by the same payday lender at a time; lenders making loans in amounts no higher than \$400; loan terms no longer than 31 days; and loans issued only in cash. Regulated lenders also undergo audits two times a year.

“Regulating some payday lenders but not regulating others is like enforcing the drinking age for beer, but not for wine,” Rowett said. “We urge the state Board of Collection Agencies to hold all payday lenders accountable and not allow hair splitting and fuzzy accounting to cheat consumers out of the protections they deserve.”

The full 22-page study including a complete inventory of all payday lenders in Arkansas, accompanies this release—along with some tips on how Arkansans can avoid the unmerry mix of payday loans and the holidays.

*Arkansans Against Abusive Payday Lending is a coalition of 38 Arkansas individuals and organizations dedicated to addressing issues related to abusive payday lending in our state. This coalition consists of: AARP/Arkansas; Air Force Sergeants Association - Chapter 658; Arkansas Advocates for Children and Families; Arkansas Education Association; Arkansas Hunger Coalition; Arkansas 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; 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); Southern Good Faith Fund; 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.*

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