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Bill on small-loan interest rate dies

BY [DAVID SMITH](#)

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LITTLE ROCK — A bill that would allow the Legislature to set the maximum rate of interest for loans of less than \$5,000 died in a Senate committee Tuesday.

Senate Bill 568 was referred for interim study, Sen. Michael Lamoureux, R-Russellville, said at the beginning of Tuesday's Senate Insurance and Commerce Committee meeting, meaning the Legislature will study the bill after this session adjourns.

The bill would have changed Amendment 89 of the Arkansas Constitution, which sets the maximum interest rate on loans in Arkansas at 17 percent. SB568 would have required a 75 percent vote of both chambers to pass.

"I still feel like Arkansas needs a well-regulated small loan industry," said Lamoureux, a sponsor of the bill. "My hope is that we can eventually get there. With that being said, I don't think we're there today."

A similar bill in the House of Representatives, which would establish a small-loan industry in Arkansas, passed last week in that chamber's Insurance and Commerce Committee by an 11-3 vote. Attempts to determine its status were unsuccessful Tuesday afternoon.

Opponents characterized the bills as attempts to resurrect the Arkansas Check Cashers Act of 1999, which was the foundation for a "payday lending" industry in Arkansas. In 2009, Attorney General Dustin McDaniel finally succeeded in closing more than 200 check cashing stores in the state and putting the industry out of business.

The Senate bill would have allowed for changes in Arkansas' usury laws "that would substantially alter the public policy of the state and usurp the will of the voters," McDaniel said in a prepared statement Tuesday.

"I have fought consistently as attorney general to eliminate predatory lending, no matter its form or name," McDaniel said. "I've seen firsthand how damaging these types of loans can be to our working poor, through high interest rates and exorbitant fees."

The state's constitution is clear on setting an interest cap and "our current interest-rate limit is fair," McDaniel said.

Among other opponents to the bill were Arkansans Against Abusive Payday Lending and AARP Arkansas, both of which opposed payday lending in the state.

"We're very happy," said Hank Klein, founder of Arkansans Against Abusive Payday Lending.

Lamoureux said there is a need in Arkansas for financial products that help low-income individuals who need to borrow money.

But Klein, former chief executive officer at Arkansas Federal Credit Union in Jacksonville, said it isn't a right for everybody to be able to borrow money.

"If a person can't afford to pay it back, they shouldn't be loaned the money," Klein said. "All that does is hurt you financially in the long run. There are other ways people can solve their problems other than borrowing money - oftentimes putting off a purchase, getting help with their high energy expenses or getting help from public or private aid or churches."

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