

Published: 02.07.2006

Let the 'sun set' on payday lenders in state

Our view: The predatory practices of the burgeoning businesses in Arizona do far more harm than good

Payday lenders are the vultures of the business world, hovering over consumers who are already at the edge of financial collapse. The industry thrives by exploiting consumers who are poor, down on their luck and financially unsophisticated.

The Arizona law that regulates payday lenders contains a "sunset" provision that will shut down all such businesses in four years.

The industry is lobbying the current session of the Legislature to abolish the sunset provision, and is finding a sympathetic audience, especially in the conservative House leadership.

The Legislature can better serve the consumers of this state by shutting down payday lenders, as the law envisioned, and shifting its perspective away from the perceived need to protect legal loansharking.

Payday lenders typically charge consumers roughly 450 percent interest, on an annualized basis.

Ironically, according to the industry's own statistics, more than 97 percent of the borrowers repay their loans on time, which makes us wonder why the mind-boggling interest exists at all.

If the borrowers can pay back the loans, there's no justifiable reason for charging such outrageous rates in the first place.

None, that is, except that the Legislature has in effect given them an exemption to the state's usury laws. You have to wonder why.

Some legislators would have us believe that payday lenders are providing a service to people who need short-term loans and can't qualify for them elsewhere.

But look at the industry's statistics. Only 3percent default on their loans and for them the loan is more a disservice than a service.

For those whose finances are already in tatters, predatory lenders offer a quick fix that too often leads to disastrous consequences. For those who default, interest and penalties go up quickly, and the hole gets deeper and deeper.

The Legislature would be performing a service to the state if it put as much effort into consumer education as it does into protecting such unscrupulous behavior.

There are practical as well as philosophical justifications for allowing the sunset provisions of Arizona law to remain in place.

Last March, two academic researchers published the results of a study of 15,000 payday lenders in 20 states, including Arizona.

Christopher Lewis Peterson, a law professor from the University of Florida, and Steven M. Graves, a geographer and mapping expert from California State University-Northridge, said payday lenders are targeting people in the military, and that can have serious consequences for Tucson.

"There is irrefutable geographic evidence demonstrating payday lenders are actively and aggressively targeting U.S. military personnel," the researchers wrote.

Star columnist Jim Kiser, who has covered the payday lender issue extensively, wrote about that study in July.

He also referred to one by the Tucson-based Southwest Center for Economic Integrity, which showed that some of the heaviest concentrations of the payday lenders were within three miles of Davis-Monthan Air Force Base.

You may ask, who cares? Evidently, an organization of local business and civic leaders called the Davis- Monthan 50 cares deeply. The D-M 50 exists to assure the Air Force base remains in Tucson.

Bruce L. Dusenberry, president-elect of the organization, told a forum on payday lending that his board voted unanimously that payday lenders should not just be regulated but abolished.

And the Department of Defense, it appears, also takes a dim view of these financial predators.

In an e-mail Monday, Graves, the California researcher, observed that the concerns of the D-M 50 are valid because the presence of payday lenders could play a role in the next round of base closures.

In Georgia, the Defense Department "stated to officials ... that one of the issues they would consider when the base closure decision-making was made was 'quality of life issues' and they made it so clear to the legislature in Georgia that they basically outlawed payday lending in the state," Graves wrote.

Arizona does not need to be a haven for such opportunists. The Legislature should encourage payday lenders to go elsewhere.

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