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Bill delays payday-loan ban by 2 years

By Howard Fischer

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PHOENIX — A state lawmaker is pushing to give Arizona's payday-loan industry at least a temporary reprieve from being wiped out.

The proposal by Sen. Robert Blendu, R-Litchfield Park, would remove a provision in current law that shuts the door in 2010 to the right of firms to offer the short-term, high-interest loans in Arizona. Instead it would push that self-destruct provision to 2012.

In the interim, the state Department of Financial Institutions would examine the number of these loans made to Arizonans and the amount of money the companies collect.

But that study is more than academic: Blendu said it would give legislators information that might persuade them to keep the loans legal here.

"Before we get rid of a legitimate industry in Arizona . . . I'd like the opportunity to go in there and audit them — see what they're doing," he said. "If there's a place for them, we ought to be able to describe in statute what that place is."

SB 1239 could have another effect: It might provide lenders with the arguments they need to defeat a proposed initiative that would put them out of business next year. And if that measure is approved, lawmakers would be powerless to overturn it.

Blendu said that's not his intent. But he said there is an argument to be made that payday loans do serve a purpose.

"There must be a place for this type of business, because so much of it goes on," he said.

"And if there's that much of it (that) goes on, I think our job is to make sure that people aren't getting abused or taken advantage of," Blendu continued. "And so far, we haven't done that."

But Rep. Marian McClure, R-Tucson, who is spearheading that initiative, ridiculed the idea that the industry could be properly regulated.

"I know that they're an equal-opportunity predator," she said.

SB 1239 is set for a hearing Monday by the Senate Committee on Financial Institutions, Insurance and Retirement.

The loans essentially involve borrowers writing out a check that both the issuer and the lender acknowledge is not good.

The lender then agrees to provide up to \$500 in cash and not present the check — usually written out for the borrowed amount plus 15 percent — to the bank for up to two weeks.

McClure said the effective annual interest rate is 400 percent.

"There is a reason we've had usury laws in the past," said McClure, referring to laws that had capped what lenders could charge in interest and fees. The eight-year-old payday-loan law, however, has no such caps.

Central to the debate over both the legislation and the initiative is whether payday-loan businesses fill a need.

McClure acknowledged that there has been a gap in the past, with the short-term loans being the only way some people had to get quick cash for emergencies or just items they want. But she said both banks and credit unions now are stepping up and offering small loans at "reasonable" interest rates.

Blendu, however, suggested that all the fuss about the industry may be overblown, as borrowers are aware of what the short-term loans cost them.

"I don't know why they have so much heartburn with payday loans," he said. "I am shocked at what we allow consenting adults to do in other places."

Blendu said he has no problem imposing new restrictions on the industry. He said that's the purpose behind the provision in his legislation that would require each payday-loan company to file reports with the state.

"I want to see what these folks are doing and if there's a legal place for them in Arizona," he said.

And Blendu said banning payday loans may send the wrong message.

"I don't know what the next business is to move into Arizona," he said. "They might look at us and say, 'We could get thrown out,' just like companies don't want to go to Mexico because they were nationalized."

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