

Math doesn't work for AZ payday loan industry

By PAUL DAVENPORT
The Associated Press

PHOENIX — The math isn't adding up for Arizona's payday loan industry.

The industry that provides small short-term loans is fighting in the Legislature to keep itself alive beyond a June 30 termination date that was included in the authorization law enacted 10 years ago.

Almost a month after the bill failed to even reach its first hurdle — a committee vote in the House — the measure remains stalled, even though the industry has earned the recent backing of several major business advocacy groups.

The bill was blasted by lawmakers from both parties after voters in 2008 soundly rejected an initiative that would have allowed the lenders to stay open permanently. Rep. Andy Tobin of Paulden, the bill's Republican sponsor, said the lack so far of significant bipartisan support could doom the measure in the 60-member House.

"I'm not going to push to get 31 Republican members on this when the industry needs to go out and make this work," he said. "They failed

the last time. Now they've got another opportunity. Maybe you figure it might be their last opportunity."

Payday lenders operate under a temporary exemption from Arizona's 36-percent cap on annual interest rates. They charge \$17.65 per \$100 borrowed for a two-week loan, which amounts to an annual rate above 400 percent. The exemption expires on June 30.

Payday lending opponents say the industry preys on poor people in desperate situations, sometimes trapping them in a cycle of debt where they use one payday loan to pay off another.

Industry proponents say the market has shown a need for short-term, small-dollar loans that aren't generally available from banks or credit unions. They say the industry supports low-income families that otherwise wouldn't have access to credit in an emergency.

The Greater Phoenix Chamber of Commerce wouldn't support the 2008 ballot measure because Arizona's protections for voter-approved laws would have made it hard to change later on.

But the current pend-

ing legislation doesn't pose that problem, said Michelle Bolton, a chamber vice president.

Both the Phoenix and the Arizona chambers of commerce have lauded the pending bill's regulatory and consumer-protection provisions.

"We're talking with lawmakers. We're asking them to consider it," Bolton said. "We're telling them this is a much better way to consider the sunset and have much better oversight."

Lawmakers in recent weeks have engaged in quiet negotiations. Several people familiar with the talks said they're hung up on a core issue: how much interest can payday lenders charge their customers?

Rep. Ed Ableser, minority House Democrats' point man in the talks, said he's fighting to hold the industry to 36 percent. But industry lobbyist Lee Miller said that rate wouldn't generate enough revenue to cover overhead costs.

Miller acknowledged that the industry's critics have the leverage of the June 30 sunset: The industry dies with no reauthorization.

