

Stricken language would be deleted from and underlined language would be added to the law as it existed prior to this session of the General Assembly.

1 State of Arkansas
2 87th General Assembly
3 Regular Session, 2009

A Bill

HOUSE BILL 1935

4
5 By: Representative Nickels
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For An Act To Be Entitled

9 AN ACT TO CREATE THE OFFENSE OF UNLAWFUL CONSUMER
10 LOANS; TO ENFORCE THE PROVISIONS OF ARKANSAS
11 CONSTITUTION, ARTICLE 19, § 13; AND FOR OTHER
12 PURPOSES.
13

Subtitle

14
15 TO CREATE THE OFFENSE OF UNLAWFUL
16 CONSUMER LOANS.
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19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
20

21 SECTION 1. Arkansas Code Title 5, Chapter 63, Subchapter 2 is amended
22 to add an additional section to read as follows:

23 5-63-205. Unlawful consumer loans.

24 (a) As used in this section:

25 (1) "Check" means a check, warrant, draft, money order,
26 travelers' check, or other instrument for the payment of money, whether or
27 not negotiable, but excluding:

28 (A) Any such instrument drawn on an account or financial
29 institution outside of the United States; and

30 (B) Money or currency of any nation;

31 (2)(A) "Consumer loan" means a loan extended to an individual in
32 which the money that is the subject of the transaction is primarily used for
33 personal, family, or household purposes.

34 (B) "Consumer loan" does not include a loan that is
35 secured in full by tangible personal property of which the lender takes
36 possession other than a check or checks;



1 (3) "Financial institution" means a federally insured depository
2 institution including a state bank, a national bank, an out-of-state state-
3 chartered bank that has received a certificate of authority under § 23-48-
4 1001, a savings bank, a savings and loan association, a credit union, or a
5 credit union service organization that is:

6 (A) Organized under the laws of this state, another state,
7 or the United States; and

8 (B) Subject to regulation by the State Bank Department,
9 the State Credit Union Supervisor, the National Credit Union Administration,
10 the Office of the Comptroller of the Currency, the Federal Deposit Insurance
11 Corporation, the Board of Governors of the Federal Reserve System, the Office
12 of Thrift Supervision, or their successors;

13 (4) "Interest" means a charge or fee for the borrowing of
14 currency or money between a willing lender and a willing borrower; and

15 (5) "Person" means an individual, group of individuals,
16 partnership, incorporated or unincorporated association, corporation, or
17 other business unit or legal entity.

18 (b) It is unlawful for any person to knowingly charge a rate of
19 interest greater than seventeen percent (17%) per annum in a transaction
20 involving a consumer loan, as prohibited by Arkansas Constitution, Article
21 19, § 13.

22 (c)(1) Any person violating subsection (b) of this section is guilty
23 of a violation and upon conviction shall be fined three hundred dollars
24 (\$300).

25 (2) Each transaction involving an unlawful consumer loan is a
26 separate offense.

27 (d) A consumer loan is exempt from subsection (b) of this section if
28 the consumer loan is made by a financial institution.

29
30 SECTION 2. Arkansas Code § 23-52-102 is amended to read as follows:
31 23-52-102. Definitions.

32 As used in this chapter:

33 (1) "Board" means the State Board of Collection Agencies;

34 (2) "Check" means a check, warrant, draft, money order,
35 travelers' check, or other instrument for the payment of money, whether or
36 not negotiable, but excluding:

1 (A) Any such instrument drawn on an account or financial
2 institution outside of the United States; and

3 (B) Money or currency of any nation;

4 (3) "Check-casher" means a person who for compensation engages,
5 in whole or in part, in the check-cashing business, but excluding:

6 (A) The United States, any state of the United States, any
7 political subdivision of such state, or any department or agency of the
8 United States or such state;

9 (B) Receipt of money by any incorporated telegraph company
10 at any agency or office of the company for immediate transmission by
11 telegraph;

12 (C) Any state or federally chartered bank, savings and
13 loan association, or credit union;

14 (D) Any retail seller primarily engaged in the business of
15 selling consumer or other goods to retail buyers that cash checks or issue
16 money orders for a fee as a service to its customers that is incidental to
17 its main purpose or business so long as revenue from such fees does not
18 exceed three percent (3%) of such retail seller's gross revenues; and

19 (E) Issuance of a money order;

20 (4) "Check-cashing business" means the business of ~~a check~~
21 ~~cashier~~ selling currency or a check to another person in exchange for a
22 check, with or without a deferred presentment option;

23 (5) "Deferred presentment option" in connection with the check-
24 cashing business means a transaction pursuant to a written agreement
25 involving the following combination of activities in exchange for a fee:

26 (A) Accepting a customer's personal check ~~dated on the~~
27 ~~date it was written~~;

28 (B) Paying that customer an amount of money equal to the
29 face amount of that check less any fees charged pursuant to this chapter; and

30 (C) ~~Granting~~ Holding the customer's personal check for an
31 agreed period of time before presentment of the customer's personal check for
32 payment or depositing or granting the customer the option to repurchase the
33 customer's personal check for an agreed period of time prior to presentment
34 of such check for payment or deposit. The term "deferred presentment"
35 includes related terms such as "delayed deposit", "deferred deposit", or
36 substantially similar terms evidencing the same type of transaction;

1 (6) "Permit" means a permit to engage in the check-cashing
2 business issued by the board in accordance with this chapter; and

3 (7) "Person" means an individual, group of individuals,
4 partnership, incorporated or unincorporated association, corporation, or any
5 other business unit or legal entity.

6
7 SECTION 3. Arkansas Code § 23-52-104 is amended to read as follows:
8 23-52-104. Permissible check-casher fees.

9 (a) A check-casher may charge a reasonable fee to defray operational
10 costs incurred in the check-cashing business, including, without limitation:

11 (1) Investigating the checking account and copying required
12 documents;

13 (2) Photographing the person signing the check;

14 (3) Securing check and customer records in a safe, fireproof
15 place;

16 (4) Maintaining records as required by this chapter;

17 (5) Maintaining required capital and liquidity; and

18 (6) Processing, documenting, and closing the check-cashing or
19 deferred-deposit transactions.

20 (b) Unless otherwise authorized by this chapter, the fees authorized
21 by this section shall not exceed the following:

22 (1) For the service of ~~selling~~ exchanging currency or a check in
23 exchange for checks a check, without regard to whether in a transaction in
24 which a deferred presentment option is not involved, a check-casher may
25 charge:

26 (A) A fee not to exceed five percent (5%) of the face
27 amount of the check if the check is the payment of any kind of state public
28 assistance or federal social security benefit payable to the bearer of the
29 check or the check is otherwise a check issued by a federal or state
30 governmental entity;

31 (B) A fee not in excess of ten percent (10%) of the face
32 amount of any ~~personal check or~~ money order or personal check; or

33 (C) A fee not in excess of six percent (6%) of the face
34 amount of the check in the case of all other checks. Such a fee may be
35 collected separately or by paying the customer an amount of money equal to
36 the face amount of the check less the appropriate fee under this chapter;

1 (2) ~~For a deferred presentment option which involves a personal~~
2 ~~check, an additional fee not to exceed ten dollars (\$10.00) may be charged by~~
3 ~~a check-casher~~ For the service of exchanging currency or a check for a check
4 in a transaction in which a deferred presentment option is involved, the
5 check-casher may charge a fee not to exceed seventeen percent (17%) per annum
6 on the face amount of the check; and

7 (3) In addition to the foregoing fees, a check-casher may charge
8 a fee of no more than five dollars (\$5.00) to set up an initial customer
9 account and issue an optional identification card for providing check-cashing
10 services. A replacement optional identification card may be issued at a cost
11 not to exceed five dollars (\$5.00).

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13 SECTION 4. EMERGENCY CLAUSE. It is found and determined by the
14 General Assembly of the State of Arkansas that the Arkansas Constitution does
15 not contain a criminal penalty for charging usurious interest rates; that
16 citizens of this state who are required to pay usurious interest rates are
17 subjected to financial burdens that can result in devastating financial
18 hardships; and that this act is immediately necessary because a criminal
19 penalty will protect the citizens of this state from persons or businesses
20 that charge an interest rate in violation of the Arkansas Constitution.
21 Therefore, an emergency is declared to exist and this act being immediately
22 necessary for the preservation of the public peace, health, and safety shall
23 become effective on:

24 (1) The date of its approval by the Governor;

25 (2) If the bill is neither approved nor vetoed by the Governor,
26 the expiration of the period of time during which the Governor may veto the
27 bill; or

28 (3) If the bill is vetoed by the Governor and the veto is
29 overridden, the date the last house overrides the veto.

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