



# Arkansans Against Abusive Payday Lending

[www.StopPaydayPredators.org](http://www.StopPaydayPredators.org)

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*Have you been caught in the debt trap of Internet payday loans? Do you find yourself paying the interest on your loan every two weeks, but are unable to pay the loan back? Have you already paid more in interest than you originally borrowed and you still owe the entire loan amount? Has the interest cost forced you to obtain additional payday loans just to get by? Do you spend hours trying to figure out a way to pay them all off? Are you worried about your financial future? You are not alone!*

## **12 Step Self-Help Guide to Finally Climb Out of the Internet Payday Loan Debt Trap**

The Arkansas Supreme Court reviewed the issue of Payday Lending in Arkansas and ruled on January 17, 2008, February 21, 2008 and November 6, 2008 that these loans exceeded the constitutional interest rate limit and the existing law authorizing this type of lending was unconstitutional in Arkansas. By July 31, 2009 all of the Payday Lenders had closed up shop and left Arkansas. However Internet Based Payday Lenders still prey on Arkansas consumers. Their loans are also illegal because their interest rates exceed the maximum rate allowed in the Arkansas Constitution of 17% per Annum. If you have received a Payday Loan over the Internet this Self-Help guide should help you understand your options and the specific steps to take to finally climb out of the Payday Loan Debt Trap. PLEASE READ THIS ENTIRE SELF-HELP GUIDE PRIOR TO TAKING ANY ACTION SO YOU CLEARLY UNDERSTAND EACH STEP AND THE REASON FOR THAT STEP.

**Step 1. DECIDE IF YOUR LOAN WAS MADE ILLEGALLY:** Look at your loan contract. If your interest rate exceeds 17% Annual Percentage Rate (and these loans always do) and you resided in the state of Arkansas when you took out your loan your payday lender has made you an illegal loan, you do not have to repay it. The Arkansas Attorney General's office will help intercede on your behalf with your lender with FREE help and guidance.

**Step 2. FILE A COMPLAINT WITH THE ARKANSAS ATTORNEY GENERAL:**

You should first file a formal complaint with the Arkansas Attorney General on-line at: [http://www.ag.state.ar.us/pdfs/CONSUMER\\_COMPLAINT\\_revised\\_11022010.pdf](http://www.ag.state.ar.us/pdfs/CONSUMER_COMPLAINT_revised_11022010.pdf) Include with your complaint any documents you have such as correspondence from the lender, your loan contract, the lenders contact information, and your Financial Institution Statement showing the withdrawals from your account by the Payday Lender, etc. If you owe multiple Payday Lenders file multiple complaint forms. E-mail your completed complaint form and documents to [katherine.rogers@arkansasAG.gov](mailto:katherine.rogers@arkansasAG.gov) or take it to their office at 323 Center Street (Tower Building) Little Rock, Arkansas 72201 or call her at 501/682-5276.

**Step 3. Print your Forms, Documents and Agreements from your Lenders Web Site:** In order to assist the Arkansas Attorney General with your complaint you should log on to your account with each Payday Lender and print out each completed Form, Document and Agreement for all of the loans you obtained from that lender. CAUTION – once the lender find out you are filing a complaint against them they will block your access to your account so

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it is important you find out from the Attorney General's office just which documents they will need and gather those documents as rapidly as possible, before your next payment is due.

**Step 4. SAFEGUARD YOUR CHECKING ACCOUNT:** Because you have given access to your Checking Account to the Internet Payday Lenders, in order to regain control of your financial situation you must take that control away from the lender. The only sure way to do that is to close your Checking Account and change Financial Institutions. Follow the steps below to stop the lenders access to your money.

**Step 5. STOP WRITING CHECKS AND USING YOUR DEBIT CARD TODAY:** If you live by using your Debit Card daily stop using it today and withdraw the cash from your Financial Institution. Use cash for a week or two until you can open a new checking account, obtain new Debit Cards and close your old Checking Account.

**Step 6. OPT OUT OF OVERDRAFT PROECTION:** Visit your Financial Institution and tell them you want to "Opt Out" of any type of Overdraft Protection on your checking account. Do this TODAY - not over the phone, but in person at your Financial Institution – keep a copy of the form you sign. If your account is overdrawn and you are currently using Overdraft Protection you must repay this prior to closing your account. Opt Out of using the overdraft protection anyway so you won't be tempted to use it again and so once you actually close your Checking Account the Financial Institution won't use it to pay the Payday Lenders when they present your payments to your Financial Institution in the future. We have seen closed account reopened and the overdraft protection used by the Financial Institution to pay Payday Lenders and we don't want this to happen to you.

**Step 7. OPEN A NEW CHECKING ACCOUNT AT A NEW FINANCIAL INSTITUTION:** Open a new Checking Account at a Credit Union (if your employer has access to one) or a local bank. You must move your account from your current Financial Institution to another in order to be sure your Payday Lender won't get access to your new Checking Account. The only way you can be assured of this is by changing Financial Institutions. Open your new Checking Account first – BEFORE you close your old account. That way you will be assured of having a Checking Account to go to once you close your old account.

**Step 8. REVIEW YOUR CURRENT CHECKING ACCOUNT:** Determine if you have any outstanding checks, debit card items, or have authorized others to access your account (Automatic Payments for insurance, mortgage, cell phone companies, etc.). Also determine how long it will take your employer to move your Direct Deposit of your paycheck to another Financial Institution.

**Step 9. REDIRECT YOUR DIRECT DEPOSIT:** Advise your employer of your new Checking Account and complete the paperwork to have your next paycheck deposited into your New Checking Account at your new Financial Institution.

**Step 10. REDIRECT AUTOMATIC PAYMENTS:** Advise businesses you have granted Checking Account Access to (Automatic Payments to insurance, mortgage, cell phone companies, etc.) of your New Checking Account and complete the paperwork to allow them access to your new account or simply tell them that you have changed Financial Institutions and ask them to bill you directly (the safest way to have more control over your money).

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**Step 11. CLOSE YOUR EXHISTING CHECKING ACCOUNT:** Now that you: 1) have a new Checking Account at a new Financial Institution, 2) know when your paycheck will be deposited into your new account, 3) have advised your creditors to bill you directly or given them authorization to access your new Checking Account, 4) have stopped writing checks and, 5) have stopped using your debit card it is time to close your old Checking Account.

A couple of days have passed since you stopped writing checks or used your Debit Card and any checks or debit card transactions should have been posted by now. Double check your account to be sure all items you have promised to pay have been paid and any overdraft amounts have been repaid. It is now time to CLOSE your checking account.

Visit the Financial Institution branch you usually use (don't call on the phone – visit them). Ask to speak to the Branch Manager. Tell him or her that you have authorized Payday Lenders to access your account and the only sure way you have to make sure they will not access it again is by closing your account. Tell the Branch Manager you will be filing a complaint with the Arkansas Attorney General's office, against the Payday Lender.

Tell the Branch Manager that you have already: 1) established a Checking Account at another Financial Institution, 2) moved your Direct Deposit of your paycheck and, 3) stopped other authorized withdrawals from your checking account, 4) stopped using your Debit Card, 5) stopped writing checks 6) that everything has cleared your account and, 7) you want the balance of the account closed. Be sure the Branch Managers verifies that you no longer have any type of Overdraft Protection and ask that the account be HARD CLOSED so no additional transactions will be authorized in the future.

Note - Do not let them talk you into a Stop Payment on the Payday Lenders. That might work next week, but payday lenders know how to get around that and in a couple of weeks or months they will be tapping your account again. That is why it is important to both close your Checking Account and change Financial Institutions. If you don't you will be sorry later.

If one or two checks are still outstanding on your account you will have to decide if it is worth the chance of the Payday Lender tapping your account again just to honor your outstanding checks. It may be less expensive for you to go to those you wrote the checks to and tell them you have closed that account and give them a new check on your new account. They might charge you a NSF check fee of \$25.00 but that will probably be way less expensive than paying the Payday Lender their fee for another cycle. That is a decision for you to make.

**Step 12. WHAT WILL HAPPEN NEXT:** The Attorney General's office will review your complaint and the documents you have provided. Upon receipt of your complaint you will receive a postcard acknowledging your complaint and advising you they are investigating the issue. Once they have investigated your complaint, the Attorney General will send each Payday Lender you owe a letter requesting that the lender cease collections and cancel the loan. The Attorney General's Consumer Protection Division will contact you and advise you of the status of your complaint.

Some Internet Based Payday Lenders respond to the Attorney General, answer their questions and agree to forgive your loan and not do business in Arkansas again. Other Payday Lenders ignore the Attorney General or tell them they have every right to loan in Arkansas. The Arkansas Attorney General has sued unresponsive Payday Lenders in the past and won those lawsuits. How the Attorney General handles your Payday Lenders will depend on those lender's responses.

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You may begin to receive phone calls or e-mail correspondence from your Payday Lenders trying to collect your loans once they realize your Checking Account has been closed. Some of these calls may appear to be from Collection Agencies, your Bank, an “Investigator”, and even Law Enforcement, etc. Don’t be scared and don’t be fooled this is just your Payday Lender trying to use every trick in their book to get you to pay them and even trying to find out who your new bank is. Don’t be fooled, don’t be concerned, don’t give them any information about your new bank and don’t pay them. Simply explain to them that you have turned the situation over to the Arkansas Attorney General and the Payday Lender should be in contact with that office, not you. Ask the Payday Lender to stop all contact with you. If they continue to contact you and it becomes too much for you then re-contact the Attorney General’s office and explain what you are going through and they will re-contact the Payday Lender and demand that they stop all collection efforts.

**Other Arkansans have gotten into the Payday Lending Debt Trap just like you. That is why Attorney General Dustin McDaniel has taken such a strong stand against High Cost Lending in Arkansas. You can count on the Dustin McDaniel and his staff to continue to help Arkansans who find themselves victims of Payday (and other High Cost) Lenders.**

*This information is intended as general suggestions which may help your situation. This is not legal advice and you should consult with an attorney about your legal rights and responsibilities. Arkansans Against Abusive Payday Lending makes no representations or guarantees about the success of any of these suggestions and they are provided merely as a service and for your consideration if you are experiencing financial difficulties. These suggestions are not intended to be a substitute for advice from a legal professional.*

