

Groups seeking to limit effects of payday loans

Glenn Rutherford

CLOUT, Catholic Conference of Kentucky and others want interest-rate caps

It's a sure sign of bad times when quick-money stores start opening in great numbers, and that's what's happened in the last eight years in Jefferson County.

According to CLOUT — Citizens of Louisville Organized and United Together — there are currently more "payday loan" and check-cashing stores in the county than there are McDonald's, Burger King's, KFC's, White Castle's and Kroger's combined. The organization, which includes several Catholic parishes in its membership, also notes that a new payday loan store opens every four days somewhere in the Commonwealth of Kentucky.

CLOUT, the Catholic Conference of Kentucky (CCK) and other public interest groups argue that those quick-cash businesses prey on the poor, on people who most need financial help. Instead of getting that assistance, by resorting to high-interest loans that sometimes charge as much as 400 percent interest, financially-strapped people find themselves trapped in continuous poverty.

That's why the CCK and CLOUT are asking state government to pass a law that would limit the interest on payday loans to a maximum rate of 36 percent. They're also asking that the state limit the number of payday loans available each year to individual borrowers.

CLOUT took up the matter of the high-interest loans — and the victimization of the poor — at its annual "Nehemiah Action Assembly" March 23 at Memorial Auditorium. More than 1,500 people attended the meeting at Memorial Auditorium near downtown Louisville.

In interviews last week, the organization's co-presidents, Bishop Walter Jones and the Rev. Keith Switzer, both noted that the lending issue involves, at its heart, questions of morality and social justice.

The payday, high-interest loans represent "clearly an industry that preys on the working poor," said Rev. Switzer, pastor of Mosaic United Methodist Church in Pleasure Ridge Park. "Some of the (economic) practices they use are designed to get people trapped in a never-ending cycle of poverty."

It doesn't sound like much, he noted, when someone says you can borrow \$100 for a \$15 fee. "But the average person who takes out one payday loan takes out nine more loans before they can get out from under the first one."

The Kentucky General Assembly has passed and sent to Gov. Steve Beshear a bill (House Bill 444) to establish a computer database to monitor high-cost loans. But amendments attempted in both the House and Senate that would have capped interest rates at 36 percent were not adopted. As a result, an interest-rate cap is not a part of the bill awaiting the governor's signature.

That's why the CCK is asking the governor to veto the measure.

The payday loan business "victimizes those who can least afford to be victimized," said Robert Castagna, executive director of the CCK, the public policy arm of the state's Catholic bishops. "The effort to get interest rate's capped will continue here in Kentucky with the Coalition for Responsible Lending, of which the CCK is a part. We're asking the governor to veto HB 444 and so far we've not heard" what Beshear intends to do, he said.

Castagna noted that when he headed the Catholic conference in Oregon, legislators there passed laws that effectively kicked payday lenders out of the state.

"It's a legislative issue, for certain, but it's also a moral issue, a basic economic justice issue," he said. "There is clear church teaching against usury, and both Pope John Paul II and the Catechism of the Catholic Church speak expressly against usury."

The continuing national economic turmoil "should have rung alarm bells in the state Capitol in Frankfort, Castagna said. "This kind of lending traps people in a cycle of debt; it's unjust, and it's egregious," he said.

Castagna also noted that the federal government has placed a 36 percent interest rate cap on payday loans to military families. The cap keeps them from being victimized by high-interest loans and the hardships created with family members at war.

HB 444 does nothing to alleviate the problems of high-interest loans, Castagna noted, and "adds insult to injury by allowing a \$1 fee for use of the data base information by the consumer."

Bishop Walter Jones, CLOUT's co-president and pastor of the Baptized Pentecostal Church of Holiness, said his organization isn't necessarily against the creation of the data base, but noted that "it doesn't address the

problem” of high interest loans.

“It’s not that these quick-loan services can’t be of assistance,” he said. “But the exorbitant amount of interest they charge keeps the borrower trapped and unable to pay off the loan.”

Bishop Jones, Rev. Switzer and CLOUT — as well at the Catholic conference — are hoping that the legislature will act next year to limit payday loan interest rates.

“Just because this database bill passed doesn’t mean we won’t come back next time and work to get the rates capped,” the Rev. Switzer said. “We’ll be back because we want the legislature to address this issue in its next session.”

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