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Kentucky Baptists back limits on payday loans

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FLORENCE - Kentucky's largest religious denomination joined Tuesday in a growing call for regulations on payday lenders, saying such loans cost the annual equivalent of nearly 400 percent in interest and amount to "usury" decried in the Bible.

At its annual meeting held at Florence Baptist Church at Mt. Zion, the Kentucky Baptist Convention passed a resolution without dissent calling for state and local regulations that would cap short-term loans at 36 percent.

It's the first public statement in recent memory by the state affiliate of the Southern Baptist Convention on regulating financial institutions, and it puts it on the same page with several other religiously affiliated organizations that comment more regularly on economic issues.

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Legislation calling for payday lending curbs has fallen short in recent years in the

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Kentucky General Assembly but is expected to be re-introduced in 2012.

The resolution approved by the convention - the state affiliate of the Southern Baptist Convention - cites Bible verses that prohibit taking interest from the poor and says the "Christian faith has historically opposed and deemed usurious loans at exorbitant rates of

interest, especially to those who are poor."

It describes payday lending products - advances on anticipated wages - as fitting that bill.

Critics of payday lending say the industry hooks the poor into a cycle of debt through a series of short-term cash loans, charging fees that they say amount to nearly 400 percent in annual interest.

The industry, which has mounted well-financed lobbying efforts to maintain state regulations as they are, says opponents' claims are misleading. Industry representatives say the costs for a short-term loan reflect one-time fees and that it doesn't make sense to extrapolate annual interest rates for loans designed to be paid off over a much shorter term.

They say a 36 percent cap would effectively end payday lending and deprive people of short-term credit they couldn't get otherwise.

The Baptist resolution cites statistics from the Kentucky Coalition for Responsible Lending, which analyzed a state database. It found that borrowers are indebted for 160 days on average and that a typical Kentucky payday borrower was "trapped in 10 payday transactions in 2010."

Several states have imposed curbs on short-term interest for payday loans, and the federal government has similarly restricted interest on loans to military service members.

Other religiously affiliated groups that have opposed payday lending include the Kentucky Council of Churches, the Catholic

Conference of Kentucky, CLOUT (Citizens of Louisville Organized and United Together) and BUILD (Building a United Interfaith Lexington through Direct-Action).

The Baptist convention says it has nearly 2,400 churches with more than 750,000 members. Some 467 messengers, or church representatives, were registered as of Tuesday morning for the convention's one-day annual meeting.

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