



1042 Burlington Lane  
Frankfort, KY 40601-8487  
Tel (502)875-4345  
Fax (502)875-2841  
www.ccky.org

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Contact:  
Robert J. Castagna,  
502-226-0045

### **Catholic Conference of Kentucky Urges Legislature and Governor to Enact 36% Cap on Payday Loan Interest Rates**

The Catholic Conference of Kentucky strongly urges the 2010 Kentucky General Assembly to pass bipartisan legislation for the common good capping the interest rates on payday loans at 36 percent. We are encouraged that Governor Beshear indicated his support of a 36 percent cap earlier this year after the end of the regularly scheduled legislative session. The Catholic Conference of Kentucky calls upon the leadership of the House and Senate and its members to adopt the rate cap as a high priority issue for passage during the 2010 legislative session.

For the faith community, predatory interest rates approaching or exceeding 400 percent are immoral. The Catechism of the Catholic Church (Second Edition) condemns usurious dealings: "Those whose usurious and avaricious dealings lead to the hunger and death of their brethren in the human family indirectly commit homicide, which is imputable to them." #2269

Payday loans are predatory loans because of the terms of the loan: interest rates approaching or exceeding 400 percent victimize those seeking temporary relief from difficult economic circumstances. Many individuals find themselves compelled to take out multiple loans to meet the obligation created by the initial loan resulting in a debt trap for the borrower. Current public policy in Kentucky permits usurious interest rates to be charged to consumers and must be changed. Public policy is intended to protect the public from outrageous practices. Kentucky's public policy must put an end to the egregious practices of the payday loan industry.

The Federal Government has recognized the debt trap created by the payday loan industry. In 2007, a new law passed by Congress went into effect limiting the payday loan interest rates charged to military personnel to 36 percent. The U.S. Department of Defense prepared a report for Congress on predatory loans and indicated this issue is one of national security: "predatory lending undermines military readiness, harms the morale of troops and their families, and adds to the cost of fielding an all volunteer fighting force."

Since this issue is of national significance and since 15 states plus the District of Columbia have capped interest rates or prohibit payday loans, the Commonwealth of Kentucky should do likewise. The people of Kentucky deserve no less consumer protection than that afforded to military families. Capping payday loan interest rates at 36 percent is a matter of family security in the fifth poorest state in the nation. The payday loan industry must not be permitted to continue gouging the people of Kentucky.

<b>Most Reverend</b> <b>Joseph E. Kurtz, D.D.</b> Archbishop of Louisville	<b>Most Reverend</b> <b>Roger. J. Foys, D.D.</b> Bishop of Covington	<b>Most Reverend</b> <b>Ronald W. Gainer, D.D.</b> Bishop of Lexington	<b>Very Reverend</b> <b>J. Michael Clark, J.C.L.</b> Diocesan Administrator Diocese of Owensboro	<b>Robert J. Castagna</b> Executive Director
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