



If only lawmakers took an 'interest' in common sense

By Jim Waters

A proposal in the Kentucky Legislature to regulate payday-loan businesses comes with a large dose of irony.

Recent budget circuses in Frankfort have resulted in politicians racking up a record amount of debt that requires payback at a high price. Yet, some lawmakers want to make it harder for single mothers, blue-collar workers and low-salary employees – who really might need to borrow money.

Meanwhile, recent spending feasts have included “borrowing” for unnecessary pork projects such as a “convention center” in Corbin (population approximately 8,000) and upgraded living conditions for polar bears in Louisville.

At least the folks who frequent payday-loan businesses – and plenty do – use the money for legitimate needs such as getting a car fixed, buying groceries or taking kids to the doctor.

Nevertheless, politicians never miss a chance to focus on the unnecessary, so in steps Rep. Johnny Bell.

He wants to regulate nearly everything about the payday-loan business, right down to limiting loans to no more than 30 percent of a person’s monthly income. The policy that Bell’s House Bill 500 would create requires lenders to offer borrowers an extended payment plan with no additional fees after the sixth renewal of the loan. (Wouldn’t it be nice if Kentuckians could stop paying taxes after the sixth time lawmakers approve another package of pork?)

This bill passed the House but fortunately, as I write this column, appears to be headed nowhere. The Senate, so far anyhow, has handled Bell’s bill like most House legislation should get treated: Put it through the shredder like junk mail credit-card offers.

Bell’s proposal represents one of the most egregious examples of useless assaults on the marketplace during the current legislative session. It’s Frankfort’s equivalent of Washington forcing mortgage lenders to cut interest rates. And it’s clear that this is only the beginning of the feds’ involvement in the nation’s mortgage business. More than likely, it’s only a start for Frankfort, too.

Taking out a short-term loan is a legal and private matter. Bills that represent useless intrusion into the marketplace should become illegal. But Bell found 56 supporters in the House to join in his folly.

Granted, payday loans don’t entail a wise personal finance decision. Interest rates can run as high as 400 percent, and due dates appear more quickly than a legislator can say “taxes.”

But when a bank loan manager looks at someone’s credit report like it carries the plague, any kind of a loan looks like a lifesaver. And regulating payday loans would threaten many mom-and-pop

payday-loan operations that have cropped up throughout the state. That puts people out of jobs.

I thought Bell's political party philosophy focused on helping single mothers, the elderly, the financially challenged and the "little guy." It turns out that like so many of the government policies we see nowadays, this proposal harms the very people it claims to help.

But if you don't believe me, look at this testimony from the "comments" section on KentuckyVotes.org's listing of this bill. It came from someone who identified herself as a 10-year employee at a payday-advance office:

"We have helped a lot of people over the years. Some say they couldn't make it without us. ... We don't just have SSI people coming here. We have lots of people who work at hospitals, banks, court houses, etc. We do not prey on poor people. I don't understand how banks can charge up to \$35 for every (overdrawn) check, and it's terrible how much credit card companies can charge people. I really feel it's no one's business if people use our service. No one tells people how to use their credit cards or when they can. Let us continue to help people in our state."

Currently, government does not tell us how or when to use our credit cards.

But based on the attitude displayed with the payday-loan bill, you never know for what or whom government's "Bell" will toll next.

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