voices for children IN NEBRASKA
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February 21, 2017

To: Senator Lindstrom and Members of the Banking, Commerce, and Insurance Committee
From: Kaitlin Reece, Policy Coordinator for Economic Stability and Health
RE: Support for LB 194

Children do better when their families are thriving economically. A significant body of research supports the fact that children's outcomes are inextricably linked to family income. When we discuss poverty, the definition often centers around family income, but in order to truly address poverty, we also have to address the systems surrounding struggling families that either increase or decrease their financial stability and ability to build a better future.

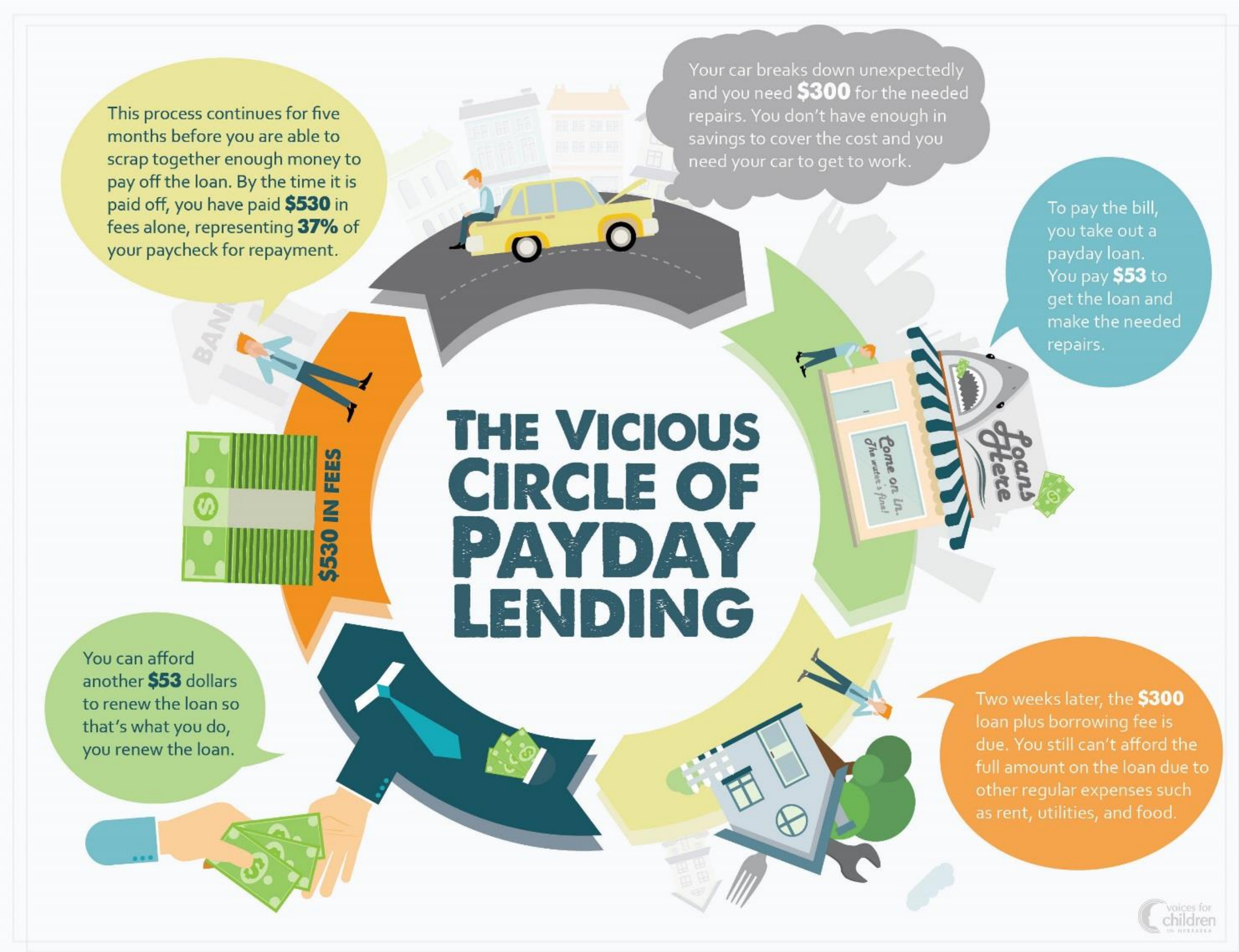
With some of the highest allowable loan rates in the nation at 461%, our current payday lending laws hurt families and drain money from local communities. In fact, the consequences of these policies are likely most acutely experienced in our most vulnerable communities. In Nebraska, more than half (57%) of the zip codes with payday loan storefronts had family poverty rates higher than the statewide rate. 3 out of every 4 payday loan storefronts are located in zip codes where the poverty rate of White, non-Hispanic people is higher than the statewide rate. Over 60% of payday loan storefronts are in zip codes where the rate of single mothers living in poverty exceeds the statewide rate.

We need to work to ensure that families are empowered to become effective financial managers but at the same time we need to also ensure that financial institutions operating in Nebraska are serving consumers in a way that is ethical and mutually beneficial. Attached to my testimony is a diagram that shows how consumers are intentionally trapped in a cycle of debt. This debt cycle is incredibly damaging for families and we should reform our current laws to ensure that it is no longer allowed to occur.

This financial stress can have an impact that goes beyond the financial realm. Newer research has even found an association between behavioral problems in children and unsecured debt. This suggests that financial stress in a family may manifest as behavioral problems in children.[1]

LB 194 would preserve access to payday loans while ensuring that families aren't intentionally trapped into a cycle of debt by lenders who seek to profit for from families experiencing economic hardship. We will only end the cycle of poverty by ensuring that families have access to fair financial resources and we respectfully encourage the committee to advance this bill. Thank you

[1] Live Science (January 2016) Parents' Financial Debt Linked to Behavioral Problems in Their Kids


THE VICIOUS CIRCLE OF PAYDAY LENDING
Your car breaks down unexpectedly and you need **$300** for the needed repairs. You don't have enough in savings to cover the cost and you need your car to get to work.
To pay the bill, you take out a payday loan. You pay **$53** to get the loan and make the needed repairs.
Loans Here
Come on in. The water's fine!
Two weeks later, the **$300** loan plus borrowing fee is due. You still can't afford the full amount on the loan due to other regular expenses such as rent, utilities, and food.
You can afford another **$53** dollars to renew the loan so that's what you do, you renew the loan.
$530 IN FEES
This process continues for five months before you are able to scrap together enough money to pay off the loan. By the time it is paid off, you have paid **$530** in fees alone, representing **37%** of your paycheck for repayment.
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