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: Opposition for LB 286

LB 286 doubles down on Nebraska's debt trap. LB 286 does nothing to address the current problems our communities are facing with payday loan products and in many cases, exacerbates the problems through the creation a higher dollar, longer term predatory loan product. LB 286 creates larger and longer payday loans with the equivalent of 200% APR on loans as large as $2,500. Families are struggling to afford and pay off smaller dollar payday loans now; it is irresponsible as a state to authorize larger dollar, subprime lending options with longer durations like those contemplated in LB 286. **For example, a borrower who obtains a 12 month, $500 or $1000 loan will end up paying 2.5 times as much back in fees and finance charges.**

The lending model proposed in LB 286 is not unique to Nebraska. In conversations with national experts, we understand that similar model legislation has been introduced in a number of states this year including

Finally, LB 286 does not change the business model of these payday loan products from an ability to collect to one based on a borrower's ability to repay. This means lenders still maintain access to a borrower's bank account for long periods of time (up to 24 months under the bill), thereby increasing the pressure on payday lending customers to reborrow again and again to avoid costly overdraft charges. This will only serve to further perpetuate the debt trap created by payday loans, only this time with larger and longer loan products.

For these reasons, Voices for Children in Nebraska strongly encourages the committee to indefinitely postpone LB 286.