## One Hundred Fifth Legislature - First Session - 2017

## Introducer's Statement of Intent

## LB194

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**Chairperson: Senator Brett Lindstrom**

**Committee: Banking, Commerce and Insurance**

**Date of Hearing: February 21, 2017**

The following constitutes the reasons for this bill and the purposes which are sought to be accomplished thereby:

Nebraska is one of the most permissive and expensive states in the nation for short-term, lump-sum payday loans, with APRs that exceed 450 percent. Data demonstrates that this payday loan model traps borrowers in a cycle of debt, creating longer term financial problems rather than helping solve them. LB 194 keeps storefronts open and maintains access to credit while tackling the payday lending industry's core problems: short-term length of the loan, lump-sum repayment, high costs, and unaffordability.

LB 194 replaces the 34-day limit on length of the loan with a model that is based on a borrower's ability to pay and make affordable payments over time. The bill requires that loan charges be pre-computed and spread equally over time, with each payment to go towards principal, interest, and fees. Both the length of the loan and the payment amount are tied to the borrower's ability to pay, with the maximum monthly payment set at 5 percent of the borrower's income.

LB 194 also sets a maximum amount of allowable fees per loan. Under LB 194, lenders can charge borrowers an interest rate of up to 36 percent per annum and a monthly maintenance fee of up to $20, setting the maximum charges per loan at 50 percent of loan principal. These changes will ensure that loans are affordable are profitable for lenders, fair for borrowers, and do not trap Nebraskans in a needless cycle of debt.

**Principal Introducer:** ______________________________

Senator Tony Vargas