[LB194 LB286 LB386]

The Committee on Banking, Commerce and Insurance met at 1:30 p.m. on Tuesday, February 21, 2017, in Room 1507 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB194, LB286, and LB386. Senators present: Brett Lindstrom, Chairperson; Matt Williams, Vice Chairperson; Roy Baker; Tom Brewer; Joni Craighead; Mark Kolterman; John McCollister; and Paul Schumacher. Senators absent: None.

SENATOR LINDSTROM: (Microphone malfunction)...Banking, Commerce and Insurance Committee hearing. My name is Brett Lindstrom, I'm from Omaha and represent District 18. I serve as Chair of this committee. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on the proposed legislation before us today. The committee members will come and go during the hearing. We have to introduce bills in other committees and are called away. It is not an indication we are not interested in the bills being heard in this committee, just part of the process. To better facilitate today's proceedings I ask that you abide by the following procedures. The information is posted on the chart to your left. Please silence or turn off your cell phones. Move to the front of the row when you are ready to testify. Order of testimony will go: introducer, proponents, opponents, and neutral and then the closing. Testifiers, please sign in. Hand your pink sign-in sheet to the committee clerk when you come up to testify. Please spell your name for the record before you testify. We ask that you be concise. It is my request that you limit your testimony to five minutes. We will use the light system in this committee, which means four minutes is the green light; one minute you'll see the yellow light; and when your time is up, the five minutes, you'll see the red light. If you will not be testifying at the microphone but want to go on record as having a position on a bill being heard today, there are white tablets at each entrance where you may leave your name and other pertinent information. These sign-in sheets will become exhibits in the permanent record at the end of today's hearing. Written materials may be distributed to committee members as exhibits only while testimony is being offered. Hand them to the page for distribution to the committee and staff when you come up to testify. We will need ten copies. If you have written testimony but do not have ten copies, please raise your hand now so the page can make copies for you. To my immediate right is committee counsel, Bill Marienau. To my far left is committee clerk, Jan Foster. And we will have the senators introduce themselves, starting with my far right.

SENATOR SCHUMACHER: Paul Schumacher, District 22, that's Platte, parts of Colfax and Stanton County.

SENATOR KOLTERMAN: Mark Kolterman, District 24, Seward, York, and Polk Counties.

SENATOR BREWER: Tom Brewer, District 43, 13 counties of western Nebraska.

SENATOR WILLIAMS: Matt Williams, District 36, Dawson, Custer, and the north part of Buffalo Counties.

SENATOR CRAIGHEAD: Joni Craighead, District 6, Omaha.

SENATOR BAKER: Roy Baker, District 30, Gage County, southern Lancaster County. [LB194]

SENATOR McCOLLISTER: John McCollister, District 20, central Omaha.

SENATOR LINDSTROM: Thank you. And our page today is Phillip Levos from Columbus, who is helping some folks. We will take up the agenda as on the form outside the hearing room, LB194, then LB286, LB386, and we are working on the heat right now so I know it's a little high. And then can I get a raise of hands who is going to be testifying in favor or proponent of the first bill? Okay. Sounds good. How about opposition. Not as many. How about the second bill, LB286? Who's going to testify in favor? Got a couple. And opposed? Okay. So we got our first bill up with more, okay. Sounds good. We will start now and open the hearing on LB194. Senator Vargas, whenever you're ready. Good afternoon. [LB194]

SENATOR VARGAS: (Exhibit 1) Good afternoon. Good afternoon. My name is Tony Vargas, T-o-n-y V-a-r-g-a-s. Thank you, Chairman Lindstrom, members of the committee. I am here today to talk about my bill, LB194, which I'm very proud to cosponsor with Senator Lou Ann Linehan of Elkhorn and why I believe it is so critical that this committee and the Nebraska Legislature act now to reform the payday lending industry. Put simply, this industry as it exists currently takes advantage of vulnerable Nebraskans. Too often exorbitant fees and APRs that exceed 400 percent trap borrowers in a cycle of debt from which it is incredibly difficult to escape. The impact to tens of thousands of borrowers isn't where the problem ends. There are measurable negative impacts to our state's economy as well. One 2008 study of the economic impact of payday lenders on the Omaha metro area alone shows that 70 percent of storefronts are owned by nonlocal, multi-state companies and that $19 million and 180 jobs are foregone from the local economy from excessive fees. Much of that $19 million could be spent back in neighborhood businesses on goods and services. That money doesn't just represent money sucked out of the economy by the payday lending industry, it also represents $19 million of lost wealth to our communities. At this point you might believe that with this bill, that it is our intention to eliminate the payday lending industry altogether. I want to make it very clear it is not. Payday lenders serve a purpose--I do believe this--and have been a critical source of credit for people who need it. There are an endless number of reasons why individuals are looking for and choose to take out a payday loan and you'll hear from a handful of them today: a mother who needed some money to put on new tires on her car so that she can get her kids to school and herself to work; a worker who didn't have health insurance and needed money for his epilepsy medication; a college graduate who was laid off her first job and needed money to cover living expenses and pay back her student loans; a young minister who had to cover hospital expenses for his two young daughters. The fact is, people need the money for a lot of different reasons. With LB194 it is my intention to make this lending model work better for Nebraskans and maintain their access to credit by keeping these businesses open. Now there are some borrowers that take out a payday loan and pay it back within the current short-term time frame. But for every one of those borrower's stories you may hear there is another Nebraskan who is thousands of dollars in debt in our community. And according to a 2014 report issued by the federal Consumer Financial Protection Bureau, the CFPB, that examined payday loans across the country more than 80 percent of payday loans are extended or succeeded by another loan within two weeks. The CFPB also found that half of all loans taken out are in a sequence of ten or more loans. These two data points are exactly why we need to reform our payday lending law to work better for consumers, better for Nebraskans, helping them solve a short-term financial issue rather than create a bigger, longer term problem for themselves and their families. LB194 does just that. By capping annual interest at 36 percent plus a reasonable monthly fee and tying monthly payments to the borrower's ability to pay a maximum of 5 percent of their gross monthly income each month for the life of the loan. In addition, loan charges will be maxed out when they reach 50 percent of the principal and they'll be precomputed and spread equally over time with each monthly payment to go towards principal, fees, and interest. LB194 is modeled after Colorado's 2010 legislation, which was successful at striking a compromise with the industry that has kept payday lenders in business and made the loan product more affordable for borrowers all over the state. Compared to Colorado's legislation, LB194 actually goes a step further towards keeping payday lending storefronts open by making each loan more profitable and flexible for lenders by allowing monthly fees be assessed for the loan from the very beginning and allowing the lender to choose how long the loan lasts. Additionally, this simplified structure will be easier and less costly for lenders to implement and easier to explain to borrowers. Included in your materials today you should have a document that outlines the bipartisan and industry support of the Colorado legislation. Republican Attorneys General Cynthia Coffman and John Suthers, former Democratic governor, Bill Ritter, Republican Congressman, Scott Tipton, have all been outspoken proponents of their payday lending reform. Even Colorado's payday lending association, COFISCA, is supportive of, and continues to be, of the payday lending reform and have been writing a letter to the federal CFPB stating Colorado has been successful in establishing a balance between consumer protection and maintaining access to short-term credit. The new lending law is clearly saving Colorado consumers more money while still ensuring that they have a viable short-term lending option from a regulated lender. Members of the committee, my hope is that Nebraska will accomplish the same through enacting reasonable regulations in LB194, but to do this we must act now. Shortly you'll hear from Nebraska borrowers about why this reform is necessary. And I hope their testimony will persuade and motivate you to support

LB194. And with that, I'd be happy to answer any questions the committee may have. Thank you. [LB194]

SENATOR LINDSTROM: Thank you, Senator Vargas. Any questions? Senator Craighead. [LB194]

SENATOR CRAIGHEAD: Thank you, Mr. Chairman. Hi, Senator Vargas. [LB194]

SENATOR VARGAS: Hello. [LB194]

SENATOR CRAIGHEAD: Can you tell me approximately how many payday loan borrowers there are in Nebraska per year? [LB194]

SENATOR VARGAS: In Nebraska...so because we currently don't have a mechanism, a database, we don't have the full numbers on how many payday loans are coming each year. We do have some number...estimated number of the number of payday loans that are going through the Omaha metro area as a result of a report that came out in 2008. For the metro area we have a projected 374,000 loans. [LB194]

SENATOR CRAIGHEAD: In a year? [LB194]

SENATOR VARGAS: In a year. [LB194]

SENATOR CRAIGHEAD: Okay. Omaha metro. Thank you. And also, 60 percent of the payday lenders in Colorado went out of business after their law was enacted. Can you speak to that? [LB194]

SENATOR VARGAS: So, to my knowledge it's 50 percent, but I could speak to it and then we'll also have other individuals that will be able to speak to it. As a result of the new law that went into place in 2010, the legislation, there was a consolidation of the industry. As a result, what we saw is the industry consolidated by 50 percent. Those that were still operating were successful, had a tremendous increase in the number of loans that they were providing. The people that were taking out the loans from those different storefronts were actually paying them back quicker and not getting into a cycle of debt that we normally see in the industry. And furthermore, we see a proportional number when you look at the percentage of smaller businesses versus national businesses, we saw approximately the same ratio after the consolidation, which tells us it's not detrimentally or negatively impacting smaller businesses versus national businesses. [LB194]

SENATOR CRAIGHEAD: So about 50 percent that went...50 percent of all of these that went out of business were small businesses and 50 percent were corporations? [LB194]

SENATOR VARGAS: Correct. [LB194]

SENATOR CRAIGHEAD: Thank you. [LB194]

SENATOR VARGAS: Thank you very much. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Senator Lindstrom. Thank you for bringing this bill. In the history of the Legislature, has there ever been a bill that would have as its known consequence the elimination of 50 percent of an industry? [LB194]

SENATOR VARGAS: I cannot reference whether or not there has or hasn't been a bill that has done that. [LB194]

SENATOR SCHUMACHER: Thank you. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Seeing none, thank you, Senator Vargas. [LB194]

SENATOR VARGAS: Thank you very much. [LB194]

SENATOR LINDSTROM: We will now have proponents. Good afternoon. [LB194]

CHARLES KARPF: (Exhibit 2) Good afternoon, Senator. Good afternoon, committee, Senators. First, thanks for allowing me the privilege to address the committee. My name is Charles Karpf, that's C-h-a-r-l-e-s K-a-r-p-f. I live at 6505 North 105 Avenue in Omaha. I've been in the banking and financial services industry in Nebraska for over 40 years, most recently I've spent 13 years as the manager of the Nebraska Rural Community Federal Credit Union, which is a low-income chartered credit union in Morrill, Nebraska, out in the Panhandle out in Senator Brewer's neck of the woods. I'm a member of the board of directors of both the Center for Rural Affairs and the OpenSky Policy Institute and a past member of the (Nebraska) Rural Development Commission. I wish to comment on LB194, which addresses the changes that Senator Vargas explained. As a lifetime participant in the banking and credit union industry, I have firsthand knowledge of the financial problems payday lending causes low- and moderate-income borrowers; it's not just low-income borrowers. Since 1999 I have been directly involved with low-income borrowers through my experience with credit unions chartered to assist low-income individuals and families. I've been involved in three of those types of charters since that time. I have also studied the financial situations faced by low- and moderate-income borrowers with regard to the availability of credit as well as other financial issues. While the idea of making small amounts of credit easily obtainable by low- and moderate-income individuals and families is a good one, the payday loan industry as it is currently practiced does not help the vast majority of those people who utilize it. It definitely has not improved the financial well-being of low- and moderate-income individuals and families and, if anything, has increased both their dependency on high-interest credit as well as their ongoing level of poverty. I would be happy to provide the committee with anecdotal information from my 40 years of dealing with these types of individuals in situations. I have seen families forced into bankruptcy through their ill-advised use of payday lending institutions. In one case...this was a customer of mine that I was not aware of. He got into a situation where he was left with less than $100 out of his paycheck after two weeks when all of the payday lenders threw their checks at his account. Not enough money for one person to live on, let alone a family with two young children. Four out of five payday loans do not help solve the cash flow problem that they are originally taken out to help solve. They are taken out to dig the borrower out of an initial payday loan problem. Research shows that over 80 percent of the overall payday loan volume is generated by the churn of payday loans, which is those people who are reborrowing just to pay off an existing loan. They're not reducing their debt, they're just rolling it forward. Payday lending is not limited to the low-income individuals in Nebraska. Again, research has shown that the median income for the six areas in Omaha with the largest number of payday loan stores is $70,000. I submit that's a pretty good income for a family of four. A study by AARP has shown that over 75 percent of those surveyed indicate support for limiting the interest rate on payday lending to 36 percent. That same survey indicated 90 percent of survey respondents support a requirement for all fees charged for the loan to be prominently displayed by the lender; get rid of the fine print. It's tough enough to figure it out if you can...if it's in large print. LB194 does much to address the problems I see in the payday lending segment of the financial services industry. It limits the amount of interest and fees that can be charged by the lender. It also provides for a limit on the amount of payment that can be taken from a borrower's account as a percentage of their income. For these and other reasons which were explained by Senator Vargas, I strongly hope you consider approving this bill. [LB194]

SENATOR LINDSTROM: Thank you very much for your testimony. Any questions from the committee? Senator Craighead. [LB194]

SENATOR CRAIGHEAD: Thank you, Chairman. Mr. Karpf, thank you so much for being here today. In your experience do you see...Senator Vargas mentioned that most people get ten payday loans. In your 40 years' experience, is that what you also see? [LB194]

CHARLES KARPF: Oh, yes. That's the churn. Once you get into that cycle, it's very hard to get out. [LB194]

SENATOR CRAIGHEAD: Thank you. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Seeing none, thank you very much. Other proponents. [LB194]

RICHARD BLOCKER: (Exhibit 3) Welcome and thank you. My name is Richard Blocker, Richard, R-i-c-h-a-r-d, Blocker, B-l-o-c-k-e-r. I live at 6238 North 104 Street in Omaha, Nebraska, and I am a resident of Senator Lindstrom's district. I grew up in Nebraska and I attended Creighton University and Nebraska Business College, which is now Kaplan University. I've worked as a banker for several Nebraska banks over the past 15 years and I currently work as a phone banker II answering questions and solving problems for the customers of a large Omaha bank. I have had epilepsy since I was 14. I've had to take medications every day to control my seizures in order to live and work. In 2014, the copays for my medications were going up and I could not handle the extra expense on my otherwise tight budget. At that time I had relatively bad credit due to the fact that I had put student loan debt on credit cards to finish my education. Even though I worked for a bank, I knew that I could not borrow money from my employer or any other bank at that time because they would want me to borrow at least $1,000 and my credit scores would not support that kind of a loan. Now I have siblings in the Nebraska area, but I also knew that none of my family was in a position to help me, so I went to Easy Pay. I wrote them a check for $500. They gave me back $425 that day and then the next time when I was paid I went ahead and I took out $500 in cash from my checking account and paid back the loan in cash. But since I was still very strapped for cash, that same day I had to write another check for $500 and then only get back another $425 from them. I had to repeat this six or seven times, so I ultimately paid about $525 in fees to borrow $500 in a three and a half month time frame. I finally escaped the situation when my doctor prescribed generic drugs for me and they worked well enough so that I did not have to pay the high copays; they were just a fraction of the cost. Now, I desperately needed the $500 from the payday lender and I appreciate that they lent it to me, but I do feel like they took advantage of my situation in charging me $525 on a $500 loan. I support LB194 because I think it puts reasonable limits on the total fees that a borrower must pay on a small loan. Thank you. [LB194]

SENATOR LINDSTROM: Thank you for your testimony. Any questions from the committee? Senator McCollister. [LB194]

SENATOR McCOLLISTER: Yeah. How many retail locations did you go to before you took the loan out at Easy Pay? [LB194]

RICHARD BLOCKER: I looked around but I just went to them, because all of them were the same, the same 425 percent interest rate. [LB194]

SENATOR McCOLLISTER: Okay. Thank you for your testimony. Thank you, Mr. Chairman. [LB194]

SENATOR LINDSTROM: Senator Craighead. [LB194]

SENATOR CRAIGHEAD: Thank you, Mr. Chairman. Thank you, Mr. Blocker, for being here today. I'm just curious. You said that, obviously, you probably knew this, but at your bank did you even bother to ask them if they would give you a loan? [LB194]

RICHARD BLOCKER: No, because being in the banking industry for as long as I had, I knew it wasn't even an option. Just the banks don't loan for that small of a dollar amount. [LB194]

SENATOR CRAIGHEAD: Thank you. [LB194]

SENATOR LINDSTROM: Any other questions? Senator Williams. [LB194]

SENATOR WILLIAMS: Thank you, Chairman Lindstrom. And thank you for your testimony. As a banker and with your experience, did you understand the terms of the loan when you got your first payday loan? [LB194]

RICHARD BLOCKER: I did understand the terms of the loan. [LB194]

SENATOR WILLIAMS: Thank you. [LB194]

RICHARD BLOCKER: But just with not being able to have any other options, that was the only way I could go. [LB194]

SENATOR WILLIAMS: But you understood the terms of the loan? [LB194]

RICHARD BLOCKER: I did understand the terms. [LB194]

SENATOR WILLIAMS: Thank you. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Seeing none, thank you for your testimony. Other proponents. [LB194]

BEN BOLMEIER: Thank you. Thank you, committee. My name is Ben Bolmeier, B-e-n B-o-l-m-e-i-e-r. I'm a citizen of Omaha, Nebraska, Senator McCollister's 20th District. I am here today as a proponent of LB194. I represent a concerned citizen of this unregulated industry, because I feel that many members of society, mostly the disadvantaged and the misinformed, are forced to take bills and are exposed to interest rates that are beyond reasonable and which create a situation for them which makes it impossible to keep any sort of financial stability in their lives. And so I feel that given the case study of Colorado and the success of that bill, that reform is needed within this industry in our state. Thank you. [LB194]

SENATOR LINDSTROM: Thank you, Mr. Bolmeier. Any questions from the committee? Senator Williams. [LB194]

SENATOR WILLIAMS: Thank you, Chairman Lindstrom. And just one question. You used the term "unregulated industry." Do you understand that this industry is highly regulated and examined by the state Department of Banking? [LB194]

BEN BOLMEIER: I feel that there is a need for more regulations in place to protect some of the disadvantaged and poor citizens in our city. [LB194]

SENATOR WILLIAMS: So your statement that they are unregulated would not quite be accurate? [LB194]

BEN BOLMEIER: That's true. [LB194]

SENATOR WILLIAMS: Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. Thank you for your testimony. People are taken advantage of. Maybe when they buy a car they are sold a car that they really can't afford, maybe financed at a high-interest rate that they really can't afford, maybe they get talked into buying a maintenance contract that's way too expensive. They get talked into a lot of things. At what point do you feel it's the obligation of government to step in and say, you know, this car is a bad deal for you? You...we're going to prevent car dealers from offering cars under these terms. How is that any different from offering a loan when you know the complete terms of the loan that has a high-interest rate? [LB194]

BEN BOLMEIER: Well, I feel that in this industry most of the people that are forced to take a loan are in a financial situation in which they are very strapped for cash and it is almost as a last resort and most of those people are likely uninformed. Maybe they don't know the interest rates of certain loans or have not had an experience of taking out a loan before. And unfortunately for them, they are I feel taken advantage of by these citizens. So I would say an industry which charges interest rates up of 400 percent on loans, I would say that would require immediate need of intervention from our government. [LB194]

SENATOR SCHUMACHER: Why if somebody had to have a car to drive to work or take the kids to school and they went into the car dealership and got sold a...not only the car but service contracts and all kinds of stuff on a reasonably high-interest rate, why shouldn't we intervene there and tell them that they can't do that? [LB194]

BEN BOLMEIER: I don't think there's car dealerships that sell people loans with interest rates of 300 percent, 400 percent. [LB194]

SENATOR SCHUMACHER: But they do sell big, long-term maintenance contracts and things like that and they do sell people cars that are far more than what their means are and they finance them and that puts them in a bind because they've got to make the monthly car payment and insurance payment and lose it. Should we intervene there, too? [LB194]

BEN BOLMEIER: No, I don't believe there... [LB194]

SENATOR SCHUMACHER: Okay. And in what other acts of life should we intervene to protect the public? [LB194]

BEN BOLMEIER: I couldn't say. [LB194]

SENATOR SCHUMACHER: Okay, thank you. [LB194]

BEN BOLMEIER: Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Any final questions? Seeing none, thank you for your testimony. [LB194]

BEN BOLMEIER: Thanks. [LB194]

SENATOR LINDSTROM: Next proponent. Good afternoon. [LB194]

GLENDA WOOD: (Exhibit 4) Good afternoon, committee. My name is Glenda Wood, G-l-e-n-d-a W-o-o-d, and I am here in support of LB194 because I have firsthand experience of the negative effects of the current payday lending practice. My husband and I have been married for 25 years and we have three children. My husband is a service technician and I work at Habitat for Humanity of Omaha. We currently live in Bellevue and have lived in Nebraska since 2000. In 2006, my husband and I both worked in Lincoln, commuting from our home in Ashland and we had one car and the tires badly needed replacement. We had no extra money because our house had had some unexpected repairs and we were also repaying student loan debt and some unforeseen medical bills. We took out a payday loan of $500 to get the new tires. The process of getting the loan went very quickly and we didn't realize that the loan needed to be paid back in full within two weeks. When the loan was due we didn't have the full $500, so they encouraged us to take out a new loan to pay the first loan so we did time and again for the next eight years. We kept trying to not renew the full $500 loan and would only do $300 or $400, but life got in the way. I got a new job closer to home, but the pay wasn't as good. I broke my ankle and then I lost that job and had compounded medical bills and student loans to pay. It is hard to be here testifying because financial problems are embarrassing. Getting stuck in the debt cycle of payday lenders was our problem. My husband and I work hard and are conservative in our spending. At any one given time one of us always had a second job. We are finally free from the payday lending trap, but it wasn't until I was asked about our story with payday lending that I realized what this loan had cost our family. Over the course of those eight years we estimate that we spent close to $10,000 paying off that original loan. Personally, we felt that we had been exploited financially, trapped in a cycle that limited our financial choices and made us feel powerless, unable to find a way out of the cycle. This debt cycle can affect one's ability to maintain adequate housing, support household expenses, it just ripples throughout. I have heard of many other people also trapped in a cycle of debt due to the unaffordable payments created by the extremely high-interest rates, which also caused these loans to last for unreasonable lengths of time. People need access to affordable credit and having fair and reasonable loan repayments would help families avoid the financial burden that we experienced. The changes provided by LB194 would allow better access to affordable credit while still allowing the lenders to collect the fees as part of their business model. Please, for the sake of Nebraska's hard-working families, make this change so others don't have to go through what my family did. [LB194]

SENATOR LINDSTROM: Thank you, Ms. Wood. Senator Craighead. [LB194]

SENATOR CRAIGHEAD: Thank you for being here this afternoon. I'm just curious. You had a total of $10,000 in payday loans, right? And you took these out over eight years. How many loans did you get? [LB194]

GLENDA WOOD: We started with the one original $500 loan. [LB194]

SENATOR CRAIGHEAD: Right. [LB194]

GLENDA WOOD: The $10,000 comes from paying $50 every two weeks for the course of almost eight years. [LB194]

SENATOR CRAIGHEAD: But how many loans did you take out, because as we know most people take out about ten? How many did you take out? [LB194]

GLENDA WOOD: Well, take two loans a month times eight years and that would give you the number. [LB194]

SENATOR CRAIGHEAD: So 24 times eight, then. Okay. Wow. Thank you. [LB194]

SENATOR LINDSTROM: Any other questions? Senator Williams. [LB194]

SENATOR WILLIAMS: Thank you, Ms. Wood, for being here. And thank you for your work for Habitat. [LB194]

GLENDA WOOD: Thank you. [LB194]

SENATOR WILLIAMS: It's a great project and great are the work they do. You said in your testimony that they encouraged you to take out the additional loans. [LB194]

GLENDA WOOD: That is correct. [LB194]

SENATOR WILLIAMS: And it appears that that would be a violation of law to do that, that you would have more in outstanding debt than would be allowed the $500 that is allowed by law. Did you file any kind of a complaint? [LB194]

GLENDA WOOD: I did not. At the time I was trying... [LB194]

SENATOR WILLIAMS: Did you know that you possibly could have filed a complaint? [LB194]

GLENDA WOOD: I didn't really know that at the time, no. [LB194]

SENATOR WILLIAMS: Okay, I'll just leave it there. Thank you. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Seeing none, thank you for your testimony. [LB194]

GLENDA WOOD: Thank you. [LB194]

SENATOR LINDSTROM: Next proponent. [LB194]

ELSA RAMON-MOODY: (Exhibit 5) Good afternoon, committee members. My name is Elsa Ramon-Moody, E-l-s-a R-a-m-o-n hyphen M-o-o-d-y. I'm here today in support of LB194. I moved to Nebraska...the wonderful state of Nebraska in June of 2015. My daughter was in her final semester at Marquette University in Milwaukee, Wisconsin. She was scheduled to begin the Creighton nursing program in Omaha in January of 2016. And in anticipation of this, I had moved to Nebraska ahead of time and had accepted a position as an executive assistant with a Omaha Housing Authority. The position paid very well and I was sure that I had all of my expenses covered for my family. I am a single parent with no other family in Nebraska or in Omaha. However, after approximately four months I unexpectedly lost my job. I immediately began to look for work, but I was unable to find employment. This led to sporadic temp work. I soon began to get behind on bills. I had rent, utilities, car payments, insurance, in addition to my regular living expenses and I was also responsible to pay the living expenses of my college daughter who was away at school in Milwaukee and relied on me for financial support. I began by paying a little bit of money for each bill, but wasn't able to maintain this and I could not fulfill my obligations to all of them. I was barely scraping by and was on the verge of eviction and car repossession. There were no family members that I could turn to and as desperation began to set in, all while trying to survive on a daily basis, sending money to my daughter for food and other necessities, and knowing that we would ultimately be needing money to bring her home back to Omaha, I saw no hope but to rely and borrow from payday lending. I took out a first loan to help keep eviction at bay. Then I took out a second loan to send money to my daughter for food and expenses and bills. And finally, I took a third loan out to be able to pay for her transportation home at the end of the semester. Back here I was on the verge of losing everything. Our situation was getting desperate and for a while I continued renewing the loans until I finally realized that I was paying a hopeless money pit. I absolutely could not pay all the three loans that I had, the interest due, and continue trying to pay my bills, not be evicted, and salvage anything. It was impossible to pay any of them back. I had to renew and renew these loans. It became a vicious cycle with no way out. I had taken out three different payday loans from three different payday stores, who asked very little questions, within just a few months. All of them were for $500 dollars. It was very easy to go to get these loans at the time and I desperately needed the money. In January 2016, I ultimately hit rock bottom...that I was fortunate and blessed that my church, St. Margaret Mary Catholic Church in Omaha, stepped in and helped us out. Ultimately, I found a job that paid $12.50 per hour, which was half of what I used to earn before. What I would like you to know is that people have dire emergencies where there is very little recourse but for them but to go to these places. In my situation, it was critical to have those funds and it was extremely disturbing how the industry is legally allowed to charge the borrower these highly unreasonable fees that ultimately trap people in a cycle of hopeless debt for which there is no way out other than to continue paying their fees and interest. This situation put me in a harder path back to financial recovery. It is also well known that payday loans notoriously target low-income, financially vulnerable individuals who have almost no other options to borrowing, such as myself. It is my belief that LB194 will help protect consumers that are in this type situations and will help stop payday lenders from benefiting and exploiting them through predatory lending. I urge you to reconsider regulating this payday lending businesses in a much more reasonable and responsible effort. If LB194 had existed when I was taking out these loans it would have helped me and my family be able to repay the loans and not to have the devastating consequences. Thank you for your time. [LB194]

SENATOR LINDSTROM: Thank you. Senator Craighead. [LB194]

SENATOR CRAIGHEAD: Thank you, Chairman. Thank you so much for being here today. [LB194]

ELSA RAMON-MOODY: You're welcome. [LB194]

SENATOR CRAIGHEAD: I'm just curious. Obviously, Marquette and Creighton are extremely impressive schools. Did your daughter try to get a student loan to help you out with her own expenses? [LB194]

ELSA RAMON-MOODY: My daughter had a full scholarship at Marquette and we had planned ahead carefully for our move from Wisconsin to Nebraska, where my income at OHA was in the area of $50,000 a year so I could easily pay my rent and all my bills and still help her out while she was at school. So losing the position and having had the expenses of moving, etcetera, just poof, our safety net went away. [LB194]

SENATOR CRAIGHEAD: Was it like too late for her to try to get a student loan or... [LB194]

ELSA RAMON-MOODY: It was her last semester of school, so everything had been dispersed at that point and it was her very last semester. [LB194]

SENATOR CRAIGHEAD: Okay, thank you. [LB194]

ELSA RAMON-MOODY: You're welcome. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Seeing none, thank you very much. [LB194]

MICK WAGONER: Good afternoon, Mr. Chairman, Senators. My name is Mick Wagoner, M-i-c-k W-a-g-o-n-e-r, and I'm a retired Marine Corps officer and judge advocate. I currently live in Omaha and one of my jobs is I'm executive director of Veterans Legal Support Network. We assist veterans, service members and their families when they have nowhere else to turn for legal assistance. I appreciate your time today to allow me to discuss my experiences with payday lending and let you know that LB194 is definitely a step in the right direction for all Nebraskans, including those that have and continue to serve. Military members are an especially lucrative target for financial traps. They're often young, naive, and financially unsophisticated. This is so obvious in the Marine Corps that upon reaching their first duty station they're directed to take out two courses. The first is on small unit leadership. That's what we expect them to want to aspire to. The second is on financial literacy, because so few have it at their age. And Marine leadership knows that education is the best source to prevent the kinds of money issues that have plagued young Marines and I would say service members for decades. A few things make Marines and these other active duty service members ideal targets for predatory lending. They have a regular income. They're paid every two weeks; we know that's going to happen. And the amount is publicly available on any Website. Lenders know this as well and can count on their regular income. We've discussed the naivete and it really is true, but they also make some rather impulsive purchasing decisions. And we know now that often that's because their brains are still maturing decisionwise into their 20s. Finally, lenders are so sure that they position themselves near the bases and advertise where service members will see their services. Many of these things you likely know or have heard today we'll hear again some more. The trickier part comes with experience dealing with the debt collection and how this vicious cycle comes to bear with the service members. A military member comes in seeking money, signs their obligations that are unfavorable, often at these exorbitant rates and often with post-dated checks. The checks are then cashed and return nonsufficient funds. Instead of simply trying to pay the loan back, the service member signs up for additional payments--as you've heard--and fees, thus turning the loan into an anchor, taking them into fiscal ruin. Now the nefarious part. The lenders will use their knowledge of the military justice system against the young troop by telling them that they will tell...they will call their command or they will call the JAG office and report them for failure to pay just debts. There are actually two articles in the Uniform Code of Military Justice, Article 123 and one part of Article 134 that are entitled "failure to pay just debts." Those are primarily used for when troops write bounced checks, purposely and criminally. It sounds pretty scary to a 19-year-old troop, but the truth is the military will not and legally cannot force the service member to pay back that debt, but they don't know that. That young 19-year-old troop is scared, she's alone, she's away from her family and her friends. The federal Military Lending Act of 2006 has helped, but it is not the end of predatory lending against military personnel. I wish it was. What it has done is force the lenders into a more overt disregard for the military member's true source of income. The only way that the violations will be reported is if the military members themselves report it. And remember, they are being told they could go to jail for not paying on their loan on time. So the reporting of potential Military Lending Act violations just doesn't happen. The JAG and the commands don't know about the loans, because the member is embarrassed and likely feels they are in the wrong in the first place for having to need to use the payday loan. All bases have a military aid society: Army Relief; Navy-Marine Corps Relief; Air Force Relief; etcetera. They give interest-free loans to service members. But the service member needs to do two things: The command needs to know about it, because they have to do the paperwork. And then the service member has to make a budget and take positive steps to gain financial knowledge to alleviate the problem. For the 19-year-old, that's much harder than simply going right off base and signing a few forms with no homework attached, along with the promise of easy payments. I'd like to close with these comments. We have banks and credit unions on bases...American bases around the world. There isn't one check-cashing place. Finally, payday lenders are not outlawed with LB194. Service members and all other Nebraskans may still use those services, but with this law they won't be abused for those services. Thank you for your time. [LB194]

SENATOR LINDSTROM: Thank you. Senator McCollister. [LB194]

SENATOR McCOLLISTER: Yeah. Thank you, Mr. Chairman. And thank you, Mr. Wagoner, for all you do for veterans. [LB194]

MICK WAGONER: Thank you, Senator. [LB194]

SENATOR McCOLLISTER: Is it the proper role of government to enter into these kind of lending agreements? [LB194]

MICK WAGONER: As far as the limits that they're putting on? [LB194]

SENATOR McCOLLISTER: As in LB194 hopes to do. [LB194]

MICK WAGONER: I think in these cases it is, by limiting to 36 percent I think is a workable business relationship that can work. It works at the federal system. It works in many other states and when you see the cost benefit analysis. In the military it's even more so, because when you get in that vicious spiral of debt many other things happen, including the potential you lose your security clearance because you're in financial trouble. That is one of the big conditions that they look at. So service members can be very perilously impacted by going into debt in these debt cycles. And I can only tell you the amount of time--I'm sure the senator knows this as well--that you spend on an individual troop trying to get them ready for deployment and you have these constant problems of debt and debt problems harassing these soldiers, so I think it was long needed. And that's why it was so egregious in the military that they finally came up with some protections. But I think in Nebraska's case, Senator, it is time to put some limits on this. And so I think (LB)194 is the proper vehicle to do that. [LB194]

SENATOR McCOLLISTER: What would be the difference between predatory lending and nonpredatory lending? [LB194]

MICK WAGONER: I think that's in the eye of the beholder a little bit, Senator. But for me at a minimum, it's 100 percent. But it would probably be...I think the 36 percent strikes the right balance, 3 percent per month. There's many other smarter people in here as well that could talk about some of those numbers. But in a sense of just kind of general balance, 36 percent seems like a right number to me, Senator. [LB194]

SENATOR McCOLLISTER: Thank you, Mick. Thank you, Mr. Chairman. [LB194]

SENATOR LINDSTROM: Senator Craighead. [LB194]

SENATOR CRAIGHEAD: Thank you, Chairman. Thank you so much for being here, Mr. Wagoner. [LB194]

MICK WAGONER: Yes, ma'am. [LB194]

SENATOR CRAIGHEAD: And as a widow of a veteran, thank you for all you do for veterans. You mentioned financial education and during...for the relief fund. [LB194]

MICK WAGONER: Yes, ma'am. [LB194]

SENATOR CRAIGHEAD: Do you find that these men and women have a better track record than those who do not have financial education? [LB194]

MICK WAGONER: Yes. [LB194]

SENATOR CRAIGHEAD: That's one thing that I think that every single person who gets a payday loan should have, is financial education. It's like, stop, one hour here. That's just my thing. [LB194]

MICK WAGONER: As a parent of a teenager, I say all of them should. Not if they do payday lending, but all of them at large should have that. [LB194]

SENATOR CRAIGHEAD: Thank you. [LB194]

SENATOR LINDSTROM: Thank you. I have just a quick question. With regards to Colorado and maybe some of your colleagues, have they seen or noted the issue clear up more so in Colorado in regards to (inaudible)? [LB194]

MICK WAGONER: Senator, I haven't had the experience with my counterparts telling me one way or the other, because I will tell you it is just so hard to find out about this. The JAG office where I was at, I would see these cases when I was a legal assistance attorney and they would come in and it was just desperate straits, it was bankruptcy time, it was really a bad thing. So it's hard to say. I would say that with some of the numbers going down there probably is some things, but I haven't heard any complaints about the law being in effect from my peers, that's for sure. [LB194]

SENATOR LINDSTROM: Okay. Senator Brewer. [LB194]

SENATOR BREWER: Thank you, Mr. Chairman. Well, I've got to admit there was a lot of deja vu with what I hear from you there because we're specifically talking about Nebraska here. Obviously on the active duty posts like Fort Benning, Fort Bragg, and those where you have a large population of that E-1 through E-5, it's a target-rich environment for them. Here at Offutt, with STRATCOM and the senior folks, is it still a fairly prevalent problem here? [LB194]

MICK WAGONER: Senator, as I was doing a little bit more research, trying to get a little smarter for you all on this, the young enlisted are clearly a huge target and they are there with the 55th Wing, so there are plenty of them there that are still getting...and when you look at the proliferation of check-cashing stores around the Bellevue area compared to the Omaha area at large, that should tell you something as well. And then the other piece that you see is, I think you heard some from the testimony as well, some of the E-4 to E-9 range has been--victimized is probably too strong of a word--but have been hampered by this interest as well, because they, too,...I mean, you can imagine a guy getting ready to try and go for an E-9 board and his peers find out he's going to payday loans, that is not...I mean, you have kind of failed in your senior leadership piece if you have to go out and get those. And so they're not going to talk about those sort of things, but they do happen because real life does happen, just like it does in the civilian world. [LB194]

SENATOR BREWER: It does seem ironic that we're talking about their decisions with this, but yet we hand them guns and grenades. [LB194]

MICK WAGONER: We absolutely do. We absolutely do. And the good news, we do legal assistance, as you know, to try and get them ready so they won't be thinking about these things when they're down range and they won't be getting phone calls from the spouse saying, hey, how come we got debt collectors at the door? We need to do as much as we can to stop that. And this I think is a small means of continuing to do that, Senator. [LB194]

SENATOR BREWER: Well, actually, every Monday in theater we had to stand down to have Fed Ex send back packages that contained those checks that were reimbursing those different agencies. [LB194]

MICK WAGONER: Absolutely. [LB194]

SENATOR LINDSTROM: Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. And thank you for your testimony and your service. [LB194]

MICK WAGONER: Thank you, sir. [LB194]

SENATOR SCHUMACHER: On the, I suppose the average, $500 loan, what does a service man end up paying back before they're out of it? [LB194]

MICK WAGONER: Senator, I don't want to make up numbers for you, so I couldn't tell you. But I would say in Nebraska it would...my understanding is it's very...it's the same as it is to the civilian population. They would...because there is no military nexus per se to them, they're just another civilian to the check-cashing facility, so they would...there's no special deals for the military that they get any better rates. [LB194]

SENATOR SCHUMACHER: So I mean if they take out a $500 loan, if they end up paying back to the check-cashing place $1,500, they basically...the experience cost them a thousand dollars. [LB194]

MICK WAGONER: In that situation, yes, sir, they would. [LB194]

SENATOR SCHUMACHER: Okay. And actually a college education, figure $12,000 a year for 28 credit hours, it would cost you about $425 an hour. So if it cost them two credit hours, that's not an invaluable lesson to learn, is it? [LB194]

MICK WAGONER: I think there's better ways they could spend that thousand dollars, Senator, to be honest with you. [LB194]

SENATOR SCHUMACHER: But they've probably learned the lesson of not taking out these kind of loans. [LB194]

MICK WAGONER: Well, I think taking a class at Air Force Relief would do even more and allow them to put the money back into other services and businesses around the Bellevue area and the Omaha area that would be even better for them. [LB194]

SENATOR SCHUMACHER: It would, but they obviously aren't and they're learning it the hard way. So it's still not terribly expensive to learn that lesson, like a two-hour college course. [LB194]

MICK WAGONER: For an officer, you're right, Senator. You could probably say for a second lieutenant that might be. But for a troop that's making $1,400 and maybe has a child support payment or has a family, I can't tell him that's not a huge hit that's just going to drive him into the ground. I think that's where I would take it, Senator. [LB194]

SENATOR SCHUMACHER: Thank you. [LB194]

MICK WAGONER: Sir. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Seeing none, thank you very much. [LB194]

MICK WAGONER: Thank you, sir. [LB194]

SENATOR LINDSTROM: Other proponents. [LB194]

DIANA LaCROIX: (Exhibit 6) Good afternoon, everyone. My name is Diana LaCroix, D-i-a-n-a L-a-C-r-o-i-x, and I'm here today in support of LB194. I'm a Nebraska-born native and have lived in Omaha for over 30 years. Since my husband passed away two years ago, times have been hard. Steve worked up until December 2013 and January 1, 2014, he was diagnosed with pancreatic cancer. He lived five months after being diagnosed. Since his death, I went from his income of over $2,000 a month to getting survival benefits from Social Security Administration of $1,108 a month. I'm just one of hundreds of people who have fallen into the trap by these payday lenders. I also work part time, which is still not enough to pay my bills and pay for unexpected expenses. It seems that every time I think I can keep up with my monthly bills, something comes up unexpectedly such as when my basement flooded, my kitchen light fixture broke, my washer quit working, I had car repairs and other home repairs to pay for. I had no choice but to turn to payday lending to keep up with repairs plus pay my bills every month. Now I'm in a financial dependency on payday lending because I have to pay back the loans which puts my income short for paying my monthly bills. It's a never-ending cycle. I also have my 18-year-old granddaughter living with me so I have extra expenses to support her needs as well as trying to keep up with my monthly bills, car repairs, and of course all other unexpected home repairs and expenses. Most nights I lay awake wondering how I'm ever going to get out of this situation until recently a guardian angel came to my rescue and paid off both my payday loans. Therefore, no one deserves to be stuck in this situation and not everyone is lucky enough to have a guardian angel come to their rescue. If she hadn't been so generous, I would still be struggling to put the money together to pay back these loans. We shouldn't need guardian angels to get us on our feet. Payday lenders prey on the most vulnerable people who have succumbed to hardship in many forms and I know it was not my fault, but yet I'm ashamed by how this has affected me as a person and how it has affected my granddaughter. Therefore, I truly believe the laws need to be in place to insure that payday lenders abide by the limited amount of percentage rates per $100 and also pay their loans back a little at a time in order for consumers to get back on their feet again. Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Thank you for your testimony. Any questions from the committee? Senator Craighead. [LB194]

SENATOR CRAIGHEAD: Thank you, Chairman Lindstrom. Mrs. LaCroix, thank you so much for being here. I'm very sorry for your loss. [LB194]

DIANA LaCROIX: Thank you. [LB194]

SENATOR CRAIGHEAD: I just have a question. Was your husband a veteran? [LB194]

DIANA LaCROIX: No. No. [LB194]

SENATOR CRAIGHEAD: Okay. [LB194]

DIANA LaCROIX: I wish he was, but he wasn't. [LB194]

SENATOR LINDSTROM: Any other questions? Seeing none, thank you very much. [LB194]

DIANA LaCROIX: Thank you. [LB194]

SENATOR LINDSTROM: Other proponents. [LB194]

MELISSA WEY: (Exhibit 7) Hi. My name is Melissa Wey, M-e-l-i-s-s-a W-e-y. I am here today to support LB194. I grew up in Nebraska and after graduating high school I moved out of state and with many years of perseverance finally in 2007 I graduated from college. The year I graduated from college I was in a traumatic accident. I broke my back and I was faced with the choice of having to return back to Nebraska, which is not a bad thing. I moved to Lincoln, but I found my career job in Omaha. I commuted to work for six months before eventually moving. I had just signed a year's lease and used up all of my savings for deposits and moving expenses. Within two weeks of moving I was laid off of my job. I was absolutely devastated. The only income I had to depend upon while looking for another job was unemployment. I had no other choice but to look towards payday loans. This led to a six-year cycle of writing and rewriting and has cost me thousands of dollars, around $5,000. This issue needs to be addressed by the state Legislature. LB194 would allow people who have fallen on financial hard times to have access to credit without the vicious cycle of debt which the current lending practices creates. The high-interest rates on these loans have left many other Nebraskans in a similar situation as I am. Their predatory nature creates a cycle of poverty that many cannot easily get out of and are forced to maintain an abusive relationship with these lenders. When I look back through my checkbook, out of the 184 checks that I have written to date, 167 have been to payday lenders. The money that I was constantly spending to repay these loans is money that I could have been saving to get me out of the predatory cycle of payday loans. One specific event comes to mind of how these loans have caused emotional pain in my life was when I had to figure out a way to repay a loan during my mother's funeral. The shame I felt, me, I'm a college educated woman having to depend on payday lenders and having to hide that from my siblings and other family members when I should have been focusing on the grieving process. If my payments had been capped at 5 percent of my monthly income, like LB194 would do, then I would not have been caught in this predatory cycle. LB194 would make it so that these loans could be paid off in a monthly payment plan rather than forcing people to pay back these loans in lump sums. This would help make payments more manageable, reduce the amount of borrowers who have to continuously take out loans, and lessen the emotional burden these loans cause. My hope is that I can help be part of positive change in my community on many levels through my activism. I am passionate about being a voice for this issue and others like it and making a difference in the lives of others. I see LB194 as part of that change that is needed in the lives of many Nebraskans. I wish to see a new climate of payday lending that makes it possible for people who have fallen on hard times to have access to financial help, but without the risk of falling into a trap of loan after loan. Instead of being a predatory business, this should be one that helps the vulnerable in our communities when it is needed the most and lets them make payments in a way that doesn't further victimize people by putting tremendous emotional and monetary burden on them. LB194 would produce these reforms and help Nebraskans escape the cycle of debt that is caused by many payday loans. Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Senator Brewer. [LB194]

SENATOR BREWER: Thank you, Mr. Chairman. If we go back and look at this six-year cycle that you talked about and the 167 checks, have you ever sat down and looked at how much you borrowed and how much you paid back and have some idea what those numbers are? [LB194]

MELISSA WEY: Yes. Yes, I do. On the average, over the course of six years, I took out...I paid back about $5,068. That's just from adding everything up from what...from the blanks that I have. [LB194]

SENATOR BREWER: Okay. Thank you. [LB194]

SENATOR LINDSTROM: Senator Baker. [LB194]

SENATOR BAKER: Thank you, Chairman Lindstrom. Ms. Wey, where do you think credit cards come into play in people in your situation? Do you think people use credit...I mean, the interest rates are high there, too. Is that an option to use a credit card? [LB194]

MELISSA WEY: I had broken my back in 2007. I could not get a credit card. Credit card interest, yes, they're 25 percent, but in comparison to 400-plus (percent) every two weeks, I don't know, I think it's kind of predatory, don't you? [LB194]

SENATOR BAKER: Thank you. [LB194]

SENATOR LINDSTROM: Miss, sarcasm is not allowed here. We ask the questions, just answer them directly. Thank you. Just have a little respect for the senators, please. Thank you, I appreciate it. Senator Williams. [LB194]

SENATOR WILLIAMS: Thank you, Chairman Lindstrom. And thank you, Ms. Wey, for being here. Did you look at other alternatives on the front end of this before you got into the payday cycle? [LB194]

MELISSA WEY: There were no other alternatives for me. All my family members were dead. [LB194]

SENATOR WILLIAMS: Okay. Then my ultimate question, what would have happened had there not been a payday lending industry for you to go to? What was your alternative? [LB194]

MELISSA WEY: I don't know what my options would have been. [LB194]

SENATOR WILLIAMS: That's right. [LB194]

MELISSA WEY: I had none. I had none. [LB194]

SENATOR WILLIAMS: There were none. Thank you. [LB194]

SENATOR LINDSTROM: Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. I take it now you're out of the payday lending cycle? [LB194]

MELISSA WEY: Yes, I work two jobs because I refuse to get back into that cycle. [LB194]

SENATOR SCHUMACHER: How long have you been out of it? [LB194]

MELISSA WEY: Oh, actually, the last time that I had to write a payday loan was in November, because my car broke down the day before Thanksgiving. [LB194]

SENATOR SCHUMACHER: Before that, was there a gap in the time you had this six-year go-around with it and that one in November? Was there a gap when you were free of (inaudible)? [LB194]

MELISSA WEY: You know, I don't really...I can't recall. But I can grab my checkbook, if you'd like, and I can get a...I can give you the date the last time between. [LB194]

SENATOR SCHUMACHER: Have you set up a savings account now? [LB194]

MELISSA WEY: Yes, I have. [LB194]

SENATOR SCHUMACHER: Okay. And the money that would have been gone to payday lending, now that you're out of the cycle, have you deposited that in your savings account? [LB194]

MELISSA WEY: I'm sorry. Can you repeat the question? [LB194]

SENATOR SCHUMACHER: The money that you would have paid to a payday lender if you were still in the cycle, that money, have you put that in a savings account? [LB194]

MELISSA WEY: Yes, I do. I put a percentage of my paychecks in a savings account and I am getting...but you know, it's a long process. It doesn't happen overnight and it's like it can be really frustrating because you expect...you work...I work really hard and I expect that from all my hard work to see like a pile of gold in that savings account and it just doesn't happen overnight, unfortunately. And it's frustrating, but I am working towards that, yes. [LB194]

SENATOR SCHUMACHER: Thank you. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Senator McCollister. [LB194]

SENATOR McCOLLISTER: Yeah. Thank you, Chairman Lindstrom. Without getting into your savings account balance, if you all of a sudden had a $1,000 repair bill on your heating or your air conditioning, what other options would you look at now, now that you understand the payday loan industry? Are there any options that you'd consider if you had an unexpected expense? [LB194]

MELISSA WEY: I don't...I mean, I work for a bank and my credit score is slowly going up. I would call them. I would ask...I'd reach out to my employer and see if I could do a loan with them. [LB194]

SENATOR McCOLLISTER: But you'd say there are very few options for folks that are in dire straits? [LB194]

MELISSA WEY: There are very few options. Yes, I would have to agree. [LB194]

SENATOR McCOLLISTER: Thank you, Ms. Wey. Thank you, Mr. Chairman. [LB194]

SENATOR LINDSTROM: Any other questions? Seeing none, thank you. Good afternoon. [LB194]

JODI MILLER: (Exhibit 8) Good afternoon. My name is Jodi Miller, J-o-d-i M-i-l-l-e-r. I'm here in support of LB194 and ask you senators to please move LB194 forward so that your colleagues might continue the discussion. I grew up in a home in rural Minnesota and I moved to Nebraska in roughly 2008. The home I grew up in was filled with addiction and poverty. Financial responsibility or knowledge was not on our list of priorities. In my family we simply focused on survival. I was not taught about saving, credit, or how to determine a decision's long-term impact. As history tends to repeat itself, as an adult I too struggled with addiction and poverty and in desperation I turned to payday lenders to survive. The loan seemed easy to obtain and I did not understand at that time how taking out a payday loan would alter and affect my live in such a devastating way. At first it seemed like an easy solution to a temporary situation. However, in two short weeks my loan was due in full and I had an additional $75 to pay as well. Because it was a virtual impossibility for me to come up with $500 in such a short period of time, my only solution was to take out another payday loan from another lender to pay the first loan and stay afloat. As this cycle continued, I sank further and further down in debt and the light of freedom grew dimmer and dimmer. In addition to payday lending stores, I also utilized on-line payday lenders. Again, the transaction was easy and I was never asked questions, such as if I had any other payday loans outstanding. I was only asked if I had a checking account and a means of employment. The on-line lenders were especially easy to utilize. Just a few clicks of the mouse and money was deposited into my checking account. Occasionally, the on-line lenders I spoke with via phone were somewhat aggressive, but I dismissed it at the time because I had grown dependent on them. Each lender was a link in my chain. I needed each link to not lose control and end up homeless or without transportation. I have come to understand that each of those links were in fact connected to a chain around me and that chain kept me stuck in a cycle of continuous lending that I could not escape from. I was shackled to the payday loans and had no options, no choices, and no way out of the desperate situation I was in again. I ended up having a total of 11 payday loans at one time. The fees to keep 11 payday loans going every month totaled $1,650. And let me make clear, that is just the fees. There was no way I could possibly pay that every month, let alone make any payments towards the principal of the loan. Payday lenders were helpful. They helped me to construct a house of cards that at some point has no alternative but collapse. The only option I had to get out from under the weight of the loans was to file bankruptcy. This further devastated me and I am still making monthly payments on my Chapter 13 bankruptcy. Since my husband and I have gotten out from under the weight of our payday loans, I have been called, e-mailed, pressured and harassed by the on-line lenders particularly doing business in this state. They have called hundreds of times. They leave messages and send e-mails and the few times I have spoken with the lenders who call, they have refused to take no for an answer. They ask questions like, so you're telling me you couldn't use $425 today? They are rude and aggressive and will say anything to you in an effort to get you to accept a loan. I have learned to ignore the calls and e-mails and I wish I could say that they have ceased, but they have not. I finally ended up having to get a new phone and a new phone number in order for the phone calls to stop. My parents also grew up in poverty themselves. They never had savings or a retirement plan to depend on. They never owned a home of their own. Although they never wanted that for me, their youngest daughter, they had no way to teach me things they did not know themselves. Now, at 42, my husband and I have no savings, no retirement fund, and have never had the privilege of owning a home. Payday lending has a direct role in my personal cycle of poverty and dependence. It appears to me to be a system with little regulation because, after all, it's offering a loan to the "unloanable," people like me who are on paper not deserving of the same lending opportunities. People who have no other alternatives currently available. I come before you today to ask you to please help people like me, my fellow Nebraskans who are struggling and working to make a better tomorrow for themselves and their families. I hope one day to know the joy and honor of having a home of my own and will keep working to overcome the utter devastation this lending source has left me in. Financial desperation should not lead to total devastation. I urge you to please move LB194 out to the floor and let the discussion continue. Please move this bill forward. Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Thank you for your testimony. Any questions from the committee? Seeing none, thank you very much. Next proponent. [LB194]

DANIELLE SAVINGTON: Good afternoon, Senators, Chairman Lindstrom. My name is Danielle Savington, that's D-a-n-i-e-l-l-e S-a-v-i-n-g-t-o-n, and today I offer testimony in support of LB194 on behalf of Nebraskans for Peace. Every morning I wake up, I put my ball cap on, and I get dressed in what I call my going-to-court clothes. I get to my office and I start the process of suing people who don't pay their bills. I sue on behalf of clients who have provided valuable services to the people in their community and for whatever reason haven't been paid. It's a job that when I was in law school I scoffed at. I considered such lawyering to be hack work for soulless corporate drones. At first, when I started working my job I had to psych myself up to sue people, to garnish their wages, to take them before judges for debtors' exams. These people were so much like me. Struggling parents, young people with student loans, retirees, I saw all of them. They were just like me, trying to make it from week to week. I quickly learned ways that I could satisfy my clients, which is my obligation to do, and they truly do deserve and need to be paid so that they can manage their own payrolls and keep their local businesses afloat. But I also learned how to balance that with working out payment arrangements for the debtors that I sued. One way that I did that was by engaging in conversations with the debtors involved in my cases. And one thing we usually found common ground on is what I refer to as "hashtag broke life." It's when the struggle is so real that you find yourself eating instant oatmeal every day for lunch so you can afford to buy your kid a birthday cake. It's when the struggle is so real you use your lunch break during your second job to Google plasma donation clinics and qualifications to see if they'll pay you for your blood. "Hashtag broke life" is being so desperately in the hole that you give up on the light at the end of the tunnel and you sign away your light, your tunnel, and your shoes to walk through it to the highest bidder. And in Nebraska that bidder is more often than not one of the usurious payday loan shops that can be found on so many less affluent street corners in town. As discussed before, where I live in Sarpy County, everyone knows that you've got to head down by Offutt Air Force Base to find payday loan sources, because they're all about taking advantage of broke-life, young enlisted kids with terrifically bad loan deals. With interest rates frequently in the triple digits, not only are these businesses taking advantage of consumers, they create a ripple effect for other businesses like my business. I can't tell you how many times an account in my office has either been sacrificed to a bankruptcy filing that's been driven by payday loan or debt or simply sent to me for collections in the first place because the debtor is so deeply into Peter's pocket to pay Paul that they can't pay my client at all. These are honest people who want to pay their bills, but are often too deeply in debt to manage. Often I hear stories about spiraling out of control debts and advertisements for new loans that extend credit on top of what they've already borrowed. The difference, Senator Schumacher, between biting off too much car loan and these payday loans is that consumers can educate themselves about what kind of car they can afford, buy less car, and ultimately default and allow repossession. The remaining debt is then ameliorated by what the lender can obtain upon resale of the repossessed vehicle. There is no such out for payday loan holders. In debt collection law we talk about the least sophisticated debtor. That means that all of our business practices must accommodate someone who's not that knowledgeable so that we aren't taking advantage of people using our experience. For example, when I get a judgment against someone, the judge might award me default rate interest on the debt, which is typically less than 2.5 percent. This is interest on a debt that I've gone to court and proven to a judge is a valid legal debt for services rendered. It's a far cry from the usury of 400 percent. Senators, LB194 is a start towards recognizing that consumers are frequently the least sophisticated participant in the equation. They're over a fence, "hashtag broke life," and desperate. They need the state to look out for them, much the same way as I take the time to look out for the balanced interest of both my clients and the debtors. At the end of the day there is a viable need for payday loan businesses and I don't want to portray them as a boogieman under the bed. They offer short-term loan solutions to those with little or poor credit and when in a pinch they can be beneficial to the community. However, there is a line between what's benefiting to the community and what's causing harm. Loans driving a 400 percent interest rate obliterate that line and they leave consumers as well as other businesses worse off. Thank you, Senators. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Senator Brewer. [LB194]

SENATOR BREWER: Thank you, Mr. Chair. Actually, I just want to say, thank you. That was very informative. You formulated it into a way a nonbanker can understand things, so thank you. [LB194]

DANIELLE SAVINGTON: Well, thank you, because I don't claim to understand numbers very well. I just file the cases and do what I'm told. So thank you, Senators. [LB194]

SENATOR LINDSTROM: Any time. Any other questions? Seeing none, thank you very much. Other proponents. Good afternoon. [LB194]

JONATHAN RENTERIA: (Exhibit 9) Good afternoon. Good evening. My name is Jonathan Renteria, I'm a student at UNO, that's J-o-n-a-t-h-a-n R-e-n-t-e-r-i-a. An interest rate is the cost of borrowing money. When most people think about borrowing money they're thinking about taking out a bank loan, charging it to their credit card, or taking out a mortgage. What if I told you that there are people out there who don't have access to any of these options? People that look like you and I. The most vulnerable of people whose lives could be forever changed with one unexpected emergency. It cannot be overstated how many people within our state live this reality. I, myself, was raised by a hard-working, single mother who was often too proud to ask for help. My mother is a public school employee and is someone who has worked multiple jobs just to stay ahead and provide for her three sons, never wanting us to feel like we were less than anyone else and always wanting us to do better than she could ever imagine. Your car breaks down and needs a repair, your winter power bill comes out much higher than expected, your daycare center suddenly raises their rates and you either need to pay more or find some time and money to change your childcare provider. These are real events that set many people back in a significant way. Today many of us are here to stand up for the most vulnerable among us, for the people who get a knot in their stomach knowing that payday is coming and that it will not be enough to dig themselves out of the financial hole they find themselves in. I've witnessed it firsthand and the dread is palpable. Imagine working and knowing that almost every hour of work that you put towards your paycheck is already spoken for, that you're working for money you're going to have to borrow back. Walk into a payday lender and you'll see signs that disclose their rates, rates that are above 400 percent. But wait, you can get signed up in minutes and walk out of the door with cash in your hand. That's what security is, right? Having cash in hand and knowing that you can take care of whatever emergency has come your way. The lender asks you when you will be able to pay them back. Next payday, you tell them, because you know they won't let you have much more time than that. They let you know about their bank cards, where your paycheck can be conveniently direct deposited, convenient for you and convenient for them. Thursday comes and you get a call, don't forget about your appointment for tomorrow. The dread starts creeping back in. How could you forget? It's a standing appointment. Thank you for reminding me, you tell them. My grandmother, who lives in California, recently had a heart attack at work and my mother had no idea how she would be able to afford the unexpected expense of a last minute round-trip plane ticket. She had only enough to purchase a one-way ticket and considered taking out a payday loan to help her cover the difference. In that moment I saw the dread and worry that no child wants to see come across their parent's face. She decided against it, put her faith in God that things would work out, and purchased a one-way ticket. Two days after her arrival in California her prayers were answered when she woke up to an unexpected direct deposit in her bank account. It was back pay for work that her job had forgotten to pay her for many months back. Be it divine intervention or sheer luck, she came back from California with my grandmother in much better health and told her story with the biggest smile on her face. To vote against this bill is to vote against the people that find themselves in a situation that no single person would ever hope to find themselves in. To vote for this bill is to give hope and relief to these people and help them see a light at the end of the tunnel. I hope our Unicameral can approach this issue with the same common sense and decency that I have come to admire when it comes to dealing with some of the most divisive issues. But this is not a divisive issue or a divisive bill. This is a bill that crosses every line, whether it is party, race, creed, or gender. I don't want to imagine one more fellow Nebraskan with that look of dread on their face, knowing that payday is coming and that it won't be enough to dig themselves out of the financial hole they find themselves in. I'd rather imagine them smiling, the way my mama smiled when she came back from California. Thank you for your time. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Senator Brewer. [LB194]

SENATOR BREWER: I would remiss if I didn't tell you, first off, your mom is blessed to have you... [LB194]

JONATHAN RENTERIA: Thank you. [LB194]

SENATOR BREWER: ...for a number of reasons. Your regulation haircut is outstanding. But the fact that you had the courage to come here and tell us the story, thank you. [LB194]

JONATHAN RENTERIA: Appreciate that. [LB194]

SENATOR LINDSTROM: Thank you. Any other questions from the committee? [LB194]

JONATHAN RENTERIA: And I live in Senator Craighead's district, so say hi. [LB194]

SENATOR CRAIGHEAD: Hi. Thank you. [LB194]

SENATOR LINDSTROM: Seeing none, thank you very much for your testimony and thank you for coming. Other proponents. Can I just get a quick show of hands how many other proponents we have, just so I can gauge where we're at? We have five...okay, six. Thank you. [LB194]

TOM VENZOR: (Exhibit 10) Chairman Lindstrom and members of the committee, my name is Tom Venzor, that's T-o-m V-e-n-z-o-r, I'm the executive director of the Nebraska Catholic Conference. The Nebraska Catholic Conference represents a mutual public policy interest of the three Catholic bishops serving in Nebraska. Delayed deposit service providers, more commonly known as payday lenders, can provide credit in emergency situations and provide a necessary resource when other, more traditional lending institutions are unavailable or unable to provide credit in a short time frame. Recognizing the value of a service and an industry can coincide with a call to reasonable reform. Senator Vargas has introduced LB194, which lays out sensible and consumer-based adjustments to Nebraska's delayed deposit service provider statutes that reform an industry, not shut it down. The NCC would like to highlight a few of those reforms. The ability for a consumer to rescind the loan by 5:00 p.m. the next business day, page 11, line 23, is a common sense consumer safeguard. Many loans in the more traditional lending markets, like a home refinance, allows for rescission. Rescission gives a borrower time to reconsider and reevaluate. This reflection is important for the consumer using a payday lender, especially considering the significant fee structure on these transactions. Further, LB194 asks the licensee to make a reasonable effort to verify the borrower's income, page 12, line 14. Like rescission, many traditional loan products require the lender to verify income. This function serves both the lender and the consumer. Discouraging and, in some cases, prohibiting lending to those who are unable to pay back is appropriate public policy. Finally, in the event of prepayment, LB194 requires the lender to return a pro rata portion of fees and interest, page 14, line 10. This provision restricts any de facto prepayment penalty. Very few consumer loans have prepayment penalties and rarely are those fees front loaded like delayed deposit service provider loans. The pro rata return of interest and fees also provides an incentive for early repayment, an incentive that does not exist today. These reforms have been highlighted because their target is consumer information and protection, particularly information and protection for those living on the margins. With regard to those on the margins, the church and society has a particular duty to render justice to the poor and help find adequate solutions to material poverty. The NCC would like to thank Senator Vargas for introducing this bill and we encourage the committee to advance this legislation to General File. Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Thank you for your testimony. Any questions from the committee? Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. Along with the obligation in your letter that says, the church and society has a particular duty to render justice to poor and find adequate solutions to material poverty, the church is a significant international organization with property on six out of the seven continents--in this country the property is tax free--a tremendous amount of assets. So to the extent that those assets exist and this duty exists, has the conference set up its own payday lending situation to be more humane and competitive with these folks who are out there who are predatory in nature? Can you set up, and what is stopping you from setting up, a nonprofit, nonpredatory, payday lending business that offers cheap loans to people who have no credit? [LB194]

TOM VENZOR: Well, certainly as you know, Senator Schumacher, that the church is involved in a variety of aspects of outreach to the poor, whether that's helping them with food, whether that's helping them with finances. You know, being in the parish in the day-to-day, I know there was many times when people came and knocked on the door and father helped that individual out with a private donation or whatever that might be to help them get through to pay for rent or to pay for other things like that. So in a certain respect, I know there's kind of de facto type of assistance and I would say loan assistance to a lot of poor-income families who may come to their parish or may come to the diocese or may go to Catholic Social Services or Catholic Charities. But I think you raise an interesting idea in there in terms of creating other competing type of services that people would have access to. And I think that's one of the things that as the Nebraska Catholic Conference looked at this bill is, what kind of other competing services are out there on the market that would assist other people without having to go to payday lending, like Peer-to-Peer Lending or other types of things, so it's a legitimate question. [LB194]

SENATOR SCHUMACHER: Well, why not just sign a line of credit with a major bank that pledges the church's assets to guarantee these loans so a banker in a ordinary course of business in a very legitimate style won't make these loans and if the person defaults it, just the church line of credit gets dinged? I mean, it'll take care of all this loan problem we have. [LB194]

TOM VENZOR: Well, like I said, the church is doing all sorts of other things to reach out to those who are in financial need, so I understand your idea though. [LB194]

SENATOR SCHUMACHER: Thank you. [LB194]

TOM VENZOR: Thank you, Senator. [LB194]

SENATOR LINDSTROM: Thank you. Any other questions from the committee? Senator Williams. [LB194]

SENATOR WILLIAMS: Thank you, Chairman Lindstrom. And thank you, Mr. Venzor, for being here and the work that your organization does. We've had a series of testimony from people that have used payday lending almost exclusively if not exclusively in Omaha, yet we are a big state and I'm from a rural area that you serve as well as I serve. And it is important that to me we do not reduce the availability of some types of services in the rural areas as well as the city areas. You said in your testimony that you would not want to shut down this industry. Would you still be testifying in support of this if you knew the result was to shut down payday lenders in a portion of the state? [LB194]

TOM VENZOR: You know, that's a particular aspect of this issue that we didn't really vet out. We've understood that the intention of Senator Vargas is to make reasonable reforms without shutting down the industry. We do understand the concern that I think Senator Craighead raised earlier in terms of how much has this shut down the industry in other states or how much it's brought it in. So we haven't looked at that issue specifically and I haven't taken that specific issue to the bishops, since that's not the legislation we were dealing with. [LB194]

SENATOR WILLIAMS: No, but if the testimony shows today, as it may before we are done, that the payday lenders that do happen to operate in my legislative district will be forced out of business with...if we adopt LB194. Do you think that would weigh on your bishop who represents Lexington and the Catholic population there? [LB194]

TOM VENZOR: Yeah, I mean, I think that's certainly something that we would want to take back and consider, because again our position here is looking at reasonable reforms without shutting down the entire industry. So I think that's a valid concern. [LB194]

SENATOR WILLIAMS: Thanks, Tom. [LB194]

SENATOR LINDSTROM: Thank you. Any other questions? Seeing none, thank you very much. [LB194]

TOM VENZOR: Thank you very much. [LB194]

SENATOR LINDSTROM: Next proponent. [LB194]

GABRIELA PEDROZA: (Exhibit 11) Hello, my name is Gabriela Pedroza, that's G-a-b-r-i-e-l-a P-e-d-r-o-z-a. I'm here to talk to you about my experience with payday lending in the state of Oklahoma. I was 22 years old when I had purchased a car. To my surprise, the car had a bad engine so I was left with the choice of getting a new car or getting a new engine. I decided to go with the cheaper option, which was the new engine. I found an engine and I did not have enough money on me at the time, so I decided to get a payday loan. I was desperate for the help and I needed the car to get to work and around, so when I went to apply for the loan I was asked when I could pay it and I thought I could pay it back in two weeks. And I also believed that if I did agree to that, then I would increase my chances of getting the loan. I couldn't pay it back in those two weeks. I now had the choice of bills paid or rent paid. They were both catching up with me and I couldn't pay both. I ended up loosing my apartment. In the next few months I ended living in three different places with family and friends. At that moment I was trying to catch up with all my bills and trying to pay off the loan. I had been giving small payments, but since I could not pay it all back at once I kept renewing it over and over again. This loan was just getting bigger and bigger and I could feel myself getting into a bigger hole week by week. The loan increased to a total of $5,000. I needed to close that loan. I went to my local bank and since I had good credit at the time I asked for a loan of $5,000. And when I asked for a personal loan I put my car as a collateral. Finally, I was able to pay off the first loan and I felt such a weight lifted off my shoulders. I was pregnant with my daughter at the time so as soon as I paid that loan off I was trying to get back to my feet, trying to regain my "independency" and have a home for my daughter. I stopped working when I had her, so that meant no income. I was trying to get back to work as soon as I could, but it wasn't enough. I ended up losing my car. I've been afraid, ashamed to talk about this, to come here and share this with you. This whole time I've been thinking I had done something wrong. I thought it was my fault I had to pay that amount, just because I was in a situation of need. After talking with friends who have also been in similar situations, I learned that this didn't only happen to me. I realized that I was trying to pay it off, but all I was paying was the interest rate and it made it impossible to pay it back in time. Today, I am asking you to listen to my story and understand that we all don't have the same social support. I am thankful for the people that helped me along the way, but not everyone has this opportunity. If you support this bill you will make a difference in the lives of many who just want to get out of a tough situation without having to pay double or triple the amount they needed in the first place. Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you very much for your testimony. [LB194]

GABRIELA PEDROZA: Thank you. [LB194]

SENATOR LINDSTROM: Next proponent. And if we do have more proponents, if you could make your way to the front we'd appreciate it. We have some seats in the front row. Good afternoon. [LB194]

ROBERT HALLER: (Exhibit 12) Thank you for listening to this testimony this afternoon. My name is Robert Haller, H-a-l-l-e-r, I live in Lincoln. I am speaking in my capacity as the Midwest leader of the Voice of the Poor, which is the advocacy program of the Society of St. Vincent de Paul, an autonomous society whose members are Catholic laypersons who visit the poor in their homes and provide what temporary and permanent aid we can for those who seek our help. We have had many occasions to observe the effects of the small loan businesses which are the regulatory focus of LB194. Within the past two years I myself have in one instance seen a veteran whose only resource is his small house. And in another instance, a family of four trying to live on $30,000 a year having been trapped into situations where they owe a multiple of their original small loan. However, many borrowers find these loans quickly repayable. I can only say that there are enough who are caught in the trap to justify the regulations of LB194. The Society of St. Vincent de Paul is, in one sense, a competitor with small loan companies. We often pay off a utility bill or a late rent payment, and thus allow those we serve to continue living in their apartment or have their heat turned back on. On many occasions we in this way probably pay the small lenders, having been called for help because the payday-lending trap has affected the budget of the household. Our charity is not intended as a means of improving on the bottom line of small loan companies. We instead wish to help those that we serve secure the necessities of life. Our society is allied with other faith communities in the effort to mitigate the effects of payday lending for the obvious reason. Our scriptures are consistent in condemning usury, high-interest loans that harm the poor of the community. We have also learned from the research that shows how the banking available to the poor requires them to spend money to use their money, payday lenders being only one cause of this condition. Many of our local conferences--we have conferences all over the country--stretch their resources by providing low interest or no interest loans for part of their assistance to those we serve. These programs have demonstrated the integrity and the discipline of those we serve, who can maintain their household economy when given the chance. LB194 is an important--well, I might say this may be sort of what Senator Schumacher was calling for some time earlier--but we believe that LB194 is an important step toward the provision of banking resources that give low-income families the financial stability that high-income families enjoy. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you for your testimony. Next proponent. [LB194]

SCOTT SHREVE: Good afternoon. I'm Scott Shreve, senior pastor at St. Paul United Methodist Church in the Benson area of Omaha, S-c-o-t-t S-h-r-e-v-e. Kind of what we've just heard, probably is experienced by the clergy of the churches that you attend or faith communities that you're a part of. Part and parcel of my ministry is people coming in desperate situations and asking for some help out. Sometimes it's, like we've just heard, from a variety of emergency situations. As a local pastor, I have limited resources in the emergency fund to help people. So I work with folks to see if they can tap on family, friends, a little bit that the church can do, social service agencies, so they can make it by. And that's just part of what it is to be a clergyperson in any community, urban, rural, or suburban. I'm at St. Paul, which is in Benson, kind of an urban setting. I've been at St. Luke United Methodist out by Burke High School, kind of a suburban setting and at Waverly, a rural setting. And the same sort of dynamic of need comes up no matter what the situation is. And then as I heard about LB194, I came to my realization that sometimes when I can't help folks or connect them with resources that might be able to help them, they've probably gone to payday lenders. And it boggled my mind when I read the statistics. When my wife or I, we've taken out loans over the years for a car or a house from a bank, we've been able to pay part of that loan off over time. When I looked at the payday lending, you have to pay 100 percent or nothing, and that's just a difficult situation to put people in. Then I saw the interest rates and the fees and everything can add up to something like over 400 percent a year. I was thinking we, citizens of Nebraska, you and me, put together the rules and regulations a number of years ago with I'm sure good intent that all this would work out just fine. And now after a couple of decades of experiences we've seen the harm that it can cause to people and the cycle of debt they can put people in. And I was thinking, if we are the ones who put together the rules and regulations, why can't we as citizens of Nebraska reform those and say, well, it was a good idea, but we can perfect it now? You know, I preach the good news and that's kind of my calling. But I've always had pride and joy when I return to the state of Nebraska, usually across I-80, and it says, welcome to the good life, and I take pride. I was born and raised in Nebraska, a Burke High graduate, I've served churches here, and the good life is something that I feel good about. But then when I think of a situation like this where we have payday lending and we need it for a variety of situations to help people out and we see that it has some negative and sometimes devastated effects and we have within our capacity to make a change, rules that we made ourselves and we can reform them and improve them, why would we not even take that opportunity to do that? As we look at it and say, well, maybe it won't work. And then we look at states like Colorado and say, well, they've done it and it has worked. People who have had that need have been able to still have access to that sort of lending. So for me it's kind of a common sense thing. For me it might help me and other social service agencies as we work with those who are in desperate situations that we might have more resources that are available to help some other real needs and not people that might have payday lending needs. And the social principles of the United Methodist Church, like we've heard from...our Catholic colleagues say, yes, business is there and good and it's fine and having a profit is good because businesses need that, but to do it at a rate that is reasonable and has a sense of heart as well. So I would invite you to look at this LB194 and consider it for consideration for the whole Unicameral. Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Thank you for your testimony. Any questions from the committee? Seeing none, thank you very much. Appreciate it. [LB194]

SCOTT SHREVE: Thank you. [LB194]

SENATOR LINDSTROM: Next proponent. [LB194]

MARK INTERMILL: (Exhibit 13) Good afternoon, Senator Lindstrom and members of the Banking, Commerce and Insurance Committee. My name is Mark Intermill, M-a-r-k I-n-t-e-r-m-i-l-l, and I'm here today on behalf of AARP. I have a written statement that I'd just like to go through with you. AARP seeks to represent the interests of our 200,000 members in Nebraska. To do that, we regularly survey members and others to identify public opinion on key issues. In November of 2016, we conducted a survey of registered voters in Nebraska to learn about public opinion on payday lending. The survey was conducted through a telephone interview, 950 interviews were completed. The survey has a margin of sampling error of just over 3 percent. To provide some background on the respondents, 56 percent were under 50, 25 percent were between 50 and 64, and 19 percent were over 65. This is consistent with the distribution of these age groups in the voting age population. Males accounted for 49 percent of the sample, 71 percent were employed, 19 percent were retired. The remainder were either unemployed or out of the labor force or didn't respond to the questionnaire. Party affiliation of the sample was Republican, 41 percent; Independent, 31 percent; Democrat, 21 percent; other, 3 percent. Twenty-nine percent of the respondents lived in a household with income below $40,000; 23 percent had incomes between $40,000 and $75,000; 13 percent had incomes between $75,000 and $100,000; and 20 percent were over $100,000. We found strong support for placing additional limits on payday loans. More than three-fourths of the respondents agreed with the statement that Nebraska law should be changed to set limits or place caps on payday lending rates and fees. This is the question that was asked: Payday loans are high-interest, small-dollar loans that are due in full on a borrower's next payday. Nebraska law allows payday lenders to charge borrowers annual interest rates up to 461 percent for a $350 loan. While 32 states mirror Nebraska's law, 18 other states do not allow lenders to charge annual interest rates above 36 percent. Hearing this, which statement best represents your opinion? So the first one is that Nebraska should place limits and caps on payday lending rates and fees was supported by over 77 percent of the respondents; 8 percent said Nebraska law should remain as it is; and 13 percent said neither reflects their opinion; 1.5 percent either said they didn't know or refused to answer. To try to get some insight into the 13 percent who said neither reflected their opinion, we asked a follow-up question. How important do you think it is for Nebraska to strengthen consumer protection laws to prohibit high-cost payday lending loans? On that question we had 41 percent say it was extremely important; 27 percent, very important; and just under 21 percent said somewhat important. So of the 13 percent that indicated that neither of the options reflected their opinions, I think we can see that a significant number believed that there should be some additional regulation of payday lending. We asked several questions to try to determine public perception of payday lenders. We asked respondents to characterize their opinion of three different types of financial institutions, banks, credit unions, and payday lenders as being a positive opinion or negative opinion. For banks, the ratio of positive to negative was 69 to 8; 69 percent had a positive opinion, 8 percent had a negative opinion. For credit unions, the ratio was 64 to 6; 64 percent positive, 6 percent negative. For payday lenders the ratio was 6 percent positive, 59 percent negative. I did include a question in the survey about hypothetical legislation to eliminate payday lenders. And for the record, I want to be clear that AARP is not proposing elimination of payday lending in Nebraska. They do serve an important function in providing credit for those who have no place else to turn. But a majority of respondents indicated that they would support legislation to eliminate payday lenders. And when we dug into the intensity of that opinion, there was more intensity on the side of those who supported elimination than on those who opposed elimination. At AARP we believe there are compelling reasons to enact LB194. Consumers, including many older consumers, are struggling under the current statute. But the message I wanted to convey to you today is that there is strong public support for payday lending reform. Based on that support, I urge the committee to advance LB194 to General File. [LB194]

SENATOR LINDSTROM: Thank you. Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. Thank you for your testimony, Mark. [LB194]

MARK INTERMILL: Thank you. [LB194]

SENATOR SCHUMACHER: I'm interested in this survey. The paragraph here that says, payday loans are high-interest, small-dollar loans that are due on the borrower's next payday. Annual interest rates, 461 percent. Was any information given prior to that question being posed? [LB194]

MARK INTERMILL: And that's 461 percent for a $350 loan. [LB194]

SENATOR SCHUMACHER: Was it explained that these people that the loans are made to are marginal creditworthiness, that the risk of default is very high the lender not getting their money back? Was there anything as a prelude to that question? [LB194]

MARK INTERMILL: No, there was not. [LB194]

SENATOR SCHUMACHER: Okay. And then after giving them that question and making it look like kind of a bunch of thieves, you then asked the question of the public perception of the lenders and they didn't do very well compared to an ordinary bank or credit union. Was that a surprising result after that intro? [LB194]

MARK INTERMILL: Well, we have...similar questions have been asked in other states and so we're able to kind of take a look at what responses in Nebraska were compared to other states and they didn't have the same degree...we...I guess the payday lenders did not fare as well in terms of positive responses in Nebraska than we have seen in...I think I've looked at Louisiana and South Dakota, for example. So I guess I was a little bit surprised that it was...that the ratio was what it was in the Nebraska survey. [LB194]

SENATOR SCHUMACHER: Why has the competitive market failed? I mean, if this is such a predatory, lucrative business and all this money is coming in and it's really easy to prey on people and get their money, why hasn't responsible organizations, churches, a nonprofit organization, whatever come up with a plan where you just make "good guy payday lending" and instead of giving $425 back on the $500, you give $480 back on the $500 and just do it on a very, very low-profit basis? Why come in and have a regulation impose an artificial market condition? [LB194]

MARK INTERMILL: I think the reason that...I guess what I saw in the responses to the survey is a need for...and I see lawmaking as trying to strike balance. What this is indicating to me is that current law, current regulations may not be in balance as indicated by some of the responses to the survey questionnaire. So in terms of looking at our existing laws, existing regulations, that's what leads us to believe that there does need to be some review of our current regulations. And what is being proposed by LB194, I don't...in answer to the question, is there another...is there a third way, I guess, to try to address the issue of providing credit to those who have difficulty getting credit? I don't have a good answer to that. [LB194]

SENATOR SCHUMACHER: I guess what I'm getting at is, is there something in the present law that is preventing the market from striking that balance, because if all these guys are about the same rate that's telling us something about the market. And if it's kind of a monopolistic thing, then the market should introduce a competitor that is a good guy and extends out money to people with marginal credit and doesn't rip them off. [LB194]

MARK INTERMILL: But I guess I don't know that the market has provided that. [LB194]

SENATOR SCHUMACHER: It hasn't. And why not? Okay, thank you. [LB194]

SENATOR LINDSTROM: Any other questions? Senator McCollister. [LB194]

SENATOR McCOLLISTER: Yeah. Thank you, Senator Lindstrom. In your testimony you indicated that 18 states have a 36 percent rate limit. Is Colorado among those 18? [LB194]

MARK INTERMILL: Yes, I believe so. Yeah. [LB194]

SENATOR McCOLLISTER: Given the wide geographic footprint of AARP, what's happened to those industries in the 18 states that have instituted that 36 percent limit? [LB194]

MARK INTERMILL: It's my understanding that there has been some consolidation in the market, that payday loans are still available. There may not be as many payday lenders as there were prior to moving to a lower rate, but the products are still available. [LB194]

SENATOR McCOLLISTER: Are those consumers that need such loans being adequately served in those states? [LB194]

MARK INTERMILL: I can't...I don't have direct knowledge to answer that question, Senator. [LB194]

SENATOR McCOLLISTER: Thanks, Mark. Thank you, Mr. Chairman. [LB194]

SENATOR LINDSTROM: Thank you. Any other questions from the committee? Seeing none, thank you very much. Next proponent. [LB194]

JAMIE SNYDER: Good afternoon. My name is Jamie Snyder, J-a-m-i-e S-n-y-d-e-r, I'm the executive director of Habitat for Humanity in Columbus, Nebraska. I work closely with families who are considered working poor. I see firsthand how many of these families are just one unexpected expense away from having to make the potentially devastating financial decision of taking out a payday loan. These extremely predatory loans take advantage of families during vulnerable times in their lives. They're often marketed as a one-time quick fix for people facing an immediate cash crunch. In reality, these high-cost, short-term loans often create a cycle of debt that can have a long-lasting negative impact on the hardworking poor, like Habitat for Humanity homeowners, across our state. Because payday lenders have access to borrowers' bank accounts, they are able to withdraw funds as soon as a paycheck is deposited, ensuring that payday lenders are paid back first. This means that borrowers have very little financial freedom and are no longer able to prioritize how they pay their bills. This can have a dramatic impact on their ability to maintain adequate housing for their families. At Habitat for Humanity our goal is to help low-income families become empowered and financially secure through stable, affordable home ownership opportunities. We truly believe in the biblical principle that you should not charge interest to the poor. That is why we issue no interest loans to families when they partner with us to become first-time homeowners. We understand that the practice of issuing zero percent interest loans across the board is not realistic in our capitalistic society, but we cannot stand by silently as families in our state are issued loans at an effective interest rate of 461 percent. LB194 takes a reasonable approach to reforming this practice by capping the interest rate at 36 percent and limiting associated fees. These changes would allow the working poor access to credit in times of need, while reigning in the predatory practices that have been harming families in our state for far too long. I urge the members of this committee to stand with Habitat for Humanity and hardworking families across our state by voting yes on LB194. Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you very much. [LB194]

JAMIE SNYDER: Thank you. [LB194]

SENATOR LINDSTROM: Next proponent. [LB194]

JENNIFER GAUGHAN: (Exhibit 14) Good afternoon. My name is Jennifer Gaughan, my last name is spelled or my first name is spelled J-e-n-n-i-f-e-r, my last name is spelled G-a-u-g-h-a-n. I am the director of the legal program at Legal Aid of Nebraska and I'm here on behalf of Legal Aid of Nebraska to support LB194. And this bill addresses many of the underlying problems experienced by low-income borrowers of high-interest payday loans in Nebraska and should be beneficial for Legal Aid's clients. If you're not aware, Legal Aid is the largest nonprofit law firm that provides free civil legal services to low-income Nebraskans statewide. We have eight offices across the state and about 40 or actually over 40 attorneys. In 2016, we closed approximately

10,500 cases after providing some type of legal assistance, which could be from advice to extended representation, representing somebody in court. And about 16 percent of those cases involved consumer-related issues, bankruptcy, debt collection, predatory mortgages, and nonpredatory mortgages, excuse me. So this...through this legal representation and legal assistance, our state staff has gained a unique perspective on the nature and type of debt that low-income Nebraskans face. And we see payday loans as part of the debt carried by low-income Nebraskans. These short-term, high-interest loans can multiply, they can add to the vicious cycle of indebtedness, and result in debt collection lawsuits that greatly increase the burden of original loans. These debts, including payday loans, lead to bankruptcy and that's often when we see these individuals, when they're having payday lenders contact them to collect on the debt or when they are considering filing bankruptcy because of the amount of the debt that they have. And when we reviewed some of our bankruptcy cases from our Omaha and Lincoln offices only--although we do file bankruptcies for people across the state--about 20 percent of the cases where we assisted people filing bankruptcy involved an unpaid payday loan debt. And of those who had unpaid payday loan debt, more than half of them had more than one payday loan. I'm not going to go through all of the information that's in the letter, but we also reviewed information from Douglas County Court regarding the debts and the nature of debts, in particular small debts. We sampled a portion of those small debts that were filed in county court and of those that we sampled about 30 percent of the judgments included payday loans. And I think that the average amount of the judgment was like $350. So this is also affecting our court system as well. We do see individuals who have payday loans that are...that their source of income can only be like Social Security, Social Security Disability Insurance benefits, supplemental security income benefits, and I provided an example of one gentleman that we helped last year who was 66 years old. His income was Social Security Disability Insurance benefits. He and his wife had medical debts. And at the time that he had come to us he had six payday loans outstanding...pending that totaled $3,000. And in addition to that, he had hundreds of dollars of fees charged to him for insufficient funds checks. So that's the type of individuals, low-income Nebraskans, that we see at Legal Aid of Nebraska. And so that's...on behalf of our clients and the low-income population for what we see, that's why we believe LB194 would be a positive bill to advance and that making the terms of the loans clearer, repayment terms more reasonable to borrowers based on the ability to pay, and limiting the amount of interest and fees that can be charged would benefit low-income Nebraskans. [LB194]

SENATOR LINDSTROM: Thank you so much. Any questions? Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. And thank you for your testimony, Jennifer. With a normal loan, whether it's a real estate loan or a car loan or whatever, there's a note, a security agreement, sometimes a financing statement is filed to make it all public, and there's an order of priority. Now, in the payday loan situation it seemed we have this anomaly where the payday lender, in exchange for its advancement of credit, gets almost a super priority, access to the person's bank account by a check or electronic access... [LB194]

JENNIFER GAUGHAN: Right. [LB194]

SENATOR SCHUMACHER: ...which kind of sets the thing...I mean, this super priority loan that we've apparently created under the law. If we eliminated the payday lenders' access to the bank account by eliminating the allowance of the post-dated check or electronic access and put the payday lender on an equal footing with every other creditor in society, including the grocery store that may have bounced credit on an account, what impact would that have on the issue if we just took the ability to dip into the checking account away and if they wanted to...if they weren't paid, go to court like everybody else in society does? [LB194]

JENNIFER GAUGHAN: Well, I think that the difference there though is the amount that somebody owes on the debt. Right? So that would be one, the charges that they incur. So the debt is multiplying more so than any other debt, so that still is a burden to the low-income individual. Right? [LB194]

SENATOR SCHUMACHER: But if it's found out in the court proceeding that they violated the law and there's more than one of these $500 deals out there and they didn't make proper inquiry, then couldn't a sharp lawyer raise the issue of, hey, you can't collect on what amounts to an illegal advancement of credit or an illegal debt? [LB194]

JENNIFER GAUGHAN: Well, I think that that one...what are you saying? How is it illegal? [LB194]

SENATOR SCHUMACHER: Okay. I mean, so you have... [LB194]

JENNIFER GAUGHAN: Are you talking about the collections in and of itself or the judgment? [LB194]

SENATOR SCHUMACHER: On the collection side of it, if they had to file a lawsuit in order to collect, just like everybody else in society does--nobody else gets to grab your checking account--if they had to file a lawsuit to collect and in the course of that lawsuit it became clear that the payday lender did not honor the $500 limit or in collusion with other payday lenders facilitated more than one $500 thing happening, then that begins to look like an illegal extension of credit and not collectable as a debt and the court cuts it off. [LB194]

JENNIFER GAUGHAN: Well, that's not exactly how the process works. [LB194]

SENATOR SCHUMACHER: Well, tell me how it works. [LB194]

JENNIFER GAUGHAN: Well, once you get a judgment against you... [LB194]

SENATOR SCHUMACHER: There's no judgment yet, because in the court proceeding the defense raised is this is an illegal debt. You can't collect it. [LB194]

JENNIFER GAUGHAN: I still don't understand your question, because if they're suing on the terms of the loan, right, and so we owed the loan. [LB194]

SENATOR SCHUMACHER: Right. [LB194]

JENNIFER GAUGHAN: Then they can get a judgment against you. [LB194]

SENATOR SCHUMACHER: But don't we have a requirement that they're limiting this to a $500 loan? [LB194]

JENNIFER GAUGHAN: Yes. I mean, so you can raise those types of defenses. If the loan didn't follow the law, for example. Right, then you could raise that as a defense. [LB194]

SENATOR SCHUMACHER: So if we force people to go through the court system to collect, rather than just give them somebody's signed check, you're saying that would have no help...that would not help the situation? [LB194]

JENNIFER GAUGHAN: Not necessarily, no, because the whole purpose of this bill, right, is to...or part of it, as I understand it, is to make the repayment terms more reasonable. That would be one of them, right? Isn't that right? Right? So in that case, hopefully there wouldn't be as many lawsuits filed. You know, if somebody actually has the ability to repay a loan, then they wouldn't be defaulting on their loan. So part of the purpose of this bill, as I understand it, is to make the repayment of the loan more reasonable under its terms. [LB194]

SENATOR SCHUMACHER: I'm probably taking up too much time, I just have one follow-up question here, right? Is...why do we give payday lenders preference in collection by allowing them access to the person's checking account? [LB194]

JENNIFER GAUGHAN: I'm assuming because somebody has signed something. Right? They have a check, right? So they wrote the check in advance, right? Then they run the check through the bank account, which then... [LB194]

SENATOR SCHUMACHER: And we can say that's...I mean, we would...the Legislature would have the power to say that's illegal to take that check. You want to give them a note, get in line like every other creditor. Why give them that preference? We don't give it to bankers and the bankers get everything. [LB194]

JENNIFER GAUGHAN: You're asking me a question that I don't know that I can answer, because I'm not the Legislature. [LB194]

SENATOR SCHUMACHER: Thank you. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Seeing none, thank you very much. Other proponents. Good afternoon. [LB194]

NICK BOURKE: Hello. My name is Nick Bourke, that's N-i-c-k B-o-u-r-k-e. I'm the director of consumer finance at the Pew Charitable Trusts. We are a nonprofit organization and I work in the family economics stability portfolio where we conduct research on consumer finance issues. Mr. Chairman and members of the committee, thank you for allowing me to speak in favor of LB194. I've spent more than half a decade studying subprime credit issues, particularly payday loan issues and related installment loan issues. Before that, I'm a lawyer by trade, but I spent most of my career prior to Pew as a product manager and consultant in the consumer finance industry and high tech. I want to reflect briefly on some of the stories and some of the considerations we've heard from the borrowers today. I think it's very important to keep in the mind what the borrower is going through when they get a payday loan, not just why they're getting the loan, but what it's like trying to repay it. And specifically I'd like to highlight that the way that the law is written for payday loans right now, it essentially forces the borrower and the lender, frankly, into a position where the loan is due back in full, in a lump sum, in a very short amount of time. And what that means for the typical borrower is that when they go and they borrow about $400 and about $475 is due back in two weeks, that borrower loses more than one-third of their next paycheck, because they have to pay the entire loan in full on their next payday. And why do they invariably do that, it's because the lender has the preferred presentment, the lender has access to the borrower's checking account, the super priority. And I'd like to address your question a little bit more, Senator, as I go along. I've heard some questions come up today about, is it the right role for government to intervene in this situation? And I would like to submit that the government has already acted. The government has, in fact, created this problem in many respects. More than 20 years ago the deferred deposit presentment act that we have here today, the one that we know and it's on the books now, a little more than 20 years ago that was created as a general exemption or as an exemption, rather, to the generally applicable usury rate cap that Nebraska has. Nebraska's usury rate cap, as you know, is 16 percent in general. The deferred presentment act creates a special exemption and the specific terms that have to apply in order to be exempted from the usury rate cap. Those terms include: a loan duration of no more than 34 days; the possibility of taking deferred presentment; and other terms that effectively hard code and define the way that payday loans work in Nebraska today. Now most states in the Union, the vast majority of states in the Union have generally applicable usury rate caps. All the original colonies did. That's not unusual. All of the payday loan states have this sort of exemption from the usury rate cap. And the idea here is, let's do something in the law to make it easier for lenders, on the one hand, to loan small amounts of money to people with damaged credit histories. People who use payday loans always have a checking account, they always have income, you have to in order to get a loan. And they almost always, more than 90 percent of the time, have a credit score, but the credit score is on average 517. They do not qualify for mainstream forms of credit. Banks will not give them a loan in that situation. So the law was created...the law that we have today was created to address this situation and it failed. So the idea of LB194 is to correct this law so that, as one of the borrowers said earlier today, we simply reform these bills, so we reform these loans so that consumers can pay back a little at a time and get back on their feet. That really is the core of LB194. Change the existing law so the consumers can pay it back a little at a time and get back on their feet. Now, is LB194 the right thing to do? We haven't talked a lot about that today. I want to highlight a few things. LB194 is not several important things. It's not a 36 percent APR cap like what South Dakota just enacted by a wide majority of the vote that killed payday lending in that state. LB194 limits interest rates to 36 percent, but adds a reasonable monthly fee to make the business model viable. It's not a complicated ability to repay process that requires costly and time-consuming documentation. It merely says, if you're going to have the deferred presentment power, take no more than 5 percent of a person's paycheck, period, end of story. It's not a complicated fee structure. In fact, it's much more simple than Colorado's. It's an interest rate plus a monthly fee that applies from day one, unlike Colorado where it only applies after the end of the second month. And there's an origination fee that's pro rata refundable if somebody pays early. It's very complicated, it's hard to code into computers, hard to explain. I will stop there with one final comment, if I may. LB194 is designed to keep access to credit available. It is a genuine goal that I think you've heard expressed throughout the day. It's one that's worked elsewhere and it's one that can work here. Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you very much. [LB194]

NICK BOURKE: Thank you. [LB194]

SENATOR LINDSTROM: Next proponent. [LB194]

JAMES GODDARD: (Exhibits 15-21) Good afternoon. My name is James Goddard, that's J-a-m-e-s G-o-d-d-a-r-d, and I am the director of the Economic Justice Program at Nebraska Appleseed, here today to testify in support of LB194. I'm passing around or having several things passed around right now. I apologize for the amount of printing there, but there are three different things. One is my testimony in support of the legislation. One is a stack of letters from borrowers who wanted to be here today, but couldn't, and I'm handing it in on their behalf. And lastly, a report on payday lending that we just completed and released today in preparation for this hearing. And that's what I'd like to spend my time with you discussing, is that report. So for a little bit of background, the Department of Banking has the authority to investigate payday lenders and ensure they're comporting with the law. Where noncompliance is found, the department can enter into consent agreements with lenders. Consent agreements embody instances where the department has investigated the lender, discovered some form of noncompliance with the law, and resolve the issue through a joint agreement. We conducted a review of these agreements and what we found confirmed that payday lending is, indeed, a problem in Nebraska under the current model. First, we found payday lenders have been investigated and been the subject of enforcement actions at a rate much higher than other financial institutions in Nebraska. Since 2006, payday lenders have been parties to 318 consent agreements, finding they were out of compliance with the law. Other financial institutions have not had a similar frequency. For example, mortgage bankers and brokers have entered into 47 agreements since 2006, but payday lenders have been a party to more than 15 times as many during this same time frame. This is true despite the fact that there are far fewer payday lenders than mortgage bankers-brokers in the state. There are 87 payday lenders compared to 353 mortgage bank and brokers. In reviewing the consent agreements we found examples of noncompliance, which include: failure to document; the payday lenders were not unlawfully providing a new loan without paying a previous loan; failure to properly maintain customer records; attempting to collect two penalties from customers for the same transaction; and other problems. For several lenders these types of violations were ongoing and repeated. For example, in 2013 there was an investigation of a lender where the Department of Banking found 128 separate violations. The same lender was investigated one year later and every account reviewed showed violations. The lender was fined and kept operating. In 2015, the same lender was investigated and again was found to have committed 33 separate violations of the law. These consistent and ongoing issues underscore we have a problem with payday lending in Nebraska and there's a need to make lending laws more fair, reasonable, and transparent, which LB194 does. With that, I'll conclude and answer any questions if I can. [LB194]

SENATOR WILLIAMS: Thank you for your testimony. Questions for the witness? Seeing none, thank you for your testimony. [LB194]

JAMES GODDARD: Thank you. [LB194]

SENATOR WILLIAMS: Next proponent. Seeing no other proponents, we would like to invite the opponents to come and sit up front and the first opponent is invited to come testify. [LB194]

BRAD HILL: (Exhibit 22) Good afternoon, lady and gentlemen. My name is Brad Hill. I'm the president of the Nebraska Financial Services Association. We represent approximately 84 companies with approximately 138 locations in the state. I'm also an employee of EZ Money, MM Finance in Omaha. We operate out of Bellevue as our headquarters. We have nine stores in Nebraska. We probably employ 50 people in the state. I've been in the industry for over 31 years, which I believe is longer than anybody in the state of Nebraska. And I'm here today on behalf of our industry. We are unified as one to absolutely oppose LB194. Forget about a job killer, it would be an industry killer. Let's just call a spade a spade. It's a ban, is what it amounts to. It's a doomsday bill. I guess when it's not your job it's called a consolidation. When it is your job, I would say it's Armageddon for our industry. I'm baffled by this legislation. It's basically the same legislation we had last year, except now the fees have doubled. I only have five minutes, so it's hard to clean up all the misconception that preceded me. We don't lend to the military. We have a Website connected to the Department of Defense and every Social Security number goes in there. If it's a military person or a dependent, it's automatically blocked. We don't ACH accounts, our company doesn't. It baffles me that this is not consumer- or complaint-driven legislation. I think the director of banking will testify to the nonexistence of complaints against us. If you would speak to the Better Business Bureau, they would tell you the same thing. I think any regulatory agency gets few or any complaints about us. This is paternalistic legislation by a group of people who have taken it on themselves to tell other people what they should do with their money; that's what it boils down to. I think an economist of the Federal Reserve in Kansas City said it best. Everybody hates payday loans except the people that use them. This much-touted Colorado law we keep hearing about, our information was two-thirds of all the lenders went out of business initially. I don't think that's something in these economic times we want to impose upon Nebraska. We're supposed to in this country have freedom of financial choice to make your own decisions. We have a law that's been in place for 23 years. And I will add, of all the state's we're in or have been in, Nebraska has the toughest audit, the toughest regulation of any state we've ever operated in. Perhaps the director can speak to that. And with that, I'll conclude my testimony. Thank you. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Senator Williams. [LB194]

SENATOR WILLIAMS: Thank you, Chairman Lindstrom. Thank you for being here. Could you tell us a little more about your company, how many states you operate in and how many locations you have in Nebraska? [LB194]

BRAD HILL: We have nine locations in Nebraska. We are in Nebraska, Iowa, North Dakota, and Missouri. We have approximately...at this time we have 37 locations. [LB194]

SENATOR WILLIAMS: Are your locations in Nebraska, any of them in rural areas? [LB194]

BRAD HILL: Well, we're in South Sioux, we're in Grand Island, we're in Lincoln and Omaha. Our locations in Omaha are in Nebraska. [LB194]

SENATOR WILLIAMS: You talked about the competitive nature of the business and capitalism. Whose money do you loan? [LB194]

BRAD HILL: Well, we loan our money. [LB194]

SENATOR WILLIAMS: Your money? [LB194]

BRAD HILL: Our money, absolutely. [LB194]

SENATOR WILLIAMS: Okay. The comparison to the Colorado law, there was testimony that this was a copy of the Colorado bill. And if I understand right, Senator Vargas' bill has a 36 percent APR. Do you happen to know what the Colorado legislation is? [LB194]

BRAD HILL: Forty-five percent. [LB194]

SENATOR WILLIAMS: Forty-five percent. [LB194]

BRAD HILL: Correct. [LB194]

SENATOR WILLIAMS: So it's not the same rate as... [LB194]

BRAD HILL: It's worse. The Colorado law is not great, but this is even worse. [LB194]

SENATOR WILLIAMS: Would you like to expand on why it's worse? [LB194]

BRAD HILL: Colorado allows an origination fee; LB194 does not. LB194 sets the monthly maintenance fee at 5 percent; Colorado is 7.5 percent. Colorado allows you to do one refinance or rollover, which we've never done in Nebraska, by the way. LB194 provides that monthly payments cannot exceed 5 percent of the borrower's GMI; Colorado law has that at 20 percent. So it's significantly different than the Colorado law. [LB194]

SENATOR WILLIAMS: Thank you for your testimony. [LB194]

SENATOR LINDSTROM: Thank you. Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. And thank you for your testimony. As I understand the theory behind this is that right now there is a high degree of inefficiency in the industry and since these are very marginal customers when it comes to whether or not you're going to get paid back or not, there's nothing stopping them from just splitting, closing their bank account, never coming back, so there's a high risk there. But that this risk is put in a fractionated industry with a bunch of different competitors all trying to cover their risk and make a profit, that if it were consolidated--to use I think the word that's been used today--that half of those competitors would go away and then the rest of the competitors would have sufficient market to be able to, by the law of big numbers, take the risk at a lower premium. And therefore, that's what's so good about this. Wrong? Right? [LB194]

BRAD HILL: Well, I would disagree. I think this law would disproportionately affect lenders in rural Nebraska. And I, as a president of our association, I am certainly not, well, let's get rid of the people out west so we can have more in our area. I want to keep all of our people in business. I don't think our industry is quite the financial windfall that everybody thinks it would be or I think a lot more people would be getting into it, which is what we've heard today. It's an unsecured loan we're making, so we have virtually no collateral. [LB194]

SENATOR SCHUMACHER: But, as I understood it, the farthest west you go is Grand Island. I didn't hear many small towns in that list of (inaudible). [LB194]

BRAD HILL: Well, a lot of the operators farther west are single providers, one store, maybe two. [LB194]

SENATOR SCHUMACHER: So there's nobody to consolidate with. [LB194]

BRAD HILL: Well, you'd have to go a few miles to do it, that's correct. [LB194]

SENATOR SCHUMACHER: Okay. And the hours that your business makes it services available to the public, are they bankers' hours? [LB194]

BRAD HILL: No. We're open 8:00 to 8:00, Monday through Friday, 8:00 to 7:00 on Saturday, and 11:00 to 4:00 on Sunday. [LB194]

SENATOR SCHUMACHER: Thank you. [LB194]

SENATOR LINDSTROM: Senator Baker. [LB194]

SENATOR BAKER: Thank you, Mr. Chairman. Sir, I get it, having availability of a payday loan to get out of a one-time jam. But I've heard somewhere that about 80 percent of the payday loans are repeat customers, if you will. Do you have any data on Nebraska on how high that percent might be of repeat loans? [LB194]

BRAD HILL: I have data from our company and it's less than a third. [LB194]

SENATOR BAKER: Less than a third? [LB194]

BRAD HILL: Yes. [LB194]

SENATOR BAKER: So you're far different from national averages because why? [LB194]

BRAD HILL: I can't speak to the national average. [LB194]

SENATOR BAKER: Okay. [LB194]

BRAD HILL: Our average customer takes out five or less loans a year. [LB194]

SENATOR BAKER: Okay. So under LB194 with, what, 36 percent interest. So that would be what, about $137 on a $400 loan? [LB194]

BRAD HILL: No. Right now the APR is misleading because our loans are for two weeks to a month, so it's not an annual percentage rate. Right now, if you write a $100 check you'd get back $85. It's a $15 fee. If this law goes into effect, your fee would be $1.38. So tell me how that business model could support any business. [LB194]

SENATOR BAKER: So you feel that that would not be enough to keep people in business. Is that what you're telling me? [LB194]

BRAD HILL: That's what our organization tells me, and that's national operators and people that locate...that are located strictly in Nebraska. If this law became...went into effect we would be out of business on payday lending. That's correct. [LB194]

SENATOR BAKER: Thank you for your answers. [LB194]

SENATOR LINDSTROM: Senator McCollister. [LB194]

SENATOR McCOLLISTER: Yeah. Thank you, Mr. Chairman. Thank you, Mr. Hill, for your testimony. What is the default rate do you see in Nebraska? [LB194]

BRAD HILL: Approximately 10 percent. [LB194]

SENATOR McCOLLISTER: I see. You indicated that LB194 and the Colorado law have a different allowable interest rate. Are there any other differences? [LB194]

BRAD HILL: Yes. Colorado law has an origination fee, which this does not. Their monthly maintenance fee in Colorado is higher. They allow a rollover, which has never been legal in Nebraska. And their monthly payments can exceed a higher amount than they would under this law. [LB194]

SENATOR McCOLLISTER: Do you think the Colorado law is a reasonable law? [LB194]

BRAD HILL: No, I do not. [LB194]

SENATOR McCOLLISTER: Thank you. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Senator Williams. [LB194]

SENATOR WILLIAMS: Thank you. One final question from me, and again this goes back to your locations in Nebraska are...certainly there are a few outside of Lincoln and Omaha, but many of us would look at those as being in some of our larger communities. In my legislative district there are two payday lenders. I don't know if they are members of your association that you represent or not. What do you think the likelihood will be that they would stay in business if LB194 is passed? [LB194]

BRAD HILL: Zero. [LB194]

SENATOR WILLIAMS: What would you say the likelihood of EZ Money staying in business with the same number of locations you have now in Nebraska if LB194 is passed? [LB194]

BRAD HILL: We would go from nine to one or two. [LB194]

SENATOR WILLIAMS: Thank you. [LB194]

SENATOR LINDSTROM: I do have one final question. The word--I saw this on previous testifiers--was a word "predatory" used to describe the industry. Can you talk about maybe your marketing process or how you get customers or do they normally just come in at a point of coming in off the street or what is the marketing process (inaudible)? [LB194]

BRAD HILL: Our customers vote with their feet. We don't do a lot of advertising. We don't have to. There's a need for small-dollar loans and there's no one out there other than us that provides this. And if we would go away I don't see anybody rushing in to fill the void either. [LB194]

SENATOR LINDSTROM: Okay. Any other questions? Seeing none, thank you very much for your testimony. [LB194]

BRAD HILL: Okay, thank you. [LB194]

SENATOR LINDSTROM: Next opponent. Afternoon. [LB194]

VIRGIL PARKS, JR.: Good afternoon, Chairman and Senators. My name is Virgil Parks, V-i-r-g-i-l, Parks, P-a-r-k-s, Junior, LB194 opponent. I'm here on behalf...I first started out as a check writer to EZ Money that just left from up here. I started out because the fact I was injured on the job and I started out at like $500 loan. And back then it was told to me that I had a fee that I would have to pay. I paid that fee knowing that I read the documentation, what I had to pay back under my condition. I knew that if I didn't, what my consequences would be. And that is, I needed a loan at the time so I signed the paperwork, I abided what the paperwork says. To me when people come out and ask for loans, you're getting the loan, you read the paperwork like if you go to a bank you read paperwork. You know when your payments are due to pay that loan, so it's a choice that you have to make. I got up on my feet, I paid that loan off, didn't have any problems out of them. I then went on to a place called Cashmaster. I lowered my fees, I mean I lowered the amount that I wanted, because you're given certain amounts. They have a chart that says what amounts you want. And when you get that amount then there's a chart of what the fee will be; what money you'll get and what the fee is. I paid off all those loans, I had no problems. I then went over to A P, which will be speaking next, probably, got loans from them. Yeah, I had binds that I was in, but you know what, I paid those loans off. I had no problems. I hear stories that were told today. I'm saddened by some of the stories that were told, but I'm saying I had nothing but good things to say. And when it come to a bank account, you had a choice. They would either...you would either come in on a certain date that you were given or you're given a choice for them to take the money out of the bank account. Had no problems with that. So that's...once again, that's a choice that the people are given. I don't know each one of these situations what choice they were given. You have good and you have bad. I've had good things that happened at three check places. They have what they call a database, because I was asked because I was coming to so many, I was coming to three of them...they talk to each other. These check companies, they talk to each other. Hey, I got this guy over here that's writing a lot of checks. I got this guy that's writing checks at my place. So when I hear some of the people talk about they got so high in debt, it's probably because they were writing checks at so many different places. I don't know for sure, but that's the only way I can see it happens that way. Stop and think. These companies take chances. If I loaned somebody some money, what do I have collateral? What collateral do I have? These places, they can write a check. They know that they're going to come to their bank if they decide they want it taken out of their bank, they can decide, oh, I better pull that money out of the bank. That means that that loan company, that company is going to lose that money. So they may take and have somebody write a check and they may not come back to pay that check, so they're taking a chance. All I can say, I'm here today to say that I've had nothing but good things. My wife and I both used it. Everybody has a time in their life where they're down and out. Most people can go to the credit union, the credit union will give you a loan. But evidently, sometimes you can't get loans because of your credit rating. Things happen in life. But my life with these checking companies, I didn't have any problems. That's why I'm here today. Thank you for your time and for listening to me. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you, Mr. Parks. [LB194]

VIRGIL PARKS, JR.: Thank you very much. Thank you. [LB194]

SENATOR LINDSTROM: Other opponents. [LB194]

PAUL BENCKER, SR.: Good afternoon, everybody. [LB194]

SENATOR LINDSTROM: Afternoon. [LB194]

PAUL BENCKER, SR.: I'm an opponent of LB194. You guys probably know me from last year. I'm the mom and pop in Omaha, Nebraska. [LB194]

SENATOR LINDSTROM: Can you please spell your name for the record, please? [LB194]

PAUL BENCKER, SR.: Oh. My name is Paul Bencker, Sr., P-a-u-l B-e-n-c-k-e-r, Sr., S-r. [LB194]

SENATOR LINDSTROM: Thank you. [LB194]

PAUL BENCKER, SR.: I'm the mom and pop from Omaha. I know all my customers. I started off 14 years ago in the check-cashing business with a partner. I had a collection agency before that. I've been at several locations. I've had up to three stores and I've had eight employees. When people talk about how it is to deal with people, everybody that comes to my store, we are customer-service oriented. We respect every individual, everybody's credit status, and we take you as an individual. Most people that come in...if you check with the Department of Banking, I don't have a lot of complaints. Most of my clientele, when they tell you about a two-week customer, I don't have two-week customers very much. I have 90 percent monthly rate, because kind of like Tom Smith, if you go over to EZ Money you can get it for two weeks. Well, if you've been with me, well, I'll give you four weeks so I can keep you to kind of keep you out of debt. One thing that we do, and all my staff you'll see, we try to bump them down. There's a chart. You can go from $5 to $500. Well, if I know you're at $500 when you get done and you pay that loan off with cash, I give the check back to them. And then I say, do you want to rewrite or do you not? Like Brad said earlier, probably about...I'm probably a little higher than his store. I'm probably five out of ten we'll rewrite. But I'm telling them, okay, instead of doing $500, the state of Nebraska says you can have two checks up to $500, so it's not just one check. So I'll say, Senator Schumacher, why don't you take $300 today and if you have a little problem later on, come back and get the other $200 whenever you want to. It's kind of like a credit line, but it's not, but it's your payday advance line for $500. So there is a lot of bad people out there and I'm not lying. But my company and how we work, we do a good service. We're not perfect, but we give...say you come in and you need money, your brakes are out or your tires are out. I'll get an app from you, you'll give me a checking account, you'll give me where you work, and we'll get three references. We'll get you approved in ten minutes. But what I do look at is your pay stub. All my clientele may have credit from $400 to about $750, but here's the kicker. When they come in with their paycheck you see a garnishment, a tax levy, and then you see child support. And then you say, Paul, will you let this guy borrow for $1.83 every hundred? No, I can't do that. That's why the rate is roughly $15 every $100. I'm taking the chance at letting them borrow money. And like everybody will tell you, I...you know how I opened my company? I took a lien against my house...like you...question you said earlier, they're borrowing my money, not the corporation. It's my money that I threw out there so I'm taking a chance on every person that walks in my store. And here's a stat you got to know, when a customer comes in, a new customer, it's flat new customers, three out of ten will walk out and never come back. They'll put a stop pay or account close and never pay. And so guess what I have to do. I used to own a collection agency, so I know what the Fair Debt Collection Practices Act and my stores runs by the Fair Debt Collection. We do not harass people, we follow the law, we do call them once a day, I can call their work and we follow that, but I handle it with respect because you as a person is how I treat you. You'll pay me before you pay somebody that's yelling and downgrading you. And you can ask probably Virg or anybody, we become friends. I know a lot about your life, you know a lot about all my kids and stuff and we do things for each other. To me, it's a community. So a mom and pop is different from a corporate. Now the corporate that are on the Internet, I can't say anything about them, because they do a different type of business. But if you come to a mom and pop in Nebraska and you come to my store, you'll get respect, you'll get a fair shake, and we'll help you try to get out of debt, because that's what I'm there for. Here's what's scary. I had eight staff one time. I've been downsizing and downsizing, because there's always something come out the state. And then we had the CFPB last year that had everybody scared. I lost two of my best employees that had been there eight years and ten years because you know why? One of her spouse is on disability and she was worried about getting the income every two weeks and getting a pay check. My other one was scared because she's 55 and she wanted to work ten more years. And I said, hey, I probably got one more year of business. That's what we thought last year when we were here and you were here. So it's kind of scarey to think about losing my job and my house that I put 15, 20 years to start all my businesses and worry about going down and let you borrow $100 for $2. No, I'm not going to do that. Here's my fixed expenses and I'll be honest with you. [LB194]

SENATOR LINDSTROM: Sir, we're at the five-minute mark. I apologize, but we are. There's a constraint here, so. [LB194]

PAUL BENCKER, SR.: At least let me throw one more thing at you, just one quick thing. [LB194]

SENATOR LINDSTROM: How about we ask a question and maybe you could elaborate? [LB194]

PAUL BENCKER, SR.: All right, go ahead. [LB194]

SENATOR LINDSTROM: Senator Williams. [LB194]

SENATOR WILLIAMS: Thank you, Chairman Lindstrom. I do have a question, but I'd like to hear your last thought first. [LB194]

PAUL BENCKER, SR.: The one quick thing about they say about has other people tried it? Yes, they have. US Bank, Wells Fargo, all the banks...not all of them, but most of them have tried it. They've been getting out of it because the bad debt ratio is too high for their banks. Here's what they charge: They charge $35 for a bad check, then the merchant charges $35. Then if your account is negative, they charge you $5 a day until you get it positive. So that's why people come. If you borrow, say, 200 bucks and you get hit $70 fee, you can borrow $200 for 30 bucks from me. So you see why the alternative of why people come to us instead of going to the bank? They leave that account open, don't put a lot of money in it, but then they write checks with us. So thank you. [LB194]

SENATOR WILLIAMS: How many locations do you have now? [LB194]

PAUL BENCKER, SR.: Two right now, one in Millard and one on North 90th. [LB194]

SENATOR WILLIAMS: Okay. I guess I just have one question. If LB194 passes, how many locations will you have in Omaha? [LB194]

PAUL BENCKER, SR.: Zero, I'll shut the next month right down. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Seeing none, thank you very much for your testimony. [LB194]

PAUL BENCKER, SR.: Thank you, guys, for letting me talk and extending my time. [LB194]

SENATOR LINDSTROM: Other opponents. [LB194]

COLIN FURY: Chairman Lindstrom, members of the committee, my name is Colin Fury, C-o-l-i-n F-u-r-y. I apologize in advance for my spring cold. And before I get started on my testimony, I would just like to say, you know, I've seen immediate family members go through evictions. I've seen friends and family members go through bankruptcies. And when I was growing up there were quite a few times when we had the utility lines to our house shut off. So I empathize with the people who testified as proponents of this legislation. But with that being said, we've had a lot of folks from the faith community here today to testify and I just want to state that government instituted income inequality was not part of the message of Jesus Christ. And I think it's important to keep that in mind. Before I go any further, I'd like to point out to you all on the very studies I sent in e-mail told the senators from George Mason University, Mississippi State University, the Reason Foundation, The Heritage Foundation, Neil Bhutta of the Federal Reserve Board, and even research completed by Professor Adair Morse at the University of California-Berkeley. These studies prove false the statement in LB194 statement of intent that data demonstrates that this payday loan model traps borrowers in a cycle of debt, creating longer term financial problems rather than helping solve them. These studies all show that payday lending helps people solve problems, with the exception of the Federal Reserve Board study which said that research is inconclusive but slightly beneficial, if anything. The economic evidence certainly does not demonstrate the assumptions from the statement of intent. So what do people use payday loans for? You heard from the individual from Pew Charitable Trusts earlier. Pew Charitable Trusts finds that 69 percent of payday loan users, they're using their payday loans to pay for rent, medical bills, utility fees. Only 16 percent are using payday loans to pay for unexpected expenses. In their research, payday lending, bank overdraft protection, and fair competition at the CFPB, Professors Robert Clark and Todd Zywicki at George Mason show how payday loans actually save consumers capital. In states where there's restrictions, like Colorado, on payday lending or where it is banned you see an increase in more expensive bank overdraft fees. You're getting a...that fee is per purchase and usually the APR on bank overdraft fees are significantly higher. Adam Summers at the Reason Foundation found in a 2008 FDIC report that calculated the typical check, debit, and ATM overdraft fees would have implicit APRs ranging from 1,067 percent to 3,520 percent. That is significantly higher than those of payday loans. Summers also points out that in the United States the average APR for a bounced check and merchant fees is 1,449 percent. The average credit card late fee APR is 965 percent. And the average utility bill late and reconnect fee APR is 1,203 (percent) and that is based on a $46 fee on $100 utility bill. Today I needed to pay Lincoln Electrical Systems anyway, so I asked them what their disconnect fees were and theirs are actually significantly more. Their disconnect fees range from $60 to $110, so the APR in Lincoln for people in these situations, we're talking north of 2,000 percent. And on top of that, they also charge a 3 percent fee, a late fee for folks who have not paid their bills on time. Payday lending has such proven economic benefit that both the American churches of Adam Smith and Karl Marx, George Mason, and University of California-Berkeley support their place in the market. Professor Morse at Berkeley--and I'm going to summarize here--she says she found that payday lending only had positive benefits, but the situations where people were defaulting were situations where the individual didn't take the time to come up with a plan to save dollars and to make changes in their economic behavior while they were going through the payday loan. And I'll just e-mail you all the rest of my testimony. [LB194]

SENATOR LINDSTROM: Thank you, Mr. Fury. Any questions from the committee? Seeing none, thank you very much for your testimony. [LB194]

COLIN FURY: Thank you. [LB194]

SENATOR LINDSTROM: Other opponents. Seeing none, we will now move to neutral testifiers. [LB194]

MARK QUANDAHL: (Exhibits 23-25) Chairman Lindstrom, members of the BCI Committee, Mark Quandahl, Q-u-a-n-d-a-h-l, Director of the Nebraska Department of Banking and Finance. I'm going to be handing around my testimony, I'm not going to read it, but it does have a few attachments to that. And when...in the interest of time, just before it gets to you I'll give you kind of a brief overview of that. The department has been the primary regulator of the state registered payday lending industry in Nebraska since 1994. If you look at Attachment A in the packet, it shows the number of licensees by fiscal year since 1998. As of February 14 of this year there were 82 licensed DDS (delayed deposit services) entities and 46 licensed branch locations in Nebraska. The 82 licensees include 19 institutions with locations in only one county in Nebraska. Seventeen licensees operate no branch offices. The department examines all licensed locations at least once every 18 months, with our target being every 14 months. In 2016, the department conducted 42 DDS examinations at 73 locations to determine compliance with the DDS act. Subsequent to the on-site examination, the examiner creates a report which is sent to the licensee. The department then requires a written response addressing any violations in that report. Depending on the number and severity of the violations and whether the licensee has a pattern of repeat violations, the department may impose a fine or take other corrective actions. During the calendar year of 2016, the department entered into 11 consent agreements with DDS licensees that included fines totaling $47,850. We also did track all of the violations that are reflected in the consent orders. In 2016, the most common violations found were recordkeeping in nature. Examiners noted 148 instances of incorrect or unavailable records and 65 instances where the same-day transaction verification forms were unavailable or incomplete. The department also tracks complaints made against all of the chartered entities and licensees under the jurisdiction of the department. Attachment B provides a compilation of all complaints received by the department for calendar years 2014, '15, and '16. It reflects one complaint against a DDS licensee during that period in 2014. Each DDS license is renewed annually on May 1. Two thousand sixteen renewal applications represented 264 full-time workers and 43 part-time employees at the business sites. DDS regulation in Nebraska is really black and white regulation. A licensee must have a physical location in the state. Only two checks may be outstanding at one time and those checks must not total more than $500 at one time. And checks may be held for no more than 34 days. Importantly, the act prohibits the rollover of transactions. A check must be paid in full or clear the customer's financial institution before another transaction is allowed. There was some mention of the CFPB and so I'll give you a little bit of an update on that. In June of 2016, CFPB released 1,334 pages of proposed rules to federally regulate payday lenders, automobile title lenders, and small-dollar installment credit lenders. Just to make a long story short, as the CFPB rules did not become effective prior to January 20 of this year, it would be speculative at most to predict when, if, or in what manner those rules will be coming out. Just as a general rule, it would appear that those rules from the CFPB would preempt most, if not all, of the Nebraska DDS act. So when the DDS act was adopted 22 years ago, more than 22 years ago, there was a need to regulate a new and fast-growing industry to meet the growing demand in Nebraska for small-dollar loans. And the department has fairly and efficiently administered the act and will continue to regulate in this area as the law directs. And so with that, I'd take any questions that you might have. [LB194]

SENATOR LINDSTROM: Thank you, Director. Senator McCollister. [LB194]

SENATOR McCOLLISTER: Yeah. Thank you, Chairman Lindstrom. Thank you for your appearance, Director Quandahl. [LB194]

MARK QUANDAHL: Sure. [LB194]

SENATOR McCOLLISTER: The proposed draft of the regulations coming out of Washington, could you characterize them as being tougher or less tough than either the Colorado or the proposed LB194? [LB194]

MARK QUANDAHL: Boy, I don't know if I can...I don't know if I'd feel comfortable in characterizing what they are. But I do have a little bit of an explanation as to what...the rules would require all covered lenders in all states to determine before a loan is taken out whether borrowers have the ability to repay a loan without reborrowing or defaulting. In addition to that, lenders would be required to collect and verify a borrower's income information, consult certain databases to look for multiple simultaneous loans by a single borrower, maintain loan records to demonstrate the lender has complied with the ability-to-pay determinations made by the lender, and keep statistical information about customer reborrowing and default rates in relation to their loan portfolios. So I guess that would be an expansion of quite a bit more information than is currently collected by the DDS entities. [LB194]

SENATOR McCOLLISTER: But the proposed statutes coming out of the federal government allowed for repeat lending? [LB194]

MARK QUANDAHL: That I don't know. [LB194]

SENATOR McCOLLISTER: I think you said it did. Maybe I understood that incorrectly. [LB194]

MARK QUANDAHL: That I can't say for certain. [LB194]

SENATOR McCOLLISTER: Okay, thank you. [LB194]

SENATOR LINDSTROM: Any other questions from the committee? Senator Williams. [LB194]

SENATOR WILLIAMS: Thank you, Chairman Lindstrom. And thank you, Director, for being here and your testimony today. In putting something in terms that I would understand which would be more banking terms...and we had testimony earlier from an opponent that talked about the number of instances of violation kind of things, would those be akin to what I would be used to hearing called technical exceptions in a bank-type exam? [LB194]

MARK QUANDAHL: I suppose they're roughly equivalent to that. The department currently has two full-time examiners in the consumer credit area that go out...it's their full-time jobs to go out and examine DDS licensees. And it is a technical...they've got the law on one hand and they're looking at the procedures of the DDS location and they're checking off whether they're compliant with the law. [LB194]

SENATOR WILLIAMS: How difficult is it to get a DDS license? [LB194]

MARK QUANDAHL: It's...I won't go so far to say that it's as difficult as getting a depository institution license or charter in the state of Nebraska, but some of the same things, financial responsibility, financial wherewithal, a $50,000 bond has to be posted with the state. And so it's not a "gimme" by any manner. I would say that just...I've been around for two years and in the last two years I haven't had the opportunity to see any new applications for DDS. [LB194]

SENATOR WILLIAMS: Would it be safe to say that based on our society, if there were a lot of money to be made in this business you would see some applications for these type licenses? [LB194]

MARK QUANDAHL: I don't know if it'd be safe to say that, but I think I'd... [LB194]

SENATOR WILLIAMS: Okay, now I'm going to ask you a question you may not know the answer to it all, but I have...it was too bad we did not have a witness that I could exactly ask this question of. One of the communities that I deal with in my legislative district that has two payday lenders has a significant Muslim population in that community. And it's my understanding from visiting with members of that community that that group, that population base does not use the banking industry because they do not agree to pay interest. Therefore, they use the payday lending industry because it isn't technically interest, it is fees. And that does not violate their religion. Do you have any knowledge of that particular issue? [LB194]

MARK QUANDAHL: I guess I've heard anecdotally the same thing that you have about in the Quran that fees are acceptable, but the payment of interest... [LB194]

SENATOR WILLIAMS: My concern is the elimination of both of those payday lenders in Lexington, Nebraska, could leave that population unserved. [LB194]

MARK QUANDAHL: I understand. [LB194]

SENATOR WILLIAMS: Thank you. [LB194]

SENATOR LINDSTROM: Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Senator Lindstrom. Thank you, Director Quandahl, for being here today. There seems to be some issue in this method of extending credit to people with marginal credit scores that you have to try to look at someplace whether or not there's a better way that's been embedded in the world. It's my understanding that in India they've formed some type of a microlending institution which basically people that have marginal credit have been taught to save and that savings then turns into loans to people who need credit and the interest rate is reasonable and the default rate is low. At any of your banking seminars or conferences or whatever have you ever run across that? [LB194]

MARK QUANDAHL: Actually, we...yeah, we don't discuss the microloans, but there are institutions and there are some facilities out there. For instance, Lending Club. Lending Club is a marketplace lender where basically you can participate in that, either as a borrower or you can also as a lender, too, as an investor in that. And so that's just sort of a Silicon Valley on-line version of the microlenders that you're talking about. [LB194]

SENATOR SCHUMACHER: Thank you, Director. [LB194]

MARK QUANDAHL: Sure. [LB194]

SENATOR LINDSTROM: Any other questions for the director? Seeing none, thank you very much for being here. Other neutral testifiers. Afternoon. [LB194]

BRANDON LUETKENHAUS: Good afternoon, Chairman Lindstrom, members of the Banking, Commerce and Insurance Committee, my name is Brandon Luetkenhaus, B-r-a-n-d-o-n L-u-e-t-k-e-n-h-a-u-s. And I'm here on behalf of the Nebraska Credit Union League, testifying in a neutral capacity on LB194 simply to let the committee know that Nebraska credit unions...back in 2010 of October, the National Credit Union Administration offered a rule that allowed credit unions to offer small loans, short-term loans, $200 to $1,000 at a 28 percent interest rate as a cap. And the terms on that were one to six months could be the term. And so following that, sometime after we had some credit unions in Lincoln get together and create a program called the Quick Cash program, where they would offer a $500-only loan to their members. No credit report required, 18 percent interest, so 10 percent lower than what the NCUA prescribed they could charge, and so far that program has gone pretty good. I think there's ten or so credit unions that do that program. But I will tell you that in communications with other credit unions across the state, I know many credit unions offer these short-term loans that adhere to this payday alternative loan program that the NCUA has put forward for credit unions. So I do know they exist, but they may not be in those same terms as the Quick Cash program which I'm familiar with. With that, I would be happy to answer any questions that the committee might have. [LB194]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Senator Schumacher. [LB194]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. And thank you, Mr. Luetkenhaus, for your testimony today. Is that program advertised? Is it...what's the odds of somebody walking in there like some of the people that have testified today and being able to walk out with 500 bucks? [LB194]

BRANDON LUETKENHAUS: Well, first, with credit unions obviously you have to be eligible for membership. The other caveat with this program is you do have to be a member for 30 days. So that prevents folks from just coming into the credit union, getting their $500, and never being seen again. Now advertisingwise I know early on when the program started there were billboards in Lincoln that they put up. Most, if not all of these credit unions have fliers in their lobby that promote it to the membership. But are they running television ads and doing billboards and the like right now? I'm uncertain of that, but I would doubt they would be doing that type of advertising. I think it's more in-branch advertising, maybe when folks go through the teller line maybe they get a pamphlet regarding that as well. I don't know what the marketing is for every credit union office for these types of loans, but I do know they have marketing materials in-branch. [LB194]

SENATOR SCHUMACHER: To be eligible for membership, is that hard to do? [LB194]

BRANDON LUETKENHAUS: Well, credit unions have membership in several ways. One might be community charter, which if you have a community charter it might be that you serve the people of Lancaster County or Douglas County or one or two counties typically. Others would be associated around an employer, such as Union Pacific, for instance, has a credit union. Others might be associational based, like the Rural Electric Association Credit Union. And others might be religious based, like Seventh-day Adventist Credit Union here in Lincoln. [LB194]

SENATOR SCHUMACHER: So the kind of nightmare scenarios we've heard today about people getting caught in a cycle and having to take out a loan to pay off a loan, a way out of that cycle is what you're saying is to join up with the local credit union, be a member for 30 days, and then you can get the $500 from them to pay off the payday lender and then pay that off over six months? [LB194]

BRANDON LUETKENHAUS: Potentially. I don't want to say that every credit union offers these loans. Not every credit union is going to offer these loans, but I know many do. And is it the silver bullet for this issue for the entire state? I don't think so. I think there may be other ways in which we can encourage people to try to stay away from high debt. [LB194]

SENATOR SCHUMACHER: And those are? [LB194]

BRANDON LUETKENHAUS: Education, jobs, income, I think those are probably the primary things why people find themselves in high debt is either lack of education, lack of training, and maybe lack of good-paying jobs. It's my personal opinion, not the opinion of credit unions, by the way. [LB194]

SENATOR SCHUMACHER: Thank you. [LB194]

SENATOR LINDSTROM: Any other questions? Seeing none, thank you very much. [LB194]

BRANDON LUETKENHAUS: Thank you. [LB194]

SENATOR LINDSTROM: (Exhibits 26-33) Other neutral testifiers. Seeing none, as Senator Vargas makes his way up for closing I'm going to read a couple letters into the record. We do have letters of support for LB194 from: Holland Children's Movement; Omaha City Council; National Association of Social Workers; YES, Youth Emergency Services; Voices for Children in Nebraska; Great Plains Annual Conference of the United Methodist Church; and Center for People in Need. And we do have one letter in a neutral capacity from: Jennifer Davidson, president of Nebraska Council on Economic Education. And those are the letters in support and neutral. Senator Vargas, whenever you're ready. [LB194]

SENATOR VARGAS: Great. So I have my closing. I did want to touch on a couple of different points. I'm not sure if people will ask additional questions, but I wanted to make sure that I touch on them. There was a question about the market, the current market. If we're not seeing applications coming in, is that because...what's the rationale we're not seeing more applications coming in if this is so profitable? The 2008 Financial Stability Partnership Report, there was a conclusion that they drew that there might be a market saturation that's been happening over time, which is why we've seen it stabilize a little bit. And I actually will answer some of these questions within this, but I just wanted to make sure there was a couple other ones. Let me go with the testimony and then we'll go from there. So the first thing I wanted to do is just thank everybody. I know this is long. I know you listened to a lot of different individuals and I'm very thankful for all the people that came and testified, both proponents and opponents. I think it's important that we get the perspectives of many individual people. And I think what we've heard today is that many of the different perspectives about some of the damage that we're seeing from the current regulation on the payday lending, what it does to our communities, that these practices, these more irresponsible lending practices that are affecting Nebraskans from all different backgrounds, what we're seeing from mothers and fathers, we're seeing from students, from people living in poverty and earning middle-class incomes. You've also heard today that the payday lending reform is something that a vast majority of Nebraskans support. When polled, again, nearly 80 percent said they support the reforms that are included in LB194. I'd also add that one of the goals that came from the Legislature's own Intergenerational Poverty Task Force report is to ensure families are protected from unfair lending practices. That 2016 report also includes the policy recommendations to institute limits on payment amounts, loan duration, and charges. I think the truth is that our payday lending law isn't currently working for Nebraskans and it isn't currently working for our economy. Placing reasonable regulation on this industry won't make these businesses disappear. I want to state that again. Based on all of our calculations and how we've played out the scenarios, this is not making the business disappear. Rather than the consumer protections...rather, the protections of LB194 will make our communities and economies stronger, putting millions of dollars back into consumers' pockets to be poured back into local industries for goods and services rather than allowing them to be sucked out by excessive loan fees. It's not often--I do say this--that we have a regulation that is a win-win, but I do strongly believe that what this LB194 does is do that. It is good for consumers, it's good for our economy, and will keep lenders in business. I do urge the committee to think deeply about the testimony that you heard here today and vote LB194 out of committee to General File. Thank you. I did have a couple of different things that I wanted to follow up on. I know there was...but I wanted to see if there's questions first. [LB194]

SENATOR LINDSTROM: Any questions from the committee for Senator Vargas? Seeing none, if you'd like to follow up. [LB194]

SENATOR VARGAS: Oh. Okay, perfect. I wanted to clarify...now there's been this conversation about APR and interest rate cap. Under LB194 the interest rate cap is 36 percent. In the Colorado legislation they had a different interest rate cap. That is not the only piece in this legislation that provides a revenue source to lenders. When you add the monthly maintenance fees from each month that occur immediately, you're actually seeing an on average and somewhat of an experienced APR of around 100 percent. That is different from the Colorado legislation, which does not allow you to have any maintenance fees until two months have already passed. The reason why we did that is because we wanted to make sure that there was a steady stream of income or revenue coming into the lenders. And more importantly, what we saw from the 5 percent cap on your gross monthly income is that one of the hallmarks of this is when you have affordable payments being made you're keeping the industry alive and you are making sure consumers can pay this amount. In some ways it is curbing the people's ability to get in the cycle of debt taking out more because they're only making payments they can afford. And so I wanted to make sure that was clear. Another thing that I wanted to clarify, I know we heard some perspectives that this legislation is worse than Colorado's and that Colorado's may not be working. We have heard, and time and time again, from reports and from the individuals on both sides in the industry that it is working. And actually, if you compare both of our legislations, in the end on a short-term basis this is actually more profitable, more immediately in the short term, for lenders. We see it being on two months we're seeing it more profitable than Colorado's legislation in two months. And part of that is because of these maintenance fees that we're providing. Part of it is because we're not putting a cap on when that can go into effect. And it's still up to the lender to determine the time line for paying back these loans. And the last thing I wanted to make sure to simplify is just around this role of government. This industry is already regulated and that's something I want to clarify. I know Senator Williams and many other people brought that up, when people use the word "unregulated." I don't believe the industry is unregulated. I don't believe this is a black or white or yes or no argument. I think we can say that it is regulated. However, we have conversations in this room about what regulation really means. And to what extent are we having...are we making changes to make sure it's better supporting and protecting Nebraskans from all different walks of life? I do think that what we're seeing, not only in Nebraska from the perspectives we've seen here but across the country, is this isn't an easy solution to say yes or no to this industry. We believe it has a purpose. And states have created different regulation changes to make sure that it is staying open. And in some instances, they've made different, more dramatic instances to make sure that they are...that they either don't want it, they want it to grow more. Here, the intent of this legislation is to make sure it stays open. On our modeling, on what we're seeing from the data point from Colorado, we are seeing the industry is still successful and that is very, very important. It is predicated, the industry, it's sometimes that...and we've had...we've seen some data points that the model of income of revenue, does include a certain percentage of individuals that get to default or get to churning these loans. If that is in reality true or if that is reality, not true, this regulation will not make the industry go away, because there are going to be people that pay back the loans within a short amount of time and it's still providing a profit. But I think what we are seeing and what we are hearing is there isn't a forward number, an easy target, to say that it's going to work if it happens here. And the best target that we have for this (LB)194 is, we are seeing this work in Colorado. We are seeing the businesses stay open, have more loans coming through each of these different storefronts and businesses. We're not seeing it detrimentally affecting small versus larger businesses or national businesses. And people are able to pay back these loans in a short amount of time and are not doing it beyond their means. It's very, very important that I wanted to make sure to clarify. So thank you very much. [LB194]

SENATOR LINDSTROM: Thank you, Senator Vargas. Any final questions for the senator? Seeing none, thank you very much. [LB194]

SENATOR VARGAS: Thank you very much. [LB194]

SENATOR LINDSTROM: (Exhibit 34) And that will end the hearing on LB194. We'll take a quick five-minute break since we've gone for about three hours. [LB286]

BREAK

SENATOR LINDSTROM: All right. If you'd please grab a seat we'll now open the hearing on LB286, introduced by Senator Craighead. Whenever you're ready. [LB286]

SENATOR CRAIGHEAD: Good afternoon, Chairman Lindstrom and members of the Business, Commerce and Insurance Committee. My name is Joni Craighead, J-o-n-i C-r-a-i-g-h-e-a-d, I represent Legislative District 6 of Omaha in Douglas County. LB286 would create a flexible credit loan option to serve consumers' financial needs. It gives consumers maximum flexibility to access a wide range of loan amounts up to $2,500. Loan payments would be spaced out equally with a maximum term of 24 months, based on a consumer's needs. Fees are capped at 18 percent per month. The balance on a flexible credit loan may be repaid in full at any time without penalty. There are strong consumer protections included, such as a limit of one outstanding credit loan at a time, enhanced disclosure for maximum transparency, and licensing oversight and examination by the state. LB286 would create a flexible credit loan option to serve consumers' financial needs. I heard last year as I sat as a member of this committee that consumers wanted another option in the unsecured loan industry. I heard that some wanted a longer period of time than 34 days to repay a loan and some were concerned that the current fee structure under our current payday statutes. I do not want to close businesses or force them to consolidate, so I worked with businesses in Nebraska to craft what I believe is a responsible approach. This unsecured loan offers valuable access to credit for those seeking to cover expenses while providing a high level of flexibility and strong consumer safeguards. This flexible credit loan is designed to fill the gap in the credit market for consumers who need a loan term that is longer than a few weeks, but shorter than a few years. This flexible credit loan gives consumers maximum flexibility up to $2,500, based on their individual needs. Loan payments again, as mentioned, are spaced out equally with the maximum term of 24 months and fees are capped at 18 percent per month. With this cap and a longer term the annual percentage rate is significantly lower than on the other short-term loan options available in Nebraska. Today borrowers repay their flexible credit loan through equal installment payments of principle and interest for the term of the loan. The balance on a flexible credit loan may be repaid in full at any time without penalty. Again, strong consumer protections are included and some of these protections include: a limit of one outstanding flexible credit loan at a time, enhanced consumer disclosure for maximum transparency, and licensing oversight and examination by the Department of Banking. There will be others that are following me who can answer detailed questions. [LB286]

SENATOR LINDSTROM: Thank you, Senator Craighead. Any questions from the committee? Seeing none, thank you very much. We will now have proponents. Good afternoon. [LB286]

JULIE TOWNSEND: Good afternoon. Mr. Chairman, members of the committee, thank you for your time today. My name is Julie Townsend, J-u-l-i-e T-o-w-n-s-e-n-d. I'm here on behalf of Advance America. We are a national deferred deposit lender. We operate 18 centers in Nebraska. LB286--and thank you, Senator Craighead, for introducing this bill--accomplishes two goals. The first is that it establishes a licensed and regulated form of credit that will survive the CFPB rule, should that rule take effect. We did find out last week that that rule is very much still alive, given that the federal Office of Information and Regulatory Affairs issued a memo stating that all independent agencies are not subject to the regulatory freeze. So CFPB rules that are currently on the table are still very much alive, so we're operating as if they're going to take effect. The other goal is that this provides Nebraska consumers with a credit option to meet their individual needs. Currently, the only available credit option is the very small-dollar, short-term, deferred deposit loan, $500 maximum over a two-week to one-month period. Some people need just that. Some people need maybe a larger dollar amount and/or longer term to pay off. This will provide both of those so that consumers can determine what best meets their needs. We listened to our critics and we listened to consumers. In coming forward with this legislation to establish longer repayment terms and providing the flexibility between the borrower and the lender to determine how long the borrower would like to repay, up to 24 months. It doesn't have to be 24 months and, in fact, can establish their payment schedule as well, which can be bi-weekly or monthly or whatever works best for the consumer. I'd be happy to answer any questions. [LB286]

SENATOR LINDSTROM: Thank you. Any questions? Senator Schumacher. [LB286]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. How does this bill interact with the delayed deposit people that we just heard from and heard about? [LB286]

JULIE TOWNSEND: Sure. An operator could license to offer both products so that it could...a customer might come in and need a true short-term, small-dollar loan, in which case a deferred deposit loan might be best for them. If they needed a larger dollar amount or if they needed a longer repayment period LB286 would establish a product that would allow them that as well. [LB286]

SENATOR SCHUMACHER: So it's very well the same storefronts that are now payday lenders would also be...have another piece of paper hanging on the wall saying they're allowed to do this? [LB286]

JULIE TOWNSEND: Yes. [LB286]

SENATOR SCHUMACHER: Okay. Page 4 of the bill says, "A license issued under this act shall remain the property of this state." What is meant by that? [LB286]

JULIE TOWNSEND: I don't know the answer to that. Maybe Director Quandahl could provide clarification on that. [LB286]

SENATOR SCHUMACHER: Okay. Are they just talking about the piece of paper or how is a right to do business, I guess, the property of the state? [LB286]

JULIE TOWNSEND: If I were to make a guess, I would say that it means the state has the right to rescind it for improper... [LB286]

SENATOR SCHUMACHER: We'll see if Director Quandahl has an answer for that. Thank you. [LB286]

SENATOR LINDSTROM: Thank you. Senator Williams. [LB286]

SENATOR WILLIAMS: Thank you, Chairman Lindstrom. And thank you, Ms. Townsend, for being here. Before I ask you some questions about this, I want to go back and since Senator Schumacher kind of opened it up about the last hearing we had, Advance America does have numerous locations in our state, correct? [LB286]

JULIE TOWNSEND: Eighteen, yes. [LB286]

SENATOR WILLIAMS: 18? [LB286]

JULIE TOWNSEND: Yes. [LB286]

SENATOR WILLIAMS: And is one of those in my legislative district? [LB286]

JULIE TOWNSEND: I believe it is, it's Lexington. [LB286]

SENATOR WILLIAMS: In Lexington. In Lexington. If we were to go back, because this question was asked of other people on the hearing on (LB)194, if (LB)194 were adopted in its present form, what would that do to Advance America's operation? [LB286]

JULIE TOWNSEND: In reviewing this bill with our legal counsel in operations in corporate office, all 18 of our centers would close if that bill went into effect. [LB286]

SENATOR WILLIAMS: All 18 of your centers would close? [LB286]

JULIE TOWNSEND: Yes. We would leave the state. [LB286]

SENATOR WILLIAMS: So the one that I'm concerned with in my legislative district would close? [LB286]

JULIE TOWNSEND: Yes. [LB286]

SENATOR WILLIAMS: What has been the response of Advance America to the new legislation which was recently passed in South Dakota? [LB286]

JULIE TOWNSEND: We no longer operate in South Dakota. [LB286]

SENATOR WILLIAMS: So you have withdrawn completely? [LB286]

JULIE TOWNSEND: Yes. [LB286]

SENATOR WILLIAMS: You have fulfilled your promise, you've closed there. You may have heard my questions earlier about my concern in my legislative district about the Muslim population. Do you find that they are using your services in Lexington? [LB286]

JULIE TOWNSEND: I don't know for sure in Lexington, but I do know that we lend to the Muslim population and all of our--with the exception of Colorado--all of the states that we operate in are on a fee based. [LB286]

SENATOR WILLIAMS: Okay. Do you agree with the testimony that was given on the last bill that there is...that (LB)194 is more restrictive than the Colorado...the current Colorado law? [LB286]

JULIE TOWNSEND: It is more restrictive. [LB286]

SENATOR WILLIAMS: Okay. Thank you. Now, to LB...whatever this one is. [LB286]

JULIE TOWNSEND: 286. [LB286]

SENATOR WILLIAMS: (LB)286. How do you handle the issue that this creation of the new type of license competes now directly against credit unions and banks that are offering loans in the $2,500 category? We've been listening to testimony where the payday lending was the only game in town to answer certain things. This opens up a broader sense of competition, wouldn't you say? [LB286]

JULIE TOWNSEND: Certainly. And I cannot speak on behalf of banks, but I can tell you from our perspective we welcome competition. And what we see in our lending practices is that although all of our customers have a bank account, they're often unable to get the loans that they're seeking through their local bank. So while I recognize that some banks do offer short-term lending, it might be because there are not other short-term lenders in their community and they've established a relationship with their banks. [LB286]

SENATOR WILLIAMS: On page 7 in section 11 it requires annual reporting to the Department of Banking. Do you see any problem in meeting the requirements as laid out in section 11? [LB286]

JULIE TOWNSEND: No. We report on our current deferred deposit lending in a very similar manner and we report to state regulators in every state where we operate. And it is not a regulatory burden to do so. [LB286]

SENATOR WILLIAMS: Then if you have the bill there, if you'd jump over to page 8, line...it's beginning at line 8, paragraph (b) where if you do not file the annual report on time you get a severe fine of $5 a day, less than my daughter spends at Starbucks. [LB286]

JULIE TOWNSEND: Right. [LB286]

SENATOR WILLIAMS: Do you think that's a fair amount to be in there or should that amount be add a zero? [LB286]

JULIE TOWNSEND: Well, we would seek to always file on time, so I wouldn't worry about that penalty. [LB286]

SENATOR WILLIAMS: I don't think a $5 penalty is much of a penalty. That's all I have. [LB286]

SENATOR LINDSTROM: Thank you. Any other questions from the committee? Senator McCollister. [LB286]

SENATOR McCOLLISTER: Yeah. Thank you, Chairman Lindstrom. Thank you for your testimony. You indicated that your business currently operates in Colorado? [LB286]

JULIE TOWNSEND: We do. [LB286]

SENATOR McCOLLISTER: How many stores do you have in Colorado? [LB286]

JULIE TOWNSEND: I don't know the number of stores, although there is a piece of paper in front of you that was handed out during testimony earlier that shows that Advance America, in particular, closed 50 percent of our stores in Colorado. I think we might have been at...in the 40 to 50 store range and we're down to maybe 20 stores in Colorado. We also have experienced that very few individuals are actually utilizing the entire six-month term, as established in statute, and many are paying off within the original two weeks, much like they used the payday loan prior to the 2010 law. In which case, we have to refund the origination fees, so we're finding that we're making very little, if any, money on those loans. [LB286]

SENATOR McCOLLISTER: Why did you close up your stores in Colorado? [LB286]

JULIE TOWNSEND: Because the loan is not profitable. [LB286]

SENATOR McCOLLISTER: Not a lack of business or volumes have held up, haven't they? [LB286]

JULIE TOWNSEND: We couldn't write the loans. People didn't qualify or it wasn't going to be profitable. [LB286]

SENATOR McCOLLISTER: I see. Do you offer a similar kind of product to this product in Colorado? [LB286]

JULIE TOWNSEND: This installment-lending product? [LB286]

SENATOR McCOLLISTER: Yes. [LB286]

JULIE TOWNSEND: No. No. [LB286]

SENATOR McCOLLISTER: So this would be a new venture for you? [LB286]

JULIE TOWNSEND: Well, it would be in Nebraska. There are currently 17 or 18 states that do have a type of flexible lending. [LB286]

SENATOR McCOLLISTER: And they also have the payday lending. [LB286]

JULIE TOWNSEND: Yes. [LB286]

SENATOR McCOLLISTER: I see. Yeah, thank you for your testimony. [LB286]

JULIE TOWNSEND: Okay. [LB286]

SENATOR McCOLLISTER: Thank you, Mr. Chairman. [LB286]

SENATOR LINDSTROM: Thank you. Any other questions? Senator Schumacher. [LB286]

SENATOR SCHUMACHER: A couple of follow-up questions. Page 9 of the bill talks in terms of you can only have one of these loans outstanding at one time, but the only test is that you have to ask the consumer, do you have another one of these things? [LB286]

JULIE TOWNSEND: Right. [LB286]

SENATOR SCHUMACHER: And if the consumer lies, nobody gets penalized on anything? The consumer doesn't get penalized? The lender doesn't get penalized? [LB286]

JULIE TOWNSEND: Well, part of that would be that we are hopeful that they're not lying in that we're not going to get our money back if they're going to default due to other outstanding loans. We do have an underwriting process. And although we wouldn't see every outstanding loan, we do have...they're not the three credit bureaus that you would normally think of, but we do have an underwriting process that allows us to see some outstanding debt. [LB286]

SENATOR SCHUMACHER: Well, this doesn't even require you to check your own files. [LB286]

JULIE TOWNSEND: We do though. [LB286]

SENATOR SCHUMACHER: You just have to ask...according to the law though, you just have to ask the consumer, hey, do you have another one of these loans? If they say, no, then you're good to go. [LB286]

JULIE TOWNSEND: All of the lenders have some underwriting process. [LB286]

SENATOR SCHUMACHER: Okay, but this doesn't specify. [LB286]

JULIE TOWNSEND: But it does not specify it in this particular bill. [LB286]

SENATOR SCHUMACHER: Can you tell me what the interest rate in 10 U.S.C. 687, that's I guess that's some military... [LB286]

JULIE TOWNSEND: Is that the military? It's 36 percent. [LB286]

SENATOR SCHUMACHER: Thirty-six percent. Okay. Is there...and I haven't read far enough into the bill, I'm only at page 10, is there ability to back out of this loan if you... [LB286]

JULIE TOWNSEND: There is a right to rescind, yes. [LB286]

SENATOR SCHUMACHER: How long? [LB286]

JULIE TOWNSEND: Twenty-four hours. [LB286]

SENATOR SCHUMACHER: Twenty-four hours. And is that including the weekend or if... [LB286]

JULIE TOWNSEND: Next business day. [LB286]

SENATOR SCHUMACHER: Next business day. Thank you. [LB286]

SENATOR LINDSTROM: Senator McCollister. [LB286]

SENATOR McCOLLISTER: Yeah. Thank you, Chairman Lindstrom. One of the advantages of the LB194 and the payday loan kind of businesses, there are no hidden fees, no bounced checks and all that. Isn't that correct? Let's say for a payday loan in Nebraska, do you levy a fee for a bounced check? [LB286]

JULIE TOWNSEND: Fifteen dollars. [LB286]

SENATOR LINDSTROM: We can just keep to testimony. [LB286]

SENATOR McCOLLISTER: How about paying late? [LB286]

JULIE TOWNSEND: We don't have a late payment penalty on the current deferred deposit, although if a person...the $15 is the most that we can charge and that would be for insufficient funds. [LB286]

SENATOR McCOLLISTER: But the product you're looking at in LB286 has a list of fees on page 11 that are pretty extensive, so. Where did this legislation come from? [LB286]

JULIE TOWNSEND: It was originally passed a few years ago in Tennessee and it's been operating in Tennessee for two years now, very successfully in a well-regulated environment. [LB286]

SENATOR McCOLLISTER: Thank you for your testimony. [LB286]

SENATOR LINDSTROM: Any other questions from the committee? Seeing none, thank you very much. [LB286]

JULIE TOWNSEND: Thank you. [LB286]

SENATOR LINDSTROM: Other proponents. [LB286]

BRAD HILL: My name is Brad Hill, B-r-a-d H-i-l-l. In the interest of brevity, I will just say that our organization, the Nebraska Financial Services Association, fully supports Senator Craighead's LB286. [LB286]

SENATOR LINDSTROM: Thank you. Any questions from the committee? Seeing none, thank you very much. Next proponent. Seeing none, we'll now move to opponents. We'll switch to good evening. [LB286]

NICK BOURKE: Good evening. It's a pleasure to spend the day with you. My name is Nick Bourke, N-i-c-k B-o-u-r-k-e, Director of Consumer Finance at The Pew Charitable Trusts. We oppose this bill on several grounds. First and foremost, it does nothing to address the problems in the payday loan market that we've been discussing for most of the day, because it doesn't require the payday loan product to change in any way. Therefore, there's no relation between this bill and those problems. And I would go further and say that there's no evidence of a need for this bill. This bill leaves existing payday loans as they are and adds the possibility of a new form of high-cost installment lending from a nonbank or noncredit union lender in a market that already has nonbank and noncredit union installment lending. Existing Nebraska statutes allow installment lending with reasonable terms in terms of interest rates and allowable fees. So in my knowledge, there's no evidence, no research that supports why adding on this new type of installment loan would be needed. In the testimony and discussion earlier today the idea of alternative sources of credit came up several times, especially from credit unions--you could add to that banks--and we support that idea. But I will say, it's highly unlikely that banks and credit unions are going to provide a payday loan alternative, you know, $400 or $500 in any sort of scale. The dynamics, the revenue, the underwriting, the federal regulations, it just doesn't make that possible on any sort of scale. But in this realm, where you're talking about larger loans, $1,000, $2,000, this is the realm where banks and credit unions are an appropriate source of alternatives. So to the extent that there is some kind of a need for more credit in this space, then banks and credit unions are the better place to look, as well again as existing installment lenders in Nebraska. Also, this bill is rather poorly crafted. It is based on a flex loan bill that the payday lenders have advocated from Tennessee and elsewhere. It does not actually have any craft behind it in terms of an ability-to-repay standard or a simplified ability-to-repay standard like LB194 has in terms of limiting the size of the monthly fee. Just to give you an idea of what this bill would allow, someone in Nebraska could borrow $2,000 and pay back the loan over the course of 12 months at an APR of greater than 200 percent and they would be required to pay more than $500 every month on that loan, paying well more in fees than they borrowed in the first place. This is not a good thing for Nebraska families. This will drive them further into financial distress. Finally, if I may, I'd like to touch on a couple things that came up earlier in the testimony on this bill. In terms of surviving the CFPB rule, adding this unnecessary piece of legislation is not necessary in order to survive the CFPB rule. If we're concerned about payday lenders and payday loans in Nebraska surviving the CFPB rule, which by the way is probably unlikely to ever be finalized and if it is, it's going to take a long time. And they've already said very specifically what they're going to do. And they're really going to do one thing if they finalize that rule, that CFPB rule, and that is to require--as the lady said earlier--an ability to repay underwriting process. It's a documentation process. It's all about originating the loan. It's nothing about the structure of the loan. So if you really want payday loans to survive the CFPB rule if it's finalized, enact LB194, which is perfectly compatible with the CFPB rule because it does not have an ability-to-repay process associated with it and maybe allow slightly larger loans under LB194, if that's a concern. LB194 would sustain that very well. And I will end there. [LB286]

SENATOR LINDSTROM: Thank you for your testimony. Any questions from the committee? Seeing none, thank you your testimony. [LB286]

NICK BOURKE: Thank you. [LB286]

SENATOR LINDSTROM: Other opponents. [LB286]

BOB HALLSTROM: (Exhibit 1) Chairman Lindstrom, members of the committee, my name is Robert J. Hallstrom, H-a-l-l-s-t-r-o-m. I'm here before you today as registered lobbyist for the Nebraska Bankers Association in opposition to LB286. Similar to the testimony that you just heard, we do not think there is a need for the flex loans in the Nebraska marketplace. There are certainly other, lower cost alternatives to address the needs of individuals seeking unsecured loans of $2,500 or less. Not only do we have our members who routinely make loans of $2,500 or less on an unsecured basis, we also have our Installment Loan License Act that allows for loans to be made at 24 percent and 21 percent interest rate caps. You had a bill earlier this session I think that might have increased that to 29 percent as opposed to the 18 percent per month that's allowed under LB286. So we would suggest that LB286 is a solution in search of a problem where the marketplace is adequately served at this time. Also, nobody has a crystal ball with regard to CFPB, but we believe it would be premature to establish a completely new installment loan capability in light of the CFPB coming down at some point with some rules to govern the field in this area. With that, I'd be happy to address any questions that the committee might have. [LB286]

SENATOR LINDSTROM: Thank you, Mr. Hallstrom. Senator Schumacher. [LB286]

SENATOR SCHUMACHER: Thank you, Chairman Lindstrom. Thank you, Mr. Hallstrom, for your testimony. How does the regulatory parameters of LB286 compare with what a bank has got to go through in order to serve this same customer, stricter, less complicated? [LB286]

BOB HALLSTROM: I don't know that there's any particular difference, Senator, in what banks might do. We've got underwriting standards that may differ from theirs, irrespective of the regulatory environment. It's getting harder and harder to do traditional character loans that banks have done for some time because there's more and more areas where ability to repay is working its way in from the regulatory perspective to make loans, particularly in the home-secured loan market. But I wouldn't see any particular differences other than obviously there's a significant difference in the interest rate that's applicable under LB286. [LB286]

SENATOR SCHUMACHER: I don't see any underwriting requirements here. This is all kind of up to the proprietor, at least unless there's some regulations contemplated. [LB286]

BOB HALLSTROM: Yeah, I think, Senator, from your questioning before, you've got situations where you noted the provision in the bill where there's just a question that's asked. And if that question is not answered accurately, then you've got a situation where somebody truly is at risk of having more than one loan and the lender is off the hook because they'll document that they asked the question. It wasn't answered properly and then the person has that potential to have that cycle of multiple loans that could cause them financial problems. [LB286]

SENATOR SCHUMACHER: Thank you. [LB286]

SENATOR LINDSTROM: Thank you. Any other questions? Seeing none, thank you for your testimony. [LB286]

BOB HALLSTROM: Thank you. [LB286]

SENATOR LINDSTROM: Other opponents. Good evening. [LB286]

AMANDA BREWER: Hi. Good evening. My name is Amanda Brewer, A-m-a-n-d-a B-r-e-w-e-r, I serve as CEO of Habitat for Humanity of Omaha. I'm here representing the communities we serve, working families at 30 percent to 60 percent of HUD meeting income, incomes between $19,000 and $36,000 per year, families with jobs and bank accounts, families whose circumstances may make them the target of payday lending. I'm here in opposition of LB286. I'm also a proponent of LB194, because I believe that payday lending reform should be a priority in Nebraska. Unfortunately, LB286 does nothing to reform the current payday lending product, as they said. It would allow loans up to $2,500 at 18 percent interest, as they said. In real dollars a $2,500 loan would have a total repayment of $10,000 over 24 months. Let me ask, if I don't have $2,500 today, how am I going to have $10,000 extra dollars over the next two years to repay this loan? A product that does not provide attainable repayment terms is predatory in my book. I'm cutting this short because it's hot in here. But I do want you to know that there are alternatives. We were here last year testifying and we saw that that was a barrier. And the people testifying earlier, many of them said that they did need a solution. There's been a group of about 50 people in Omaha working on payday lending alternatives and here are some examples: Habitat for Humanity of Omaha has launched an emergency unsecured loan on home repairs up to $3,000. Someone's furnace goes out and it's zero degrees out, we can provide an emergency unsecured loan, zero interest. It's a solution for people in need. Other things that come to mind, leaky basements, as she said, water heaters, new furnaces, air conditioner units. The credit unions have the product that they mentioned, but they also have a product that Habitat Omaha will be implementing. We have 90 employees and we don't want to see our employees go through this same struggle that my peer, Glenda Wood, had to go through. And they have a product where they offer a $500 loan that's backed by the employer. They said they have a zero default rate. Habitat Omaha is willing to take that risk and I know many others who have taken that risk on their employees, investing in their own employees. Lastly and most exciting is that a group of philanthropists in Omaha is launching a pilot product in Omaha to compete with payday lenders. The philanthropists will be backing this product and it's set to launch later this year. There are other ideas, there's a person-to-person lending that someone mentioned earlier, that is not allowed under Nebraska regulation. I personally would invest in my fellow Nebraskan with a maybe 14 percent APR. Sounds like a great deal; you're not getting that at the banks I know. Other alternatives, Senator Williams, we met with you earlier, we had we felt a great conversation. Gothenburg is solving their own problem. Gothenburg State Bank is making small-dollar loans to people in their community. The current payday lending products take away that chance. My dad, growing up, lent money, his personal money to employees. He knew they would repay. They did repay. They were in need. People do already have other solutions. They're there, but as my coworker said, it's embarrassing. Because it's an embarrassing problem to have a financial hardship, people don't share that news and instead go to what I consider the underbelly. And I've seen it firsthand. I've seen people lose their homes because of this product. And lastly I want to say, Senator Schumacher, I personally liked your idea. We believe in financial freedom and financial freedom comes with people being able to make their own choice on who gets paid first. How dare we allow an uneven playing field where someone doesn't get to pick their mortgage payment to be paid ahead of a $500 loan from a national company. Thank you. [LB286]

SENATOR LINDSTROM: Thank you, Ms. Brewer. Any questions from the committee? Seeing none, thank you for your testimony. [LB286]

AMANDA BREWER: Thank you. [LB286]

SENATOR LINDSTROM: Next opponent. [LB286]

TRACI BRUCKNER: (Exhibit 2) Good afternoon. I'm warm, too. My name is Traci Bruckner, T-r-a-c-i B-r-u-c-k-n-e-r, and I am the research and policy director for the Women's Fund of Omaha. I'm here today to testify in opposition to LB286. Some of this has been said already. LB286 does nothing to address the current payday loan model that is creating the problematic debt trap we know is all too common. It will compound those existing problems by adding a new credit model on top that will prove to be even more damaging to borrowers. An example, under this proposal someone borrowing $500 over a 12-month period would end up paying $752 in fees alone, so they'd end up paying back $1,252 for that $500. The flex loan product is dangerous and passing anything like it would be a bad outcome for our state. The basic idea for this lending model originated in Tennessee, as I believe you heard a proponent discuss as well, and the payday lenders have been packaging similar legislation in different ways in other states. For example, a similar measure was narrowly beat back in Arizona last year. Iowa saw one introduced, but it did not advance. And I believe Indiana just also failed to pass one as well. So this is not really a measure that's being responsive to the concerns that were brought up last year. This is prepackaged legislation that's been shopped around in many other states. We do not believe it's a solution to the current payday lending problem. It's a ruse and it's not a legislative model that's being responsive to those concerns. It's a way for them to keep ahead of enhanced consumer protections such as those that would be afforded by LB194. I'd also like to note that LB286 goes in the opposite direction of the concerns and the recommendations provided in the Intergenerational Poverty Task Force Final Report that was issued in December of 2016. That report indicated the Legislature should protect consumers from payday loans and unfair lending practices by instituting limits on payment amounts, loan duration, and charges. So with that, we strongly urge the committee to indefinitely postpone LB286. I thank you for your time today and I'd be happy to answer any questions. [LB286]

SENATOR LINDSTROM: Thank you for your testimony. Any questions from the committee? Seeing none, thank you very much. Next opponent. [LB286]

KEN SMITH: (Exhibit 3) Good afternoon. My name is Ken Smith, that's K-e-n S-m-i-t-h, and I am a staff attorney with the Economic Justice Program at Nebraska Appleseed. I'll keep this brief as much of our testimony has already been covered by other opponents of this bill. I welcome you to read the written testimony that we submitted and I would just echo the concerns of the other opponents that passing this bill would preserve the status quo for payday lenders while opening the door for a different, yet similarly harmful, loan product to exist. With that, thank you and I would answer questions if you have them. [LB286]

SENATOR LINDSTROM: Thank you, Mr. Smith. Any questions from the committee? Seeing none, thank you very much. [LB286]

KEN SMITH: Thank you. [LB286]

SENATOR LINDSTROM: Next opponent. [LB286]

KAITLIN REECE: (Exhibit 4) Good afternoon or almost evening I think at this point. My name is Kaitlin Reece, K-a-i-t-l-i-n R-e-e-c-e, and I'm a policy coordinator at Voices for Children in Nebraska. Like Ken and others before me, I think a lot of the testimony that I have prepared for you that's getting passed around has already been covered, so I'll keep it brief. I'll just say that we are opposed to LB286 because it does nothing to address the current problems that we're seeing in our communities with payday lenders and, in fact, stands to make them worse. I think what Traci said, a borrower can end up paying 2.5 times as much in fees and principal under this new model, and I just think that's an unsustainable model for our state moving forward. So I urge you to indefinitely postpone LB286. And I'm happy to answer any questions. [LB286]

SENATOR LINDSTROM: Thank you for your testimony. Any questions from the committee? Seeing none, thank you very much. [LB286]

KAITLIN REECE: Thank you. [LB286]

SENATOR LINDSTROM: (Exhibit 5) Next opponent. I do have a letter in opposition from Nebraska Chapter of National Association of Social Workers. We will now move to neutral testifiers. Anyone testifying in a neutral capacity? Seeing none, Senator Craighead, if you'd like to close. [LB286]

SENATOR CRAIGHEAD: Thank you. Flex pay is an additional product, it is not a payday loan. It gives people another option, higher loan amounts with 24 months to repay. The market for this product may be a different user than the payday loan user. I ask that...for your consideration in advancing LB286 to General File. [LB286]

SENATOR LINDSTROM: Thank you, Senator Craighead. Any final questions for the senator? Seeing none, thank you very much. And that will end the hearing on LB286. We'll now move to the last bill of the day, LB386. And I am introducing it, so I'll turn the committee over to Vice Chairman Williams. [LB286]

SENATOR WILLIAMS: "Alrighty." And would those that are looking to testify please move up to the front again as Chairman Lindstrom approaches to...we'll now open the hearing on LB386 and turn the hearing over to Chairman Lindstrom. [LB386]

SENATOR LINDSTROM: Thank you, Vice Chairman Williams. My name is Senator Brett Lindstrom, B-r-e-t-t L-i-n-d-s-t-r-o-m, representing District 18 in northwest Omaha. I introduce LB386 to be a companion to the other bills being heard today by the Banking, Commerce and Insurance Committee. These three bills are all concerned with loans and advances made to small borrowers. This bill would make one change in the Delayed Deposit Services Licensing Act, that's our law regulating businesses often called payday lenders. Last year this committee considered LB1036, introduced by Senator Kathy Campbell. That bill was very similar to this year's LB194, introduced by Senator Vargas. One concern kept coming up during discussion of last year's bill. It was noted that our payday lending statutes provide a licensee may not hold or agree to hold a customer's check for more than 34 days. The committee was told that in some instances, this is not enough time for the consumer to get funds together so that the check can be paid off. LB386 would do one thing. It would say that a licensee can hold a check for up to 40 days rather than 34 days. There's nothing particularly magical about 40 days, but this bill would serve as a starting point for discussion of this proposed change and others that might come up as we move ahead. That's what the bill would do. Thank you very much and I'd be happy to answer any questions you have. [LB386]

SENATOR WILLIAMS: Questions for Senator Lindstrom? Senator Schumacher. [LB386]

SENATOR SCHUMACHER: Thank you, Senator Williams. Thank you, Senator Lindstrom. During those extra six days was there additional fees or interest rates or anything? Does it cost the consumer anything to have that extra six days extended? [LB386]

SENATOR LINDSTROM: Not that I'm aware of, Senator. [LB386]

SENATOR SCHUMACHER: Thank you. [LB386]

SENATOR WILLIAMS: Any further questions? Yes, Senator McCollister. [LB386]

SENATOR McCOLLISTER: Yeah. Thank you, Senator Williams. And was this...did you consult with the payday lenders on this 40 days? [LB386]

SENATOR LINDSTROM: I'm sorry, can you ask that question again? [LB386]

SENATOR McCOLLISTER: Did you consult with the payday lending industry for the additional few days? [LB386]

SENATOR LINDSTROM: No, not directly this year. This came about from some of the testimony that we heard from last year and taking one portion of what we heard in previous years, the 34 to 40 days. So for 2017, I would say, no, that wasn't necessarily a discussion that we had this year. [LB386]

SENATOR McCOLLISTER: Thank you, Senator. [LB386]

SENATOR LINDSTROM: Yeah. [LB386]

SENATOR WILLIAMS: Seeing no other questions, we will move on to the first proponent. Are there any proponents? Seeing none, are there any opponents? Well, we're going to wait till somebody comes. Seeing none, is there anyone here to testify in a neutral capacity? Seeing none, Chairman Lindstrom waives closing. That will close the hearing on LB386. [LB386]