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Banking, Commerce & Insurance Committee
State Capitol
PO Box 94604
Lincoln, NE 68509-4604

RE: LB194 – Change provisions of the Credit Services Organization Act, the Delayed Deposit Services Licensing Act, and the Nebraska Installment Loan Act

Dear Senator Lindstrom and members of the Banking, Commerce & Insurance Committee:

The Women's Fund of Omaha is dedicated to improving the lives of women and girls. To do this, we identify critical issues through research, fund innovative solutions through grants and influence dynamic change through advocacy to ensure that every woman and girl has the opportunity and ability to reach her full potential. We are writing today in support of LB194 because we believe protecting Nebraskans from the unaffordable lending practices of payday lenders is critical to ensure Nebraska's women and their families have a more stable and sustainable economic ground.

Payday lending and the cycle of debt it creates under current law and regulation can have devastating consequences for those individuals who use payday loan services. This is of particular concern to the Women's Fund because sources both inside and outside the industry tell us that payday lending disproportionately impacts women.[i] In fact, research conducted about the demographics of payday lending borrowers consistently report that between 50 and 65% of borrowers are women.[ii,iii,iv] Additionally, most of these women are young, between 25 and 44 years of age - the time when building a groundwork of economic sustainability and security is critical.[v]

Not only are the people most affected by payday loan traps women, they're often also mothers. In fact, payday loans are disproportionately taken out by single women with families: 41% percent of families who use payday lending services were headed by single women.[vi] This means that when a mother takes out a loan with rates of more than 400%, it impacts not just her, but also her children. The next most common demographic is of consumers for payday loans is married couples – representing 40% of borrowers.[vii] Put together, women and their families make up over 80% of those taking out high-interest, short-term loans.

This matters to the Women's Fund because we know that a mother's economic livelihood and security are critical in making families' ends meet. In the U.S., mothers are the primary or sole breadwinners in nearly 40% of families. In Nebraska, more than 78,000 family households are headed by women. About 30% of those families have incomes that fall below the poverty level. Additionally, nearly 7% of Nebraska families are households with children headed by a single mother.[viii],[ix]

Consider Mary's story, that comes to us from the Center for Responsible Lending[x]: Mary, a 62-year-old African-American mother and grandmother, has an income of about $12,000 annually or about $1000 per month. She took out a payday loan to help pay for a short trip out of town. Like many borrowers, she had to take out a second loan to pay off the first. She now has loans with four payday lenders. The combined fees Mary has to pay to keep from defaulting on her loans add up to over 40% of her monthly income.[xi]

Mary's situation is representative of the larger impact that payday loans have on women across the country: Only 14% of payday loan borrowers can afford to repay a payday loan out of their regular monthly budget.[xii] As a result, nearly 60% of the 20 million payday loan borrowers in America find themselves trapped in a cycle of at least five payday loan transactions per year.[xiii] Consequently, many borrowers spend more than half the year in debt.[xiv]

Because only 27% of families who take out payday loans characterize themselves as "savers,"[xv] these cycles of debt compel women and their families to pull from their regular income that would otherwise go to basic needs like paying electric bills or buying gas for their cars. Indeed, families who take out payday loans and who make between $15,000 and $50,000 annually report that their loan payments increase the number of times they have trouble paying their bills by 25%.[xvi]

When caught in the payday lending trap, women like Mary and their families can lose a substantial portion of what income they have, resulting in hardship for their families. Many payday borrowers are stuck paying repeated fees on loans they cannot afford to pay off, often before paying utilities, their rent, or payments owed on other debts.[xvii]

If we consider that the same families that are headed by women in Nebraska are those that are most likely to use high-interest payday loan services, it becomes clear that payday lending represents a real threat to women struggling to build economic security or climb the ladder to the middle class. In fact, research has shown that predatory payday lending exploits women and children who may already be teetering on the edge of the middle class.[xviii] Gains made in equitable pay, homeownership and quality childcare are lost when a struggling family is thrown into financial turmoil by a cycle of debt incurred by payday lending.[xix]

With this in mind, the Women's Fund supports LB194 and we respectfully request the committee to approve LB194 and advance to General File debate.

Thank you so much for your consideration.

Sincerely,

Traci Bruckner
Research and Policy Director

[i] The Debt Trap of Payday Lending: Protect Economic Security for Women and Families, 2004, Center for Responsible Lending
[ii] Ibid.
[iii] Pay Day Lending in America: Who Borrows, Where They Borrow, and Why, 2012, The Pew Charitable Trusts
[iv] Females on the Fringe: Considering Gender in Payday Lending Policy, 2014, A. Shmitz, Chicago-Kent Law Review, 89(1): 65-113
[v] Pay Day Lending in America: Who Borrows, Where They Borrow, and Why, 2012, The Pew Charitable Trusts
[vi] Who Borrows From Payday Lenders? An Analysis of Newly Available Data, 2009, Center for American Progress
[vii] Ibid.
[viii] Nebraska Women and the Wage Gap, 2015, National Partnership for Women and Families
[ix] The Status of Women in Nebraska, 2015: Highlights, 2015, Status of Women in the States
[x] The Debt Trap of Payday Lending: Protect Economic Security for Women and Families, 2004, Center for Responsible Lending
[xi] Ibid.
[xii] How Borrowers Choose and Repay Payday Loans, 2013, The Pew Charitable Trusts
[xiii] Issue Brief: A 36% APR cap on high-cost loans promotes financial recovery, 2009, Center for Responsible Lending
[xiv] Payday Loans and Deposit Advance Products: A White Paper of Initial Data Findings, 2013 Consumer Financial Protection Bureau
[xv] Who Borrows From Payday Lenders? An Analysis of Newly Available Data, 2009, Center for American Progress
[xvi] The Real Costs of Credit Access: Evidence from the Payday Lending Market, 2011, B. Melzer, The Quarterly Journal of Economics, 126: 517-555
[xvii] Payday Lending Abuses and Predatory Practices, 2013, Center for Responsible Lending
[xviii] The Debt Trap of Payday Lending: Protect Economic Security for Women and Families, 2004, Center for Responsible Lending
[xix] Ibid.