



February 6, 2017

Sen. Brett Lindstrom, Chair
Banking, Commerce and Insurance Committee
Room #1401
P.O. Box 94604
Lincoln, NE 68509

Re: LB 384 –Relating the rate of interest to be charged on installment loans

Dear Senator Lindstrom:

We write on behalf of the American Financial Services Association (AFSA)¹ to register our support for LB 384, which would enact a much-needed update to the allowable interest rate for installment loans in Nebraska. LB 384's update to the interest rate bracket currently permitted for installment loans would take a step in the right direction toward opening up the state to more responsible, affordable credit for Nebraska consumers. Though we support the rate increase, we note that the new rate would still be too low to make truly small-dollar loans (*i.e.* loans under \$3000). We urge you to revisit this issue in the future and welcome the chance to discuss it with you.

Under the current decades-old rate structure for installment loans, borrowers in Nebraska have limited options for well-structured, smaller loans compared to many other states, and those options have further decreased recently due to the rising cost of doing business in the state. Without LB 384 this trend may continue, and consumers may be left to turn to unlicensed online payday lenders, title lenders, or pawn shops to secure credit they need; by comparison, these loans are much less preferable and less safe forms of lending than the traditional installment loans offered by AFSA members. By updating the allowable interest rate for installment loans, LB 384 will allow lenders who remain in the state to offer installment loans at amounts that more accurately reflect the cost of providing the loan and bring the state's rate closer to a level that would open Nebraska's credit market to more responsible, affordable credit options for consumers.

LB 384 would take Nebraska one step closer to ensuring that responsible consumer credit remains both available and affordable. If you have any questions or would like to discuss this further, please do not hesitate to contact us at 202-469-3181 or mkownacki@afsamail.org.

Sincerely,

Danielle Fagre Arlowe
Senior Vice President, State Government Affairs
American Financial Services Association

Matthew Kownacki
Manager, State Research and Policy
American Financial Services Association

¹ The American Financial Services Association is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. AFSA member financial institutions offer traditional installment loans, vehicle financing, payment cards, and mortgages. The Association encourages and maintains ethical business practices and supports financial education for consumers of all ages.