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NEWS RELEASE

Credit Advisors Foundation

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BEFORE BORROWING FROM PAYDAY LENDERS CONSIDER ALL OPTIONS

With emergency cash nonexistent for many, more consumers are turning to payday lenders as an alternative resource for money. This rise in payday lending has inspired two Nebraska Senators to introduce bills intended to further regulate payday lenders in Nebraska.

Payday loans do not require a credit check to borrow money. Since payday loans carry a huge risk to the lender, payday lenders charge larger fees and higher interest rates than a traditional loan. A typical interest rate on a payday loan is 400 percent or above. A study released in January from The Financial Stability Partnership found that in Nebraska, a typical borrower will pay about \$800 after fees and interest for a \$300 loan. Many consumers who use payday loans will use one to pay off another. In Nebraska, 91 percent of payday loan borrowers are repeat users.

It is important to consider all options available when emergency money is needed. A person could:

- Borrow money from a family member or a friend.
- Speak to a certified credit counselor about financial options.
- Find a local bank that provides small loans (some are starting to offer this service).

“No matter what option you choose to help you out of a tight financial spot, make sure you do your research. Do not borrow any money or receive help from any organization before you know if they are reputable. Check with your Attorney General or the Better Business Bureau,” said Michaela Harper, Program Director at Credit Advisors Foundation

Because of this recent payday lending increase, two senators have introduced bills to the Nebraska Legislature to limit payday loans. Senator Amanda McGill of District 26 in Lincoln introduced LB 431, and Senator Danielle Nantkes of District 46 in Lincoln introduced LB 293. Both bills are currently under consideration by the Banking, Commerce, and Insurance Committee. The unicameral hearing on the bills is on Feb. 23.

Nebraska is not the only state enacting legislature on payday loans. Many other states have already enacted laws to limit payday lenders; Ohio and New Hampshire are recent examples. Ohio capped the amount of interest a payday lender can charge at 391 percent. New Hampshire made it illegal for payday lenders to operate in their state.

For more information on this topic and other credit related issues in today's economy please contact Michaela Harper at 402-514-3310.

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Credit Advisors Foundation is a national, non-profit credit and housing counseling organization with offices in Omaha, Nebraska and Tacoma, Washington. The organization provides financial education to the community via publications, speakers, and counseling. For more information visit creditadvisors.org