PayDay Lending in Nebraska:

In Nebraska the stores are identified at Delayed Deposit Services. They are regulated by the Nebraska Department of Banking and are examined annually included an on sited visit by the examiner. All rates are required to be clearly posted in the stores and origination fees are capped at $15 per $100. A maximum of $15 can be charged for a bounced checked presented to the borrower's lending institution.

The Department of Banking does not set a maximum overdraft fee for banks and credit unions.
Pawn shops are regulated by local municipalities.
Per phone call to Nebraska Department of Banking 1-11-11 and web site at
http://www.ndbf.ne.gov/press/dds-brochure.pdf

BROKE, USA: From Pawnshops to Poverty Inc.- How the Working Poor Became Big Business. By Gary Rivlin, Harper Collins, 2010.

Broke USA is an investigative report by Gary Rivlin on the development and growth of PayDay Lending companies in the United States along with the stories of some of the families that have been affected by and destroyed by the businesses. Most of the reporting is about payday and check cashing services but also included are the subprime mortgage and home equity companies, Rent-a-Center/Rent to Own stores and Refund Advance Loan tax preparer companies.
Poverty Inc is Rivlin's term for the big businesses that make money off the poor. And, they make not just some money but more money than one thought possible. The have a higher profit margin than Hewlett Packard, Target, Office Depot and Morgan Stanley. (p314)

The companies included in the book range from Jackson Hewitt , Cash Advance, Cash America, Liberty Tax Service,
In 2009 there were 6600 Jackson Hewitt stores which dwarfs the combined number of GAP and Banana Republic stores in North America. Liberty Tax is ½ the size of Jackson Hewitt and has twice as many stores as Barnes and Noble, Williams Sonoma, and Pottery Barn combined. (p. 178)

The businesses are prevalent in the lower income and minority neighborhoods and derive success from repeat customers. Most loans range from $200-500 but the origination fees and interest rates can accumulate to be over 400%! Most borrowers are the working poor but the stores also market services to seniors on Social Security and disabled on SSI payments. The tax preparer companies that offer Refund Advance Loans (RALs) are similarly located and offer upfront cash in exchange for the expected tax refund. 80% of the customers at Jackson Hewitt earn less than $30,000/year.

The payday lending industry defends its rates by comparing it to be less what a bank would charge on returned check.

Solving the Problem:
States:
Most states set a standard of $15 per $100 for payday advance rates. Florida caps it at $10 and Montana at $20, Missouri at $25.
In Ohio the interest rate is capped at 28%, however the companies have added loan origination fees, credit check fees, or they issue checks and charge a check cashing fee creating an equivalent interest rate of 391%.

National:
President Obama proposed a Consumer Financial Protection Agency Act in 2009. It was later passed by the House and Senate as the Dodd-Frank Wall Street Reform and Consumer Protection Act and signed into law in July 1010. The president appointed Elizabeth Warren to head the Consumer Protection Authority to assure consumers get accurate and clear information on financial products and are protected from hidden fees, abusive terms and deceptive practices.

THE PREDATORS' CREDITORS
http://public-accountability.org/the_predators_creditors.pdf

A report from the Public Accountability Initiative outlines the relationship between Wall Street banks and the payday lending businesses.
The average loan is $300-400.
The average interest rate is 455%
Average number of loans/year per borrower 9/year
Payday loans per year in US is $30 billion
Payday loan stores in US is 22,300.

The three largest payday lenders are – Advance America, Check Into Cash, and Cash 'N Go. Of those only Advance America is publicly held.
The report details relationships between large banks, e.g. Wells Fargo, Bank of America, US Bank, JPMorgan and the payday lending industry.
It also offers recommendations for action.

Alternative Lending by Opposing Viewpoints Series Amanda Hiber, editor

This book includes essays on both the pro's and cons of payday lending and other alternative forms of lending.

The general pro is that payday lending fills a need in the community that traditional banks and credit unions do not meet. It also provides and additional option for people to consider.

The general con is that the rates charged are usurious and they exploit desperate people and create and cycle of deepening debt. For example, a $5000 home repair loan can cost $10,000.

Congress passed a cap on interest rates at 36% for payday lenders near military bases when they found essential interest rates at 300% for military and their families.

One model of microlending founded by Yunus in Bangladesh has proven successful in helping people solve emergencies and work out of poverty through self employment.
It models on self employment vs. job creation. They have a 98% repayment rate and the average interest rate is about 30% for the non-profit microlender organizations.