

TRANSCRIPT PREPARED BY THE CLERK OF THE LEGISLATURE
Transcriber's Office

February 11, 2000 LB 1125

credit card company, First National of Omaha, has 3 million credit cards and they are, essentially, homed or are located in South Dakota, because, by being out of South Dakota, they can use the South Dakota rules, which are very much but not exactly like Nebraska. It has 600 employees in South Dakota; it's marketing, however, is done in Omaha and some of the customer services is done in Kearney, Nebraska. But the card, itself, is issued in South Dakota so that they get the use of South Dakota law. The truth of the matter is, First National would like to bring those 3,000 (sic) credit card customers back to Nebraska so that they're issued from Nebraska, and it would have two effects. Number one, it would increase the amount of business that was done in Nebraska and, secondly, if you did this in Nebraska, it would mean that the deposit base for First National would improve and we'd do a tax, our bank taxation is based on deposit base. Expand the deposit base, you expand the state taxes that we'd get from banks. So what's in LB 1125? Two changes from our existing laws, fees are agreed upon by parties rather than set by state law; and, secondly, the compounding of fees would be permitted. Those are the rules elsewhere. Those are the rules you are now paying, and the reason is you are getting credit cards from someplace else, and the someplace else will be a major credit card producer that is using these rules from one of the ten states that authorizes it. Your Visa does this, your Mastercard does this. So what we're doing here, we're matching, I have to confess, the lowest common denominator, that's true. But by having a higher standard, we are having, in effect, no regulation because almost nobody is doing credit cards in the state of Nebraska, and the net effect of doing this piece of business is that you will bring about 400 jobs back to Nebraska. The vast majority of those jobs pay between 25 and 40 thousand dollars, and you can't protect Nebraskans from these provisions, by keeping a state law in the form that it is, because credit card business is incredibly mobile and it will go where the lowest common denominator is. This is the standard, by the way, that I'm saying that operates around the country. We're not doing anything other than matching those states that are in this business and in this business big. I would ask for the advancement of 12 or of LB 1125, and I want to acknowledge that Senator Bourne has declared this his priority bill, and I'm sure has some thoughts on the subject as well.