

**MINUTES OF THE
SENATE COMMITTEE ON COMMERCE, LABOR AND ENERGY**

**Seventy-Eighth Session
June 1, 2015**

The Senate Committee on Commerce, Labor and Energy was called to order by Chair James A. Settelmeyer at 10:12 a.m. on Monday, June 1, 2015, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator James A. Settelmeyer, Chair
Senator Patricia Farley, Vice Chair
Senator Joe P. Hardy
Senator Becky Harris
Senator Mark A. Manendo
Senator Kelvin Atkinson
Senator Pat Spearman

STAFF MEMBERS PRESENT:

Marji Paslov Thomas, Policy Analyst
Dan Yu, Counsel
Renee Fletcher, Committee Secretary

OTHERS PRESENT:

Sara Chohhagian, Nevada Bankers Association
Terry Reynolds, Deputy Director of Administration, Department of Business and Industry
William Horne
Larry Carroll, Project Disbursement Group, Inc.

Chair Settelmeyer:

I will open the hearing on Assembly Bill (A.B.) 275.

ASSEMBLY BILL 275 (1st Reprint): Revises provisions governing certain trusts.
(BDR 13-1013)

Senator Harris:

I am pleased to present A.B. 275. I propose to amend A.B. 275 with the language from Senate Bill (S.B.) 321, which provides foreclosure mediation to homeowners in distress. There has been a great deal of discussion about how best to help homeowners in extreme financial difficulty. The language from S.B. 321 inserted into A.B. 275 is the fix necessary to address the needs of homeowners.

SENATE BILL 321 (1st Reprint): Revises provisions concerning real property.
(BDR 9-728)

Senator Harris:

When a homeowner is in financial trouble, there is no lever to initiate a process for aid in Nevada. Lending institutions control any potential processes, and notices of default are typically filed so late, that between fees, interest and other charges assessed to a homeowner, there is no meaningful way for the homeowner to engage in a negotiation process in hopes of retaining their home.

Senate Bill 321 as amended into A.B. 275 would allow homeowners to initiate mediation through the foreclosure mediation program in an attempt to modify their loans. There is not a requirement that a home loan be modified, or any requirement that an agreement be reached. It is simply an opportunity for a homeowner to have a face-to-face meeting with the lender or lender's representative to attempt to work out a resolution to the homeowner's distressed financial situation.

A U.S. Department of Housing and Urban Development approved housing agency or credit-counseling agency will be used to certify that homeowners have documented financial hardship and are in imminent risk of default on their home loans. Imminent risk of default means that within 90 days, a homeowner would not be able to make a mortgage payment. Through my work with the foreclosure mediation process, an individual cannot deceive the system. A rigorous financial review takes place as part of the process. A homeowner needs to prove hardship by providing bank statements, profit and loss statements if applicable, W-2 forms and a number of other documents.

In section 1, subsection 8, paragraph (a) of S.B. 321, financial hardship is defined as a documented event that would prevent the long-term payment of any debt relating to a mortgage or deed of trust secured by owner-occupied housing, including the death of the borrower, serious illness, divorce or separation, job loss or a reduction in pay. It has been my experience with distressed homeowners that if there were a proactive process that could be started early, there can be workable solutions, allowing the homeowners to retain their homes.

Chair Settlemeyer:

We are discussing S.B. 321, which passed the Senate; however, I believe one additional amendment is needed to A.B. 275, which would provide for a wind-down of this program within 18 months. Would that language be acceptable to you?

Senator Harris:

Yes, I would accept that time frame.

Sara Chalhagian (Nevada Bankers Association):

I am sitting in for George Ross, who is attending another hearing. Mr. Ross has requested that I share that the Nevada Bankers Association supports amending S.B. 321 into A.B. 275.

Chair Settlemeyer:

I will close the hearing on A.B. 275 and entertain a vote on this bill.

SENATOR FARLEY MOVED TO AMEND AND DO PASS AS AMENDED
A.B. 275 WITH THE PROVISION OF THE PROGRAM WIND-DOWN.

SENATOR HARDY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

I will now open the hearing on A.B. 480.

ASSEMBLY BILL 480 (2nd Reprint): Revises provisions relating to mortgage lending. (BDR 54-1174)

Terry Reynolds (Deputy Director of Administration, Department of Business and Industry):

I am here to present A.B. 480, which provides changes to the licensing of escrow agents, mortgage bankers and mortgage brokers. The bill also adds compliance with the national registry. These provisions are important for brokers, bankers and agents doing business out-of-state, so while fulfilling their license requirements they would automatically have their applications filled out within Nevada, which cuts down the amount of paperwork and complies with the national registry.

Another provision of A.B. 480 takes away the brick-and-mortar requirement for wholesale lenders. Wholesale lenders have an office, yet the office is not open to the public. Wholesale lenders generally do business with mortgage brokers within the State. The bill provides that any audit function or requirement for data can be accomplished electronically; otherwise, the wholesale lender will be required to pay for staff from the Department of Business and Industry to acquire data from or perform necessary audits in the lenders' out-of-state offices.

The third provision of A.B. 480 is for licensure of mortgage servicers, which will be accomplished through regulation. This will provide for the licensing of out-of-state mortgage servicers doing business in Nevada. The Department has worked with the construction control industry and understands the many issues that have arisen since members in this industry were included as escrow agents and must comply with the escrow agent requirements. The Commissioner of the Division of Mortgage Lending and I have stated that we will work with the construction control industry to try to modify regulations to facilitate language that is more industry-specific. Construction control agents must acquire continuing education credits as escrow agents, which does not apply to their industry; therefore, we would like to address these types of regulations.

William Horne:

The Assembly Committee on Commerce and Labor was able to provide an amendment to A.B. 480, which will help create thrift companies in Nevada. There are no longer any thrift companies operating in Nevada. We believe thrift companies are necessary to allow small businesses to have financial institutions

for deposits, business loans, etc., which are not available at traditional banking institutions.

Thrift companies would be required to have private insurance, as they are not able to go through the Federal Deposit Insurance Corporation (FDIC). Insurance acquired by thrift companies will need to be approved by the Department of Insurance prior to licensure in Nevada.

Senator Hardy:

Can you give examples of the types of small businesses that would require a thrift company, or that would be unable to use the services of a traditional bank?

Mr. Horne:

Traditional banks stopped accepting deposits from medical marijuana establishments. The FDIC rules made it difficult to comply with accepting business from these types of small businesses. Chapter 677 of the *Nevada Revised Statutes* permits the creation of additional financial institutions. This would be beneficial to a plethora of small businesses in Nevada. We have investors who are interested in pursuing the opening of thrift companies.

Larry Carroll (Project Disbursement Group, Inc.):

I am here to voice my opposition to certain aspects of A.B. 480. I have submitted my written testimony ([Exhibit C](#)). In general, my company along with several other construction control escrow agencies have expended undue time, effort and expense to become licensed escrow agents. We have been required to pay renewal fees, the cost of continuing education, submit expensive annual audited financial statements and for countless hours of management and staff time complying with the Division of Mortgage Lending reporting requirements, all unrelated to our business. We only ask that you simply exempt escrow agencies and agents performing construction control services from A.B. 480.

Chair Settlemeyer:

I will close the hearing on A.B. 480 and entertain a vote on this bill.

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SENATOR FARLEY MOVED TO DO PASS A.B. 480.

SENATOR SPEARMAN SECONDED THE MOTION.

THE MOTION PASSED. (SENATORS HARDY AND HARRIS VOTED NO.)

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Chair Settlemeyer:

As there are no further comments or business to discuss, the meeting is adjourned at 10:45 a.m.

RESPECTFULLY SUBMITTED:

Renee Fletcher,
Committee Secretary

APPROVED BY:

Senator James A. Settlemeyer, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	3		Attendance Roster
A.B. 480	C	3	Larry Carroll / Project Disbursement Group, Inc.	Written Testimony