

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

**Seventy-Eighth Session
February 13, 2015**

The Senate Committee on Commerce, Labor and Energy was called to order by Chair James A. Settelmeyer at 8:03 a.m. on Friday, February 13, 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
Christine Miner, Committee Secretary

OTHERS PRESENT:

Bob Ostrovsky, State Contractors' Board
Nicole Willis-Grimes, State Contractors' Board
Chris Ferrari, Dollar Loan Center, LLC
Alfredo Alonso, Community Financial Services Association of America
Nancy Brown, Opportunity Alliance of Nevada
Jesse Wadhams, Security Finance Corporation
Dan Wulz, Legal Aid Center of Southern Nevada, Inc.
Michelle Johnson, President and CEO, Financial Guidance Center
Venecia Considine, Legal Aid Center of Southern Nevada, Inc.
John Griffin, TitleMax of Nevada, Inc.

Senate Committee on Commerce, Labor and Energy
February 13, 2015
Page 2

Chair Settlemeyer:

The meeting is now open, and I am requesting Committee introduction of a bill draft request (BDR), BDR 53-635.

BILL DRAFT REQUEST 53-635: Revises provisions relating to occupational disease. (Later introduced as [Senate Bill 153](#).)

SENATOR MANENDO MOVED TO INTRODUCE BDR 53-635.

SENATOR HARDY SECONDED THE MOTION.

THE MOTION CARRIED UNANIMOUSLY.

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Chair Settlemeyer:

I will open the work session on Senate Bill (S.B.) 50.

SENATE BILL 50: Makes various changes to the regulation of contractors by the State Contractors' Board. (BDR 54-387)

Marji Paslov Thomas (Policy Analyst):

I will read the summary of the bill from the work session document and three proposed amendments ([Exhibit C](#)).

Chair Settlemeyer:

Are there any questions from the Committee? The amendment clarifies the first and second degree of consanguinity. That would be the children, grandchildren, parents, siblings and grandparents.

Senator Hardy:

I agree.

Senator Atkinson:

What is the source of the language in section 6, subsection 2, paragraph (a) of the amendment to S.B. 50? The language is complicated and I would like clarity on its intent.

Bob Ostrovsky (State Contractors' Board):

This language clarifies the concerns of Senator Hardy from the February 6, 2015, hearing. It mirrors language found elsewhere in law.

Senator Farley:

Is the Qualified Employee (QE) financial responsibility language included in the amendment?

Nicole Willis-Grimes (State Contractors' Board):

The language on the QEs is in *Nevada Revised Statute* (NRS) 624.260, subsection 4, in the work session document, [Exhibit C](#).

Senator Farley:

This language covers those that abuse the system and are financially irresponsible. The bill allows the State Contractors' Board to eliminate this problem.

Chair Settlemeyer:

I will close the work session on S.B. 50.

SENATOR HARDY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 50.

SENATOR FARLEY SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

I will open the work session on S.B. 84.

SENATE BILL 84: Includes certain alcohol and drug abuse counselors and problem gambling counselors in the definition of "provider of health care" for purposes of various provisions relating to healing arts and certain other provisions. (BDR 54-389)

Ms. Paslov Thomas:

I will read the summary of the bill from the work session document and one proposed amendment ([Exhibit D](#)).

Chair Settlemeyer:

Hearing no discussion, I will close the work session on S.B. 84.

SENATOR HARDY MOVED TO AMEND AND DO PASS AS AMENDED
S.B. 84.

SENATOR MANENDO SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

I will open the work session on S.B. 85.

SENATE BILL 85: Revises certain provisions of the Nevada Insurance Code.
(BDR 57-153)

Ms. Paslov Thomas:

I will read the summary of the bill from the work session document ([Exhibit E](#)).

Chair Settlemeyer:

Hearing no discussion, I will close the work session on S.B. 85.

SENATOR ATKINSON MOVED TO DO PASS S.B. 85.

SENATOR SPEARMAN SECONDED THE MOTION.

THE MOTION PASSED UNANIMOUSLY.

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Chair Settlemeyer:

I will open the hearing on S.B. 123.

SENATE BILL 123: Revises provisions governing certain loans. (BDR 52-634).

Chris Ferrari (Dollar Loan Center, LLC):

Dollar Loan Center supports S.B. 123. Dollar Loan Center has an A-plus rating with the Better Business Bureau (BBB), and payrolls over \$8 million for more than 250 people in Nevada. Each employee is provided a 401K plan with a 50 percent employer match, and health insurance, including dental and vision benefits. In Nevada, this company leases 26 buildings, with 110,000 square feet, and pays over \$200,000 in monthly rents. The company makes major improvements to all of their locations, thus, increasing the safety in neighborhoods in which they operate. This company is a community partner and donor to nonprofit organizations including the Boys & Girls Clubs of Las Vegas Foundation, Inc.; Opportunity Village Foundation; St. Jude's Children's Research Hospital, Inc.; Make-A-Wish Foundation of America and Little League Baseball, Inc. This is the kind of employer we want in Nevada.

Nevada Revised Statute 604A.485 prohibits some business owners legal recourse to collect on a default after entering into a contract with a customer. An example of this is an attorney in southern Nevada who advertises regularly on television and has a client unable to pay the bill for this attorney's services. The attorney sends this person to Dollar Loan Center to borrow the money to pay the bill because the attorney knows Dollar Loan Center has no legal recourse if that borrower defaults. My client, Dollar Loan Center, has had customers come through its doors, with a torn out copy of the Yellow Pages ad for that attorney. If the borrower decides not to repay the debt, my client has little recourse.

Existing statute treats the business model of my client differently than any business in Nevada. Article 4, section 21 of the *Constitution of the State of Nevada* states that all laws shall be general and of uniform operation throughout the State. The loan center businesses have been singled out by this statute, and are victims of bad policy. All businesses should be treated the same. This precedent could one day impact other businesses like landscapers, painters, auto repair businesses or restaurant supply companies. Opposition testimony will indicate this bill is not a good or fair law. This bill will ensure every Nevada business equal opportunity to civil remedy. I have submitted an informational flyer ([Exhibit F](#)). This is not about one industry, but about fair application of NRS. I ask that you support the fair and equal application of NRS and for your support of S.B. 123. I submit a letter of support for S.B. 123 ([Exhibit G](#)).

Senator Atkinson:

What is the bill saying?

Mr. Ferrari:

Senate Bill 123 deletes paragraph (f) of subsection 2 of NRS 604A.480. Current statute prohibits any lender who operates by the guidelines of NRS 604A.480 from accessing civil remedy. This type of loan has a capped interest rate with more flexible payment terms. It offers a longer consumer right of rescission— 5 days instead of 1. It requires the lender to perform credit checks, to report the consumer's loan experience to a major consumer reporting agency and to participate in good faith with a counseling agency accredited by the Council on Accreditation of Services for Families and Children, Inc.

Senator Hardy:

Does Dollar Loan Center treat a loan applicant differently than other lenders in the payday loan business?

Mr. Ferrari:

Each loan product has a different client base, requirement and application. Loans under NRS 604A.480 offer more advantages to the consumer.

Senator Hardy:

Does this change other businesses in this field?

Mr. Ferrari:

There is no impact on other lenders.

Senator Farley:

Does this bill affect lenders in the same industry of lending as your client?

Mr. Ferrari:

Any lenders providing the service specified under NRS 604A.480 are affected by this bill.

Senator Farley:

May I have legal clarification on this NRS code from our Counsel?

Dan Yu (Counsel):

The proposed revision of NRS 604A.480, subsection 2, paragraph (f), removes one limitation for the lenders to charge fees and interest on initial loan installments with respect to a second loan. With respect to loan one of the customer, the operator of the payday loan office would be able to extend the repayment period for an additional 60 days. If that customer then takes out a second loan to pay off the first loan, this statute would prohibit lenders from adding interest from the first loan onto the second loan, unless they are unable to commence any civil action. Payday lenders are able to pursue civil remedies, except under certain circumstances in the existing law.

Mr. Ferrari:

There are two legal opinions issued on this matter. One from the Legislative Counsel Bureau (LCB) as represented by Mr. Yu, and one from the Office of the Attorney General, which indicates the opposite opinion.

Senator Farley:

Would you provide us with a copy of the Attorney General's opinion?

Mr. Ferrari:

I would be happy to provide that to the Committee.

Chair Settlemeyer:

Please supply that to the Committee. The Attorney General's opinion may trump the LCB opinion.

Senator Harris:

How many loan extensions would a client be able to get?

Mr. Ferrari:

I will get the details on this to you. It is not in the best interest of a lender to lend to someone unable to repay. Dollar Loan Center denies one in four applicants.

Senator Spearman:

There is a recent study by the University of Nevada, Las Vegas (UNLV) that finds one in five Nevada veterans have used payday loans and half of those still have payday lending debt. Our State has no provisions in the law to protect

military personnel. I am concerned how this bill will negatively affect the military.

Mr. Ferrari:

I cannot speak on the military impact. The loans started in the short-term lending industry as "bridge loans" for the military whose salary is paid once a month. A payday loan and a signatory loan are different. A signatory loan requires an application, credit check and agency approval. A payday loan is secured by collateral. My client only charges interest on the time the loan is unpaid.

Senator Atkinson:

I have a concern about the effect on the consumer. Are these loans compounding? This bill is weakening the law. It opens the door to litigation.

Mr. Ferrari:

There are lenders in this business who have access to the courts for breach of contract. There is a specific area of this statute with this type of lender that prohibits that access to the courts. There is no other legal business in the State that faces such a statutory reprimand. We are only asking for equality as every other business has, as it pertains to access in the courts.

Senator Atkinson:

Are you saying that without this bill, you will not be able to take people to court, and with it, you will?

Mr. Ferraro:

It does put us on equal footing and allows us to pursue civil remedy.

Senator Atkinson:

With whom is the equal footing?

Mr. Ferrari:

It will be equal footing with other lenders. Under current statute, a traditional payday lender has court access if not lending under NRS 604A.480. Dollar Loan Center lends under this NRS statute, and civil remedy is not allowed.

Senator Atkinson:

This is not the way I read the other payday lending company loans. The people who use payday loan centers are not typical borrowers. They are unable to get a loan from other lending institutions. The late fees and interest that these industries charge are extreme, and now your client wants to be able to take these borrowers to court. These borrowers are people I represent in my district. Often their situations are desperate.

Chair Settlemeyer:

It would be helpful if Mr. Ferrari would forward the competing opinions from the LCB and the Attorney General's office. We do not want to deny any business the due process of the law. That is the concern here. Amendments will, potentially, come forward on this issue.

Senator Atkinson:

If there are opposing opinions, where are they?

Chair Settlemeyer:

We will review the two opinions when we receive them. More of today's testimony may reveal further points for discussion.

Senator Manendo:

I have constituents in my district who have used payday loans. What lenders are we referring to in this bill?

Mr. Ferrari:

We are referring to any lender who lends under the provisions of NRS 604A.480. The borrower needs the loan in a pinch. A bounced check overdraft fee or a late fee on rent averages \$50 and \$5 per day. This can range from 1,000 percent to 15,000 percent interest. A 1-week \$750 loan from my client will cost \$28 in interest. There are pages of testimonials of people who have an appreciation for these loans when an urgent need arises. These loans allow immediate funding and are a good alternative for your constituents. We work very closely with the regulations in Las Vegas to ensure we are offering a product that meets the clients' demands.

Senator Manendo:

Who are some of the businesses that fall under this statute?

Mr. Ferrari:

I can only speak for Dollar Loan Center.

Senator Farley:

This is about an area of law, not a business practice. My employees use this model, and I become a lender of last resort when they get into trouble. This is a separate issue. We need to create parity in the laws. The Attorney General's opinion is very important to us. The social issue is a different conversation.

Chair Settlemeyer:

We need to confine ourselves to the concept within the bill, not our own opinions.

Senator Atkinson:

I do not think it is fair to redirect what questions we have. The questions are from the people I represent. These are consumer protection issues; that is what this law is about, and my questions relate to this. There is a component of this bill that has to be dealt with legally. As the Senate Commerce Committee, we should be discussing both.

Senator Hardy:

It would be helpful to compare the list of those businesses that are affected by this bill and those payday loan businesses that practice under the statutes that allow court recourse. This would aid in determining the fairness issue with your client.

Mr. Ferrari:

I will be happy to provide that list. There will be opposition to this bill. In 2007, there was a deal made when NRS 604A.480 was crafted; Dollar Loan Center was not part of that deal. It is a due process matter and an issue about the uniformity of the statute.

Senator Spearman:

Are there remedies for those lenders who choose not to lend under NRS 604A.480? It would be helpful to understand who the lenders are that choose to operate under this statute that limits due process. If this is available to short-term lenders and due process is what you are seeking, then why choose to operate under the statute that does not allow this recourse?

Mr. Ferrari:

The provisions under NRS 604A.480 allow a more consumer-friendly lending product. Why deny a lender due process who chooses this avenue in lending?

Alfredo Alonso (Community Financial Services Association of America):

The Community Financial Services Association of America (CFSA) does not support this bill. Many of the larger members of the payday loan community are members of CFSA. Significant hearings and discussions took place over a two-session period. Many of the payday lenders and the NRS 604A.480 licensees were making most of their money on the back end. They were suing under a bad check law, for treble damages and putting people in a position of never repaying the loan. This was the overall problem. These high-risk loans are part of doing business and our members rarely enter into litigation. We have repeat customers because of our fairness practices. Money Tree is one member that is a community partner and a creditor for emergency loans. Repeat lending to an individual who fails to repay a loan does not exist and does not result in litigation. Members of CFSA have high collection numbers. The policy decision is to avoid litigation.

Senator Atkinson:

I was involved in many of the past discussions. These discussions resulted from what you stated in your testimony. This is a policy decision that we need to have as a committee to protect the working poor. Was there a discussion that allows a loophole for these lenders to litigate? The borrowers cannot afford court, and the resulting debt would never be recoverable.

Mr. Alonso:

The small loans that allow more interest to build continually result in poor repayment numbers and court costs. The goal of this legislation is to regulate the industry so the customer has more opportunity to repay the loan. The court remedy was taken out if the lender followed the lending provisions of NRS 640A.480. The intent is to keep a fair agreement for all parties. This is designed as a stopgap to give a borrower the small credit that a bank would not allow. The law is fair and regulates properly. We will not lend to military personnel if the commander of the base does not allow it.

Senator Atkinson:

If an individual defaults on a loan, does your organization have a mechanism in place that prevents this person from continual borrowing?

Mr. Alonso:

The members of CFSA choose not to allow more borrowing by a person who is in default on a loan.

Senator Farley:

How different is the business model that your organization represents from the business model of Dollar Loan Center? Do your clients take collateral or have liens placed on property or income?

Mr. Alonso:

There has to be ability to pay off the loan. A job is one of the criteria. My clients put a set fee per \$100 on a 2-week loan. Each short-term loan is different. The NRS 604A.480 loans are longer-term loans. Compounded on a yearly basis, this results in a higher interest loan.

Senator Spearman:

Please explain the term "back end."

Mr. Alonso:

There was a time when a small loan would result in a default. Litigation would be pursued for treble damages and bad check practices; this is where the term "back end" came from. *Nevada Revised Statute* 604A.480 curbs these practices. The goal of the businesses I represent is to make money only on the interest of the loan.

Senator Spearman:

Debt for the military is considered a national security risk. If the debt-to-income ratio is too high for many of these lower ranking individuals, their careers are on the line. Working families are denied a living wage, which results in these dilemmas. These individuals are taking out these loans to enable them to survive to the next paycheck. The federal law requires an interest cap of 39 percent, the cap for this law is 200 percent, and some of the loans are made at 199 percent. This does not appear to be a good-faith effort. This is not to deny businesses the right to fair and honest commerce. The payday loans get people into trouble, including personnel in the military, and people lose more than we realize.

Senator Hardy:

Are your members ever allowed to go to court, including small claims court, by statute?

Mr. Alonso:

We do not go to court even if the statute allows it.

Senator Hardy:

Who is allowed to go to court by statute?

Mr. Alonso:

I would have to check the statutes.

Senator Hardy:

Do you ever lend to military personnel?

Mr. Alonso:

The members of CFSA do not. There may be a federal law that prohibits lending to military personnel.

Senator Hardy:

Are your members working under NRS 604A.480 or under another statute?

Mr. Alonso:

Our members practice under NRS 604A.

Senator Harris:

Do your members have a one-time fee associated with their loans versus a running interest rate loan?

Mr. Alonso:

Yes, that is how most of the members of CFSA do business. A chart for the borrower discloses what this person will pay per \$100 borrowed.

Senator Harris:

If your borrower takes out a loan, defaults for 1 to 2 years and then pays it off, do the businesses in your association charge interest over that period of time?

Mr. Alonso:
No.

Senator Spearman:

The 39 percent interest rate cap is a federal cap. The enforcement of not allowing a lender on a military base is at the discretion of the base commander. This happens if there is a pattern of abuse by service personnel on that particular base.

Chair Settlemeyer:

Is this for the entire base, or for an individual service member?

Senator Spearman:

When I was a company commander, several of the lower-ranked members were borrowing, unable to pay back the loans, then taking out another loan and only able to pay back the interest. They would never be able to pay back the original loan. The debt-to-income ratio was prohibitive. The commander of this base discovered that this practice was prevalent throughout the base, and the payday lending establishments were put off-limits to the military personnel assigned to that base.

Nancy Brown (Opportunity Alliance of Nevada):

The Opportunity of Alliance of Nevada strengthens individuals and families to help them attain and preserve assets, become more financially stable and achieve long-term economic stability. Our purpose is to educate and assist the consumer. I have submitted a letter and information on the Alliance ([Exhibit H](#)). We oppose any changes to NRS 604A.480. The borrower is in a tight financial situation and looking for reasonable alternatives. Many are in "debtor's prison." These are short-term payday loans to the middle class, not just the poor, who have no upward mobility. These lending practices create the opportunity for the borrower to get into a spiral of debt. Loopholes allow that spiral to continue. I urge the Committee to say no to this bill.

Senator Farley:

What is the average income of these borrowers?

Ms. Brown:

Sixty-eight percent of our population has subprime credit. This includes the middle class. The recession contributed to this and incomes have decreased. We want to ensure that those with lower income have the ability to participate in the process of moving forward in Nevada.

Chair Settlemeyer:

Please find the income of these borrowers and send it to us.

Senator Hardy:

Do you refer your people to payday loans?

Ms. Brown:

No, our agency refers our customers to a Financial Guidance Center (FGC). Our first option is to share alternate available resources to people in financial need. The Opportunity Alliance is making these connections more visible and accessible. The resources are good in the State. Some of the payday lenders are sending people to the alternatives. Our goal is to prevent borrowers from getting caught in the credit trap cycle; S.B. 123 promotes this cycle.

Senator Hardy:

Your testimony indicates that all payday loans are a trap.

Ms. Brown:

That is not what I am saying. If the payday lenders encourage the borrower to apply for a second loan to pay off the first loan, with no stopgap, this is when the cycle starts and this creates the financial problem.

Senator Hardy:

Do you refer a person in a financial emergency to a payday loan?

Ms. Brown:

No, we do not refer anyone to a payday loan.

Senator Harris:

In addition to the resources you mentioned, do you also refer people to the credit counseling agencies. A number of them provide free services.

Ms. Brown:

We refer people to the statewide FGC, which has many resources.

Senator Atkinson:

Is it your opinion that this bill will encourage people to borrow a loan to pay off a loan, and get into a cycle they cannot get out of?

Ms. Brown:

I do not know if it is an encouragement. The current law is a protection against the borrower's continuous cycle. We propose no change to the current law.

Jesse Wadhams (Security Finance Corporation):

Security Finance Corporation operates within the NRS 604A.480 framework. I would add that the Consumer Financial Protection Bureau (CFPB) is promulgating some new regulation in this area. It may be premature to make changes to this law. Some new federal law may be forthcoming.

Dan Wulz (Legal Aid Center of Southern Nevada, Inc.):

I am an attorney with the Legal Aid Center of Southern Nevada. I am a concerned citizen and an attorney who has represented customers of short-term, high-interest lenders. I have prepared testimony ([Exhibit I](#)). This testimony is very detailed and includes the history of what is now NRS 604A.480. Senate Bill 123 will change the fabric of the entire chapter and fundamentally weaken consumer protections. There are 120 lenders in Nevada operating under the NRS 604A.480 provisions. It is telling that only Dollar Loan Center is represented here. Besides car title loans, the chapter covers three types of high-interest loans. Two of them are payday loans, and the other is an installment loan. They are: (1) a short term up to 35-day high-interest payday loan with a 90-day rollover limit, (2) a short-term up to 90-day high-interest payday loan if it meets certain criteria with the same 90-day rollover wall, and (3) an installment loan covered by the statute that the bill seeks to change. No lender ever has to offer this type of loan. These are longer-term loans of no less than 150 days. [Exhibit I](#) illustrates what the Dollar Loan Center profits over 14 months. These are not short-term payday loans, and good public policy requires different treatment. The current law states these installment loans cannot be sued upon. This encourages responsible lending, because the lender will be sure the borrower has the ability to repay the loan. Senate Bill 123 will change this, and the result will be to push borrowers into long-term, high-interest loans and result in predatory lending with the right to

sue as a weapon. A lender will be incentivized to lend to anyone with a job regardless of the ability to repay. [Exhibit I](#) demonstrates that the Dollar Loan Center practice can extend or renew these loans indefinitely. If that is true, the loan can be manipulated to avoid default for many months. That means the protections in NRS 604A.485, protecting borrowers from default, do not kick in for months or years. This again changes the fabric of the entire chapter.

Passing [S.B.123](#) will allow lenders in this industry to write loans at just under the 200 percent annual interest rate, or for over 150 days, or for much longer. A higher amount of interest can accrue on these long-term loans. We should not want to encourage high-interest, long-term loans by providing litigation as a weapon. This opens a loophole that will be exploited on the backs of the working poor.

Senator Farley:

Where is the consumer responsibility in these loans? If a person does not like the terms of the loan, the person does not have to finalize it. Why are we trying to legislate the right of a business to collect on a contract to which both parties agreed? Should we be legislating this or the interest rate policies?

Mr. Wulz:

The party who agrees to a loan with triple-digit interest illustrates that this person has nowhere else to turn and demonstrates their financial desperation. Their finances are fragile. That person has other debt, other creditors. Those taking out these types of loans do not read the fine print. The party looks at the truth-in-lending statement to find the payment amount and due date. Their focus is on paying the interest.

Senator Farley:

A contract has to be considered by both parties. If it is an unfair contract, why not address that issue instead of not allowing a business legal recourse on that contract?

Mr. Wulz:

I was there when this exception was drafted. Security Finance asked for this exception. They could not live with the bill as drafted. This was the solution. There are nine criteria in NRS 604A.480, subsection 2, which meet the business practice. One of those criteria was that Security not sue their customers. Not having litigation as a weapon encourages underwriting of the

loan upfront and the assurance of the borrower's ability to repay the loan. It is good public policy. Longer-term loans are 200 annual percentage rate. Borrowers can get into longer and larger trouble.

Senator Farley:

A borrower can sign a contract with one of these lenders, not pay it back, and there will be no recourse. I do not know what discourages someone from making good decisions and being responsible financially. I did not get an answer on the responsibility issue.

Chair Settlemeyer:

Please respond to that question off-line.

Senator Atkinson:

Integrity plays into this issue. The Committee should look at the history of the bill. In 2011, A.B. No. 541 of the 76th Legislative Session brought forward by Mr. Wulz was not passed. These loans serve their purpose, we know who the clientele are, and statistics will show who the borrowers are. What we need are statistics on who are in default. The defaults will occur mostly among the working poor. This bill is viewed by some as weakening consumer protection. My concern is with the constituents I represent. Mr. Wulz, do you have statistics on those individuals that are in default?

Mr. Wulz:

There are many studies and statistics available. We will provide them to the Committee.

Senator Harris:

Based on today's testimony, there are different payday loan companies operating under different statutes. Can you tell me if there are differences in consumers who borrow from a lender practicing under NRS 604A.480 and those who would pursue a payday loan from a lender operating under different statutes? Who borrows on a short-term loan that Mr. Alonso spoke of with a set fee versus an installment loan the Dollar Loan Center offers? Do these differences appeal to different sectors of the population? Do the customers know the difference, or are they just going to the closest lender to secure any loan product?

Mr. Wulz:

I do not have any personal knowledge of that. I suspect this is driven by advertising and location. The consumers of these loans generally do not shop the loan market.

Senator Harris:

With your experience representing people through the legal aid business, have you been able to distinguish a determining factor in the type of individual that would secure a fee-based payday loan versus a long-term product?

Mr. Wulz:

I suspect these borrowers do not shop for a product. Michelle Johnson may have a better answer to this question.

Senator Spearman:

Governor Sandoval said, although our economy is recovering and there are more jobs available, he expects there to be more people receiving food stamps and other social services. I doubt a person purchasing a home has read all the fine print on the contract before it is signed. The availability of these payday loans allows people in an emergency situation to feed their families. They do not understand the ramifications until they fall into default. It is not a consequence of economic status, but one of desperation to make ends meet and avoid default on other responsibilities. When we consider this as a business process and a consumer protection process, we must be knowledgeable about the people who are accessing these type of loans. A loan application with the closest lender is not a conscious decision. It is an immediate answer to an immediate need. Knowing the product is subjective.

Senator Hardy:

If this opens up NRS 604A where borrowers are not sued, could we make this same provision to the other lenders under NRS 604A, to level the playing field?

Mr. Wulz:

This is an interesting proposition, and there would be no enthusiasm for passing NRS 604A if the 35- and 90-day lenders had to agree not to sue.

Senator Hardy:

Is that not a statement in and of itself?

Michelle Johnson (President and CEO, Financial Guidance Center):

I will read from my written testimony ([Exhibit J](#)). I am here today to address the financial hardship experienced by the thousands of Nevadans for whom we provide service. Consumers who access the short-term loans are doing so because they are in financial distress. Nine out of ten of those who seek the services of the Financial Guidance Center are victims of the short-term loan cycle. These individuals are the working poor living from paycheck to paycheck. Passing of S.B. 123 would exacerbate their situations and allow more of these individuals to fall deeper into deficiency. The cycle of debt that would result from the passing of this bill would often lead to bankruptcy for these borrowers. I urge the Committee to oppose efforts to weaken NRS 604A.480, subsection 2.

Senator Hardy:

Is the court recourse still available to payday loans of any kind?

Ms. Johnson:

Yes, but the other payday loans are short-term loans.

Senator Hardy:

Could your customers potentially fall into the same trap as with the long-term loan?

Ms. Johnson:

Potentially, they could fall into that trap.

Senator Harris:

Are those who apply for 35- to 60-day loans different from those who seek the longer-term loans? Is it the same type of individual who happens to fall into a particular product, or are there different needs serviced by different payday loan operators?

Ms. Johnson:

There is no difference. It is a matter of what is most convenient. The majority of consumers we counsel have a mixture of types of loans. They borrow from one loan to pay the interest on another loan.

Venecia Considine (Legal Aid Center of Southern Nevada, Inc.):

I oppose any changes to NRS 604A.480 as proposed by S.B. 123. The difference between the installment loan and the payday loans is the length of term. The installment loan terms under NRS 604A.480 are 12 to 15 months with rollover options that can continue for multiple years. This loan accrues interest over this long term. Removing the litigation protection would allow these loans to continue for years, accruing higher interest. A payday loan must stop after one rollover of 60 to 90 days. The interest accrual cannot exceed a set period of time. The differences in these two types of loans matter. The long-term loan credit requirement and the ability to repay are built into the legislation. Allowing the litigation as proposed in S.B. 123 will blur the difference between the loans and change the entire chapter, not just NRS 604A.480.

Senator Atkinson:

Will the passing of S.B. 123 as proposed allow all lenders to pursue litigation, including Dollar Loan Center?

Ms. Considine:

The bill would encourage all lenders to lend under this provision and provide the longer-term loans. It will have unintended effects. A CFPB study shows the national average yearly income for those who utilize payday loans is \$22,400.

Senator Hardy:

On those same statistics, is the average income of a borrower of a long-term installment loan the same?

Ms. Considine:

There is no study that separates these issues. The study was a national one. Not all states allow payday loans.

Senator Hardy:

Did they group these two types of payday loans together in the study?

Ms. Considine:

Yes.

Chair Settlemeyer:

What states have outlawed the payday loans completely?

Ms. Considine:

We will get that information to the Committee. A dozen states have outlawed them completely. Other states have capped the interest rates at 36 percent.

John Griffin (TitleMax of Nevada, Inc.):

Auto title lending is different from payday installment loans. Senator Hardy posed a question about which lenders can seek recourse. In NRS 604A.455, subsection 2, the sole remedy for an auto title loan is repossession of the automobile, and those lenders do not have any other legal recourse against the borrower.

Ms. Brown:

The data from a recent VA study showed 84 percent of veterans using payday lending are accessing lenders by foot or by car.

Senate Committee on Commerce, Labor and Energy
February 13, 2015
Page 23

Chair Settlemeyer:

I will close the hearing on S.B. 123 and adjourn this meeting at 9:47 a.m.

RESPECTFULLY SUBMITTED:

Christine Miner,
Committee Secretary

APPROVED BY:

Senator James A. Settlemeyer, Chair

DATE: _____

EXHIBIT SUMMARY				
Bill	Exhibit		Witness or Agency	Description
	A	1		Agenda
	B	5		Attendance Roster
S.B. 50	C	4	Marji Paslov Thomas	Work Session Document
S.B. 84	D	2	Marji Paslov Thomas	Work Session Document
S.B. 85	E	1	Marji Paslov Thomas	Work Session Document
S.B. 123	F	1	Chris Ferrari	Everyone Deserves Their Day in Court
S.B. 123	G	1	Chris Ferrari	Letter of support from The Chamber: Reno-Sparks - Northern Nevada
S.B. 123	H	3	Nancy Brown	Letter of support
S.B. 123	I	9	Dan Wulz	Written Testimony
S.B. 123	J	2	Michelle Johnson	Written Testimony