MINUTES OF THE MEETING
OF THE
ASSEMBLY COMMITTEE ON COMMERCE AND LABOR

Seventy-Ninth Session
March 15, 2017

The Committee on Commerce and Labor was called to order by Chair Irene Bustamante Adams at 1:35 p.m. on Wednesday, March 15, 2017, in Room 4100 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda (Exhibit A), the Attendance Roster (Exhibit B), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at www.leg.state.nv.us/App/NELIS/REL/79th2017.

COMMITTEE MEMBERS PRESENT:

Assemblywoman Irene Bustamante Adams, Chair
Assemblywoman Maggie Carlton, Vice Chair
Assemblyman Paul Anderson
Assemblyman Nelson Araujo
Assemblyman Chris Brooks
Assemblyman Skip Daly
Assemblyman Jason Frierson
Assemblyman Ira Hansen
Assemblywoman Sandra Jauregui
Assemblyman Al Kramer
Assemblyman Jim Marchant
Assemblywoman Dina Neal
Assemblyman James Ohrenschall
Assemblywoman Jill Tolles

COMMITTEE MEMBERS ABSENT:

None

GUEST LEGISLATORS PRESENT:

Assemblyman Edgar Flores, Assembly District No. 28
Assemblywoman Heidi Swank, Assembly District No. 16

STAFF MEMBERS PRESENT:

Kelly Richard, Committee Policy Analyst
Wil Keane, Committee Counsel
Pamela Carter, Committee Secretary
Olivia Lloyd, Committee Assistant

OTHERS PRESENT:

George E. Burns, Commissioner, Division of Financial Institutions, Department of Business and Industry
Tennille K. Pereira, Attorney, Consumer Rights Project, Legal Aid Center of Southern Nevada
Venicia Considine, Attorney, Legal Aid Center of Southern Nevada
William C. Horne, representing Advance America, Cash Advance Centers Incorporated; and Jackson Vaughn Public Strategies
Dennis Shaul, Chief Executive Officer, Community Financial Services Association of America
Susie Schooff, Director of Government Affairs, Advance America; and representing Cash Advance Centers Incorporated
Sean T. Higgins, representing Dollar Loan Center
Alisa Nave-Worth, representing MultiState Associates Incorporated; Moneytree; Check City; Check-Into-Cash; and QC Financial
Barry Gold, Director of Government Relations, AARP Nevada
Nancy Brown, President and Board Chair, Opportunity Alliance Nevada
Elizabeth Tenney, Private Citizen, Reno, Nevada
Shane Piccinini, Government Relations, Food Bank of Northern Nevada; and representingThree Square
Kenneth Krater, Private Citizen, Reno, Nevada
Marlene Lockard, representing Nevada Women's Lobby; and Service Employees International Union Local 1107
Harold Carnes, Private Citizen, Las Vegas, Nevada
Roxana Lanuza, Intern, Progressive Leadership Alliance of Nevada
Betty Bishop, representing St. Therese Church of the Little Flower; Society of St. Vincent de Paul; and Acting in Community Together in Organizing Northern Nevada
Judy Simon, Private Citizen, Incline Village, Nevada
Steve Jimenez, Extern, Nevada Hispanic Legislative Caucus
Jim Dickey, Credit Manager, Western Nevada Supply, Sparks, Nevada
Jon Sasser, Statewide Advocacy Coordinator, Washoe Legal Services; and representing Legal Aid Center of Southern Nevada
Phillip Holt, Senior Vice President, Security Finance of Nevada; and Managing Director, National Installment Lending Association
Berlyn Miller, representing Sun Loan Company; OneMain; and Nevada Financial Service Association

Erv Nelson, representing Harvester Funding, Limited Liability Company
Mike Hanna, representing Veritec Solutions, Limited Liability Company
Lynne E. Keller, Executive Director, Opportunity Alliance Nevada
Jim Sullivan, representing Culinary Workers Union, Local 226
Megann Johnson, Intern, Progressive Leadership Alliance of Nevada; and representing United for Undergraduate Socioeconomic Diversity Students for Social Change
Jared Busker, Policy Analyst, Children's Advocacy Alliance

Chair Bustamante Adams:
[Roll was called and protocol was explained.] Let me just give the lay of the land today. We have two bills; we will hear Assembly Bill 163 first and Assembly Bill 222 second. We are also going to have a presentation because we have new legislators who may not be familiar with *Nevada Revised Statutes* (NRS) Chapter 604A. I have asked our legal counsel, Wil Keane, to do a short presentation on NRS Chapter 604A so that you know what is covered, how it is regulated, and then we will ask the Commissioner of the Division of Financial Institutions to give you an overview of what the Division has seen in this chapter in the last two years.

Wil Keane, Committee Counsel:
Chair Bustamante Adams asked me to give the Committee a brief overview of NRS Chapter 604A, which is the chapter that governs payday loans.

Of course, the real experts in this area are the Commissioner of Financial Institutions and his staff at the Division of Financial Institutions (FID), Department of Business and Industry. The Commissioner licenses everyone who operates under Chapter 604A, and he adopts the regulations for and enforces the provisions in Chapter 604A.

I can, however, provide you with an outline of the businesses licensed under the chapter and the loans offered under the chapter.

With that, we can turn to the four types of businesses licensed under Chapter 604A. I will take them slightly out of order, as I find that to be an easier way to understand them. I will start with check-cashing services, then turn to deferred deposit loan services, then to title loan services, and finally to high-interest loan services. Then I will briefly run through some differences and similarities between these types of loans.

First, we have check-cashing services. Check-cashing services are unlike the rest of the licensees under the chapter in that they do not offer loans; they simply cash checks. Moreover, they may charge the customer a fee for cashing the check.

In this context, checks are broadly defined to include what most people would think of as a check, including paychecks, personal checks, checks from businesses, cashier's checks, money orders, and similar drafts which are payable on demand and drawn from a bank.

The key is that the check must be currently payable, not payable in the future, because, if it were only payable in the future, that would be a loan.

That brings us to the licensees under the chapter who can make loans. Those licensees are deferred deposit loan services, title loan services, and high-interest loan services.

I would like to begin with deferred deposit loan services. Many people consider them the classic payday lender. A deferred deposit loan is a very specific transaction. The customer receives money up front, and in exchange, the customer gives the licensee one of two things—either a personal check drawn upon the customer's own account or a written authorization for the licensee to electronically withdraw money from the customer's own account. What makes this a loan, and not simply cashing a check, is that the licensee agrees not to cash the customer's check or electronically withdraw money from the customer's account until a date in the future which the customer and the licensee agree upon. Classically, that future date will probably be a date such as the customer's next payday—hence the common term "payday loan."

A quick example: My wallet and checking account are empty, but I have a blank personal check. I need $100, and I know that I will get my next paycheck on Friday. I go to a licensed deferred deposit loan service, write my personal check to the licensee, get my $100, and the licensee agrees not to cash my check until Friday. That, in a nutshell, is a deferred deposit loan.

The second of the three loan services under the chapter are title loan services. Title loans are loans made to a customer using the customer's vehicle as collateral. Simply put, the customer goes to a title loan service, gets money up front, agrees to repay the money in installments or on a single date in the future, and the licensee gets possession of the title to the customer's car or the licensee gets to perfect a security interest in the customer's car.

The last of the three loan services is a high-interest loan service, which offers certain loans with an annual percentage rate of over 40 percent. The name given to high-interest loans is a bit misleading, because not all loans with high interest rates are high-interest loans. Instead, the category of high-interest loans operates as a sort of catchall for high-interest loans governed by the chapter which are *not* deferred deposit loans and *not* title loans. Let me say this in a different way. If a loan qualifies as a deferred deposit loan—because the basic transaction is cash to you up front in exchange for your check or electronic withdrawal in the future—then the loan is a deferred deposit loan no matter how high the interest rate. If a loan qualifies as a title loan—because the basic transaction is cash to you up front in exchange for your promise to pay and the title to your car—then the loan is a title loan no matter how high the interest rate. If the loan is *not* a deferred loan deposit and it is *not* a title loan, and the loan has an annual percentage rate of more than 40 percent, then it is a high-interest loan, as that term is used in NRS Chapter 604A.

So, those are the four types of licenses under NRS Chapter 604A—check-cashing services, deferred deposit loan services, title loan services, and high-interest loan services. Each type of license is a separate license, but one business may be licensed to offer multiple services. Therefore, you could conceivably go to one business and choose to cash your paycheck, or get a deferred deposit loan in exchange for your personal check, or get a title loan in exchange for the title to your car.

Now, without getting too far into the weeds and in a necessarily summary fashion, I want to point out some differences and similarities among the three types of loans.

As to the term of the loan or the length of time you have to repay, the three loans are different, but deferred deposit loans and high-interest loans are similar.

Regarding deferred deposit loans, the original term of such a loan cannot exceed 35 days, and thereafter you and the licensee may agree to extend, roll-over, or refinance the loan or otherwise establish a later date for payment, but that later date cannot be later than 90 days after the origination of the loan.

Regarding high-interest loans, the rules of the original term of the loan and its extensions are a bit complicated, but the upshot is that, like a deferred deposit loan, the final payment date to repay a high-interest loan cannot be later than 90 days after the original loan date.

Title loans are different, but no matter how a title loan is originally structured or thereafter extended—which is a complicated series of rules—the final date to repay the title loan cannot be later than 210 days after the original loan date.

Turning to the amount you can borrow, the three loans are different, but once again deferred deposit loans and high-interest loans are similar.

A deferred deposit loan or any combination of deferred deposit loans from the same licensee must not be for a total amount which exceeds 25 percent of the expected gross monthly income of the customer.

Similarly, a high-interest loan or any combination of high-interest loans from the same licensee must not have combined monthly payments which exceed 25 percent of the expected gross monthly income of the customer.

As for title loans, the amount of the title loan is limited to the fair market value of the vehicle securing the title loan, and the title loan services must not make the loan without regard to the customer's ability to repay the loan.

As for similarities among the loans, there are several.

First, a customer entering a business offering any of these loans will see a conspicuous notice stating the fees charged for services and providing a toll-free number for the FID Commissioner for registering complaints.

Next, before entering into any of these loans, the customer must receive a written loan agreement which lists, among other statutorily required information, the amount financed, the annual percentage rate, any finance charge, the total payments, the payment schedule, and a description and the amount of every fee charged, regardless of the name given to the fee.

Next, for any of these loans, the customer is entitled to rescind the loan on or before the close of business on the next business day at the location where the customer initiated the loan.

As for default, for all of these loans, the customer will be in default if the customer does not make a scheduled payment or pay the loan in full as required by the terms of the loan agreement, including any extensions of the loan agreement. The official date of default for the loan is the day after the day the payment was due.

An exception to this default rule is that, for all of these loans, the licensee may offer the customer a grace period. A grace period is simply a period during which the customer will not be deemed to be in default and during which the customer may make a payment on the loan. Statute prohibits a licensee from charging the customer any additional fees or additional interest during a grace period.

Finally, after default occurs on any of these loans, the licensee must not commence a civil action to collect payment or repossess a vehicle, before offering the customer an opportunity to enter into a repayment plan. There are detailed statutory requirements concerning a repayment plan, including when it must be offered, how long the offer must stay open, and the terms of the offer. In a nutshell, repayment plans, at the option of the customer, may extend up to 90 days and, at the option of the licensee, may require an initial payment of up to 20 percent of the balance due. They would all end with the full balance being paid.

Very briefly, those are the businesses licensed and the loans offered under NRS Chapter 604A. Thank you for your time, and I would be happy to answer any questions.

Chair Bustamante Adams:
Thank you, Mr. Keane, and the purpose of that was that there is sometimes confusion about how many entities are housed under NRS Chapter 604A and which regulations already exist. It was just an overview since we have new legislators present. Are there any questions for Mr. Keane?

Assemblywoman Tolles:
Could we get a copy of your testimony available in writing?

Wil Keane:
I can make that available for you.

Assemblyman Paul Anderson:
Is there a different section in NRS that talks about disclosure of the different loan requirements? You spoke a little about disclosure. A lot of these businesses charge fees rather than actual percentage rates, which they then convert to annual percentage rates. Is that codified in statute or is that simply a consumer protection piece or disclosure piece?

Wil Keane:
There are different statutes which regulate different aspects of each of these loans; it is not all located in one place. There are federal requirements, including the Truth in Lending Act of 1968 and Regulation C, which regulate how fees are calculated and how they are supposed to be disclosed. Our statutes do require compliance with federal law, although that would be required anyway.

Chair Bustamante Adams:
Thank you. Are there any other questions? [There were none.] Thank you, Mr. Keane, and I appreciate your making it available to all the Committee members. Next, we are going to have the FID Commissioner, Mr. Burns, speak to us from Las Vegas. Please begin when you are ready.

George E. Burns, Commissioner, Division of Financial Institutions, Department of Business and Industry:
I am George Burns, the Commissioner of the Division of Financial Institutions. With me today is my Deputy Commissioner, Mary Young, to assist me in answering questions you may have about the information that I am about to present. Assembly Bill 163 and Assembly Bill 222 propose to enact provisions with respect to short-term payday, title, and installment loans. The Division of Financial Institutions was requested to provide data regarding NRS Chapter 604A licensees, as well as complaints for the calendar years 2015 through 2017 (Exhibit C). This information has been provided previously to the Committee members and we will be going over that with you today.

As a general framework for this topic, we currently have a total of 95 Chapter 604A licensees in Nevada. This does not include 34 licensees that only provide check cashing from their main locations. Chapter 604A references a single license, and licensees can elect to either offer one, two, three, or all four of the types of lending items. This number also does not include the 306 branch locations that provide title, high-interest, and payday loans for 401 locations in the state. Of those 495 total licensees, 63 offer title loans, 68 offer high-interest loans, and 81 offer payday, or deferred deposit, loans.

We received 79 complaints from consumers in 2015. We received 53 complaints in 2016, and have 17 so far this year. We broke down the types of complaints we received for each of the months and years between 2015 and 2017 (Exhibit C), but what I wanted to do today was comment on the overall trends we see in types of complaints. As you can see from the information that was provided to you, we only received one check-cashing complaint during those two-plus years. Deferred deposit loans had 29 complaints, high-interest loans had

61 complaints, title loans had 56 complaints, and there were 2 combination complaints for a total of 149.

One trend we see in 26 of those complaints is the lender not considering the customer's ability to repay. Ability to repay is determined taking the customer's income minus their expenses in order to determine that they have sufficient residual income to make loan payments. The second most frequent complaint we saw, with 20 complaints, was multiple loans with the same or different licensees. We received complaints where customers asked why lenders kept allowing customers to borrow money if they were aware that the loans were exceeding the customers' ability to repay.

The second trend with 10 complaints concerned loans that exceeded 25 percent of the customer's gross monthly income. This concept in NRS Chapter 604A states that lenders take the customer's current pay stub or other income-verifiable documentation and calculate 25 percent of that amount in order not to exceed it. We had 15 complaints in which lenders did not offer payment plans, refused to offer repayment plans, or violated repayment plan terms. Finally, we had 10 complaints about continuous rollover of loans, or overextending loans.

We had 24 complaints about unlicensed activity in several different areas. We pursue these claims vigorously with cease-and-desist orders in order to bring these operators into compliance. We had 3 complaints about unauthorized debits, which means that the payday lender who was authorized to debit a customer's account may have exceeded the number of times they are permitted to debit the account. We had 2 complaints of title loans exceeding the fair market value of the vehicle, and we had 20 complaints with alleging federal violations of the Truth in Lending Act, the Fair Credit Reporting Act, and Regulation B of the Equal Credit Opportunity Act. There were 35 other complaints that could not be grouped into any particular category.

At this time, we are open to any questions that the Committee may have for us about this data.

Chair Bustamante Adams:
Thank you, Mr. Burns. Is Ms. Young going to say anything, or can we go right into questions?

George Burns:
Please go right into questions. She is here to help me out if I cannot answer the questions in detail.

Chair Bustamante Adams:
Wonderful. For the Committee, the purpose of having the regulator talk about what goes on in the industry is so that we may have an inside look at the data that he is receiving from specific categories.

Assemblywoman Neal:
Complaint 70163 from January 2016 says, "Ability to repay not considered, preyed upon age and inability to speak English, kept in the books" [page 3, (Exhibit C)]. There are a couple more like that. Were those title loans? Also, what does "HIL" stand for?

George Burns:
That is a high-interest loan.

Assemblywoman Neal:
I understand that now. I had a question about a second complaint, 68670 from May 2015. It says, ". . . used daughter's disability income to increase the loan amount" [page 5, (Exhibit C)]. I did not know you could use disability income for these loans.

George Burns:
Yes, any income can be considered for the purposes of obtaining a 604A loan.

Assemblywoman Neal:
Okay, thank you.

Assemblyman Paul Anderson:
I wanted to clarify a couple things from the handout you provided us. At the top of page 3 (Exhibit C), I see a notation for the calendar years 2015-2017 and a total of 149 complaints. Am I reading that accurately?

George Burns:
Yes.

Assemblyman Paul Anderson:
I believe you said there are 401 entities that currently work inside of the high-interest loan, payday loan, and signature loan market. Is it accurate for me to say that out of 401 companies over the last three years, there have been 149 complaints?

George Burns:
No, there are 95 companies that have a total of 401 locations. We received 149 complaints for the 95 total licensees. What I can tell you is that these complaints, although we redacted the names of the companies for the purposes of confidentiality under statute, the spread of those complaints came from 61 of the 95 companies. Roughly, that means that a little less than 60 percent of the companies received complaints.

Assemblyman Paul Anderson:
Is there any indication that complaints increased over this period, or do you believe they maintained a steady rate?

George Burns:
Through our regulation, supervision, and enforcement of NRS Chapter 604A, we have seen a decline in the number of complaints. That has primarily been due to vigorous enforcement of the statute.

Assemblyman Ohrenschall:
My question has to do with compliance. What actions do you take against lenders on these complaints, and what kind of enforcement options do you have?

George Burns:
When we receive a complaint, depending on its severity, we forward it to the licensee to get a response. The licensee then has 30 days to provide a response. Once we receive a response, we make a determination as to whether it is adequate and, if so, we contact the consumer and let them know what that response is. Severe complaints, such as unlicensed activity, generate an investigation on our part in which my examiners go out and inspect the location to see if lending activity is indeed being conducted there. If we discover unlicensed lending activity, we file a report with our FID disciplinary committee where we determine what kind of enforcement action to take. Enforcement usually begins with a cease-and-desist order to stop whatever activity is taking place. If that cease-and-desist order is not complied with, we will file a complaint and take the entity and/or licensee to an administrative law hearing in order to enforce the statute.

Assemblyman Ohrenschall:
Could you give the Committee some examples of what kind of lender practices might lead either to referral to the disciplinary panel or the administrative law judge (ALJ)?

George Burns:
Unlicensed activity is probably the easiest one, because that is a clear-cut case when we know a business does not have a license and is making loans to the general public. Other examples are instances where we find repeat violations from examinations where we have recommended that the business correct their activity. If the business has not corrected the activity in the follow-up examination, then we will move to the disciplinary committee and file either a cease-and-desist order or a show-cause hearing before the ALJ.

Assemblyman Ohrenschall:
Do you have any data corresponding to the complaints you have given us that are up on Nevada Electronic Legislative Information System (NELIS) as to how many enforcement actions FID has pursued against these lenders?

George Burns:
I do have that data, but I do not have it here with me today. I can, however, provide that data to the Committee.

Assemblyman Ohrenschall:
I would appreciate that if you could.

Assemblyman Brooks:
How many transactions correspond to the 149 complaints? If we look at the loan categories and not necessarily the check-cashing category, how many transactions were conducted over the course of the 149 complaints? How many transactions were completed over those three years?

George Burns:
I am sure the number of transactions was in the thousands. There is a great reluctance on the part of the general public to file complaints because they know that they entered into an agreement and they owe money. When consumers finally do file complaints, we hear that they have reached the end of their road and they have no other alternatives but to file a complaint. Most others do not file complaints because they are concerned about legal action or other retaliatory action by the lender.

Assemblyman Brooks:
I do not think I asked my question correctly. Of the 95 companies operating in that space—again I am trying to keep the check cashing out of it because it is a clearly different business—how many actual loans were made in that three-year period by those 95 companies in the categories listed here (Exhibit C), aside from check cashing? Do you have that data?

George Burns:
We do not have that data because we do not track the total number of loans that are made by our licensees. When we examine our licensees, we get a dump of their loans and we do a sampling of those loans. We do not have an efficient or effective way to track that kind of data.

Assemblywoman Carlton:
I have been living through this discussion throughout my legislative career. The situation has improved over the years, but I know we still do have a ways to go. Mr. Burns, thank you and your Division for doing a good job with the tools that we give you. I am going to ask you a loaded question; if you do not want to answer it on the record that is fine, but I would like to know, as a policymaker: what tools do you need that you may not currently have with some of the complaints you see that would be beneficial to help protect some of these people and to give them some resolution?

George Burns:
I believe that the law is written for everyone to understand and abide by. However, there are certain people who like to parse every word in the law in order to dismiss common sense and to undermine what I believe is the spirit and intent of the law. Any modifications or amendments or clarifying legal action that can be taken by the Legislature and this esteemed Committee to further define what the boundaries are and what can and cannot be done would be very helpful to us. Although I do not believe that there are any ambiguities in the law, the interpretation of it becomes a legal battle every time we take an enforcement action. We have had enforcement actions that have had to go all the way to the Nevada Supreme Court. In my ten-year tenure, we have been to the Supreme Court three times in order to get

determinations on what the meaning of a word is in the statute. The process has become extremely convoluted, and anything that can help define boundaries that will help us, as referees, maintain balance between the public interest and the business interest would be very helpful.

Further definition of "ability to repay" would be the most useful change you could make because there is just a simple statement in the statute that gives consideration to the ability to repay. We have attempted, over the years, to try to define "ability to repay" through statute, but due to a lack of cooperation from members of the industry and others, we have not been able to get those regulations passed and approved.

The other tool that would help us is an automated system by which we could actually track the activity that is taking place. As I mentioned earlier, one of the reasons we do not have the kind of statistics you just asked me about is that the industry is so large and we have no way of capturing that data easily. So many transactions take place on a daily, weekly, monthly basis that, without some kind of automated tracking system, there is no way that we could really be able to report on that kind of information.

Assemblywoman Carlton:
I am concerned about the statement you made about regulations. As legislators, we make policy, we give it to our regulators and then they develop the regulations to make sure that everybody plays by the same rules. If somebody plays outside the rules, regulators have a hammer to back them up. Do I understand you to say that you have had regulations to address some issues, but because of industry opposition, you have not been able to have those regulations succeed and therefore could not do your job?

George Burns:
That is correct, Assemblywoman Carlton.

Assemblywoman Carlton:
Okay, I will give you a call later and we will have a talk. Thank you.

Assemblyman Ohrenschall:
Do you have any data about default rates for consumers regarding the various 604A loans?

George Burns:
I do not have that data with me today. What you are looking at is how many loans actually default and have to go into repayment plans.

Assemblyman Ohrenschall:
Yes, I would be interested in that information if you could provide it.

George Burns:
I will go back and see if we have access to that type of data. As I mentioned earlier, that sort of data is very difficult for us to get hold of because we do not have automated systems to compile it.

Assemblyman Ohrenschall:
I appreciate your efforts. I would also be interested in any data that shows how many people just walk away and give up.

George Burns:
We will take a look at that as well.

Chair Bustamante Adams:
Are there any other questions for the Commissioner? Seeing none, I want to thank you, Mr. Burns. I know you are going to stay with us for the conversation, and I appreciate that. We will now go ahead and open up our hearing on Assembly Bill 163.

Assembly Bill 163: Revises provisions governing certain short-term loans. (BDR 52-737)

Assemblyman Edgar Flores, Assembly District No. 28:
I represent Assembly District No. 28 in Northeast Las Vegas. I appreciate the Committee allowing me to go first in presenting Assembly Bill 163. Before I go into my bill, I wanted to, very quickly, recognize some of the individuals who have been working alongside me. I cannot pretend that I would have been here presenting this bill had it not been for their help. I need to recognize the Legal Aid Center of Southern Nevada; they have been incredibly helpful and have provided me with so much information—more than I have the time to present now. Ms. Tennille Pereira is here with me; she is an attorney and expert in this area. She sees this issue every single day, and she understands payday lending better than most of us. Beyond that, I know today is Veterans' Day at the Legislature so I want to recognize the veterans in the audience, thank them for being here today, and thank them for their service, specifically to the members in my community. Last, I know Progressive Leadership Alliance of Nevada (PLAN) is here. I want to recognize PLAN, who has been huge in my district and who do incredible work. They will testify later, but I wanted to recognize them for their help.

I wanted to offer everybody a road map of how I would like our conversation to move forward today, which should allow our conversation to flow in an easy manner. I will identify the issue first. After that, I will address the language included in the bill and why I believe the language used will help to address the issue. I then want to delve into my two conceptual amendments—we can follow the language in the bill as written, and then when I get to the specific sections, I will explain what I want to amend. After that, I want to pass the presentation to Ms. Pereira; again, she has an amazing amount of expertise and she will be able to offer very in-depth, case-by-case analysis.

With that being said, I also wanted to explain the lens through which I view this issue. I am not somebody who believes that payday, title, or high-interest lending companies are inherently monsters seeking to take everyone's little sheep while trying to destroy the world. That is not my perspective, and that is not the way I approach this bill. I approach this bill through very specific loopholes present in current law. In 2005 and 2007, I believe the Legislature intended to address those loopholes, but that is not being honored. I want to clarify the language in the law. Additionally, I know there are individuals in my district who use these different services, and I believe that is the byproduct of Nevada not doing enough for them. Too many individuals have to rely on these different services. That reflects poorly on our state because we should be doing more so that our constituents do not have to use these services. I need be straightforward and recognize that.

Assembly Bill 163 addresses three issues: default, assets and collateral, and an individual's ability to repay. I will begin with the issue of default. Assume I get a high-interest loan and, to simplify it, I get a deferred deposit loan. I have to pay it back within 35 days maximum. I get the loan and then day 36 arrives. In our hypothetical situation, when day 36 comes around, I do not pay. I have not made a payment in 35 days pursuant to the contract that I entered into with the lender. In that scenario, we would all assume that day 36 would trigger a default pursuant to the law today. That is how the law is currently written, so we would all assume that I would be in default. Here we find the first issue that I am trying to address: this is not happening. Strategically, many trigger words—specifically "grace period"—are being used so that we do not trigger the default.

Let me explain why default is so important. Default means that on day 36 I owe the prime—whatever I have owed up until that moment—plus 10 percent. If default is not triggered and interest on the loan is allowed to continue—and let us say that the loan interest is 300 percent—the high interest continues. The default language is in the law specifically to protect the consumer so that, after day 36, the consumer owes prime plus 10 percent. That is the way default is supposed to work. That is the function of default, but lenders are strategically not allowing the default to trigger.

There are several ways lenders are doing this. Contracts often include language that gives the lender authority to trigger the default when they want to. Therefore, default occurs when they recognize the default, and that was never the intent or the spirit of the NRS in the negotiations that happened in 2005 and 2007 for that to be the case. However, because that loophole exists, lenders trigger default whenever they want to. They rack up interest rates as high as they want and right when it is advantageous to them, trigger the default, and only at that point does the consumer owe prime plus 10 percent. I propose that when day 36 hits, the loan goes into default.

I propose that the consumer drives default, not the lender. That seems like common sense. That is how we all think of default; that is always driven by the individual with the loan. However, for whatever reason, that loophole exists in law, so I am addressing that.

Second, I want to talk about assets and collateral. This issue is probably the most confusing for me. For example, say I go to a title loan company—this issue exists across the board but I am just using title loans as an example—but I do not own a vehicle. In this hypothetical situation, my wife has a vehicle and she has a job. I do not have any income, I am not working right now, and I do not own a vehicle. Some locations allow people to get title loans even if the applicant does not own the asset. I do not have to explain to you the types of nightmares and headaches this can create in a family that is going through a divorce, or if there is an individual who has an addiction he is trying to feed and the family does not want that person to get their hands on things. There is a whole host of hypotheticals that I can go into. It does not make sense; if you do not own an asset, you should not be able to get a loan on it. It is very common sense to me, and we have to address this issue. My bill says that an individual cannot use someone else's assets, income or collateral to fulfill his own.

The opposition may say, Well, it is one household so we should factor in everybody's income. Well, if my wife wants to get a loan, she can apply for one herself. If my brother wants to get a loan, he can go there and do it himself. There is nothing stopping individuals in my household getting the loan under their name. If I do not have anything that shows my ability to repay, I should not be getting the loan.

The third and most important issue the bill seeks to address is the ability to repay. In 2005 and 2007, the statute was amended with the intention that the "ability to repay" would mean something. There was a very significant purpose behind including the ability to repay in the law. I want to give you a scenario that describes what is happening now with respect to a customer's ability to repay. Say, for example, that I own a vehicle but maybe I do not currently have a job, or perhaps I have a mountain of debt. I owe money on 14 credit cards, I am behind on a bunch of utilities bills, and all I have is a car. In that scenario, I might be given a loan. The lender could say that I have the ability to repay because if I default, the lender can repossess my car. In that scenario, there goes my ability to repay.

At other times, consumers just sign a notarized letter or an affidavit saying that they will repay, and that letter constitutes an ability to repay. There is no real mechanism or transparency in the law, and there is no standard across the board that everybody is applying. Let me be very clear; I am not saying that all companies are engaging in this. I am not even saying 4 percent—I am not giving you a percentage, but there is no uniformity in the lending community.

Assembly Bill 163 creates uniformity around the ability to repay. We developed a seven-pronged factor test—a totality of circumstances-type of approach—that I want to look at. First, we look at current employment history to make sure the applicant has a job. We will look at the monthly residual, which takes into account an individual's debt versus how much money comes in each month. This bill seeks to balance out monthly residual in an effort to ensure the customer can afford one more monthly payment. We should look at the customer's credit history. Credit history is very simple, but I do not mean to check to see if a borrower has a good credit score. The intent in this bill is to ensure that lenders are doing a soft credit check to see if the customer has delinquent accounts or is in collections. Soft credit checks will allow lenders to verify that borrowers have the ability to repay while not detrimentally impacting the borrower. Next, we want lenders to look at the amount of the original loan and the monthly payment. Is it realistic for the individual in front of them? Then, we want lenders to consider the individual's overall monthly obligations: What are they paying in rent? How much are their utilities? Does the borrower owe anybody else money? These are all things that lenders should be asking. Finally, this bill asks that lenders consider child support, alimony and similar expenses when determining ability to repay. With that, I want to address my two amendments before I pass it over to Ms. Pereira.

Chair Bustamante Adams:
Can you go over the seven prongs? I have current employment, monthly residual, and credit history.

Assemblyman Flores:
The seven prongs will help parties see what the actual agreement or contractual obligation will look like by considering the totality of factors through a macro-level approach. The seven prongs will allow transparency concerning the entirety of a customer's debt, credit history, and entire financial situation, while adding to the equation the fact that the borrower is going to enter into another contract. How will that play out? We need to see how all of this works together. With that, I also said that we need to look at a borrower's other monthly obligations such as utilities, money owed to another person, car payments, and current debt obligations such as child support and alimony. All of that should be taken into consideration.

Assemblyman Araujo:
I appreciate the process, but can you help me understand what would disqualify someone from being able to obtain a loan at that point?

Assemblyman Flores:
We are allowing flexibility there because it is not a single-pronged approach. One prong does not destroy the ability to enter into a contract. This is a scenario where we will consider all the factors. This is necessary for when concerns are raised or lawsuits filed; if a borrower has problems with five of the prongs, then that should raise an obvious red flag that the loan should have never been issued. We want to give companies in this industry some discretion, but not to the point where they can escape common sense. That is why we are asking that the companies look at all seven of these factors.

I want to discuss my two amendments. Section 5, subsection 1(b) talks about default. In the hypothetical situation I created earlier, I needed to make a payment by day 35, but I did not. Day 36 arrived and triggered default. One reason default is important is because it gives customers a 30-day window to enter into a repayment plan. After entering into a repayment plan, the borrower is given 90 days with the prime plus 10 percent to pay whatever it is that he or she owes. Many people do not know that this mechanism exists in NRS to protect them. This bill says that we want lenders to post this information in the business, underneath the business license. As you know, most people do not read everything posted on the walls in businesses. I realized that that was an error on my part in reaching out to the Legislative Counsel Bureau (LCB) in requesting that. I think the appropriate place—and this is included in my first amendment—is to include default language in the actual contract. Consumers will have better protection if we ensure that they know what default is, what default protects when it is triggered, and including this in the contract will not allow the lenders to say one thing while NRS says something else. This change will force lenders to work in unison with what the NRS intended.

Nevada Revised Statutes (NRS) 604A.450 specifically pertains to title loans. Current language in that section allows lenders to make a title loan to a customer secured by a vehicle that is not legally owned by the customer. This bill amends that language and says that the lender will not approve the title loan unless the customer owns the vehicle. Section 7, subsection 3 says, ". . . determining that the customer has the ability to repay the title loan, as required by section 1 of this act. In complying with this subsection, the licensee shall not consider the income of any person who is not a legal owner of the vehicle securing the title loan." In other words, if I go to a title loan company and try to get a loan, the income of my spouse or another household member will not be taken into consideration in lending me the money. I want to amend this section of the bill, because it was my intent for that to apply to the entire statute, not just to payday lending. In other words, if we talk about any high-interest loan, I want lenders to consider only the income, assets, and collateral of the individual applying for the loan. In any scenario with a high-interest loan, if an individual tried to get a loan, they cannot use their spouse's income, social security, or anything else. If the spouse or other household member wants to use their income or assets for a loan, then they need to apply for the loan themselves. I wanted to keep that language in section 7, but I also want it to be reflected in all of the NRS pertaining to high-interest loans.

With that said, Madam Chair, may I ask Ms. Pereira to come in? Again, she sees very specific examples of these issues every single day on the front lines.

Chair Bustamante Adams:
Yes, and who do I have in Las Vegas at the table? Is that another person?

Assemblyman Flores:
Yes. I would like to ask permission that they speak after Ms. Pereira.

Tennille K. Pereira, Attorney, Consumer Rights Project, Legal Aid Center of Southern Nevada:
[Tennille Pereira spoke from prepared text (Exhibit D.)] I am an attorney at the Legal Aid Center of Southern Nevada. I work defending consumers and do a lot of defense in payday and title loans. Before I begin, I would like to thank you for this opportunity to testify in regards to this important legislation. I would like to share a little bit of my background with the Committee so that you better understand the lens through which I view this issue.

I was on active duty in the Navy for ten years prior to going to law school, and during that time I fell into payday loans. My income was very low when I lived in California, and I found myself trapped in debt. Fortunately, I was able to get out. I finished my ten years in the Navy, and I went to law school. I now work at the Legal Aid Center of Southern Nevada and my clients tell me, on a daily basis, their stories about their experiences with payday and title loans. I am very grateful and honored to work in this area and to be able to help them, knowing that I have been there and I have felt the way they felt. I would like to give you some specific examples that illustrate everything Assemblyman Flores talked about.

Assemblyman Flores explained defaults. Default is supposed to occur the day after a borrower misses a payment or any obligation that has come due. This is so important because, when a borrower cannot make a payment, we want to find them a way out. We want to get the borrower off the off-ramp so they do not end up in a debt cycle with payday and title loans. If default is not triggered, the entire contract interest runs for the entire length of the loan and the client is worse off than where they were at the beginning. When default is triggered, contract interest stops, which means that the huge, original interest rate drops down to prime plus 10 percent, which is essentially 15 percent. Default then gives the borrower 90 days to repay the loan so they have a way out and do not end up in eventual litigation or garnishment.

Let me give you one example. There was a businessman who owned a small business, and the business was going under [page 3, (Exhibit D)]. He did not have the revenue to support the business but he was desperate, so he took his car title for his family vehicle, and got a title loan. He made a couple of payments when they first came due, but then it became very evident that he could not make any more payments and he stopped making them. He called the title lender and asked if there was anything that they could do for him, and the lender told him he needed to bring his loan current. They told him that the contract said that was what had to be paid. To make a long story short, the lender never put him in default. He should have been in default for about four months, and perhaps he could have had a way out and could have kept his vehicle. The lender never did that; they waited until the entire contract had run and they could not collect any more interest under the law, and then they said they would see if they could work with him, but otherwise he would have to turn in the car. Under this scenario, if default had been triggered it would have been affordable for him and he could have paid off his loan. Now he was in a situation where not only did he lose his business, but he could potentially lose his car as well.

I want to talk about assets and collateral next. In one example, I had a client who had fallen on very hard times. Her husband was on unemployment, and she was not employed at all. She did own her car, which she was using to look for work. Unfortunately, she went in to a title lender. She used her vehicle as collateral and when they asked if she had the ability to repay, she told them that she did not have a job or any income. They asked her if there was anyone in her household who had some income. She told them that her husband had unemployment income so they gave her the loan. Her husband got his unemployment income and, probably as no surprise to anyone here, said that he was not going to use his unemployment income to pay a title loan. She came into our office and we were able to help her, but that income never should have been considered to give her that loan.

The last and final example I have concerns the ability to repay. I have a client who makes about $804 a month off disability and food stamps he receives. He also owns a 1997 Ford Taurus. He fell on desperate times, went to a payday title lender, and got a loan for $1,000 on his vehicle. He did not have the ability to repay as he only makes $804 a month. Even if the lender said that he could pay 25 percent of his income, how was he supposed to actually do that? His expenses were already eating up his entire income; there was no way he could pay it. He went back to the title lender and told them that he could not make the payments. They said that it was okay because they thought there was still some value in his car, so they gave him another $1,000, and now he had a $2,000 title loan. This went on, and he got four more payday loans from that same lender. His monthly obligation was more than double what his monthly income was by the time he was done. Fortunately he found my office, came in, and we are now working to help him. The ability to repay is a very important provision. We all heard Commissioner Burns talk about that provision and its importance. Right now, payday loans can only be made for up to 25 percent of a borrower's gross income, but that does not take into account the borrower's other liabilities. Does the borrower have six children at home or two mortgages? What are the borrower's liabilities? If we are giving people loans that they cannot afford, these loans do not help them.

I wanted to touch on one other thing Commissioner Burns talked about. I want to put on the record that we really appreciate Mr. Burns and his efforts to help us in this industry. At one point, the Commissioner was asked about the number of complaints that he sees. I just want to state that, based on my experience with my clients; borrowers do not know that avenue exists. When they finally make it to my office, I direct them down that avenue and hope that they all file complaints, but I find it very unlikely that the numbers are accurate, based on the number of clients I see in my office who are having problems with these loans.

That is all I have for the Committee. Venicia Considine, another attorney from our office, is in Las Vegas and has some information on this topic. I will take any questions that the Committee has.

Chair Bustamante Adams:
Assemblyman Flores, do you want to take the testimony in Las Vegas?

Assemblyman Flores:
I am going to ask that she just identify herself. She has a lot of expertise she can bring to the table that will help the dialogue, but I do not think her testimony will be necessary, in the interest of time.

Venicia Considine, Attorney, Legal Aid of Southern Nevada:
I work with Legal Aid Center of Southern Nevada, and I am here in support of A.B. 163 because I have worked with several people who have taken out a short-term loan and ended

up in a long-term nightmare. I have some comments specifically about sections 3 and 4, and the purpose for clearing up the language and clarifying "grace period," along with an example. My testimony has been filed (Exhibit E).

Chair Bustamante Adams:
Thank you so much; I appreciate that. In the interest of time, we are going to go ahead and take questions from the Committee members before we go into opposition testimony.

Assemblyman Paul Anderson:
I had a question about default. When someone goes into default, however it is defined, they still owe the principal, the contracted fee—whatever that was—and then anything that they are not paying on or the remainder of the loan balance drops to that prime plus ten percent. Am I stating that accurately?

Tennille Pereira:
That is correct. The contract interest under the contract can run for the entire life of the contract. If you have a 90-day loan but the borrower defaults in the first two weeks and cannot pay off the loan, they will not be responsible for the remaining days of interest left on the contract. As far as interest, they would be responsible for the prime plus 10 percent, which is 15 percent.

Assemblyman Paul Anderson:
What would be a borrower's motivation not to just default two weeks in, get a cheaper rate, and then pay it off over the following 90 days?

Tennille Pereira:
I understand that concern and I understand that question, but I have to tell you the clients that I have really want to pay their bills and did not enter into the contract to not pay it. My clients want to pay it off. Unfortunately, I think we are all optimistic when we enter into contracts and we think we can do anything in two weeks. Unfortunately, life happens and we are not always able to meet our commitments.

Assemblyman Flores:
If I may add to that, this goes to the essence of the ability to repay. If companies do a much better job with the language defining ability to repay, they will actually look at a borrower's ability to repay. That is one of the reasons why we want to include this in the law. Ability to repay should not just be a protection for the borrower but for the lender as well. If a lender has a customer with a mountain of debt and the lender knows the customer is going to default within a week—because there is no way they can make that payment—that should be a signal that this is not someone lenders should be lending money to.

Assemblyman Paul Anderson:
Do you have any complaints from lenders that say that they need more protections to ensure borrowers can pay these loans back? These companies make their money on the turn. Lenders want customers to pay loans back so lenders are going to protect the dollars floating

around in the economy. I am assuming that this is the case. Lenders cannot stay in business by helping people default. I recognize this is a cycle that many people are stuck in, and I do not want to discount them or not show sympathy and empathy to those situations, but I do not think the lenders are looking for additional support in recognizing a customer's ability to pay. I am sure they do their best due diligence to make sure that is the case. I appreciate the clarification in the default language and what that would entail.

The Commissioner talked about a reduction in complaints over the last three years. From the Legal Aid side of things, I do not know what that means, as far as the size of the reduction. He also mentioned, anecdotally, that some people do not file complaints. From your perspective at Legal Aid, do you see those complaints even if the Commissioner does not? Have you also seen a reduction in complaints or are you seeing a different situation in the industry?

Assemblyman Flores:
I will ask Ms. Pereira to jump in and help me answer the second part of your question, as she has a better perspective. I want to go back and make another point of clarification. As to whether lenders are protected and whether that is a concern, I want to assure you that there is another protection mechanism in NRS, which is the extension. Lenders use this mechanism now, with the purpose of extending the high interest they want, and we are not stopping them. Assembly Bill 163 focuses specifically on the misuse of the grace period.

I also wanted to clarify that you are right—no business could ever operate if they were losing money, lending people money, and not getting their money back. I want to make sure that we make it very clear that lenders are getting their money back and they are getting interest, no matter what, even if the default is triggered. The fact that we have so many of these businesses operating is because it is very profitable and because it works. More importantly, including language about the default trigger takes the burden off the borrower, but it will not stop the extension period. The change in language is only to clarify that the grace period was not supposed to be used to allow companies to continue charging high interest rates. An example of this would be a lender creating a second loan to justify and pay off a first loan after default, which allows the lender to continue charging high interest. This happens frequently.

Lenders know this was the original intent of the law and, in order to bypass that, many businesses created a loophole and purposefully started doing these things. Lenders did not do it because the law allowed them to; they did it as a mechanism to find a way to go outside the bounds of what they agreed to in 2005 and 2007. With this bill, we are going back and clarifying the original intent of 2005 and 2007, even though we think the intent is clear. We also want to close the loopholes that allow this behavior.

Assemblyman Paul Anderson:
Are you suggesting that every entity engages in this behavior, or that there are some bad actors in the field?

Assemblyman Flores:
Not at all. I think there are only a few bad actors. In fact, I am not even suggesting that the lobbyists in this room represent the bad actors. They may represent only the good actors, but the bad actors exist and are the ones we are concerned about.

Tennille Pereira:
I wanted to address the question about whether I have seen a reduction in the number of complaints: I have not. In any given week, about three to seven people find their way to my office, and these are just the people who find their way to my office. They say they are in desperate times and they need help because they found themselves in this mess.

I also think the number of lawsuits we are seeing speaks volumes. The majority of those lawsuits end up with default judgments. I think it speaks volumes about the rights and options borrowers think they have in the circumstances. Borrowers tend to sit back because they do not think that they have a defense or an option. They figure, Well, I did get the loan, but I was not able to pay it. Numerous people out there would have a complaint to make that do not realize that they may do so.

Assemblyman Paul Anderson:
The clarification I was looking for was this: do you automatically file a complaint with the Commissioner when people come to your office seeking help, or do you find that they are in default and they just need some help working through that to get out of the cycle.

Tennille Pereira:
Both.

Assemblyman Paul Anderson:
That does not clarify anything for me. I am trying to figure out how many claims are not reported. The Commissioner said some people are either afraid to report or do not want to report, so I am trying to get a better understanding of the true scope of the problem versus just the complaints that end up in the Commissioner's office. I apologize for not making that clear.

Tennille Pereira:
That is okay. Many people end up in counseling because the Legal Aid Center has income guidelines. I can only take lower income cases for people who meet my income guidelines. There are a number of people that are given the information—you can file a complaint, you can do this, here are some of the legal defenses we are seeing, but unfortunately, we cannot take your case. Many people are turned away for that reason.

For people who come in and have a case, we often help them fill out the FID complaints or they say they will go ahead and do it on their own. That is what I meant when I said "both."

Assemblyman Paul Anderson:
Thank you, I appreciate that.

Assemblywoman Jauregui:
I have a quick question because I know one of the prongs was not making loans to people whose names are not on the title. If two people are on a title, will both people need to be present to secure a title loan?
Assemblyman Flores:
In that scenario, I think that they are considered the owner of the title and both people would not need to be present. I am not saying that those scenarios do not happen, because I am sure they happen all the time, but my biggest concern is not multiple individuals on a title; my concern is an individual who is not on any title yet they are still taking out loans.

Chair Bustamante Adams:
Thank you. Are there any other questions from the Committee? [There were none.] As a request by the bill's sponsor, we are going to go to opposition testimony first, then neutral, and then testimony in support. For those who are in opposition of A.B. 163, please tell me specifically what it is about this bill, including the section, and what you think should be different.

We have a three-minute time limit during this part of the meeting. I like to make sure that I communicate that so that we have enough time to make sure we hear from everyone.

William C. Horne, representing Advance America, Cash Advance Centers Incorporated; and Jackson Vaughn Public Strategies:
I am here representing Advance America and Jackson Vaughn Public Strategies in opposition to A.B. 163. My apologies, Madam Chair, if I tend to go over the three minutes. I have an expert in the industry who flew in from back East for this hearing, so I hope that you will grant him a little liberty.

Chair Bustamante Adams:
Yes. Thank you for coming from the East Coast. I know that was difficult, but I absolutely appreciate your being here.

William Horne:
I would like to start by recognizing that the number one duty of policymakers is the protection of their constituents and the people in the state of Nevada at large. My clients in the industry understand that this is the intended motive of the bill's sponsor. Unfortunately, good intentions aside, this bill could have unintended consequences that could harm Nevadans by creating an environment that may lead would-be borrowers to non-U.S. lenders who are not under regulatory authority. This body worked so hard in 2005 and 2007 to put protections in place. I also want to mention that many of the protections the sponsor seeks to address are already codified in provisions in NRS Chapter 604A. My clients in the industry are prepared, and always have been prepared, to sit at the table with the sponsor to identify these protections, especially if we may have fallen short of what was intended when they were placed in law.

In moving forward, it is important to remember that while trying to find a remedy for consumers, we must also preserve the fiscal contingency for those who must utilize short-term and title lenders. This industry helps those that lack access to credit, earn low wages, or experience an unforeseen, emergency expense.

The industry also fulfills a role of traditional lenders, in that traditional lenders refuse to provide small, short-term loans. This well-regulated industry has provided indispensable funds for the single parent who has had to miss a few days at work due to a sick child and whose check is now shorter than usual. The industry has provided funds to repair a heating, ventilating and air conditioning unit that went out in the height of the Las Vegas summer. Unfortunately, short-term lenders have provided funds to assist the burial of a loved one. The fact is 90 percent of consumers who use these services only use them for the short term for which they are intended.

This industry is not unique in that there will always be a few bad actors, as Assemblyman Flores stated, but protections against this already exist in NRS. Outlier cases should not guide policy decisions. Indeed, the vast majority of the industry are good community partners that strive to deliver a much-needed service to a community in need, at their most difficult time.

I want to note that, in his testimony, Commissioner Burns stated that the number of complaints is down. I believe he said there were around 163 complaints in three years, and I would like to point out to the Committee that we are talking about hundreds of thousands of loan transactions over that period of time. I think it is amazing that we had less than 200 complaints in that regard. With respect to Ms. Pereira, she says that she does not see the reduction in numbers and says she refers her clients to the Commissioner; unfortunately, the numbers do not mesh.

With the Chair's permission, I would like to have Mr. Dennis Shaul, Chief Executive Officer of the Community Financial Services Association, give his testimony. Then Susie Schooff, Director of Government Affairs of Advance America will testify. Mr. Shaul is a graduate of Harvard Law School, and he has a master's in economics from the University of Oxford. He also served more than ten years in the United States Congress as a senior advisor to Congressman Barney Frank. He worked extensively on the Dodd-Frank Wall Street Reform and Consumer Protection Act, and served as a chief financial regulator for Governor John Gilligan, establishing the first consumer protection law in Ohio.

We have been in meetings with Assemblyman Flores this session, and today we gave him some language ideas that we could work with in his bill. Those were, as it was noted today, for the ability to repay ". . . current or reasonably expected income of the customer," as stated in section 1, subsection 2(a); "current employment status" in section 1, subsection 2(b); and "The amount due under the original term of the loan, the monthly payment on the loan, if the loan is an installment loan, or the potential repayment plan if the customer defaults on the loan" in section 1, subsection 2(e).

Additionally, we offered to prohibit making a title loan to a customer who is not legally the owner of the vehicle as stated in section 7, subsection 2. It makes sense that you should not get a loan on property that is not yours. Additional customer documentation—which is not in the bill but we believe it will make it stronger—would be an industry addition. The licensee is not in violation of the provisions of this section if the customer presents evidence including, but not limited to, pay statements, electronic bank statements, and other reliable documentation of his or her gross income to the licensee, current employment status, and a valid government-issued identification. This includes valid identification (ID) issued by non-U.S. jurisdictions, such as *matrícula consular* identification cards and foreign passports. Another industry addition that is not included in the bill is national automatic clearinghouse association (ACH) language. We offered it to be codified and if the licensee intends to reinitiate an ACH entry that has been returned unpaid, the licensee must do so within 180 days after the settlement date of original entry. The licensee must not reinitiate an entry that has been returned for insufficient or uncollected funds more than two times, or for any other reason following the return of the original entry. Finally, we offered a financial literacy fund, which is also not in the bill. This would provide $500 per licensed location and must apply to the NRS 604A lenders section. Either the Department of Education or the Treasurer's Office would oversee these funds. With that, Madam Chair, if there are no questions for me, I will turn it over to Mr. Shaul.

Chair Bustamante Adams:
Thank you, Mr. Horne. I do not think I have those suggestions, so if you could submit a copy to me that would be helpful.

William Horne:
Yes, and we have been working on this for a while and literally, I think it was after your floor session that I handed them off to Assemblyman Flores for his consideration. As I said, our discussion with Assemblyman Flores has been ongoing.

Chair Bustamante Adams:
Mr. Shaul, thank you so much for being with us. We have questions from the Committee members, but go ahead and make your statements, and then we will take questions.

Dennis Shaul, Chief Executive Officer, Community Financial Services Association of America:
Thank you. I am delighted to be here, but it was not as easy as I thought because we had such a terrible winter weather day yesterday. This is my first trip to Carson City, and I am delighted to be here. I came to this job five years ago and frankly, one of the things I thought when I took it was, How difficult can this area be? I had just finished working on Dodd-Frank and a lot of the work I did was on the Volker amendment on derivatives, and they are complex and they are intellectually consuming. My view of title lending was that it was a pretty-much straightforward entity. I found that it is anything but straightforward.

To begin with, there are online payday lenders, storefront payday lenders, there are Indian tribes who are payday lenders, and there are illegal payday lenders. By the time you get through the mix, it is very hard to know precisely whom someone is talking about when they tell you an anecdote or a story. For instance, as a trade association we have a code of best practices. If members do not follow them, then they are subject to being thrown out of our organization. Since I have been with the group, I think that has happened on four separate occasions. It is important to distinguish who is giving the loan and to make sure that that lender is adhering to practices that would make you proud of both what they do and also comport themselves according to state law.

When I moved into this industry, I did not realize that this area is conflicted in a sense that I do not think most Americans understand. The truth is that there is a crisis in America for people who are what I call "ordinary wage earners." The Federal Deposit Insurance Corporation indicates that more than 40 percent of Americans cannot raise $400 in a crisis. There is another statistic from their organization indicating that raising $1,000 in an emergency is not something that a majority of American families can do. In another era, when our politics were not in as unhappy a state as they are now, that would have been cause for a real national discussion, because this is clearly something that is not in any way in league with the American spirit. People have used credit, historically, in the United States, to move from one tier of economic opportunity to another. Most middle class people can tell you the circumstances by which or the days under which they began to move forward from being, literally, borrowers and nothing but that, to the point where they became middle class, whether it was through the purchase of a house, advancing themselves in their career, by education, et cetera.

This is a crisis, and payday lenders are not the answer to that crisis. I am amazed that we fulfill the functions that we do, and as I look back on the period of time from 1999 to the present, I am very conscious that we are undergoing an historical difference that we can speak to. That historical difference is that payday loans used to be strictly an emergency vehicle. That is, if you had something untoward that happened to you and you needed cash in an emergency for a specific purpose, you could go to the payday lending store and you could get that cash. Beginning with the economic downturn, what we have seen more and more of is people coming in and saying, I cannot make my ends meet. My income does not match the outgo that I have in front of me. Therefore, we have a much more difficult-to-service population than we once had. As I said, we need to have a debate about this in the country, but for now, payday lending serves a very useful purpose. About 19 million Americans avail themselves of it. In addition to that, we are very aware that most of them who avail themselves of it go on to leave the payday lending platform and go to something else.

We are proud of that, but we are also conscious that payday lending has an awful reputation. It has an awful reputation, in part, because there are unscrupulous operators. We are as dedicated as anybody else to getting them out of business. I am amazed, when I go to conferences, that people will say to me, We do not have payday lending in our state. Yes you do, you just do not know that you have it. As a matter of fact, if you go online, most of the time in most states—even in New York, which prides itself on not having payday lending—you will see that there are payday lending outlets. They are unregulated and unscrupulous. We have even had, from our member organizations, people come forward and say that they got a complaint on a loan that they never made from a customer who is being fleeced. What do we do about that? We suggested—and I would like you to keep in mind—when we went over to deal with the Consumer Financial Protection Bureau (CFPB), that they ought to require everyone who does any small-term lending to register, and if they do not register, the loan that they give out should not be collectible. States should pass the companion legislation that says that if you are not registered you do not have the ability, in our state, to collect your loan.

Our business thrives on the fact that people reserve these loans for themselves as a last resort, separate and apart from perhaps one thing. There are any number of our customers who have available—and we know this because of the research we have done—portions of their credit card that they may use and who choose not to use it to pay back a payday loan, for example, because they regard that like a savings account and their last, best resource. These are people in the main using payday loans, as they need them, at the end of the month for a variety of purposes, but not necessarily in consecutive order. As someone else mentioned, those who use payday loans consecutively and get themselves into trouble are a very small portion of those who borrow from us.

The reason I am here, that I was asked—and I am honored that I was—is because I have spent the last five years in extended discussions with the Consumer Financial Protection Bureau about how to best reform payday lending. I identify myself with Assemblyman Flores because so much of what he said I find some resonance in, particularly the ability to repay section. There is not yet a magic bullet that can tell us exactly when someone will be qualified to repay a loan, but there are standards we can use and they are increasingly becoming more refined. When we look at the ability to repay, one of the good things that has come out of the debate that we have had with the Consumer Financial Protection Bureau is a greater consciousness that what we are really talking about is the ability to repay this loan while also being able to repay the monthly obligations that the borrower has assumed. It does not do the customer any degree of good if, as a function of our repayment, he neglects to be able to pay his rent, his mortgage, or his car payment.

When we talk about the ability to repay, we are really getting into the question of how much income is left after the loan is repaid to do those necessary things that the ordinary household has to do. That is the real test for ability to repay, and it imposes on us—when you stop to think about it—a greater degree of responsibility than we may have enjoyed or have been forced to exercise in the past. This is because it is really up to the operator to make the decision about the person in front of them—and 59 percent of our customers are women, single mothers, the arbiter of the breakfast table who sits down with the family and says, if we are going to make it through this month this is what we are going to have to do. There is a lot of juggling that, historically has been left, in many cases, to women to manage the books for the family.

One of the things our industry is grappling with is how we make sure that two classes of people really do enjoy this ability to repay. Two things can happen that make it very difficult for a person to repay a loan. The first one is the obvious; it is when the borrower overestimates what they can do. It is up to operators to do a better job of ferreting that out, and I think we are coming to conclusions that allow us to do a better job. For example, there are more credit union-type entities that are now looking at cell phone or rent payments, as opposed to the big three credit bureaus that only looked at more established lines of credit. We know that we are getting closer to being able to come back with an exact formula to calculate ability to repay, but I applaud Assemblyman Flores for trying to enumerate what that formula might be and to work to put together a situation where there is a kind of formula for that ability to repay.

I want to stress to you that what is important, from our point of view, is not cutting off credit to those who need it the most. We were asked to comment on the rule that the Consumer Financial Protection Bureau proposed and with which we disagreed. One million, four hundred thousand of our customers, under no exertion or pressure from us, came forward, wrote a letter or a comment to CFPB, which essentially said that they need this credit, and that this has been a lifeline.

I gather I have the ability to come back when the second bill is proposed, and I will speak a little more. I have a little more information about some of our statistics. I want to make clear to you that anything I say that is a reference to research, we will provide that to any member of the Committee who wants it. Our polling has been done by The Harris Poll. We take pride in what we have done to find out what our customer is about. We take great pride in what we demand of our operators; as I said we have thrown some out of the organization because they did not comply with our code of conduct, and I think we have a great record of cooperation with the Consumer Financial Protection Bureau. Anyone who enters an attempt at reform deserves our consideration and respect. Payday lending is a dynamic industry in which people are moving away from single pay toward more installment-type lending and other forms of lending. We need to keep up with that, and we need to keep up with it in a manner that gives the customer more confidence that this is a place he can go for a transaction that is not going to burden him with something that is, in the long run, bad for him but will give him a cushion to face the future and improve his lot.

Chair Bustamante Adams:
Thank you, Mr. Shaul.

Assemblywoman Carlton:
These are going right to the questions that I had, because I know full well that a trade association's job is to promote the industry, not necessarily to regulate. You are not regulators in any way that I understand, but I thank you for having your code of conduct. I pulled up your eight best practices. They seem to be very informative, but they are not regulatory in any way, and I understand that they are not meant to be. You did mention, however, that you have asked a few members to leave your association. There is currently a case here in the state of Nevada where a company has blatantly broken the rules and is probably going to go very high up in the court system. What are the consequences of being

asked to leave an association? Is there any penalty? How do you go about that and what real value is there in asking someone to leave?

Dennis Shaul:
It varies from their not being able to indicate that our best business practices are a part of their operation, all the way to our aligning ourselves with those who sue. We have, in some cases, sued the operators. It is not toothless, but as you say, it is not regulation. I think it is a means of keeping a group together in a manner in which they discuss what ought to be their ethical framework, and I think in that sense it has worked very well.

Assemblywoman Carlton:
Thank you. I just have concerns on the value.

Assemblywoman Neal:
Mr. Shaul, what are your thoughts on section 3 of the bill, where Assemblyman Flores added language in regard to the grace period which does not include an extension of a loan?

Dennis Shaul:
My thoughts are that no one who has significant problems repaying should ever be penalized because of that. The object of any legislation is to strike a balance between the fact that the loan is still outstanding—and one would think, under normal circumstances, that loan would be interest-bearing—and the fact that the customer's plight may be such that he or she cannot make any further payment. The trick is to get the borrower out of the situation before it becomes worse.

We suggested to the CFPB that a possible solution to overextension—where borrowers repeatedly stay in the same loan—is to make it mandatory that at a given point borrowers have to exit the loan, and at that point, no more interest is charged. All our conditions were simple. Once the party repaid the loan, however long it took, he should not be penalized in terms of his ability to come back and ask for another loan. Second, we asked that the operator not be downgraded on examinations by the fact that he moved some people out of interest-bearing accounts and into a different position, so they do not have to do that. In other words, what we sought is to say that mistakes happen in the lending process. If someone finds himself or herself in difficulty, the first priority ought to be to get them out of the difficult situation. Once that occurs, that person should be able to come back with a clean slate, and the operator should not be penalized for having taken the steps to get him out of the interest.

Assemblywoman Neal:
You state that, historically, credit has been used to move from one economic tier to another, but the way I have categorized what is happening now is that we are now allowing people to use their paycheck as collateral. Is that correct? You also mentioned that these are people who do not have enough income to meet their needs. What is interesting to me is that we already know that these are predominately communities of color who are poor; whose money never meets their end goals. I am trying to figure out what the solution is for the individual

who is not using payday lending as an emergency but as a constant stopgap because they actually really need another job. At the end of the day, they do not have enough income and the constant cycle—this is what I have seen in my own family. They do not have enough income so they keep using the payday lender. They keep going there, they have been going there for five years straight, because they flat out do not have enough money to pay their bills; they have never had enough money to pay their bills. Using their paycheck as collateral, knowing that their paycheck is never going to be enough, creates what I perceive to be an addiction and a cycle. They do not even have the ability to stop themselves.

I am really trying to figure out the solution to that, because I feel like everybody is saying that we will allow him or her to have the emergency. Then I was reading the document about financial literacy, but at the end of the day, the person does not ever have enough money. Should we really have a business model that is built around the poor?

Dennis Shaul:
I do not think we are going to come to agreement on this. First of all, the paycheck is no more collateral in this instance than it is for any other debt that a person owns. The paycheck is not surrendered to anybody. The paycheck is not the same as the check that is given as security.

Second, it is our experience that people are in and out of payday loans, almost all of them, within 18 months; they are not habitual. Yes, there is a fragment of the industry—less than 10 percent—that are habitual users, but that is certainly not the common experience. I think you have to distinguish between operators who have a conscience and those who do not. As a rule of thumb, for example, anyone who comes in and says that they know of a case where someone has paid as much in interest as in principal, bring that person forward because he has been cheated. That should never happen. There are ways in which operators can detect who belongs and who does not belong. If someone is there with frequency, that should not be the customer. This is a traditional business in the sense that if the loan is not repaid, you do not make money. When the loan is repaid, you hope that that person, if that situation arises again but not in sequence, will come back to you. This means that what you want is a customer core that will, to a given point, come back to you but not every month—not payday after payday—but maybe three or four times a year. During that period of time they will be advancing themselves into a better position.

By the way, our statistics do not in any way show that the vast majority of our customers are the leading edge of the poor. You would be surprised, and I will furnish you the data, at the number of customers who have college degrees, are homeowners, and earn in excess of $50,000 a year. That is as much our customer base as any other portion you can name. The operator does not want to be giving a loan to a person who is making $15,000 and cannot afford to pay it back. If you stop and think for just a moment, you realize that it is not just the paying back that is at issue, but it is the capital flow that makes it possible to do other loans to people who are worthy of the credit.

Assemblywoman Neal:
I guess my problem with that, and it has been consistent, is that you should not borrow money regardless of whether it is a payday loan or any other traditional lender whom you cannot pay back. You do not have enough money in the bank, and they are giving loans out to people who are making $15,000. They are also capturing people who are unbankable.

Dennis Shaul:
We do not have anybody who is unbankable.

Assemblywoman Neal:
Can I finish? I know for a fact, in my district, I have a 22-year-old who cashes checks at the payday lender because he does not have a bank account. He had one account closed at Wells Fargo and another one at a credit union, so now he cashes his checks at the payday loan place because he cannot afford to pay the fees that he racked up on the overdraft charges. To me that is an unbankable person, so to say that to me is not accurate because I know for a fact that if you cannot afford a bank account, this is a vehicle and this is the place where you can take an actual check and get it cashed for a $20 fee. You can get that money back. I know that has happened. It happened two weeks ago.

Dennis Shaul:
That is not a payday loan. That is check cashing. Those are two entirely different things. You cannot get a payday loan without a bank account.

Assemblywoman Neal:
I am not trying to sit here and argue with you. I know that he went to a MoneyTree or a competitor, but the point is he did it because he does not have a bank account. The thing is, I feel like a lot of poor people of color never learn how to manage their finances. They get caught up in this cycle of trying to meet a need that is never going to be met because they actually do not have enough income to take care of themselves. That is a large population of people of color, it is a consistent population and a historical population, and it is where payday lenders are setting up shop.

William Horne:
May I address the Assemblywoman's concerns? I would say that our average customer earns a little over $40,000 a year. I would remind you, and I think everyone here knows that you can live paycheck to paycheck even if you and your family earn a six-figure yearly income. That exists and those emergencies can arise even in those households, to where they do not have that income or that emergency fund to handle that. Concerning the low-income earners who utilize these services, I would say that eliminating this industry would not be protecting them because this is a well-regulated industry. Eliminating this industry would be sending some people who, as Assemblywoman Neal properly stated, do not have the funds or the income on any given day or any given month to make their ends meet because they are low-wage earners.

If we eliminate this industry, these people are still going to exist, but where are they going to go? They are not going to cease seeking funds to make their ends meet. They are going to go to unregulated online sites to do that where we do not have a reach to protect them. They are going to go to other, unscrupulous areas where we do not have a reach to protect them and then they are going to find themselves in true harm's way. I grew up in Las Vegas, and I have known of people down the street who will lend money, but you had better have that paid back to them when they say to, or there are consequences.

This is a well-regulated industry, and I appreciate Assemblywoman Neal's concern about minority communities with low economic means of making ends meet, but I would say that those concerns—their lack of access to credit, lack of high wages—will still remain, even with the elimination of this industry. I would say do what we have been doing in making sure that the industry we have is well regulated and addressing those needs of the community. This community did not have anything to do with the low wages or the lack of access to credit.

Chair Bustamante Adams:
I think it is a bigger conversation. We are going to redirect back to the bill and we are going to end with Speaker Frierson, who has a question, and then we will go into neutral testimony.

Assemblyman Frierson:
I wanted to shift gears a little bit in addressing my colleague's questions about people who are caught up in this cycle. I know from my criminal practice background, people also are caught up in a cycle when they cash their checks at the casinos and they have a gambling problem. There was a mention of addiction, and I think there is a fair argument about it being similar, but I am also aware that in the gaming industry they have education programs and offer services to try to educate people that come in for that purpose. Along the same lines, if we are talking about people who are actually doing this to pay a light bill or to feed their children, they are not going out and partying or trying to make it rain; they are just trying to meet their bare needs. What has the industry done or what is the industry doing to address that education factor or anything along those lines that would try to mitigate any harm that comes to users who are in some way chained to a cycle?

Dennis Shaul:
It varies from state to state. We have operators who fund community organizations that do this very kind of thing. We have operators who actually, on their own, have those kinds of programs. The trick with consumer education on credit is to catch the problem early enough so that you are not trying to give education at the moment customers are in one of our stores. In other words, once the person has pretty well determined that they want a payday loan, they are going to make that decision stick. Earlier on, when they are considering alternatives, then there is an opportunity to really work with them on what their true needs are. Consumer education can work, but a lot of it rests with the timing of it and also the effectiveness of the teacher.

Susie Schooff, Director of Government Affairs, Advance America; and representing Cash Advance Centers Incorporated:
I appreciate that you gave me the opportunity to testify this afternoon. I am the Director of Government Affairs for Advance America. My home is in Wisconsin and I, too, left in a snowstorm. One of your members told me, when I was speaking with him, that I should thank you all for bringing me into the warm weather.

I represent Advance America, and we are one of the nation's largest small-dollar, short-term loan companies. We operate in 28 states with over 2,100 storefronts. We have 11 centers in Nevada. Advance America was founded in 1997, and in 1999, we were part of the founding members of Community Financial Services Association (CFSA).

Years ago, in the late 1990s, our founders figured out that there was a growing need for the short-term credit that banks and credit unions were no longer offering. We can all accept the fact that banks are growing bigger and they do not offer the short-term, $400 loans our parents could take out. At Advance America, we offer simple, reliable, fully disclosed financial products. We were talking about a lot of different products and different things that we offer, but we do offer the typical payday loan. We are located in populous zones such as shopping centers, malls, and retail areas—places where people and your constituents live and shop.

The need for regulated short-term credit in Nevada is real. You know it. You hear it from your constituents. It is not going away, and as mentioned before, it is a regulated and safe industry, both on the state level in Nevada and from a federal perspective.

The Committee asked about the typical payday loan customer. To say we have a typical customer is difficult to say because people from all walks of life and all demographics patronize our stores. At Advance America specifically, our average customer is 41 years of age, the median household income is $49,000, 70 percent of our customers are homeowners, and 93 percent have a high school diploma or more. We are talking about educated people who are coming in for a short-term need, and we offer that.

We are here today to oppose A.B. 163 as it is currently written. As Mr. Horne mentioned, we are in a dialogue with Assemblyman Flores to talk about different consumer protections and ideas that we as an industry have issues with, and hopefully we are at the table. We recognize that there is a lot of dialogue in Nevada right now with several different initiatives being put forth.

With that said, I would like to offer, from Advance America and probably any other operator, we would love it if you would visit a store. You are welcome to come to an Advance America store; we have 11 of them. You can come see what we do firsthand and talk to our employees. They are the ones who deal with these people who have the issue, who come in with their need, that moment, that day, who need that $300 loan. They work with them. They are your constituents, and we would love it if you would take us up on that offer. Certainly, Mr. Horne is here, you see him often, and he can get hold of me. With that, I appreciate the ability for us to testify. Thank you so much.

Chair Bustamante Adams:
Is there anybody else in the audience who is in opposition to A.B. 163? If so, please come to the table. I need you to be very specific in what it is about the bill that you want to change. We know enough about the industry; I just need to know what, in the bill—section, line, et cetera—that you would like to see different. That would be helpful to me.

Assemblyman Araujo:
This is mainly for people who are going to testify in opposition, especially the people who are representing the lenders. If you have data concerning how many of your clients default, and how that process unfolds, I think all of that would be helpful. When we asked the Commissioner the same questions, his answer was that he did not have that information. If you have that information, I think it would be helpful. If you do not have that information now, for the record, it would still be helpful to the Committee offline.

Sean T. Higgins, representing Dollar Loan Center:
I would like to address Assemblyman Araujo's question. Obviously, those questions were raised, but the fact of the matter is that each and every one of the licensees in the state prepares a questionnaire, which they return to the FID, and which includes the number of loans approved and the average amount of the loan. I believe Mr. Burns said that the FID takes a sampling of those questionnaires, but every licensee provides that information to them. That information is collected and provided to the FID on a regular basis.

I am here representing Dollar Loan Center. In 2016, my client received a total of six complaints. Each of the six complaints was handled without going to the disciplinary committee; each was resolved with the borrower. Last year, fewer than 50 cases went to lawsuit out of 120,000 loans. I want everyone to understand those numbers as we look through this.

With regard to the bill itself—and I think Mr. Horne addressed this—we believe there are some items such as the ability to repay that can stay. The fact of the matter is that my client is a lender under NRS 604A.480. I think it is important to address that section of the law and the requirements my client must meet currently before they approve a loan. The only loans we write are what are called high-interest loans, and we do not charge any fees up front. The process begins when a person comes in and we have them fill out paperwork. We then perform a credit check on the customer with a major consumer-reporting agency and give the customer the right, per statute, to rescind the loan within five days. We also participate in good faith in credit counseling with that customer. All of those things are already required under the law, and we perform all of those things. Finally, we charge our clients a daily interest rate, but again, we do not charge any fees. We believe that the current ability to repay as written in NRS 604A.480 is adequate.

The second topic I want to address is default. I do not believe people enter into these loans with the intention of defaulting, but we can take one of my client's loans as an example. My client's loans are fully amortized, which means every payment—whether weekly, biweekly, or monthly—is principal and interest until the loan is paid off. If we loaned someone $500 with biweekly payments, their interest would be $2.71 a day. The fact of the matter is that if that person does not make that first payment two weeks later, with Assemblyman Flores's language, we would then throw that client into default. We would never have received a single payment on that loan, and the client would then have no further obligation to pay the interest, which was agreed upon, in a contract, which was signed. Additionally, our contract is like any contract that people freely enter into, and normally it is up to one party—in this case a bank or the lending institution—to determine when they are going to trigger default. That happens every day at banking institutions, whether it is payday lenders or retail banks, on a regular basis. This industry is no different from any others.

Those are the two sections of A.B 163 that relate to my client and with which we have specific issues. I am happy to answer any questions, and I appreciate your time today.

Alisa Nave-Worth, representing MultiState Associates Incorporated; Moneytree; Check City; Check-Into-Cash; and QC Financial:
We represent MultiState, which includes MoneyTree, Check City, Check-Into-Cash and QC Financial. I just want to say that our clients work hard to ensure that they not only comply with existing Nevada law, but they comply with the best practices in the nation. That is why we want to work diligently and have worked diligently with the sponsor to address the particular concerns and real issues where loopholes exist, so that the few bad actors in this area are not able to exploit the law.

Mr. Horne said, and we would like to reiterate, that certain aspects of the ability to repay in A.B. 163 as written make sense, and we believe should be in law. We think there should be some additional elements, including language stating that a licensee will not be in violation if they are able to obtain certain forms of documentation. We think current employment status is something that should be included in the section concerning ability to repay and that a valid government issued ID—including IDs issued by non-U.S. jurisdictions—should also be included in that. We have concerns, however, with other aspects of the ability to pay, because we find the language is overbroad and ill-defined, and we would like to work with the sponsor on those aspects with which we do not agree. We think we are trying to understand what the sponsor is trying to do, and we want to work through this. We understand what the ability to repay is and, frankly, we believe that we comply with ability to repay because we want people to repay our loans. That is the business we are in, and we comply with the law in all of our stores.

We are also concerned about the elimination of the grace period in general, because we believe that the grace period is a form of consumer protection put in place in 2007 and part of a larger discussion about giving a mom who gets caught at soccer practice 48 hours to repay a loan without having to go into default. We would like to further open that conversation with Assemblyman Flores.

We have told Assemblyman Flores that we agree that an individual should not be able to take out a title loan on a car that he or she does not own. If people are doing that, we think that is already against the law and should be enforced, but it needs to be codified. We understand that, and we think it is a good practice that should be put in place.

I want to reiterate two other things we have suggested to Assemblyman Flores. The first is that we believe the Legislature should codify national requirements regarding ACH entries. We believe that is a consumer protection that, while not yet proposed, would be good consumer protection and put more teeth into the law. As an industry we also believe in and are willing to come forward and fund a financial literacy fund modeled after other states that would be a $500 per licensee location. We believe it is important that customers who are not able to access this type of credit should be properly counseled. As an industry, we want to be a part of consumer protection education.

Assemblyman Frierson:
I appreciate that, Ms. Nave-Worth, and I think that you were the first to at least provide a full-throated notion of being willing to work with the sponsor and articulate exactly what it is you are having issues with, but also what you can do moving forward. I just wanted to encourage those that did express opposition—I realize that we are taking testimony in a nontraditional order—to speak with the sponsor and subsequent members of the Committee to articulate in a detailed way what you do not like versus what is good, in addition to what might need to be altered. I am assuming that there are some things that you do not like, there are some things you support with some modifications, and then there are others that you support as being an effective way to go after bad actors. It is not entirely clear with the presentations that that is where we are going. I think it would be productive and fruitful for us to make sure to go that way.

Alisa Nave-Worth:
Thank you very much, and we look forward to having a very detailed conversation in the coming days.

Chair Bustamante Adams:
Thank you both so much. Is there anybody in the neutral positon who would like to testify? Being neutral means that you will provide information that you think we should have in order to make an informed decision. [There was no one.] We will now take testimony from those in support of A.B. 163.

Barry Gold, Director of Government Relations, AARP Nevada:
There will always be a need and a place for people with less than stellar credit to take these kinds of loans. However, oftentimes these people are desperate. As Assemblywoman Neal said, these people cannot make ends meet so they need to find a way to get the money that they need.

AARP has been working on payday lending, title loans, et cetera, for a number of years in the Legislature. It is very important that we do two things: we protect people against the industry, and we also protect people against themselves because, oftentimes, people do things that are not in their best interests. I get calls from people who took out one payday loan to pay off another, and since I am not an attorney, I do not give them advice. I ask them a simple question: how did that work for you? They tell me that it did not work for them, so I refer them to agencies like the Legal Aid Center of Southern Nevada and Washoe Legal Services. AARP, on behalf of our more than 300,000 members across the state, supports A.B. 163. I am not going to be able to stay for the next hearing, so I know it is a little out of protocol, but we also support Assembly Bill 222. Thank you.

Venicia Considine:
I wanted to bring the conversation back to the fact that A.B. 163 is about allowing lenders to write loans and allowing borrowers to pay them off and to get borrowers out of a bad situation before it gets worse. This is about defining and clarifying statute. This bill is about defining what the term "grace period" means; this bill is not about getting rid of the grace period. It is about an understanding that if the grace period is a gratuitous and free period of time—such as 48 hours—for someone to make a payment, then that is what it is: it is a free and gratuitous offer by the lender. It is not, as has happened in our experience and as is described in my testimony (Exhibit E), the ability for a title loan lender to take someone who is in a title loan and cannot make the payment, and put them into a 14-month loan that not only jumps up after 7 months of payments into double the payments, but also nets the lender an additional $1,200 in interest. This is a loan that went from a 210-day loan—and in this particular case this was not even the first loan, it was a roll-over—into an additional year or more for what was supposed to be a short-term loan. The fixes in A.B. 163 are there to avoid this type of predatory lending. This is not an argument about who is scrupulous or who is unscrupulous; this is about making it clear what default means and, when a default is triggered—by whatever means it is triggered—that instead of putting someone who is already financially vulnerable into a position where they are paying for several months after the loan should have been done, they are paying hundreds or thousands of dollars more of interest than what they agreed to. The statute backs up the fact that a default is clear.

The reason why this type of grace period deferment plan ended up in a lawsuit was because these types of predatory lending netted over $7 million for the lender who did this. The lender said that their version of "grace period" was interpreted differently from the customer, but that their version was understandably the intent at the time "grace period" was defined in statute. The same issue exists with default. If default is defined, it should be defined clearly. There should be no argument that "default" is vague; otherwise companies will just find new ways to get additional interest and then we will see how long it takes because people do not know what their rights or complaints are. This bill simply clarifies default, clarifies grace period, and clarifies ability to repay a loan. This bill also clarifies that if you are not the titled owner of a vehicle, you should not be given money, as someone else's collateral is the thing that is going to be repossessed. I appreciate your time, and I am happy to answer any questions.

Nancy Brown, President and Board Chair, Opportunity Alliance Nevada:
Opportunity Alliance for Nevada (OA) is a 501(c) nonprofit. Finance and economics affect nearly every aspect of Nevadans' lives. The ability to manage one's finances and have access to resources needed to better one's financial prospects can lead to an increase in financial security and the ability to maximize one's assets. As more Nevadans are able to successfully improve their financial outlook, Nevada's economic ladder is strengthened, providing a resilient middle class that can meet the demands of a global market. Access to affordable, responsible credit is part of the equation. Unfortunately, payday lenders in Nevada are taking advantage of people who are operating in crisis mode and end up signing complex loan agreements with interest rates so high that they are illegal in many states. While Nevada has made some progress in legislating payday lending reform, more is needed to protect the consumer; therefore, OA supports this legislation. Thank you.

Elizabeth Tenney, Private Citizen, Reno, Nevada:
I am a citizen from Reno. Thank you very much for taking our comments today. I am here with a brief personal story. This business in Assemblyman Flores's bill about the ability to repay is so fundamental to the success of anyone.

I am a retired teacher, and I knew a teacher whose story tells the old issue of being trapped in a situation that one can never get out of. Life happens: through divorce, losing a house, and a former spouse's poor financial management, this teacher found herself homeless. She was not able to get together first and last month's rent, and she was living in her car. She was a college graduate teaching school, living in her car, going to public bathrooms to get ready for school, and going to department stores at night to get clean for the next day. It was a very tragic situation. She was eventually and with difficulty able to pull herself out of this situation, but if she had gotten into the debt cycle we see with high-interest loans that are rolled over with usurious interest rates, her recovery never would have happened. In her case, she would have looked like she had the ability to repay, which is a very important component of this bill. I am very impressed with the breadth of Assemblyman Flores's seven prongs and that all those factors must be considered, so I am very much in support of this bill. Thank you.

Shane Piccinini, Government Relations, Food Bank of Northern Nevada; and representing Three Square:
Without getting repetitive, Nancy Brown made several of the points that we would have made. I just wanted to go on the record and make it clear that our food bank and our work through Bridges to a Thriving Nevada absolutely supports A.B. 163.

Kenneth Krater, Private Citizen, Reno, Nevada:
My name is Ken Krater and I live in Reno. I wanted to give you a quick background about myself. I have always been highly involved in my community, and about a year and a half ago, with the help of Mayor Hillary Schieve, we formed the Operation Downtown Blue Ribbon Commission to deal with homelessness, blight, mental health, and addiction issues within our downtown community. We received quite an education in the last year and a half, and one of the things the commission discussed is payday loans.

I learned, long ago, that in any industry or any business there is the good, the bad, and the ugly. For those who are good, thank you very much for the service that you provide to Nevada's citizens. We have also learned, however, that there are the bad and the ugly. For example, the Housing Authority of the City of Reno received numerous complaints from senior citizens who were barely making enough on social security to pay their rent and buy food, and they faced these same issues with payday loan companies.

My real reason for being here today is that about two years ago, our 19-year-old daughter was brought home by a police officer, and we learned that she was a heroin addict. She frequented payday loan companies to support her addiction. The more we got into it and the more we learned, I realized that she clearly did not have the ability to repay. She did not have the title to her car—I had that as her father—yet she was able to receive multiple loans from various payday loan companies, including MoneyTree. I paid them off just so that she could move on to a new life in California. She is a good girl. She has gone from a 1.5 grade point average (GPA) to a 3.5 GPA. She is starting a new life, but I learned that perhaps we need to do a better job of policing this industry, to ferret out the bad and the ugly. Clearly, the good guys do a great service, but there are major issues with payday loan companies, and it is feeding our heroin addiction. We all know the major crisis we have in our state with opioid addictions, and we have to do everything we can to help that, or we are going to lose a significant portion of our youth in the state of Nevada. Thank you.

Marlene Lockard, representing Nevada Women's Lobby; and Service Employees International Union Local 1107:
Payday lenders simply prey on the poor. It is plain and simple. All you have to do is Google "payday lenders," which I did last night. One after another, the results displayed are "ten-minute loans," "quick," "no cash down"—the headlines for these companies suck people in deliberately, to get people into the cycle of repeat loans. As John Oliver says, and I will not even to attempt to impersonate his accent, Payday loans are like Lay's potato chips—you cannot have just one. This billion-dollar industry has grown so fast in the last 20 years that there are now more of them than Starbucks or McDonald's. Think about that for a minute. Please support the measures in these two bills; they are very much needed. Thank you.

Harold Carnes, Private Citizen, Las Vegas, Nevada:
I thank you, and I appreciate being here today. I thank you for taking the time out of your busy day to have this hearing and to look into the payday loan industry. I, myself, have been a victim of the payday loan industry. As a fast food worker, I have struggled at $8.75 an hour to take care of my wife and my grandson. There have been days that I have been ill and

have not been able to go to work, and those days my paychecks have been short. In doing so I have turned to the payday loan industry four times. Even when they found out that I could not pay them back and after defaulting on a couple of my loans, I was still offered and given money. I took it because I needed it, because I did not want to see my family out on the street. It is a cutthroat industry because once they found out that I could not repay the first loan of $500, I was given an opportunity to get $300 more, and after that $300 more. Right now, I am currently paying back one of my loans, and they told me that once I had made a significant amount of repayment they would lend me some more money. To me that is crazy. The seven steps were not being followed. They realized I did not have the ability to pay them back, and once again, this company went after me and they got me.

I am here today to ask you to regulate these companies, to stop them from what they are doing, because people like me who are making $8.75 an hour, paying $617 in rent and $100 and something in light bills, buying food and diapers and everything else that I need to take care of my family with, it is not helping. I cannot afford to pay these people back, and every day it becomes even harder. The last thing I want to see is my family out on the streets, so therefore, I have no choice but to go to these people and let them take what they want. I am praying that you will stop for a minute and realize that we need help, not only with the payday loan industry people, but also with minimum wage. Help us out, that is all we are asking for. Forget that you are politicians for one minute and remember that you are human beings just like us, and that if you wanted to live in my place for a minute I do not think you would make it. Thank you.

Roxana Lanuza, Intern, Progressive Leadership Alliance of Nevada:
I am an intern for the Progressive Leadership Alliance of Nevada (PLAN) and we are here in support of A.B. 163. Thank you.

Betty Bishop, representing St. Therese Church of the Little Flower; Society of St. Vincent de Paul; and Acting in Community Together in Organizing Northern Nevada:
I am here today to give testimony in support of A.B. 163. I represent two nonprofit organizations: the St. Vincent de Paul Society from Little Flower Catholic Church in Reno, where we provide direct services to low-income people, and I am also part of Acting in Community Together in Organizing Northern Nevada (ACTIONN). The purpose of our organization is to work towards making systemic changes in systems that adversely affect people.

Today, through St. Vincent de Paul, I met a gentleman whose name is Charles. Charles wanted to be here, but he had pneumonia and so he could not testify today. He wanted you to know that he is 51 years old, he is disabled and his monthly disability check barely covers his housing and food costs each month. Three years ago, he had an unforeseen emergency and thought he could remedy his situation by taking out a $75 loan from a payday lender. It is now three years later and he is still paying his loan at a rate of $150 per month and his interest rate is 521 percent on his high-interest loan.

Unfortunately, he is not the only person that we see trapped in these oppressive debt traps. We frequently encounter people who have taken out payday or title loans, only to be faced with huge penalties when they cannot pay. They then become delinquent on their other bills and they sometimes face evictions. We strongly urge you to enact laws that protect people from unfair, high interest rates, and to ensure their rights to basic material necessities that are required to live a decent life. We just encourage you to close the lending loopholes that leave borrowers without enough money to live on. Thank you.

Judy Simon, Private Citizen, Incline Village, Nevada:
I am here to support A.B. 163. Usually people seeking these loans are desperate, and their quality of life is affected. They may have a sick child, they may need warm clothes for that child, the child might need money to go on a field trip or participate in athletics. Perhaps they need a car repair so they can get to work or maybe even food. These predatory practices do affect their quality of life and need to be stopped. Thank you.

Steve Jimenez, Extern, Nevada Hispanic Legislative Caucus:
I am an extern for the Nevada Hispanic Legislative Caucus, and we support A.B. 163.

Jim Dickey, Credit Manager, Western Nevada Supply, Sparks, Nevada:
Thank you for the opportunity to speak today. My name is Jim Dickey, and I am a credit manager with Western Nevada Supply. I have been in the credit industry for close to 40 years: 5 years in consumer credit and 35 years in commercial credit. The reason I am here is that last week we had an employee come to us who had six high-interest loans totaling roughly $9,000. His payments were $2,000 a month, and when I did a budget with him, he had about $300 in money available to pay these loans. This had gone from $1,500 to $9,000 in one year. Clearly, nobody is doing a test to see if he has the ability to repay. The interest rates ran from 300 to 700 percent.

What I think is really going on with at least some of these companies is what I call the pulse test. I do it at work, and I do it when somebody comes in to get credit from us. No matter how bad their credit is, we are going to give them a certain credit line. I think what is going on is because the interest rates are so high, they can do a pulse test and figure out that if they do enough of these, more are going to pay than are not going to pay. If you really want to fix this, you have to cap the interest rate, because then they will start looking at whether people can really repay these loans or not.

The other thing I think you should be looking at, to see if lenders are really looking at the ability to repay, is turndowns. What is their percentage of turndowns of these loans? Are they approving everything, or are they turning some people down; and why are they turning people down? I think if you look at that, then you will get a clear idea as to whether they are really looking at ability to repay. I think capping the interest rates is clearly where you need to go.

Assemblyman Hansen:
I just wanted to make a comment. Mr. Dickey and I actually go way back. Just so you know, when the economy flat-out collapsed, his company—owned by Rick Reviglio and the major supplier in western and northern Nevada for plumbers—worked with me extensively, and still does, on trying to recover from that economic collapse. When this man talks, he literally talks to hundreds, if not thousands, of small business owners. He helps them out, and he also understands this industry extensively well. I wanted to thank him publicly for having worked with me through some of these similar things and not forcing me, frankly, to go in desperation to some of these other types of people. I just wanted to state that for the record. When Mr. Dickey speaks, it is with a level of authority and knowledge on the ground level, dealing with thousands of small business owners like myself who have had credit issues.

Chair Bustamante Adams:
Thank you, Assemblyman Hansen, and thank you Mr. Dickey for your testimony. I appreciate it. I will now let the bill's sponsor make some closing comments, and then we will open the hearing for our next bill.

Assemblyman Flores:
I wanted to briefly thank all who have come to my office or who spoke in opposition. I have been working with a few of them, including Security Finance, on some specific language as pertaining to their industry, as it is slightly different.

I wanted to make a few really quick remarks. First, I want to thank Mr. Shaul, the expert, for coming to our state. Welcome to our state; I hope you stay and spend some money and eat at some of the amazing restaurants we have here. I hate it when we fly people in and they just talk in this building and that is all they bring to us. I appreciate it when visitors can spend a little money in our state. I was going to bring in my own expert, but I figured I would just have the people of Nevada speak, and that would be sufficient.

Beyond that, I think 80 percent of the opposition who spoke against this bill actually did not oppose it. They did not address a single line in my bill that they opposed, which draws a bigger concern. Every single time we address and open a chapter in NRS pertaining to some of these industries, they automatically panic because they do not want to be regulated. They are already too regulated, yet there are all of these concerns. That should be frightening to all of you. When somebody comes up here in opposition and cannot articulate a single line that they are against, they actually are not against it; they are in support of my bill, including Mr. Shaul, the expert. He said, "You're right—ability to repay is a huge concern." That is an issue nationwide; everybody is tackling that. So actually the opposition, I would say about 80 percent of it, actually agrees with me, or they should have come in in the neutral position because they cannot articulate a reason they are against it. For those who did articulate a reason that they are against my bill, I invite you to come to my office. You know my door is open. I want to work with you, and if I can, we will come to an amicable ground and figure out the best way to go about it.

Tennille Pereira:
I just wanted to cover some of the data that was discussed earlier. There was a great study on payday lending by the Pew Charitable Trusts. It is titled, "Payday Lending in America: Who Borrows, Where They Borrow, and Why" (Exhibit F). I would be happy to provide a copy of this full report for you to see. I wanted to bring out some of the points they discuss. The average borrower takes out eight loans for $375 each and spends $520 in interest. The average borrower does not have a four-year college degree, rents their home, is African American, earns below $40,000 annually, and is either separated or divorced. The average borrower is indebted about five months out of every year on payday loans.

One of the other issues that I wanted to address is the fear that, if this industry becomes more regulated, people are going to have to run to the online community and then they will no longer be protected. I wanted to be clear that that is not the state of our law in Nevada. In Nevada, online lending is subject to our regulation. I can tell you those statutes: they are NRS 604A.565 and NRS 604A.620. If we regulate payday lenders more, online lenders will still be subject to our regulation.

The Pew Study I provided to the Committee also included interviews. They asked people what they would do if they did not have access to payday lending, and I thought this was very interesting: 81 percent of borrowers said they would cut back on expenses. Many also would delay paying some bills, rely on friends and family, or sell personal possessions. These are from the people that are using payday loans, and this is what they said they would do. The study did an analysis on the states that had no regulation on this industry, states that had moderate regulation, and states that had the most stringent regulation. What was interesting was that the online usage for payday loans varied very little. For the most stringent states, only 5 out of every 100 would-be borrowers were going online. This is not a huge rush to go online and again, if it is, they are still subject to our regulation.

[Additional exhibits include a Title Loan and Security Agreement (Exhibit G), a Deferred Deposit Loan Agreement (Exhibit H), and an Installment Loan Agreement and Disclosure Statement (Exhibit I), submitted by Tennille K. Periera, Legal Aid Center of Southern Nevada; written testimony in opposition from Wendy Corson (Exhibit J), and written testimony in opposition from Mike Byrne (Exhibit K).]

Chair Bustamante Adams:
Thank you so much, Assemblyman Flores. We are going to go ahead and close the hearing on A.B. 163 and open the hearing on Assembly Bill 222. Just to prepare the Committee members, this is our second bill on this topic—payday lending. Keep in mind some of the testimony on the overview of the industry that you have heard, where the chapter is, where it is regulated; keep that in mind as we prepare for this bill.

Assembly Bill 222: Revises provisions governing payday loans, title loans and installment loans. (BDR 52-574)

Assemblywoman Heidi Swank, Assembly District No. 16:
We are having a few technical issues, but if it would be helpful, I would be happy to get started. I know there are some people in the audience who have a bus that is leaving at 4:30 p.m., so if Madam Chair would not mind, if I could ask those people to stand if they are in support.

Chair Bustamante Adams:
Absolutely, and thank you for notifying me of that. If you are in support of Assembly Bill 222 and you have to head out, could you please stand?

Assemblywoman Swank:
I believe they have already left.

Chair Bustamante Adams:
Well, they were here. Who were those individuals?

Assemblywoman Swank:
It was the Progressive Leadership Alliance of Nevada.

Chair Bustamante Adams:
Thank you so much. I wanted to get that on the record.

Assemblywoman Swank:
I will start with a few opening remarks, but then I would really like to have my PowerPoint so I may give the Committee some good visuals. For the record, my name is Heidi Swank and I represent Assembly District No. 16 in Las Vegas. I am going to be talking to you about Assembly Bill 222. I am bringing this bill because my constituents asked me to. The first time I ran for office, I literally received campaign contribution checks with notations on the memo line that gave me this mandate. Therefore, I am here with this bill for my constituents.

The purpose of this bill is really to make sure that payday loans are doing what I was initially told, by payday lobbyists, that they are meant for. They are meant for helping people through emergencies or when they need to get their car fixed and they cannot quite afford it. Payday loans are for short-term needs and not for utilities, groceries, and things that are part of individuals' ongoing expenses. For me, this bill is about making sure that we have people taking out these loans for things that they were originally intended for.

I would also like to address rumors I have heard from a couple of members that stakeholders have not been heard in negotiations, and that we have not been negotiating in good faith. I would like to be sure you know that I came to people and I come to this process the same way I used to live in India. I would need to buy some groceries, and I would go there and I would say that I will give you x amount of rupees for this broccoli, and I would wait for that person to say, No way, I will give you this amount. That is what I did with the stakeholders who had interests in and problems with my bill. I have yet to hear back what in my bill they could live with and what they would keep. I am open; I know there is a lot in this bill, but as I have told all of the stakeholders, everything in this bill is on the table. We just need to sit down and have those negotiations.

Chair Bustamante Adams:
I think Assemblyman Flores unplugged the projector. We will take a five-minute recess.

[The meeting was recessed at 4:08 p.m. and brought back to order at 4:13 p.m.]

Assemblywoman Swank:
I am happy to get started. There are going to be a lot of numbers and data in this presentation that come from different states. We do not have a lot of data in our state, and we really looked for good data. I can tell you, as a social scientist, this is a valid way in which to present data and to compare people. There are many similarities when you get to that granularity of data.

I am going to start off with an overview (Exhibit L) of payday loans. I know we have talked about much of this so I will try to zoom through parts of this. We know that most borrowers seek a payday loan for about $375 on average [slide 3, (Exhibit L)], often to cover routine expenses. These loans are typically made for a period of two weeks, at which point the lump sum—including principal and fees—is generally due. The borrowers can also re-up or roll over their loan, at which time they would pay the initial fees again. This generally equates to about $75 in fees on a $375 loan. With an annual interest rate (APR) of over 500 percent and fees of around 20 percent, these loans typically account for about one-quarter of the borrower's take-home pay. I do not know about you, but if I had to pay out one-quarter of my take-home pay every month, that would be pretty difficult.

Slide 4 talks a little bit about rollover loans. Colorado's Attorney General concluded that about 61 percent—the majority—of all payday loans were refinance or rollover loans, and it is not uncommon to pay $1200 in interest and fees over a five-month period for a $500 loan. In fact, what we see from payday borrowers is that they are four times more likely to file for bankruptcy than non-payday loan borrowers.

One of the things we often hear when discussing payday loans is that these rates are justified because these loans are high risk, but if you look at the Consumer Financial Protection Bureau's (CFPB) definition of "high risk," it means that, "different consumers have different interest rates or other loan terms" [slide 5, (Exhibit L)]. For the most part, payday lenders do not differentiate. It does not matter if Joe has a better ability to repay than Mary does, they get the same interest rate. The payment is often virtually guaranteed in that the borrower gives the lender a postdated personal check or an authorization to make a withdrawal. What often happens because of this withdrawal is that it causes borrowers to bounce checks and incur overdrafts and other bank fees.

Slide 6 shows us there is also economic loss to us as a state. We know that borrowers often have to turn to public programs for assistance with necessities, and in fact, one out of six borrowers receives government assistance. These loans, because of the high fees, reduce spending on other goods and services which could be used to bolster other parts of our state's economy. People tend to not go to movies, out to dinner, or to do the other things that they might otherwise do if they did not have to pay these high fees.

I want to take you through a bunch of maps of Clark County that are going to look at many different demographics. I know there is a lot of information here, but in the end, I will pull it all together for you. Looking first at the prevalence of payday lenders on this map [slide 7], the darker red means more storefronts. The blue box shows the ten highest ZIP codes as far as the prevalence of payday lender storefronts. The squiggly boundary in the southern part is my district, so you can see that this is something that is of concern for people in my district. Other Assembly districts that have the highest concentrations of payday storefronts in Clark County include District No. 10, District No. 42, District No. 3, and for people not on this Committee, District No. 20, District No. 15, and District No. 11. This affects many of our constituents. Try to keep in mind where the darker areas were. I should also note that up at the very top middle is ZIP code 89081; we do not have data for that so that will always appear lighter.

Slide 8 shows the same map with median income in Clark County. What you see here is that where you have lighter blue you have lower income. Just to go back, you can see that the lower income is where these payday lenders are concentrated; they do not have a usual distribution of businesses.

Slide 9 looks at the prevalence of bank locations in Clark County. Here we see that the darker the green, the more banks, and we start to see a bit more normal distribution as far as businesses here. It is not really that unusual to have financial sectors located closer to the urban core, so it makes sense that we have more banks in this central area. They are definitely much more spread out than we see in terms of payday lenders, however.

Because banks are a unique segment of the business sector, we want to look at a business that really does not target any specific segment of the population. Therefore, let us look at Starbucks. On slide 10, we see that the darker color once again means more storefronts. Apart from the two ZIP codes in the center, which are right by the university, there is a much more even distribution of Starbucks across Clark County. They are not targeting any specific population; they are just trying to reach out to as many people as they can with their product.

If we look at all of these, it can seem like a lot of information, but if we think about the ten ZIP codes that have the most payday loan storefronts, they have 21.1 percent of the county's population, 21 percent of the banks, but they have 59.8 percent of the payday storefronts. I would argue that what is happening here is that the people who run payday lending locations are creating a space in which, for low-income people, this is the default. This is all they see. They do not see the banks but they see the payday lenders. They are everywhere, they become normalized, and it becomes the only way that they see to access credit.

Next, I want to walk you through the bill itself. The slides are organized by topic, not by the order of the bill. I can let you know which sections correlate. We thought it would be easier to do it thematically.

Chair Bustamante Adams:
Before you go through the bill, I want to ask the Committee if they had any questions.

Assemblywoman Neal:
I was looking at the slides and I noticed that 89115, 89030, 89032, and 89031 are in my district. If I am reading slide 9 correctly, it looks like there are only 1 to 3 banks located in 89115. On slide 7, 89115 and 89030 are light pink, and it looks like there are 10 to 19 payday lenders in each of those ZIP codes. Am I reading these maps correctly?

Assemblywoman Swank:
My apologies for missing your district, and yes, you are correct on both counts.

Assemblywoman Neal:
I was trying to get a good reference for that, and the correlation to income seemed a little high in 89115 for households earning under $40,000 a year. That would make sense for 89030, because I know for a fact that ZIP code has the highest percentage of people who have not graduated from high school, or have at least a Grade 12 education or a one-year bachelor's degree. Where did you find your data? I understand the applied analysis, but for the $40,000-$49,000 for 89115, I found it interesting that that was the average median income. I had never seen that number before for that particular ZIP code. It is much lower, but 89031 is one of the highest income rates in my district, where most people have a four-year or higher college degree. I just thought it was interesting because people claim that these payday loans are not located in the communities where historical poverty exists. I just wanted to make that point.

Chair Bustamante Adams:
That was a statement and not a question. If you could take us through the bill, Assemblywoman Swank, I would appreciate it.

Assemblywoman Swank:
The first thing this bill does is that it establishes a rate cap in section 3. In Nevada, the APR for payday loans is currently 521 percent. With credit cards, the rate is 24 to 30 percent, which is still somewhat high. This bill would establish a rate cap of 36 percent. On slide 13 (Exhibit L) you can see the list of some of the organizations that support a 36 percent rate cap on high-cost loans.

The second thing this bill does, in section 2, is consider the ability to repay. Assembly Bill 222 would prohibit all payday loans that exceed 5 percent of a customer's gross monthly income—it is currently 25 percent in Nevada—and this bill would drop the maximum down to 5 percent, which we think is much more reasonable for someone to be able to pay back in the short term. This bill would also require consideration for a customer's ability to repay and require the verification of seven underwriting factors that are currently being enforced by the Federal Deposit Insurance Corporation (FDIC) and the Office of the Comptroller of the Currency (OCC) on bank payday loans [slide 14]. The bill would bring those seven underwriting factors into statute. I will let the Committee members read through that because it is pretty self-explanatory. The 5 percent cap is something that the Pew Charitable Trust does recommend, as far as what people can actually pay back.

Next, A.B. 222 establishes a per-year limitation, which you can find in section 4, subsection 1, and also in section 5. This would limit the number of payday loans to six loans per year. It would also incorporate a real-time database and require lenders to participate in the database [slide 15, (Exhibit L)]. Some lenders will tell you that they already report to some credit agencies so they should be carved out of this database, but database entry is simple. It is a very simple form that can be integrated into a single point-of-sale. I am positive that this is something that most of the lenders working in the state could easily accommodate. The application and the database would be filled out simultaneously and then the information would be reported. The rationale for this is that in Tennessee, in 2010, 90 percent of title loans were renewed and only 12 percent of loans were paid in full at the end of the year. Another point I would like to highlight is that 60 percent of borrowers who neither renewed nor defaulted during a one-year period only took out one loan. We are not asking for one loan; we are asking for just six.

There is a case study on slide 16 that the Committee can look at but I will not go into, for time's sake.

Section 4, subsection 1, asks that borrowers only take out one loan at a time [slide 17]. It would prohibit a new loan, payday or title, until the previous loan is paid off. This is helpful because, from the data we have looked at, half of all loans that are renewed, extended, or refinanced are at least ten loans long. In 80 percent of these cases, the last loan is the same size or larger than the first. We think that if people can only have one at a time, it would afford them time to pay the loan off and reset again.

Section 38 places a restriction on conjunction businesses [slide 18]. This is something that has not yet been a huge problem in Nevada, but we are trying to get ahead of the curve. We do not want to have payment centers provide necessities such as utilities inside payday loan centers. We know that Alabama, Missouri, and Arizona have already done this. A quote from *The Wall Street Journal*, on slide 19, provides more information about conjunction businesses.

Assemblyman Ohrenschall:
I am sorry to interrupt you, but do conjunction businesses currently exist in Nevada? Are these places where people can pay utility bills at the payday loan center? If so, I was not aware of that. If it is happening, how widespread is it? Are people taking out loans and paying their bills at the same location? Does anyone have information on that? I was not aware of that.

Assemblywoman Swank:
That is happening, but only in limited cases at this point. We would like conjunction businesses to not take hold, so it would help to prohibit them so that we do not head further down that path. In a small number of cases, however, this situation is occurring.

As I mentioned, there are more payday storefronts than banks in many ZIP codes in Clark County. Section 38, subsection 2, looks at the distance separation between storefronts [slide 20, (Exhibit L)]. We hope to diffuse this a bit more by having some very solid distance separations. We know that this happened in Colorado; the state recently introduced regulations that resulted in a 42 percent decrease in storefronts. However, 77 percent of all people who live in Colorado still live within 5 miles of a payday lender. This does not eliminate accessibility; it just makes it not the default or the most common way to get credit.

Section 4, subsection 1, asks for a 30-day waiting period in between loans. We know that 80 percent of payday loans are rolled over or followed by another loan within 14 days, so having this cooling-off period would be helpful for allowing people to reset their finances between loans.

I have a couple of amendments that did not make it into this bill prior to drafting. One extends the Military Lending Act, which caps interest rates at 36 percent for active military, to our veterans. Our veterans served our country. We know that when they leave the military they are often financially at-risk, so we want to extend that service to veterans. I know that, at least in Clark County, there is a provider on the Nellis Airforce Base that provides a 36 percent loan product specifically for the military. We would like our veterans to have access to that too.

The second amendment would add in a same-language requirement. That means that if a contract is spoken about or read aloud in any language—for example Spanish, Japanese, or whatever language you are speaking—that contract needs to be written in the same language.

The final amendment adds two additional sponsors to the bill: Assemblywoman Neal and Assemblyman Hansen, and we are more than happy to amend them on.

Slide 22 (Exhibit L) gives a brief history of payday lending, which is not a new phenomenon. Payday lending occurred in the early twentieth century. Then, because of deregulations that happened in the 1990s—I believe we just heard from a payday lender who said their business started up in the 1990s—by 2008 we ended up with more payday loan storefronts than McDonald's restaurants and Starbucks combined.

These are all the things A.B. 222 seeks to accomplish. As I said at the beginning, I am open to negotiations with the stakeholders. I think all of these things are on the table, and I am hoping that we will have some fruitful conversations afterwards. Finally, I listed some resources for the Committee on slide 26.

Now, I would like to briefly address some of the things you may hear from the opposition to A.B. 222. Some people are going to talk about how we passed payday reform in 2005 and will question why we need more regulations. The answer is that consumers are not getting all the protections they need. Lenders are simply writing off all-new contracts and not indicating that proceeds go to pay off the previous loan, and they are preventing borrowers from being able to get out from underneath them.

I believe someone already talked about Internet loans. Our Legislature was smart and got ahead of online lenders, and they are already being regulated. Lenders are going to tell you that they are the "good guys." I would say that what I have learned through these conversations is that everyone says they are not the other people, but there is at least one entity that has twice introduced legislation to remove the prohibition on lenders suing borrowers who do not pay back loans. The legislation was rejected both times, I believe most recently in 2015. Nonetheless, this actor was recently able to obtain an order from a district court judge stating that it could sue to collect on these loans. There are people who are bad actors in this business, so I would just be careful about how we go forward.

Some lenders want to opt themselves out of the database. We need to keep everyone in the database so that we all know how many loans people have taken out. Additionally, we start to undermine the quality of our data when we carve people out of the database.

Some will argue that consenting adults should be able to choose how and where they borrow money. We can see, from these maps, there is a concerted effort to focus the prevalence of payday lending on certain populations, and we need to provide assistance in diffusing those storefronts. We are told that these services help people in emergencies, but 69 percent of people who are taking out these loans are using them for living expenses and not for emergencies. With that, I will hand it over to Ms. Pereira from the Southern Nevada Legal Aid Center.

Chair Bustamante Adams:
Thank you, Assemblywoman Swank. On your summation, I think that you are proposing establishing a cap rate of 36 percent and not 38 percent.

Assemblywoman Swank:
My apologies, that was a typo.

Chair Bustamante Adams:
Ms. Pereira, we heard your testimony with A.B.163. Will you be providing the same testimony for A.B. 222?

Tennille K. Pereira, Attorney, Consumer Rights Project, Legal Aid Center of Southern Nevada:
There are a few differences. I am not going to go over what I already went over, but I want to focus on the additional proposed changes to the law in A.B. 222. I would like to discuss those briefly.

Assembly Bill 222 proposes a waiting period to limit the number of loans and to implement a database to help monitor and enforce compliance. I would just like to reiterate and point out that the Commissioner of the Division of Financial Institutions (FID) supported the database idea and talked about how helpful the database would be for collecting data as well as for enforcement purposes on his end.

I would like to share one story and then show you how these three provisions would have prevented my client's situation. There are several other examples of clients in the written testimony that I provided to you (Exhibit M) so I will just discuss one, briefly. This was a client who worked in a nursing home and made about $1,300 a month. She was a single mother of two children. She had been given 24 payday loans with one payday lender, ranging from $51 to $1740, over a period of two years. She brought all of her contracts into my office so that I could review each of them and try to figure out what happened. From my summation, almost every single loan was just a new loan that paid off the previous loan. She could not make her payment so they would write her a new loan. She could not make that payment so they would write her a third loan, et cetera. This went on for two years. Finally, the payments were so out of control and so undoable that she found her way to my office. If there had been a waiting period when she could not pay her first loan, she would have gone into default and, as discussed in the previous hearing, that would have allowed her to get rid of the contract interest and instead pay 10 percent plus prime, or 15 percent. She should have found that off-ramp from the debt cycle, but that did not happen. As far as limiting of the number of loans a borrower can take out, my client would have had a limited number—and this would not have haunted her financial picture for two years. We are still, to this day, dealing with this for her. The database would back everything else up. If the FID can monitor and enforce this in an efficient way, the consumer will be so much better off. That is all the testimony I have on this matter. Thank you.

Chair Bustamante Adams:
Thank you.

Jon Sasser, Statewide Advocacy Coordinator, Washoe Legal Services; and representing Legal Aid Center of Southern Nevada:
I want to thank you for the opportunity to testify on A.B. 222, which has become the full-employment act for blue suits in 2017 legislation. I say that somewhat facetiously, but the blue suits back up the fact that this industry is doing very well in our state. They are making a great deal of money at our citizens' expense. One bragged, in another hearing in the building, that they now have 42 outlets with a $12 million payroll for their workers, and that just raises some policy questions for our state.

The previous bill focused on plugging loopholes in the law and tightening definitions so that bad actors could not evade the current rules. I think this bill goes beyond that and looks at whether we want to do more than the current rules we enacted in 2005 or focus on the larger picture where we have an industry in our state that is making this type of money by exploiting the clients that we serve at Washoe Legal Services.

I would also like to point out that a lot of people say they are the "good guys" and, therefore, should not be covered by this bill. These operators may be the good guys under the current rules, but if a lower interest rate makes sense, then everybody should be under that, regardless of if you have a balloon payment loan or one that is paid off in installments. There is an article I can provide to the Committee called, "Payday and Car Title Lenders Migration to Unsafe Installment Loans" [Center for Responsible Lending Issue Brief, October 2015]. This article argues that, in spite of their installment terms, these loans have the same troublesome characteristics as other payday and car title loans: a lack of underwriting, access to a borrower's bank account or car as security, structures that prevent borrowers from making progress repaying, excessive rates and fees that increase costs when loans are flipped. Many of these loans are problematic even without repeat borrowing. The fundamental harm is making loans that a borrower cannot afford to repay regardless of whether the loan is structured as an installment or a balloon payment. I am not saying that everyone in the installment loan business is a bad guy, but looking forward, if we are going to know who is making loans that people cannot repay, we need to have information about default rates.

How do we know if lenders are making loans that borrowers cannot afford to repay, whether the lender is technically under one rule or another? Normally, in the credit industry, lenders want to check consumer credit history because they want to ensure the borrower can pay the loan. Payday lending would not be a profitable industry with the type of explosion we have seen if borrowers actually paid their loans on time. Payday lending is so profitable because operators are able to continue out that period of interest. Studies show that the two-week payday loans we are talking about take an average of five months to pay off. Lenders make their money for those five months off what was supposed to be a two-week loan. I think it is important for us as a state to take a step back, take a fresh look at policy going forward, and have a database that tracks what is working and what is not working, regardless of exactly what the technical rules are. Are people borrowing what they cannot afford to pay, and is that leading to extreme profits?

Chair Bustamante Adams:
Thank you, and I think I am going to put you in the support position instead of presentation, if you do not mind. Now, Assemblywoman Swank, I will take testimony. We will take opposition first on this bill, because I want to hear, specifically, the sections in opposition. Those who would like to see something change in A.B. 222, if you could come forward, I would appreciate it. Please, if you have already testified on the other bill, you do not need to repeat the whole conversation, but if you could be very specific, that would help me.

Phillip Holt, Senior Vice President, Security Finance of Nevada; and Managing Director, National Installment Lenders Association:
I certainly appreciate the opportunity to speak to your Committee today. There are several points that I want to make, and I want to point out that the 36 percent rate cap will decimate our industry in the state of Nevada.

For a small dollar loan, I represent the traditional installment lending association, and none of my members are payday lenders. We do not take titles to cars, and we do not have access to consumer checking accounts. These are pure signature loans, so the amount of underwriting and budgeting that we do with each customer is critical for our success. Without the customer paying us back, we do not make money. The problem with rate cap bills is that you are looking at an APR, which is a measurement of time—not a measurement of cost. I have had an opportunity to speak with most of the members on this Committee in detail about that, and I will not go into that detail again today. It is very much like comparing a 30-year mortgage to a 2-week payday loan, and those are two different products. A 4 percent mortgage is something that most of us are very comfortable dealing with, but it would be very similar to renting a DVD at Redbox for an annual rate of $711. That does not sound very profitable to individuals around this table because that is based on an annual percentage rate and you cannot do that. A Redbox video rental for $1.95 is something that we are more accustomed to.

The other component here is that if this bill does take effect, there is no need for a database. That would be a moot point. The state would save themselves a tremendous amount of energy and cost trying to pursue that database. In traditional installment lending, we report to credit bureaus, and that is more beneficial for the consumer because every successful payment they make, they get a benefit to their credit score.

Even if we enacted both the rate cap and the database, we still would not capture two-thirds of the lending operations taking place on the Internet and offshore. The information gathered by the FID would be limited and would probably not paint a complete picture. I would urge the Committee to rethink this through quite clearly, and I would be glad to answer any questions following my testimony.

Berlyn Miller, representing Sun Loan Company; OneMain; and Nevada Financial Service Association:

We are installment lenders, not payday lenders, but we do oppose A.B. 222, particularly the rate cap section. In 1983, for the first time in Nevada, the Legislature passed Senate Bill 124 of the 62nd Session, requiring those engaged in the business of making loans of $10,000 or less to be licensed and regulated. During that process, they did not cap interest on these loans and they stated that reason in the bill:

> The expenses of making and collecting installment loans are necessarily high in relation to the amounts lent . . . It is the purpose of this chapter to . . . attract adequate commercial capital to the business, so that the demand for such loans may be satisfied . . . and ensure the availability in this state of adequate, efficient and competitive financial services.

In 1984, I was involved in recruiting CitiBank to Nevada, and was also involved in the Special Session in 1984 where they passed Senate Bill 2 of the 15th Special Session, allowing Citibank to come into Nevada. When I hear someone talk about rate caps, I often think of a story that I have heard Harry Reid tell many times. In his first session in this body—at that time Nevada had a usury rate—Harry had a group of pawnbrokers come to him and say, We cannot make someone come in and pawn a watch or a ring and then come back in two or three or four weeks and pay it off. We cannot charge them enough money in interest with a rate cap to cover our cost on this—the time spent and the paperwork. Harry agreed with them and said that he understood that we needed to do something about that, and he did. Unfortunately, he did not eliminate the usury rate—that was done around 1979 or 1981—but he did sponsor a bill and get it passed to exempt pawnbrokers from the rate so they could do that type of business.

CitiBank would never have come to Nevada if we had a usury rate, and fortunately, that was eliminated earlier. After that, several other credit card operations came to Nevada, along with other financial services that created thousands of jobs. Since then, Nevada has been a leader in economic development because of our probusiness attitude and laws, and I hope that this Legislature will continue that work. Thank you, and I would be happy to have Mr. Holt answer any questions you might have.

Dennis Shaul, Chief Executive Officer, Community Financial Services Association of America:
I just wanted to make a few points. First, the 36 percent interest rate cap is unworkable. The proof of that is that the Federal Deposit Insurance Corporation, itself, ran an experimental pilot program on payday lending and quit it because it could not operate at a break-even point. Their rate was higher than 36 percent. Second, the 36 percent rate cap was well-considered during the Dodd-Frank hearings but was rejected, in theory, because it is an attempt to ration credit that never works, and it is not a function of government to be doing that. Third, not only has this idea been rejected in many jurisdictions, but it was rejected by Congress in the run-up to Dodd-Frank, so there is no reason to think this is a good idea.

Beyond that, I would like to talk for just a minute about research, which has been all over the place. You have to be very careful when people come to you with conclusions. For example, most people do not realize that the Pew Charitable Trust is divided into several entities, only one of which is research. The research division has no role in the statistics that are put out by the Pew Charitable Trust—none whatsoever. How do I know this? I was so alarmed by their first report about payday lending that I went over to see the Pew Charitable Trust. I went to the research department, and they told me I was in the wrong place. They said I needed to go to the advocacy groups instead. I asked what the difference was, and they told me that Pew research, in a recent look at religious practices in America, interviewed 135,000 people. When Pew, the advocacy group, did their payday study, 437 people were interviewed over the phone, asking questions about a five-year period. These two studies are not comparable. We dispute nearly every conclusion that Pew has reached and it does not accord with three programs and reports put forward by the Federal Reserve System. You ought to bear that in mind. Moreover, you ought to bear in mind that the Consumer Financial Protection Bureau, in doing some of its own research, apologized to us because their initial report was deemed to be totally inaccurate.

As far as what would happen in Nevada if there were a 36 percent rate cap, the industry would fold. I am confident that the idea that someone would be able to police the Internet is just totally fallacious. The problem is not the laws you have, the problem is in locating the Internet operator, because they are mobile. I can go down and inspect the payday lending store; I know the people there and I know their records are available—but by its nature, an unethical Internet operator cannot necessarily be located or disciplined. The only way to get at that question is, as I mentioned earlier, to ban loans that are made but not registered in the jurisdiction and to make them uncollectible. That will serve that purpose.

There is so much more I could say. There are parts of the bill that, of course, are worth discussing and parts that I would agree with, but the 36 percent rate cap, the idea that the Internet is capable of being policed, and the idea that research can be done by anybody who has a bias and then comes in and states conclusions, I am sorry, that does not work.

William C. Horne, representing Advance America, Cash Advance Centers Incorporated; and Jackson Vaughn Public Strategies:
I am respectfully testifying in opposition to A.B. 222. I would like to start by saying that I and other representatives of the industry have met with the sponsor of the bill and voiced our concerns about the bill. We have raised our concerns about the bill's effects on the industry. We have had difficulties in our discussions of this piece of legislation with the sponsor. It has been noted a couple of times that there are "good operators" in the business; we are good operators in the sense that we are always willing to come to the table. We sought out the sponsors and asked them what particular problem they were trying to solve. What exists that is not being effectively addressed by the 2007 regulations? With this piece of legislation in particular, we did not get a sound answer on what it was that the bill was trying to fix. Instead, we were sent away and instructed to tell the sponsors what we could live with.

We still sit ready to work, but the problems that we face with this bill, such as the 36 percent rate cap, would be an industry-killer in this state. As I stated earlier in the other testimony, the elimination of the industry is not going to solve Nevada's problem; the people in need of credit will still seek it, but they will seek loans in unregulated areas. The cooling-off period in section 4 will likely cause borrowers to take out a maximum loan amount regardless of whether they need it. Limiting one-time outstanding loans would also cause borrowers to take out the maximum amount, which is 25 percent of gross monthly income, because you put these limits on instead of giving flexibility to the very consumers that you are seeking to assist.

The industry and the good operators in this industry have been at the table since 2005 and 2007, and they are here today. They are not quote-unquote good industry participants; they are genuinely good industry participants. To cite one industry, and then use one company who put a bill forth last session that was outwardly rejected to taint the entire industry, I think is unfair. Thank you.

Assemblywoman Carlton:
I have both a question and statement for clarification. Mr. Horne, you and I have known each other for a long time. With all due respect, I have not heard one person in this room talk about eliminating the payday lending industry. If you are going to draw that final conclusion, that is fine for you to draw. Please state it as a conclusion, but I have not heard one sponsor—and we have two very respected sponsors—state that their intent is to eliminate the industry. I think we need to make that very clear. Your purview is that you think all these provisions could possibly eliminate it, but no one has actually come out and said that is what they are trying to do. You said that many times, so I wanted to make sure for the record, and for those people listening on the Internet, that we are actually clear. That is not what we are trying to do. I know the installment loan people were drawn into something. Mr. Miller and I have debated the usury law for as long as I have been in this building so I am not interested in going down that road again. I just want to make it clear: we are not out to eliminate the payday lending industry; we are out to protect our constituents who we feel are not getting a fair shake in this. We heard from the regulator that he thinks there are problems, too. We are just trying to address issues. I want to make sure you and I are on the same page.

William Horne:
I agree with you, Assemblywoman Carlton, that the sponsors did not say their intent was to eliminate the industry. My proposition was that the provisions, particularly in this bill, particularly the 36 percent cap, would be an industry-ender. If that were the policy position of this Committee and this legislative body, the outcome would be the elimination of an entire industry and would bring harm to the very consumers which I know all of you are seeking to protect.

Assemblywoman Carlton:
In conclusion, that is Mr. Horne's opinion and although I respect his opinion, I disagree with it. I have lived through this debate throughout my legislative career, and if I had a nickel for every time I heard that, I would not be running for office again—I would be retired. We have heard this over and over again: if you do this, we are going to go away. We heard it loud and clear in 2007, and guess what? The industry did not go away. They figured out how to work within the rules. I think there are some issues that should be addressed—maybe not all—but I think there are some real concerns. When I hear a regulator say that he has a problem, I am going to pay attention. He is the person my constituents go to for help. I look forward to your working with the sponsor and seeing which parts of this will actually work well for us.

Chair Bustamante Adams:
Thank you for your institutional knowledge, Assemblywoman Carlton.

Assemblywoman Neal:
I have a question about section 5, the section that limits the ability for people to take multiple loans out. What issues or concerns does the opposition have with section 5?

William Horne:
What section?

Chair Bustamante Adams:
That is the section on the database, right? Is that the one you are referring to? It says "The Commissioner shall . . . maintain a database . . . ."

Assemblywoman Neal:
Right.

William Horne:
The database is being operated in other jurisdictions. We stand ready to work with the sponsor on what is the best way to move forward in collecting data, if that is the desire of this Committee.

Chair Bustamante Adams:
I do not see an objection, am I correct?

William Horne:
As for the database, the issues are about what we are collecting, how we are collecting it, and making sure it is not garbage in, garbage out. I do not necessarily know if we are there yet or know how we could make it work, but we are more than happy to sit down and discuss how we would implement such a database.

Phillip Holt:
The database is something that would be more pertinent to a different lending model. In the traditional installment lending model, we report to the credit bureaus, which is a broader and more knowledge-based way of collecting data, and that is a benefit to the consumer. The database would be another added level of regulatory burden. We would have to pass the cost to our consumer, which is already probably not a good idea.

Assemblywoman Neal:
What issues or concerns have come up in states that have the database? Other states are already doing this, correct?

Phillip Holt:
We do not adhere to that because we are typically not in the same section of law with the payday industry or the title lending industry. Nevada is a unique situation in that we are all lumped in under the same section, so I cannot speak to that. Perhaps the other gentlemen at the table can address your question.

Dennis Shaul:
I want to point out that the bill drafted by Community Financial Services Association of America contains a requirement that lenders would notify two or more credit bureaus but not necessarily the big three when loans are made, as an effort to get around problems with

the database. I think one of the problems the organization was wary of was that collection itself might lend itself to privacy concerns. We have been more or less waiting to see that issue clarified at the national level before we have a position; it is more or less a state-by-state issue.

Assemblywoman Neal:
I also had a question about section 19. The strikeout in that section changes the law so that the original term of a title loan must not exceed 30 days, and then strikes out the language allowing six additional periods of extension. What concerns or issues do you have with that section?

Phillip Holt:
Once again, that does not apply to traditional installment lending. Our terms are 180 days and longer, so I cannot address that. I would turn to others in the room.

Chair Bustamante Adams:
Does anyone at the table have an issue with section 19? I know I heard the 36 percent rate cap, but is there a problem with section 19?

William Horne:
I believe this goes to the issue for grace periods and extensions. We talked about this during the last hearing on Assembly Bill 163. The issue is taking away a consumer's flexibility when he or she cannot necessarily make the final payment throughout their initial term of the loan. Grace periods were put in place for consumer protection in 2007. Eliminating the grace period actually binds the consumer in a way that is not intended. I think allowing the industry and the consumer to work together in resolving paying their loan back is a good thing. As stated earlier, it is not a good business model to loan money to people who cannot afford to repay it. Payday lenders do not do that. The business model is to loan money and to receive that loan back with a fee, or interest, and to help the customer do that. Providing customers a measure of extension when they have trouble meeting that initial term, I think, is something that is prudent for the consumer.

Assemblywoman Neal:
I know you have all had the chance to see the complaint data from the Financial Institutions Division. One of the complaints, or a series of complaints—there were four or five—claim that the issue with high-interest loans was the debt treadmill and acquiring multiple loans from different payday lenders. The biggest issue, however, is the debt treadmill. What would you recommend as far as statutory language to help keep people off the debt treadmill and prevent them from getting multiple loans from payday lenders, especially if the situation was that they were getting multiple loans within a period of 30 days? What solutions would you propose?

Dennis Shaul:
I think the solution is to have an off-ramp. When it becomes apparent to the operator—and I think each state can pick the number—if the borrower is in the business of renewing a loan,

three, four or five times, it becomes obvious to everybody that the borrower is not in a position to repay that loan. Customers ought to be able to exit without any further interest payments and be given ample time to pay the original principal off. That is a legitimate concern, because obviously some people are in these loans too long.

Assemblywoman Neal:
Do you feel that the off-ramp for title loans in section 19 is inappropriate?

Dennis Shaul:
I am reluctant to comment on the title loan question because I so rarely deal with title loans. If, as most title lenders will tell you, the object is in no sense to capture collateral and then resell it, then the solution is an economic one whereby the borrower would be given more time without accruing more interest.

Assemblywoman Neal:
I want to talk about section 15, where it says the original term of the deferred deposit loan must not exceed 35 days. Then the bill strikes language that says the original term of a high-interest loan may be up to 90 days if the loan provides for payments in installments. What issues do you have with the strikeouts in section 15?

Dennis Shaul:
I think there is a transition going on between the single-pay and the installment loan, and it creates a difference for the borrower in that they may very well be more comfortable with a situation in which they are making payments at regular intervals. For the lender it creates a whole new dynamic as to how to finance loans because money is outstanding for a greater length of time. I am not sure that this perfectly solves that dilemma, but I understand where you are headed.

Chair Bustamante Adams:
Mr. Holt, I will let you answer that question, and then I have another Committee member who has a question.

Phillip Holt:
Once again, this is the problem with having so many different lending models lumped together in one section of the code. As I stated earlier, traditional installment loans begin at the 180 days and longer. All of our loans are reported to the national credit bureaus as well as being recognized by the National Black Caucus of State Legislators and the National Hispanic Caucus of State Legislators as the preferred lending model for their communities. Many of the issues you bring up are things that I cannot really address because that is not my business model. My business model is traditional installment loans; it has been that way for 110 years and it has not changed. Technology has changed a little bit, but our business model has not changed over the last 100 years. I apologize for not being able to answer those detailed questions about title lending or payday lending.

Assemblyman Ohrenschall:
I have a brief question for Mr. Shaul pertaining to section 5 and the database. People have come to my office and told me about 14 states that have a database similar to that described in section 5, in terms of the payday loans. I assume that members of your trade association, the Community Financial Services Association, operate in some of those 14 jurisdictions. Has operating in jurisdictions that have adopted the database proven harmful to them, in terms of having the knowledge of whether a customer is mortgaged up to the hilt when they come in and want to take out a loan, versus not knowing?

Dennis Shaul:
I can be totally candid with you on this and say that there is a real division of opinion. Some lenders believe that the database is indirectly helpful to them because they do not want to be the third lender, as it were, with the first two probably getting a preference in repayment. I have also been told that the database is an index of the borrower's real credit situation. Others find the database to be an increase in cost, which has to be paid for in some manner or another. Others find the database to be an opening step toward the collecting of more data, which raises problems with everything from hacking to privacy. There is no uniform opinion. The database has worked well in certain states and been a nonstarter in terms of public acceptance in others. The honest answer is that there is no uniformity of opinion. For now, at least, there is a feeling that whatever the fate of the CFPB may be, they are reluctant to involve themselves with a national database, and the question is going to be one that will be decided state by state.

Assemblyman Ohrenschall:
If someone came up to me and wanted to borrow $100, I would want to know if they were mortgaged up to the hilt or if I was the first person they had ever asked for a loan.

Dennis Shaul:
That is the sentiment of many in our organization. That is absolutely correct, but there are others who see the database as the very end of the slippery slope argument. Once this starts, there will be more data collection, which will put us in an impaired position of more legal liabilities and so forth. As far as the answer to your question about whether the database has proven effective, I think the jury is out. We do not have a large enough catalog of experience with databases at this point.

Assemblyman Ohrenschall:
If your trade association has any data pertaining to default rates for those jurisdictions you operate in that have these databases versus the other jurisdictions that do not have databases, I think that would be informative to the Committee.

Dennis Shaul:
It is my intention to pass along the research, and I will make a note that that be a part of it.

Chair Bustamante Adams:
We have some other people who would like to testify in opposition. As I said, it would help the Committee if you were very specific on which sections of the bill you disagree with so we do not have to take the bill section by section.

Berlyn Miller:
If I may, earlier I had a representative with me from the American Financial Services Association. She had to leave, but I would like to request that she be allowed to give her testimony, in writing, to the Committee.

Chair Bustamante Adams:
Yes, please. I would accept that.

Sean T. Higgins, representing Dollar Loan Center:
We are respectfully testifying in opposition to A.B. 222. Again, I need to start with having the Committee understand that we operate under NRS 604A.480, which is the installment loan section. In that section are requirements that we perform credit checks before we make loans, and report information related to the loan experience of the customer to major consumer reporting agencies. My point is that the protections currently in place, in Chapter 604A, are adequate. That being said, there are several sections of A.B. 222 that we take issue with.

Section 3 and the 36 percent interest rate cap is one problem. Again, I will just say that this does not work for our business model or any other business model. We are required to report our annual percentage rate based on law. Under Chapter 604A, that has to be less than 200 percent. The fact of the matter is, if someone came in and borrowed $500 for a week, it would cost him or her $18.95. For one month, it would cost $80. Now, if you are late on your insurance payment, that is $35; if you are late on your rate, it is $75; if you bounce a check, it is $50. The point is that you have to look at these things—I think one of the previous people testifying said that the annual percentage rate is a misleading number to look at. The fact of the matter is that it is not how these loans are actually looked at.

Section 4, which deals with the 30-day waiting period, creates a problem rather than fixing one. By putting an artificial buffer between loans, we are basically telling people that if they have a problem in that 30-day period, it is their problem and not ours. Therefore, we are not fixing a problem; we are creating a problem where borrowers may then reach out to other types of loan sources.

As far as the database, which I believe is mentioned in both sections 4 and 5, again, we are opposed to it. We think it is unnecessary. The next step in enforcing this language could be requiring loans with traditional banks to also be included and subject to the database reporting requirements. We report our loans to consumer financial bureaus already.

As far as section 2 and the customer's ability to repay, we believe that NRS 604A.480 already has those safeguards in place and that the requirements are already there. Obviously, our overriding issue with A.B. 222 is that if you go to the last page, it eliminates NRS 604A.480 entirely. This bill completely eliminates installment loans from the section, which are the loans my client makes.

I am happy to answer any questions, and I appreciate your time today.

Susie Schooff, Director of Government Affairs, Advance America; and representing Cash Advance Centers Incorporated:
I am here before you to register our opposition to A.B. 222. As mentioned before by others, including William Horne who represents us here in Nevada, we are opposed to the bill as written. I apologize if I do not get the sections I object to correct. I would rather make a few points instead.

We have heard a lot about APR and I want to get back to the 36 percent interest rate cap on our short-term, payday loans. These are the two-week, traditional loans from the industry perspective. Assembly Bill 222 would use APR—which we are required to use—as a cap to lower payday loan fees to less than 14 cents a day on a two-week, $100 payday loan. Annual percentage rate is a yearlong issue, instead of a traditional two-week, 14-day loan. With all due respect, we cannot have a business here in Nevada if the cap is passed. Last fall there was a 36 percent interest rate cap bill passed in South Dakota. We no longer have our storefronts there. We are asking you to work with us and talk to us, as you are, about how to work through the language. The cap, however, essentially does ban regulated, short-term lending. We would have to pull out.

We have other issues with A.B. 222 as well. We have an issue with the 30-day waiting period. As Mr. Higgins brought up, the database is an interesting idea, but what are you really capturing here? As Mr. Shaul said, the jury is out on the effectiveness of the database. I would like to close by saying that, from Advance America's point of view, we oppose A.B. 222 but appreciate the ability to have a dialogue with all of you. As I mentioned before, any and all of you are welcome to do a store visit to see what we are talking about here. Come in to our stores, see what your constituents are dealing with, and feel free to contact Mr. Horne or us. Thank you so much for your time.

Alisa Nave-Worth, representing MultiState Associates Incorporated; Moneytree; Check City; Check-Into-Cash; and QC Financial:
I do not want to spend too much more of the Committee's time today, as you have been here a long time. We echo the specific concerns that have been outlined by not only William Horne and Dennis Shaul, but by others as well. Our concerns are specific to sections 4, subsection 1, paragraphs (b) and (c), which freeze borrowers from applying for new loans within 30 days and provide the limitation of three loans in six months. We believe that those limitations will not prohibit individuals from seeking capital in a critical market. Those that need the source of capital are going to seek capital in other places. That has been demonstrated, and we can show you that data. There are no other sources of capital.

Our customers cannot go to a typical bank and get a $200 loan; instead, they are going to be forced into an unregulated black market. This is not a scare tactic; it is just the honest truth. When you make decisions where you cap or create freezes, you just condition different behavior. People take out loans that are larger than what they need. They seek out capital from other sources that are not necessarily favorable or are often predatory in nature, and that is our concern with section 4.

I want to reiterate that, as said in our previous testimony on A.B. 163, as an industry, we have come together and we understand the need to codify the ability to repay. We have the same concerns with regard to section 2 that we did with the previous testimony on A.B. 163. We understand that this body is contemplative about the need to codify things which are not included in Nevada statute and that would be more protective of Nevadans, and we want to be a part of that process. While we do not fully support section 2 as currently drafted, we are looking forward to being a part of that conversation.

We also want to reiterate that we also believe that the 36 percent annualized interest cap, while not intended to cut down this industry, functionally does. This would lead to the elimination of this source of capital and this type of product for certain communities in Nevada.

Finally, we want to say with regard to section 15, we have concerns because we believe it eliminates ability and flexibility with regard to the consumer, and that it is a conditioning of behavior rather than the solution to the problem.

Chair Bustamante Adams:
Thank you for being concise. Is there anyone else who would like to testify in opposition? [There was no one.] Those who would like to testify in the neutral position, please come up to the table.

Erv Nelson, representing Harvester Funding, Limited Liability Company:
I represent Harvester Funding, LLC, which makes loans not to consumers, but to commercial businesses. I have the same comments for this bill as I would have to A.B. 163. We are not in opposition, because we do not think that we are affected by this. All of the discussion has been about consumer loans. We just want to clarify on the record our understanding that these bills do not apply to commercial loans.

Mike Hanna, representing Veritec Solutions, Limited Liability Company:
My comments apply specifically to section 5. Veritec Solutions provides real-time, regulatory technology in 14 states to help enforce laws surrounding payday loans, short-term installment loans, auto title loans, and predatory mortgage loans (Exhibit N). Although no two states that we operate in have identical laws, the commonality is a cap on the amount of money or loans that a person can have out at any given time. The laws passed by these states have not only resulted in protecting customers, but have created a secure and stable environment for lenders to continue to operate and profit. Our system does not simply track

loans; it will enforce all terms, restrictions, and consumer protections in real time, thus ensuring every loan issued is in full compliance with state law.

In 2001, the state of Florida passed a comprehensive payday loan reform law that enacted several key provisions. Florida consumers are limited to one loan outstanding at a given time, and the maximum amount that can be borrowed is $500. Florida lenders are prohibited from rolling or renewing a loan. If a consumer cannot repay a loan, they may enter a grace period where no additional fees can be added, and at the completion of the loan, there is a 24-hour, cooling-off period.

It has been 15 years since that Republican legislature and Republican governor enacted payday loan reform law in Florida. At the time, the payday industry said it would put them out of business. Not only has that not happened, the industry is thriving due to a level playing field for lenders and a secure and regulated environment for consumers. I will also note that the default rate in Florida, under the database, is 1.5 percent, and the default rate in states where there is no database is several times higher. It is not that Florida Republicans were not pro-free market, it is just that they saw there was no good to the economy if people could not get out of debt and contribute to the economy.

In conclusion, Veritec is neutral to the rates and terms in specific lending laws. We believe that is best left to the policymakers and citizens to decide. After being the database provider in 14 states, protecting millions of consumers and recording millions of loans, we can say that there is a need for this kind of access to credit that the banks and credit unions simply are not providing. We believe our system strikes the balance between allowing for such access to credit and ensuring consumers are protected from falling into a cycle of debt by appropriate and responsible regulation. Several of the lenders who have spoken today have actually supported legislation that included a database. A lot of them operate in several, if not all, of our states and it has worked. As I said, it has been that middle ground. Thank you.

Chair Bustamante Adams:
I appreciate your testimony. If you have any information on the Florida legislation, I would appreciate that.

Mike Hanna:
I can get you the legislation, and I think I did include in the handouts all the laws of the states we are in and I can get you the Florida statute (Exhibit O) and (Exhibit P).

Chair Bustamante Adams:
Thank you so much, I appreciate that. Is there anybody else in the neutral position on A.B. 222? [There was no one.] We will go to those in support of A.B. 222 as written.

Jim Dickey, Credit Manager, Western Nevada Supply, Sparks, Nevada:
I heard a lot of opposition about the rate cap, and I have a couple of suggestions for that. You might allow a loan fee to make up for charging a lower interest. The other thing you might be able to do is to have a sliding scale; in other words, you would allow a higher interest for really small loans and a lower interest rate for larger loans. I think that might resolve some of the issues about not being able to make a $100 loan for 14 cents a day.

Lynne E. Keller, Executive Director, Opportunity Alliance Nevada:
Nancy Brown spoke earlier on the first bill before you; I would like to speak on the current bill. We are also a lead organization for the Corporation for Enterprise Development (CFED), a national organization for financial stability for all Americans. They release an asset scorecard on policy issues, one of which is predatory, small-dollar lending. Their report just came out this week (Exhibit Q). Their report says that many states have recognized the harmful impact of predatory, small-dollar lending. The majority of states regulate these practices in some way, although laws offer varying degrees of protection. Overall, 17 states and the District of Columbia cap at 36 percent APR or lower or prohibit payday loans. Twenty-nine states and the District of Columbia cap or prohibit auto title loans, and seven states protect against high-cost installment loans. Five states—Connecticut, New Jersey, New York, North Carolina, and Pennsylvania—have prohibited or capped all three types of predatory loan products. Thank you.

Shane Piccinini, Government Relations, Food Bank of Northern Nevada; and representing Three Square:
I represent the Food Bank of Northern Nevada and Three Square, a food bank in Las Vegas. We are supporting this bill for exactly the reasons that are outlined in Assemblywoman Swank's presentation, so I will not go into that. I will tell you that in the programs that we serve, such as the Getting Ahead in a Just-Gettin'-By World Program, that helps people develop the life skills and the financial literacy that is required for them to get out of poverty and move up into a middle-class lifestyle, these loans are one of the biggest impediments of getting out of that cycle of poverty. Our clients specifically asked us to represent that today. Thank you.

Marlene Lockard, representing Nevada Women's Lobby; and Service Employees International Union Local 1107:
In my earlier testimony, I neglected to put on the record that I am also representing the Service Employees International Union Local 1107. Both of my clients are in support of both bills.

Jim Sullivan, representing Culinary Workers Union, Local 226:
I would like to read a short statement from our secretary-treasurer in support of A.B. 222.

> The culinary union represents 57,000 working men and women in Nevada, and we are opposed to predatory lending practices. Payday lenders make billions of dollars in fees by trapping hard-working Americans in a cycle of debt. This is unacceptable. We applaud and support any efforts to regulate this exploitative industry that primarily targets communities of color.

Thank you.

Megann Johnson, Intern, Progressive Leadership Alliance of Nevada; and representing United for Undergraduate Socioeconomic Diversity Students for Social Change:
I represent Progressive Leadership Alliance of Nevada, and I am also here to represent Students for Social Change, a student organization at the University of Nevada, Reno that has chosen payday lending as one of its priorities. Payday lending has proven to be a socially irresponsible industry. They hurt low-income individuals and families by trapping them into high-interest, short-term, unsecured loans, where they have to continually borrow to pay off the previous loan. When people have to take out loan after loan in order to pay back an outrageous 521 percent, this lending practice can only be called a debt trap and is the definition of predatory lending. Payday lenders are taking fees out of the pockets of working families at a time when working families need every penny to make ends meet. Nevada borrowers need access to loans with reasonable interest rates that they can successfully pay off, but instead we are setting them up for failure.

Daniel R. Feehan, the former chief executive officer of Cash America, said, "The theory in the business is [that] you have got to get that customer in, work to turn him into a repetitive customer . . . [and] that is really where the profitability is." This quote shows the exploitation of vulnerable customers. This industry relies on people not paying their loans. Additionally, this industry is preying on people with a low financial literacy rate. Nevada ranked 49 out of 50 states in financial literacy. There is no question that people who take out payday loans need the money, but this is not an ethical way to help these people. These loans push people deeper into poverty.

Today you have the opportunity to help these people by passing a sensible bill to close these loopholes. Please pass A.B. 222.

Jared Busker, Policy Analyst, Children's Advocacy Alliance:
I have written testimony (Exhibit R) but, in the interest of time, I will just quickly summarize. We are in support of this legislation. Payday loans directly affect parents and affect their children. When they are paying this high interest, that is taking away from other necessary things that they need to pay for such as diapers, child care, or food to feed their children. We are 100 percent in favor of this.

Chair Bustamante Adams:
Thank you for being concise, and we will include your written testimony as part of the record. Is there anybody else in support of A.B. 222? [There was no one.] Assemblywoman Swank, do you have any closing comments?

Assemblywoman Swank:
Thank you, Madam Chair. I will just make a few closing remarks. First, as far as the rate cap, I am happy to entertain rates other than the 36 percent. I hope that the industry would come back with a proposal so we can further that discussion.

I would like to just touch on a few things that the opposition stated. I think they are setting up a bit of a false dichotomy. There are many other places that people go if they do not have access to payday or title loans, and most often they go to family. I think the intent of this bill is to encourage people to look for other options before this, because we know that most often, when they get into a debt spiral, they end up going to friends and family to borrow money to pay it off.

As far as the confusion about what problem I was trying to solve, I feel like I have been asked that question and I have replied to that question several times. The intent of this bill, and I will say it one more time—although I did say it at the beginning of this bill's presentation—is to make sure that people are using these loans for what I was originally told by payday lenders, that they are for—short-term, one-shot, have-to-get-through-this, need to make payroll—emergencies. I have said that multiple times to multiple people who I have been having meetings with, so I find it a little frustrating that that is not sticking.

I also would say that I never said that the entire industry, in the 2015 Session, was trying to put through that bill. I would say that, actually, I worked with those people and we made sure that that did not happen. There was a particular entity that did try to put through some legislation that would allow for prosecution of people who do not pay their payday loans off.

As far as the database not being able to capture anything, I always call that my "speed limit" argument. That means that we all know that we all speed, but we still have 55-mile-per-hour speed limits even if we do not all get caught speeding.

Last, as far as being careful about what conclusions to draw from data, I just want to reassure Mr. Shaul that I have a joint doctorate in anthropology and linguistics from Northwestern University. I have spent about 20 years doing research and looking at data. I am very good at making sure that data is good, and I am very careful about what data I present.

There are a couple of other points that Ms. Pereira would like to address, but I really look forward to the discussions with the stakeholders going forward. Thank you so much for your time.

Tennille Pereira:
I just want to clarify what many of the lenders were calling "installment lending," and asserting that they do not need to be a part of this database. I have several clients' files sitting in my office right now that have these types of loans and other loans from other payday lenders, and they are in this cycle. Whether it is the installment loan or the two-week loan, they all become a problem. If we make them all be a part of this database, it takes the blinders off of everyone and everyone sees each other. The installment loans are for a period of 150 days minimum. These are long-term loans, but the important part of this is they are for under 200 percent. Every single one of these that I have seen in my office has been for 199 percent. These are not low-interest loans that should be carved out because we are not worried about these types of things happening. These are high interest loans: 199 percent interest for at least 150 days. We do not want them hidden because they check the credit. None of the other people are going to see them just because they checked the credit. None of the others are checking the credit; they are the only ones, so the only type of loan that they would catch would be their type of loan. If there are several other payday loans out there that a customer has, they would never see them and never be alerted to giving them another loan that would violate NRS Chapter 604A. We do not want anyone to have blinders on. We want this to be full disclosure, everyone on the database, so we can stop this once and for all.

[Additional exhibits include written testimony in support from Pamela Tillman (Exhibit S), and written testimony in opposition from Wendy Corson (Exhibit T) and Mike Byrne (Exhibit U).]

Chair Bustamante Adams:
Thank you. With that, we are going to close the hearing on A.B. 222. Is there anybody here for public comment? [There was no one.] I want to tell the Committee that on Friday we will have several items on work session. If you would be mindful and make sure, if you are a yes or a no, please let the bill sponsor know so that we do not blindside anybody, and professional courtesy is to let the Chair know as well. Thank you and with that, we will adjourn [at 5:40 p.m.].

RESPECTFULLY SUBMITTED:

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Pamela Carter
Committee Secretary

____
Devon Isbell
Transcribing Secretary

APPROVED BY:

____
Assemblywoman Irene Bustamante Adams, Chair

DATE: ______________________________________

EXHIBITS

Exhibit A is the Agenda.

Exhibit B is the Attendance Roster.

Exhibit C is a document titled "NRS 604A Complaint Data Information for A.B. 163 and A.B. 222," dated March 15, 2017, submitted by the Division of Financial Institutions, Department of Business and Industry; presented by George E. Burns, Commissioner, Division of Financial Institutions, Department of Business and Industry.

Exhibit D is written testimony in support of Assembly Bill 163, dated March 15, 2017, submitted by Tennille K. Pereira, Attorney, Consumer Rights Project, Legal Aid Center of Southern Nevada.

Exhibit E is written testimony in support of Assembly Bill 163, dated March 15, 2017, submitted by Venicia Considine, Attorney, Legal Aid Center of Southern Nevada.

Exhibit F is a report titled "Payday Lending in America: Who Borrows, Where They Borrow, and Why," authored by The Pew Charitable Trusts, submitted by Tennille K. Pereira, Attorney, Consumer Rights Project, Legal Aid Center of Southern Nevada, available at http://www.pewtrusts.org/~/media/legacy/uploadedfiles/pcs_assets/2012/pewpaydaylendingreportpdf.pdf.

Exhibit G is a copy of a Title Loan Agreement and Security Agreement, submitted by Tennille K. Pereira, Attorney, Consumer Rights Project, Legal Aid Center of Southern Nevada.

Exhibit H is a copy of a Deferred Deposit Loan Agreement, submitted by Tennille K. Pereira, Attorney, Consumer Rights Project, Legal Aid Center of Southern Nevada.

Exhibit I is a copy of an Installment Loan Agreement and Disclosure Statement, submitted by Tennille K. Pereira, Attorney, Consumer Rights Project, Legal Aid Center of Southern Nevada.

Exhibit J is written testimony in opposition to Assembly Bill 163, dated March 15, 2017, submitted by Wendy Corson, Divisional Director of Operations, Advance America.

Exhibit K is written testimony in opposition to Assembly Bill 163, dated March 15, 2017, submitted by Mike Byrne, Regional Director of Operations, Advance America.

Exhibit L is a copy of a PowerPoint presentation titled "A.B. 222: Payday Lending Reform," presented by Assemblywoman Heidi Swank, Assembly District No. 16.

Exhibit M is written testimony in support of Assembly Bill 222, dated March 15, 2017, submitted by Tennille K. Pereira, Attorney, Consumer Rights Project, Legal Aid Center of Southern Nevada.

Exhibit N is a copy of a PowerPoint presentation titled "Nevada Assembly Commerce and Labor," presented by Mike Hanna, representing Veritec Solutions, Limited Liability Company.

Exhibit O is a document titled "Frequently Asked Questions," submitted by Mike Hanna, representing Veritec Solutions, Limited Liability Company.

Exhibit P is a document showing statutory limitations for payday lenders, dated March 14, 2017, submitted by Mike Hanna, representing Veritec Solutions, Limited Liability Company.

Exhibit Q is a letter dated March 15, 2017, in support of Assembly Bill 222, to Chair Bustamante Adams and members of the Assembly Committee on Commerce and Labor, authored by Lynne E. Keller, Executive Director, Opportunity Alliance Nevada.

Exhibit R is written testimony in support of Assembly Bill 222, dated March 15, 2017; presented by Jared Busker, Policy Analyst, Children's Advocacy Alliance.

Exhibit S is written testimony in support of Assembly Bill 222, dated March 13, 2017, submitted by Pamela Tillman, Private Citizen, Las Vegas, Nevada.

Exhibit T is written testimony in opposition to Assembly Bill 222, dated March 15, 2017, submitted by Wendy Corson, Divisional Director of Operations, Advance America.

Exhibit U is written testimony in opposition to Assembly Bill 222, dated, March 15, 2017, submitted by Mike Byrne, Regional Director of Operations, Advance America.