

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON GOVERNMENT AFFAIRS**

**Seventy-Ninth Session  
May 29, 2017**

The Committee on Government Affairs was called to order by Chairman Edgar Flores at 9:15 a.m. on Monday, May 29, 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](http://www.leg.state.nv.us/App/NELIS/REL/79th2017).

**COMMITTEE MEMBERS PRESENT:**

Assemblyman Edgar Flores, Chairman  
Assemblywoman Dina Neal, Vice Chairwoman  
Assemblywoman Shannon Bilbray-Axelrod  
Assemblyman Chris Brooks  
Assemblyman Richard Carrillo  
Assemblyman Skip Daly  
Assemblyman John Ellison  
Assemblywoman Amber Joiner  
Assemblyman Al Kramer  
Assemblyman Jim Marchant  
Assemblyman Richard McArthur  
Assemblyman William McCurdy II  
Assemblywoman Daniele Monroe-Moreno

**COMMITTEE MEMBERS ABSENT:**

Assemblywoman Melissa Woodbury (excused)

**GUEST LEGISLATORS PRESENT:**

Senator Joyce Woodhouse, Senate District No. 5  
Assemblywoman Heidi Swank, Assembly District No. 16



**STAFF MEMBERS PRESENT:**

Jered McDonald, Committee Policy Analyst  
Jim Penrose, Committee Counsel  
Isabel Youngs, Committee Secretary  
Cheryl Williams, Committee Assistant

**OTHERS PRESENT:**

Jon Sasser, representing Legal Aid Center of Southern Nevada; and Washoe Legal Services  
Tennille Pereira, Attorney, Legal Aid Center of Southern Nevada  
George E. Burns, Commissioner, Division of Financial Institutions, Department of Business and Industry  
Justin S. Gardner, Founder and Chief Executive Officer, Innovative Research and Analysis LLC  
Alisa D. Nave-Worth, representing MultiState Associates Inc.  
Keith L. Lee, representing Community Loans of America, Inc.  
William Horne, representing Advance America; and Enova International, Inc.  
John Barnes, representing Veritec Solutions

**Chairman Flores:**

[Roll was called. Rules and protocol were explained.] We will start the meeting with Senate Bill 137 (1st Reprint).

**Senate Bill 137 (1st Reprint): Revises provisions governing certain plans, programs and reports relating to veterans. (BDR 37-64)**

**Senator Joyce Woodhouse, Senate District No. 5:**

I am here to present Senate Bill 137 (1st Reprint) today. Although I am not a veteran, I care a great deal about the health and welfare of our veterans, as I am sure we all do. This bill simply deals with the fact that many veterans do not identify themselves as veterans and thus cannot receive the services they deserve. This measure will remove that impediment.

Senate Bill 137 (1st Reprint) relates to the collection of data from veterans and victims of military sexual trauma. Section 1 requires certain state agencies and regulatory bodies to include certain questions on the forms used to collect data from a veteran that is submitted to the Interagency Council on Veterans Affairs (ICVA), Department of Veterans Services. Current law requires the ICVA to submit an annual report on or before February 15 of each year to the Legislature if it is in session, or to the Legislative Commission if it is not in session. This bill requires the following questions listed in section 1, subsection 16 to be included:

(a) "Have you ever served on active duty in the Armed Forces of the United States and separated from such service under conditions other than dishonorable?"

(b) "Have you ever been assigned to duty for a minimum of 6 continuous years in the National Guard or a reserve component of the Armed Forces of the United States and separated from such service under conditions other than dishonorable?"

(c) "Have you ever served the Commissioned Corps of the United States Public Health Service or the Commissioned Corps of the National Oceanic and Atmospheric Administration of the United States in the capacity of a commissioned officer while on active duty in defense of the United States and separated from such service under conditions other than dishonorable?"

Section 2 amends *Nevada Revised Statutes* Chapter 622 to require regulatory bodies to ask these same questions if it collects information regarding whether an applicant for a license is a veteran and to include that information in its annual report to the ICVA. That is currently required relevant to licenses applied for, issued to, or renewed by veterans.

Section 3 relates to military sexual trauma. The 2015 Legislature enacted Senate Bill 268 of the 78th Session to create the Account to Assist Veterans Who Have Suffered Sexual Trauma in the State General Fund. It also prescribed uses of the money in the account. It required the Director and the Deputy Director of the Department of Veterans Services to develop plans and programs to assist veterans who have suffered sexual trauma while on active duty or during military training. The ICVA was required to include in its report to the 79th Session information provided by the Director concerning these plans and programs.

Section 3 simply removes the sunset of June 30, 2017, that was put in place by the 2015 Legislature on the provisions of S.B. 268 of the 78th Session to continue the requirement to develop plans and programs to assist veterans who have suffered military sexual trauma and to maintain the account while eliminating the requirement to transfer any remaining balance in the account on June 30, 2017.

You will find we have created a two-year window for agencies that this measure will affect. In that time, they can use up any hard copies of forms prior to reprinting and make any digital changes to their various systems. That window reduced the fiscal note. We did not have a large fiscal note on this bill, but the Department of Employment, Training and Rehabilitation was the only one with a problem.

Unfortunately, we have found that many veterans, especially women veterans and those who have served but not in combat, often do not consider themselves a veteran when they see the term on forms and applications. That is the genesis of this measure. In an effort to ensure our veterans receive the resources and the support they need and deserve, this measure will remove that impediment.

**Assemblywoman Neal:**

What if the person was dishonorably discharged and experienced military sexual trauma? Will we collect the information about them?

**Senator Woodhouse:**

It is my understanding that the person has to have met the requirement of not having been dishonorably discharged in order to receive benefits through the various programs the Department of Veterans Services provides.

**Assemblywoman Neal:**

I was just curious if there would be a situation where a person did experience sexual trauma and the reason they were dishonorably discharged was because maybe they fought back or injured the other person.

**Assemblyman Ellison:**

The bill does not really break down what "trauma" means. Could the sexual trauma be verbal or psychological? Does it have to be physical abuse?

**Senator Woodhouse:**

When we passed S.B. 268 of the 78th Session, all kinds of sexual abuse applied to the definition of military sexual trauma, whether it be physical, mental, et cetera.

**Chairman Flores:**

Are there any other questions from the Committee? [There were none.] Is there anyone wishing to testify in favor of the bill? [There was no one.] Is there anyone wishing to testify in opposition to the bill? [There was no one.] Is there anyone wishing to testify as neutral to the bill? [There was no one.] Is there any public comment? [There was none.] If everyone is comfortable, I will entertain a motion to do pass S.B. 137 (R1).

ASSEMBLYWOMAN BILBRAY-AXELROD MOVED TO DO PASS  
SENATE BILL 137 (1ST REPRINT).

ASSEMBLYMAN KRAMER SECONDED THE MOTION.

THE MOTION PASSED. (ASSEMBLYMEN CARRILLO AND  
WOODBURY WERE ABSENT FOR THE VOTE.)

**Chairman Flores:**

I will give the floor statement to Assemblyman Kramer. I will close the hearing on S.B. 137 (R1). We are going to recess to the call of the Chair until the next bill presenter is here.

[The Committee recessed at 9:27 a.m. and reconvened at 9:35 a.m.]

**Chairman Flores:**

I will open the bill hearing for Assembly Bill 515.

**Assembly Bill 515: Revises provisions governing payday lending. (BDR 52-1227)**

**Assemblywoman Heidi Swank, Assembly District No. 16:**

I am presenting Assembly Bill 515 this morning. I will start off by talking generally about payday lending, and then I will talk about the bill. After that, I will send things down to southern Nevada to talk about a few friendly amendments coming for the bill.

Most borrowers, when they go to a payday lender, take out a loan for about \$375, often to cover routine expenses—things like utilities, rent or mortgage, food, et cetera. This also applies to 69 percent of first-time borrowers. This is what they are using these payday loans for. Loans are typically made for a period of two weeks, at which point the lump sum, including principal and fees, is due, generally from the borrower's next paycheck. Borrowers can also re-up the loan by paying the initial fees again, usually around \$75 [page 2, ([Exhibit C](#))]. With annual interest rates over 500 percent and fees around 20 percent, these loans typically account for one-quarter of a borrower's take-home pay, often forcing rollover loans. If you think about your own take-home pay, taking out a loan for a quarter of that is quite a big chunk.

Colorado's Attorney General concluded that about 61 percent of all payday loans were refinance-type transactions. It is not uncommon for a borrower to pay \$1,200 or more in interest and fees over five months for what started out as a \$500 short-term payday loan. As you can see in the box, it states that the average borrower takes out eight payday loans annually. The high cost, short payback period and the lump-sum repayment requirement often creates a cycle of debt. It is a business model designed to put borrowers on a debt treadmill indefinitely. In fact, payday loan borrowers are four times more likely to file for bankruptcy than nonpayday loan borrowers. That is something we pick up as a community [page 3, ([Exhibit C](#))].

To justify exorbitant rates, payday lenders claim that their loans are high risk. The Bureau of Consumer Financial Protection, U.S. Department of the Treasury, defines risk-based pricing as offering "different consumers different interest rates or other loan terms, based on the estimated risk that the consumers will fail to pay back their loans." Payday lenders do not differentiate between consumers. They do not alter the interest rates on the ability to repay. Payday loans, though high cost, are often not high risk. Repayment is virtually guaranteed because often the borrower gives a postdated personal check or authorization to make a withdrawal from the borrower's bank account [page 4, ([Exhibit C](#))].

Often, borrowers have to turn to public programs for assistance with these necessities when forced to use limited resources on excessive payday lending fees. One in six borrowers receives government assistance. In one year in Nevada, \$77.7 million was lost in payday loan fees and \$104.8 million was lost in car title loan fees. Payday lenders strip money from their customers, reducing spending on other goods and services, which in turn strips the economy of potential gains [page 5, ([Exhibit C](#))].

The next few slides show a series of maps. The first is a map of various ZIP Codes in the Las Vegas Valley [page 6, ([Exhibit C](#))]. The blue line delineates the ten ZIP Codes with the highest prevalence of payday lenders. In the middle, you can see Assembly District No. 16. That is how I got here. When I was elected, this was not my area of expertise or what I really wanted to work on, but I literally got campaign contribution checks that said on the memo to do something about payday lenders. This issue kept coming up from my constituents. They were very concerned about this. The darker red shows the concentration of 30 or more storefronts in the middle of the Las Vegas Valley. This is correlated with income. You can see where the concentration of payday lenders is in the Las Vegas Valley. The Assembly districts with the highest concentrations of payday lending storefronts are 10, 42, 3, 20, 15, and 11. The darker the red, the more storefronts.

If we look at income, the lighter the color, the lower the income [page 7, ([Exhibit C](#))]. You can see that there is a correlation by jumping back and forth between slide 6 and slide 7 [pages 6 and 7, ([Exhibit C](#))] with darker red and lighter blue in the same area. There are more storefronts where there are more low-income people. The next map [page 8, ([Exhibit C](#))] shows storefronts for bank locations. We have a more even distribution here. It is not unusual to have more banks in the center of town as a financial area, but we also see they are spread out more into the outlying areas and suburbs in the Las Vegas Valley.

One thing that may seem irrelevant is the distribution of Starbucks stores [page 9, ([Exhibit C](#))]. You might wonder what Starbucks has to do with payday lending. Honestly, not a lot. You can see there is a much more even distribution of Starbucks across the Las Vegas Valley. That makes sense as a business model. If the idea for payday lenders was to reach a large number of people and potential clients, as Starbucks is trying to do, we would have a much more even distribution of storefronts. If you look back at a previous slide [page 6, ([Exhibit C](#))], there is not an even distribution of payday lending storefronts across the Las Vegas Valley.

In fact, if you look at all of the maps together [page 10, ([Exhibit C](#))], the ten ZIP Codes with the most payday lending storefronts have 59.8 percent of payday lender storefronts but only have 21 percent of the county population. The average median income in these ZIP Codes is \$37,000. They have about 21 percent of the banks, which makes sense. They have almost 60 percent of the payday storefronts. I would argue that there is an effort to set up in lower income areas. There is an idea that this is the default place to get credit. This is where everyone goes. I think we can all sing several of the jingles that are prevalent on the radio and television. It is a targeted effort to set this up as the way in which you get credit in low- income neighborhoods.

Except for the maps, the data I am using came from different states. That is one of the problems we have in Nevada. We do not even have a good handle on all of the activities going on. We know where the storefronts are, but we do not know how borrowers use payday and title loans and how lenders use their products. Assembly Bill 515 is just a database. It is a database for collecting information on title loans and payday loans [page 11, ([Exhibit C](#))].

Section 1, subsection 1 establishes that the Commissioner of the Division of Financial Institutions (FID), Department of Business and Industry, shall contract with a vendor to implement and maintain a database from which reports can be generated. Section 1, subsection 2 outlines the information that shall be included in the database. Section 1, subsection 3 states that the Commissioner shall establish and cause the vendor of the database to collect fees from the payday and title lenders. Section 1, subsection 4 states that the information is confidential and anonymous. We are not looking at who takes these loans out—we just need good aggregate data. Section 1, subsection 5 allows the Commissioner to put into regulation database specifications, reporting standards, and the vendor fee.

Assembly Bill 515 just establishes this database so that we can get a handle on what is going on with payday and title loan lending in Nevada. I will give just a bit more background knowledge on payday loans. Around the turn of the twentieth-century, high-interest—which was considered 20 percent a month—short-term loans created financial quicksand for users and forced perpetual loans. This was deemed a scandal and led to the adoption of the Uniform Small Loan Law in 1916 by many states in the U.S. Today, the average payday loan is twice as expensive. The law in 1916 mandated manageable installment repayments and capped annual percentage rates between 36 percent and 42 percent. However, people found loopholes [page 12, ([Exhibit C](#))].

Modern payday lending emerged in the early 1990s. This is something that is relatively new, due largely to the Depository Institutions Deregulation and Monetary Control Act of 1980. By 2008, there were more payday loan storefronts than McDonald's restaurants and Starbucks coffee shops combined. This is big business. People are making a good amount of money from low-income people. The same characteristics that define the payday loan define the subprime mortgages whose proliferation precipitated the economic collapse in the mid-2000s and have now been thoroughly discredited [page 12, ([Exhibit C](#))].

The Center for Responsible Lending called the payday loan "a defective product." There is a real need for responsible, small-dollar credit, but it cannot be adequately addressed as long as this product dominates the marketplace.

**Jon Sasser, representing Legal Aid Center of Southern Nevada; and Washoe Legal Services:**

Our amendment ([Exhibit D](#)) addresses one line in section 1, subsection 1 of the bill, which right now says that the database would only cover deferred deposit loans or title loans. That definition inadvertently leaves out a lot of the different payday lenders and the products that they offer. We want to amend the bill by adding "high interest loans." Ms. Pereira, our technical expert in Las Vegas, can walk the Committee through the differences and a second amendment that she has worked out over the weekend with one of the parties.

**Tennille Pereira, Attorney, Legal Aid Center of Southern Nevada:**

I am a consumer litigation attorney, and I deal with consumer issues. Payday and title loans are an issue I deal with on a daily basis. As Mr. Sasser pointed out, we would like to include "high interest loans" in the bill. Right now, all that is included is the deferred deposit loans and title loans. Deferred deposit loans, by their definition, only include transactions where borrowers give a postdated check or provide written authorization for an electronic withdrawal from their bank account. These are not common loans anymore. They are the traditional payday loans that most people know about, but they are not used nearly as frequently as the high-interest loans. The high-interest loans carve out the deferred deposit loans and title loans, and they are all the other loans over 40 percent. The largest pot is going to be the high-interest loans, and that is why we would like to include it in the amendment for Assembly Bill 515.

We applaud the efforts of the Committee and everyone who has been involved in this effort to handle this industry. Collecting the data is absolutely the first step. We applaud that, and we are very pleased to see these efforts. We think the high-interest loans have to be included if we want to get an accurate picture of what is going on. The other thing I would be fearful of is that many lenders will stop doing the deferred deposit loans and go strictly to the high-interest loans, so we will not get an accurate picture. We want the data to be as accurate as possible because I would imagine this data would be used for future legislation and decision-making. That data would need to be all-encompassing so we can see what is going on and not make decisions based on a fragment of what is going on in the community.

Another amendment we have worked out is a change to *Nevada Revised Statutes* (NRS) Chapter 604A. There is another product that a lot of people are unfamiliar with. It is a hybrid written as an exception. It is under NRS 604A.480, subsection 2. It is a different type of loan product. It is a high-interest loan product in that it is over 40 percent; however, it is a long-term loan. These loans have to be written for more than 150 days. There are a number of criteria required by the lender to write these loans because they are long-term loans. In particular, the most important from my point of view is the point that they cannot sue on the loan if the borrower defaults.



It is a whole different type of loan product, so we have proposed that NRS Chapter 604A be amended to move that category of loan. Where it is at now, it has caused a lot of confusion. It looks like it is just an exception to the timing requirements, so we have moved it and given it its own category titled "long-term, high-interest loan" ([Exhibit D](#)). That product would be carved out from the requirement of the database. We are not as concerned about this type of loan product in that if something does happen and the consumer defaults, the lending company cannot sue them, and they will not be garnished. It puts the burden on the lender for these loans. The lenders are required to check credit and report the credit. Sometimes these loans are used to build credit by the borrowers. It is a very different product than the other short-term, high-interest loans.

**Assemblywoman Bilbray-Axelrod:**

Are you using a model from another state for this database? If so, what kind of success are they having? Also, has it had any influence on payday lending companies?

**Assemblywoman Swank:**

We have looked at a few other databases used in other states that have been quite successful. We have someone speaking in neutral who represents one of these database companies that has been very helpful in terms of collecting the initial data and figuring out what is happening in those different states. I think they work in 14 different states.

**Assemblyman Marchant:**

What kind of data will you collect? How detailed is it? How do they submit this information?

**Assemblywoman Swank:**

It is a single point of sale. This integrates very easily with the software these companies already use, and most of these companies do this in other states already. I believe there are databases in Florida and Alabama. Section 1, subsection 2 lays out the different information that will be collected—the date that the loan was made, the type of loan, the principal, the fees, annual percentage rate, the finance charge, et cetera.

**Assemblyman Ellison:**

Assembly Bill 515 is not a two-thirds bill. I need to know why because Senate Bill 17 and Assembly Bill 222 created a database, and they were both bills that required a two-thirds vote to pass. What information is currently being reported to the FID now? Are they collecting information as we speak?

**Assemblywoman Swank:**

Can we get Legal to answer the question about why it does not require a two-thirds vote? For the second question, Commissioner Burns is in Las Vegas and can probably answer that question better than I can.

**Jim Penrose, Committee Counsel:**

It was the Legal Division of the Legislative Counsel Bureau's determination that because the fee is charged by the vendor or service provider developing the database, it would not fall within the two-thirds requirement of the *Nevada Constitution* because it is not created or collected by a governmental entity.

**Assemblyman Ellison:**

I need to find out why the other two bills required a two-thirds vote.

**George E. Burns, Commissioner, Division of Financial Institutions, Department of Business and Industry:**

The FID currently does have the means to collect statistical data, but it is not an efficient or effective one. We ask for statistical data on our managers' examination questionnaire, which includes information such as the number of loans made, the number of delinquencies, and the number of repossessions. This is mainly for us to scope our examination and pull samples. Although it is improving, to date only about 60 percent of our licensees respond to these questions because many of them claim they do not have the capability to track that information. We have begun citing them with recommendations in their examination the last few years to give them an incentive to start looking at this. To me, that is basic information every business should know, but we do not have complete or accurate data at this point.

**Assemblyman Ellison:**

I am hearing from some of these other people that they do have to report this information, and it is mandatory. Is that correct?

**George Burns:**

That is something required as a matter of the examination process. However, there is nothing in statute other than a general provision of providing the FID with information that it requests. For the most part, this is voluntary. The majority of our large lenders do comply with this, but the information we ask for is mainly to scope the examination. It is not the kind of statistical data to track trends and patterns that this particular bill is proposing.

**Assemblyman Ellison:**

Why are you allowing only 60 percent to report?

**George Burns:**

We are not just allowing them to report. We ask for the information. If it is provided to us, we collect it. If it is not provided, it is because the licensees claim they do not have the capability to track that information. Some of our licensees are mom-and-pop-sized institutions doing things on ledgers. They do not have the capability to track this type of information to the extent we would like.

**Assemblyman Kramer:**

Does the information you are asking for address the questions your presentation gave? It looks like it does not ask for a ZIP Code, which would help you find out if the problems are where the stores are. It does not give a final disposition, it just says whether it was paid off. It does not say if it went to garnishment, bankruptcy, or repossession. Am I missing something and there is more information declared, or do we not care what the final result is?

**Assemblywoman Swank:**

I would say this is the first step in addressing a lot of those issues. This is standard information that I believe is asked in these databases in the other states where it is in use. It has provided good data to look at how this industry works in other states.

**Assemblywoman Neal:**

On the fee that will be charged to the consumer, what are you thinking that the fee will be? How are you going to make the determination about what a fair fee is to charge the consumer to collect this information for the database?

**George Burns:**

The fee will be charged to the lender, not to the consumer—although we can presume that in some form or fashion it will be passed on to the consumer. It will be established based on the arrangement with the vendor. In our initial research in looking at the types of companies that provide these services to 14 other states in the country, the average cost of data collection is somewhere between 50 cents to a dollar per entry, per loan. It is pretty nominal when you look at it, but it will be based upon volume. The higher the volume, the lower the cost the vendor will have to provide. I can tell you that Nevada has a pretty substantial volume, as you might conclude from the number of payday lenders that we have in the state.

**Assemblywoman Neal:**

Is the database going to capture the online lenders as well? There appears to be a range of unlicensed online lenders. Are we figuring out how to capture them at all? I know it is illegal, but I want to know if we are trying to get them.

**George Burns:**

Those online lenders operating legally are licensed by us. My understanding of this proposed legislation is that all licensees will be subject to providing this information, including those that we license and run online. If you are referring to online lenders that are operating illegally from outside the state, there is no way to track them down until we get a complaint from a consumer and are able to identify them.

**Assemblywoman Neal:**

Section 3 provides that this does not apply to any loans made before October 1, 2017. The first thing that popped in my mind is what if it is a loan that rolls into 2018 because it keeps being revisited or extended? Does that mean we will not capture the loan in the database? If so, how do we deal with a loan that may have a longer lineage that came before that date?

**George Burns:**

That is one of the things we will have to consider when we go through the regulatory process and adopt this. We have to consider whether the regulations should require lenders to enter loans into the database if it is renewed or rolled over.

**Chairman Flores:**

Our legal counsel had an opportunity to review the previous bills Assemblyman Ellison mentioned.

**Jim Penrose:**

I did look at the two bills Assemblyman Ellison cited—S.B. 17 and A.B. 222. Both of those bills provide for the Commissioner of the FID to collect the fee. That is the distinction between those two bills and this bill.

**Assemblywoman Bilbray-Axelrod:**

Do you feel that you need this database, Commissioner Burns?

**George Burns:**

Any information that can be complete and accurate is an integral tool for us to be able to properly regulate this industry. To be able to identify trends that may cause violations of the statute, we would be able to focus our examination efforts on those particular areas. That would be very helpful. Being able to understand exactly what is going on in the industry and how that correlates to complaints we are getting from consumers will be useful for us to be able to use our limited resources in the most efficient and effective manner possible. I am testifying in the neutral position, but I would say, yes, this would be very helpful to the FID.

**Assemblyman Marchant:**

Did you work with any of the payday loan companies to come up with how to capture this information and work out the amendments?

**Assemblywoman Swank:**

In the previous iteration of this bill, A.B. 222, we did work very closely. I had countless meetings with the 21 payday lending lobbyists in the building. We worked very hard to find a way forward on that bill. We did identify that it seemed the database was the least bad part of the bill to them. It seemed like a good starting point.

**Assemblyman McCurdy:**

What other states currently have this database? What has been the outcome on the affected parties?

**Assemblywoman Swank:**

I believe that a representative of Veritec Solutions, LLC is here, which is one of the databases. They will testify in neutral.

**Chairman Flores:**

Is there anyone wishing to testify in favor of the bill?

**Justin S. Gardner, Founder and Chief Executive Officer, Innovative Research and Analysis LLC:**

I would like to thank Assemblywoman Swank for proposing legislation to regulate the payday lending industry, or at least collect data that will allow for data-driven regulatory policy. I donated 100 hours of my time to do the research to provide the maps you saw ([Exhibit C](#)). I think the largest thing up for consideration today is the amendment, which is imperative to collect accurate data to help the FID run statistics and understand exactly what the issues are we face in Nevada. Some of the biggest issues this session are around financial insecurity, financial instability, financial dependence, and income inequality. By collecting data on these various loans, there is a large need in certain areas for small-dollar loans. Unfortunately, there are not many services out there that offer those loans with reasonable interest rates. I would encourage you to take this significant step in Nevada to pass legislation that will collect accurate and comprehensive data to study the ramifications and outcomes of these loans on your fellow Nevadans.

One of the largest rebuttals you will hear from the regulatory industry that I have heard over the last two sessions while testifying is that they believe themselves to be good actors. They believe they are providing a service for the community members and their customers. I think if you look at the definition of a good actor or have a reasonable understanding of what a good actor is, if they are, they should have no problem collecting data and entering that data into this database as proposed to allow for data-driven policy.

**Chairman Flores:**

Is there anyone wishing to testify in opposition to the bill?

**Alisa D. Nave-Worth, representing MultiState Associates Inc.:**

I represent Multistate Associates Inc. clients, including MoneyTree, Check City, Check Into Cash, QC Financial Services, and USA Cash Services. Notably, our clients also represent over 80 brick-and-mortar storefronts throughout Nevada. These Nevada employers employ hundreds of Nevadans in good paying jobs. Deferred deposit loans are a critical financial solution for many Americans when they experience temporary income interruptions. That is why chambers across the nation, one million Americans, and 26,000 Nevadans wrote in favor of this product to the Bureau of Consumer Financial Protection. We have placed a selection of these letters on the Nevada Electronic Legislative Information System ([Exhibit E](#)).

It is important to understand the critical need short-term lending plays in the lives of everyday Nevadans. Short-term lending is used in lieu of other more onerous options for unforeseen emergencies, to cover short-term income loss in Nevada's volatile employment market, or for small businesses that have a short-term payroll gap. Nevadans use short-term loans to avoid more harmful economic and personal consequences.

We are concerned with any legislation that seeks to limit access to critical capital in a highly regulated market. Assembly Bill 515 should require a two-thirds vote. It is unprecedented that an industry would be contracting directly through a vendor. That is why S.B. 17 and A.B. 222 have fiscal notes. Moreover, A.B. 515 fails to place the fees in statute for a mandated database and places that decision in the hands of a for-profit industry, as opposed to the hands of this contemplative body.

Notably, Veritec Solutions is a dominant player in this industry. In fact, they may be the only player. This will be a single-source contract where the vendor determines the fees that Nevada consumers will have to absorb. We have major concerns with that. It is important to note that when you add \$1 to that, this is not a 1 percent increase, but a 10 percent increase that consumers will have to absorb.

This is not just a database, this will lead to cooling off-periods that will restrict access to short-term capital, but not eliminate the need for capital for any Nevadans. As seen in other jurisdictions, consumers are driven to far more onerous, off-shore lending sites which will never be subject to the protective laws of Nevada and will never be a part of the reporting requirements of A.B. 515, nor be subject to the restrictions of Assembly Bill 163, which is critical legislation that we worked on.

[The testifier submitted prepared text that included additional testimony ([Exhibit F](#)).]

**Keith L. Lee, representing Community Loans of America, Inc.:**

We ditto what my colleague just indicated. We also want to point out that title loans are different from payday loans. We already have a database—it is the Department of Motor Vehicles (DMV). We record a lien with every loan we give with the DMV. The other significant difference is that there can only be one title loan at a time because it is secured by the automobile itself. That is why we file it with the DMV at a cost to both the consumer and the company. This bill would add an additional cost to that, and I do not think it would gather additional information.

**William Horne, representing Advance America; and Enova International, Inc.:**

It is regrettable this morning that I am testifying in opposition to A.B. 515. As I signed in this morning, initially I was going to testify in the neutral position. We have been at the table with you, Chairman Flores, on your bill, A.B. 163, from the beginning. I was looking forward to working with the sponsor on this database language. However, after this proposed amendment, we have to testify in opposition. I think it is important to note, in section 1, subsection 3 of the bill, it says, "The Commissioner shall establish, and cause the vendor or service provider administering the database . . . to charge and collect, a fee . . . ." That is basically a private vendor being used as an agent of the government. I think that tries to circumvent the two-thirds requirement. I would respectfully disagree with the Legal Division in that regard.

**Chairman Flores:**

Is there anyone wishing to testify as neutral to the bill?

**John Barnes, representing Veritec Solutions, LLC:**

Veritec Solutions, LLC provides real-time, regulatory technology in 14 states where our system is used for the enforcement of payday loans, short-term installment loans, auto title loans, and predatory mortgage loans. Although no two states that we operate in have identical laws, the commonality is a cap on the amount of money a consumer can have out at one time with the number of loans they can have. The laws passed by these states have not only resulted in protecting consumers, but have created a secure and stable environment for lenders to continue to operate and profit in. Our database verification system does not simply track loans, it enforces all terms, restrictions, and consumer protections in real time, thus ensuring every loan is issued in full compliance with state law.

In 2001, the Florida Legislature passed comprehensive payday loan reform that limited consumers to one outstanding loan at any given time, with the maximum amount that could be borrowed at \$500. Renewals or rollovers were prohibited. At that time, the payday industry said it would put them out of business. Not only has that not happened, they are thriving due to a level playing field for lenders and a secure and regulated environment. Many payday lenders recently pointed out to the Bureau of Consumer Financial Protection that the Florida model would be a better route than the proposed rules they came out with last summer.

The default rate for lenders in Florida is 1.5 percent, in contrast to the industry's own reports that show default rates between 5 percent and 10 percent. This system ensures lenders get paid back. Several of the lenders that presented today not only operate, but are prospering under our system in many states. Advance America, Check Into Cash, Payday Lenders Association, and Community Financial Services Association of America have supported legislation that includes a database in states around the country. Veritec Solutions has the database provided in 14 states. We cover over 100 million consumers. We believe our system strikes a balance of allowing for access to credit for those who need it and ensuring those consumers are protected from falling into a cycle of debt, while still allowing for lenders to have a secure, regulated environment where they can profit and succeed.

**Assemblyman Kramer:**

I appreciate your testimony, but I have a hard time seeing it as neutral.

**Assemblyman Marchant:**

Do any other states directly contract with your company?

**John Barnes:**

About half of the states we operate in have a structure similar to the one in A.B. 515. Indiana has almost identical language.

**Assemblyman Marchant:**

Do the states pay you directly?

**John Barnes:**

The contract goes through the regulator's office and was put out for bid. In Indiana, once the bid was won by our company, we worked with the regulator's office on receiving the payment.

**Assemblyman Marchant:**

The state comes up with this program, and they pay you to implement it. Is that correct?

**John Barnes:**

We provide a software solution that is already integrated into about 90 percent of the lenders in the states where we operate. For a quick example, when the consumer comes in to take out a loan, before they are issued the loan, the lender will look them up in the system. Usually they are already in the system, so it is a 15-second process. The database then compares the loan they are trying to take out with what is in the records. If it was Florida and I had a loan out already, the database would stop the loan in real time. Currently, in Nevada, the regulator's office is forced to look back rather than stop at the point of sale.

**George Burns:**

I am testifying in the neutral position to provide some statistical information for the members of the Committee. As I testified earlier, the FID currently has a rather limited, inefficient, and ineffective way of collecting statistics. The ones that we do have, I want to share with you today. One is how many licensees we have under NRS Chapter 604A. In Nevada, there are 95 main licensees that run over 306 branches. Of those 95 lenders that are licensed to do any one of the three types of loans, 81 of them do deferred deposit, 63 of them do title loans, and 68 of them do high-interest loans, which was the issue being discussed earlier.

As far as the number of loans being done in each of those areas, with only 60 percent of the licensees reporting to us when we request that information, and given the fact that most of those are the largest reporting data in 2016, deferred deposit loans totaled 836,167, title loans totaled 515,971, and high-interest loans totaled 438,559. I would also like to point out the issue regarding the billing and collection of fees under this bill being done directly by the vendor would be very facilitating for the FID because it means that we would not have to expend resources doing the accounting work of receiving the deposits and passing that cost on to the vendors. I think that was one of the other purposes here.

I would also like to address the comment made earlier by one of the testifiers that if we increase the fees on payday lenders and borrowers under NRS Chapter 604A, they will move offshore or to out-of-state Internet lenders. One of the facts is that if you are out of state or offshore, your loan is illegal and it is not collectible in this state. Therefore, very few borrowers or lenders interact in that arena.



**Assemblywoman Swank:**

I want to address a few comments made during the opposition testimony. I want to be very clear about what this bill does and does not do. It does not limit access to payday lenders at all. I want to address the idea that this would be a 10 percent increase. The average loan is \$375. If we go to the high end of what it costs to run the database, which would be a \$1 fee, that is actually a 0.2 percent fee. It is nothing near a 10 percent increase in fees on these loans.

Regarding the comments about title loans, they do record that a lien exists with the DMV, but they do not record other information like the amount of that lien. There is provisional information that title lenders give to the DMV. This would allow us, through a single point of sale, to report more information and assist Commissioner Burns with his work.

As far as the two-thirds voting requirement being circumvented, as the gentleman from Veritec Solutions pointed out, half of the states they work in collect their fees this way. This is not circumventing a process. This is not doing anything that is not normal in other states. I also want to clarify that one of the amendments takes out the high-interest loans. This was inadvertently not included in A.B. 515. It was included in the amended version of A.B. 222. Our intent was to take that section out and put it in a standalone bill. That was inadvertently left out, and that is why it was not in the bill.

**Chairman Flores:**

I will close the hearing on A.B. 515. This meeting is adjourned [at 10:33 a.m.].

RESPECTFULLY SUBMITTED:

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Isabel Youngs  
Committee Secretary

APPROVED BY:

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Assemblyman Edgar Flores, Chairman

DATE: \_\_\_\_\_

## EXHIBITS

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a copy of a PowerPoint presentation titled "AB515," presented by Assemblywoman Heidi Swank, Assembly District No. 16, regarding Assembly Bill 515.

[Exhibit D](#) is a proposed amendment to Assembly Bill 515 presented by Jon Sasser, representing Legal Aid Center of Southern Nevada; and Washoe Legal Services.

[Exhibit E](#) is a collection of 16 letters to the Bureau of Consumer Financial Protection, submitted by Alisa D. Nave-Worth, representing MultiState Associates Inc., regarding Assembly Bill 515.

[Exhibit F](#) is written testimony authored by Alisa D. Nave-Worth, representing MultiState Associates Inc., in opposition to Assembly Bill 515.