

February 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	70330	604A					HIL	Repaid loan with cashier's check, ended being shredded without being applied to the loan, requesting for a new cashier's check
2	70381	604A					DD	Violation of 25% income rule, no offer of repayment plan, paid interest to rollover loan, kept in the books

February 2017 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	72421	604A					TL	Inquiry on enforcement action - GPPDA
2	72430	604A					TL	Pending lawsuit, ready to be a witness
3	72442	604A					TL	Extended loan without holding a license
4	72451	604A					TL	Extended loan without holding a license
5	72452	604A					TL	Extended loan without holding a license
6	72454	604A					TL	Terminated, gave the run around about final paperwork to present to Unemployment Insurance
7	72498	604A					TL	Extended loan without holding a license
8	72502	604A					TL	Did not apply for a new loan, took personal information anyway, need to return documents

March 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	68284	604A					DD	Did not follow agreed repayment schedule, \$47 overdraft
2	68350	604A					DD	Violation of 25% income rule
3	68351	604A					HIL	Continuous roll over to new loans, kept in the books
4	68352	604A					DD	Violation of 25% income rule
5	68353	604A					HIL	Continuous roll over to new loans, kept in the books
6	68354	604A					DD	Violation of 25% income rule, kept in the books
7	68355	604A					DD	Knowingly extended a loan even if over extended with affiliate company
8	68356	604A					DD	Knowingly extended a loan even if over extended with affiliate company
9	68357	604A					HIL	Continuous roll over to new loans, kept in the books
10	68359	604A					HIL	Violation of 25% income rule
11	68360	604A					HIL	Violation of privacy, discussed loan with friend
12	68390	604A					TL	Went out of business, paid off but did not return title

March 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	70464	604A					HIL	Ability to repay not considered, false advertisement, predatory lending, kept in the books
2	70479	604A					HIL	Unlicensed, loan fee advance scam
3	70494	604A					TL	Violation of vehicle definition, loaned on a boat
4	70498	604A					DD	Overcharging of fees, misrepresentation
5	70515	604A					TL	Unethical business practice and predatory lending affecting other businesses in the same industry
6	70525	604A					HIL	Unethical business practice
7	70560	604A					TL	Paid off debt, holding on to car title

March 2017 Complaints (as of March 10, 2017)

#	Complaint	Type	Respondent	Return Card	Response	# of days	Type	Type
1	72512	604A					TL	Extended loan without holding a license
2	72516	604A					TL	Extended loan without holding a license

3	72519	604A		TL	Extended loan without holding a license
4	72527	604A		TL	Extended loan without holding a license
5	72528	604A		HIL	Unlicensed, online lender
6	72529	604A		HIL	Unlicensed, online lender
7	72530	604A		TL	Entered Grace Period Payments Deferment Agreement (GPPDA)

April 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	68470	604A					TL	Continuous payment, interest only, paid over \$7000 on a \$2000 loan
2	68534	604A					DD	Unauthorized debit

April 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	70580	604A					HIL	Debt treadmill, multiple loans with different payday lenders, kept in the books
2	70581	604A					HIL	Debt treadmill, multiple loans with different payday lenders, kept in the books
3	70582	604A					HIL	Debt treadmill, multiple loans with different payday lenders, kept in the books
4	70583	604A					HIL	Debt treadmill, multiple loans with different payday lenders, kept in the books
5	70643	604A					TL	Violation of vehicle definition , loaned on a boat
6	70701	604A					HIL	Debt treadmill, multiple loans with different payday lenders, preyed on elderly, kept in the books
7	70702	604A					DD	Ability to repay not considered, preyed on elderly

May 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	68592	604A					TL	Did not explain balloon payment, did not consider ability to repay
2	68615	604A					TL	Violations of repayment plan and Truth in Lending Act (TILA), deceptive business practices
3	68634	604A					TL	Double charging of \$20 application fee, ability to repay not considered
4	68670	604A					TL	Very limited English, did not consider ability to repay, extended multiple loans, used daughter's disability income to increase loan amount
5	68680	604A					DD	Ability to repay not considered, turned old loan to new loan, kept in the books, did not offer repayment plan, did not consider loans with affiliate company
6	68681	604A					DD	Duplicate of complaint 68680
7	68702	604A					DD	Extended loan even if no employment, used old check stub
8	68703	604A					HIL	Extended loan even if no employment, used old check stub
9	68705	604A					HIL	Denied application, did not accept AZ DL

May 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1		604A						

June 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	68752	604A					TL	Kept in the books, violations of loan limits and rollovers, ability to repay not considered

2	68755	604A		HIL	Conspired to send to affiliate locations to avoid 25% income rule; failed to put in default to avoid offer of repayment plan
3	68756	604A		HIL	Conspired to send to affiliate locations to avoid 25% income rule; failed to put in default to avoid offer of repayment plan
4	68769	604A		HIL	Predatory lending, kept in the books, violation of loan limits
5	68787	604A		DD	Kept in the books, ability to repay not considered, failed to put in default to avoid offer of repayment plan
6	68838	604A		TL	Inquiry on consent order, return of monies

June 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	of day	Type	Type
1	71044	604A					HIL	Advance loan fee scam
2	71137	604A					HIL	Kept paying, still owe a lot, refused to provide payment history, received threatening collection calls

July 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	68885	604A					DD	Online application had no confirmation, request to void the loan
2	69159	604A					TL	Continuous payment, interest only, paid \$1542 on \$1500 loan, did not know all went to interest, still owe almost \$1944, interest accumulates daily, offered \$800 to pay off
3	69234	604A					HIL	Debt paid off, still trying to collect
4	69235	604A					HIL	Duplicate, disregard
5	69261	604A					TL	Owner dies, collateral for loan left in my garage, licensee did not want to repossess

July 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	71292	604A					HIL	Extended loan to disabled son, no ability to repay, visited primary residence twice
2	71351	604A					HIL	Debt treadmill, multiple loans with different payday lenders, need to have a system to check existing loans
3	71352	604A					HIL	Debt treadmill, multiple loans with different payday lenders, need to have a system to check existing loans
4	71353	604A					HIL	Debt treadmill, multiple loans with different payday lenders, need to have a system to check existing loans
5	71354	604A					HIL	Debt treadmill, multiple loans with different payday lenders, need to have a system to check existing loans
6	71355	604A					HIL	Unlicensed, online lending
7	71358	604A					HIL	Unlicensed, online lending, taking too much unauthorized ACH debits, refusal to provide loan agreement

August 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	69273	604A					DD	Refusal to offer repayment plan
2	69281	604A					TL	Bought loan from USA Title, used old information to write new loan but was never told there was a new agreement, currently unemployed, ability to repay not considered
3	69293	604A					HIL	Ability to repay not considered, sued by licensee
4	69366	604A					HIL	Pay off amount was increased by \$75, allegedly for legal costs, refuse to pay add ons

August 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	71457	604A					HIL	Not explaining loan agreement, collecting very high interest, keep calling to collect
2	71460	604A					TL	Loan take over, rewritten loan without prior notice, can't provide authorization to rewrite loans
3	71502	604A					TL	Paid 7 months of interest, fell behind, threatened to come up with full amount or hand over key, surrendered the keys
4	71503	604A					HIL	Paid over what they loaned, kept in the books, resulted to taking more payday loans from different lenders to come up with payments, defaulted, received harassing collection calls
5	71542	604A					TL	Change of control, sell of business did not commence, rewritten all active loans, hostile take over of business locations
6	71543	604A					TL	Loan take over, rewritten loan without prior notice, can't provide car title
7	71548	604A					DD	Entered repayment plan, requested to revise payment schedule but refused

September 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	69447	604A					TL	Gave out loans over fair market value of collateral, ability to repay not considered, kept in the books
2	69493	604A					DD	Violation of loan limits and rollovers, kept in the books
3	69494	604A					DD	Gave out a loan even if no more employment, kept in the books
4	69497	604A					HIL	Over extended with other payday lenders, lost income
5	69498	604A					DD	Over extended with other payday lenders, lost income
6	69499	604A					DD	Over extended with other payday lenders, lost income
7	69500	604A					HIL	Over extended with other payday lenders, lost income
8	69501	604A					DD	Over extended with other payday lenders, lost income
9	69502	604A					TL	Harassment, constant threat of repossession
10	69512	604A					HIL	Unlicensed, tribal lending, wage garnishment
11	69512	604A					DD	Unlicensed, tribal lending, wage garnishment

September 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	71577	604A					TL	Loan sold to another company, given the run around who has car title
2	71578	604A					HIL	Used visa check of husband for a one time payment only, took out the whole loan amount and refused to give back, advised to get another loan instead of returning the payment taken out of husband's visa check card, trapped in another loan until 2018
3	71582	604A					TL	Unlicensed, online lender
4	71592	604A					TL	Entered Grace Period Payments Deferment Agreement (GPPDA)

October 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	69577	604A					DD	Check sent twice, created financial hardship, overdraft
2	69585	604A					TL	Over extended loans, ability to repay not considered, kept in the books
3	69586	604A					HIL	Collection calls in place of employment
4	69587	604A					TL	Verbally offered repayment plan but did not have final agreement, repossessed vehicle
5	69623	604A					TL	Knowledge of inability to repay the loan, keep giving out loans without explanation, kept in the books

6	69638	604A		HIL	Applied \$500 online loan but rescinded, went ahead and deposit funds in account, \$100 was removed for fees
7	69639	604A		DD	Whistleblower, illegal collections including harassment and threats of lawsuits
8	69651	604A		TL	Misleading, did not explain agreements
9	69730	604A		TL	Did not offer repayment plan, vehicle repossession

October 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	71690	604A					TL	Inquiry on enforcement action - GPPDA

November 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	69743	604A					TL	Unlawful repossession
2	69775	604A					HIL	Collection calls in place of employment
3	69805	604A					DD	Payment coercion, using job termination with employer to get a payment
4	69838	604A					TL	Payment coercion, using closure of location in Las Vegas to get a new agreement in the other location or to pay loan off
5	69839	604A					HIL	Unlicensed, online loans, advance fee loan scheme
6	69868	604A					TL	Repossession vehicle, asking more money after paying off

November 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	71757	604A					HIL	FID Licensing request to do physical inspection of location for unlicensed activities
2	71761	604A					HIL	Unlicensed, online lending
3	71779	604A					HIL	Never set foot in any Cash 1 locations, receiving collection calls
4	71780	604A					TL	Paid off loan, received a charge in my credit card resulting to financial hardship, contacted location but refused to discuss or return my call
5	71790	604A					TL	Loan sold to another company, given the run around who has car title
6	71792	604A					TL	Loan sold to another company, given the run around who has car title
7	71838	604A					TL	Unlicensed, indirect lender
8	71849	604A					TL	Unlicensed, extending loans to minorities without a license

December 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	69987	604A					HIL	Kept paying, can't get out of debt, kept in the books
2	70083	604A					HIL	Phone loan solicitation, phishing information, scam

December 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	71999	604A					TL	Switched loan agreements, defaulted, refused to offer repayment plan
2	72000	604A					HIL	Refused payments, did not extend repayment plan offer but chose to offer lower interest for short period of time

**HEARING ON ASSEMBLY BILL 163
ASSEMBLY COMMITTEE ON COMMERCE AND LABOR
MARCH 15, 2017**

**PREPARED TESTIMONY OF TENNILLE K. PEREIRA
LEGAL AID CENTER OF SOUTHERN NEVADA, INC
ON BEHALF OF ITS CLIENTS**

Good morning, Chairwoman Bustamante Adams and members of the Committee. For the record, my name is Tennille Pereira. I am a staff attorney at Legal Aid Center of Southern Nevada. I am appearing today as a concerned citizen and as an attorney who represents clients in a variety of consumer defense related issues including payday and title loan defense. I am grateful for the opportunity to testify on this important piece of legislation.

I deal with the issues surrounding payday and title loans on a daily basis on behalf of my clients. When I heard about the changes proposed by this legislation, I was excited as I knew these specific changes to the current payday loan statute directly target many of the pitfalls my clients find themselves falling victim to. This bill essentially closes many of the loop-holes I see lenders using to side-step the protections that were intended by the current payday and title loan statutes under NRS 604A. Specifically, it aims to ensure borrowers have the ability to repay the loans, more clearly identifies what it means to be in "default", clarifies that interest cannot accumulate during a "grace period", requires lenders to post a notice of the borrowers' right to a repayment plan upon default and where they can file a complaint, prohibits lenders from using non-borrowers to be guarantors on title loans.

The majority of my clients needing help with payday and title loans have fallen into a debt cycle that they cannot dig themselves out of. Most have numerous successive loans with the same lender or with a number of lenders. The story repeats itself again and again with just a few variations. The client was in desperate financial circumstances. They went in to their local payday or title lender and got what was supposed to be a short-term loan at an exorbitant amount of interest. When it came time to pay that loan, they realized they would be short and the lender agreed to give them a new loan that would pay off the first or they go to a different lender for another loan. This cycle then repeats itself several times with a few variations until the borrower cannot keep it up further and falls into default. What was intended in good faith as a short term loan turns into long term financing.

Most notably in the cycle described above, is the prevalence I see of my clients not being able to afford the loans that were given to them. Whether or not a borrower can afford a loan seems like a very basic requirement when in the business of lending, however the payday and title loan industry does very little to make sure borrowers can afford the loans they are given.

Currently, under NRS 604A, there are general guidelines as to how much borrowers can be given (payments cannot exceed 25% of income for payday loans and loans cannot exceed the value of the vehicle for title loans), but it has done very little to ensure borrowers can actually afford the loans they are given. As a result, when the loans are due they often cannot afford to pay them and end up getting new loans to pay them off, sinking further and further in debt. This issue is also being identified by the Commissioner of the Financial Institutions Division. In just the first two months of 2017, they have already reprimanded two lenders for violation of the 25% cap. The current practice not only ensnares borrowers into unaffordable loans, but increases the likelihood of default and the inability to collect for lenders. Good underwriting principles protect borrowers and lenders alike.

One such recent works in sales and his wages fluctuate from month to month. He found himself with lower wages for a period of several months and resorted to payday loans in order to gap the difference between his wages and expenses. When his wages didn't increase in time to pay the loans, he resorted to taking out additional loans with the same lender. By the time sought legal assistance, there were three lawsuits filed against him, he had ten outstanding loans with three different payday lender locations, had a monthly payment obligation of \$854.00 and monthly income that ranged from \$1,200.00 to \$1,800.00. A demand letter was sent to opposing counsel because the payments exceeded 25% of his income and he should not have been given the loans. They replied that they had relied on a two week time period where the client had made a much higher amount and therefore it was proper to loan it to him even though that was the only two week time period for the entire year he made that amount. The paycheck clearly showed what he had made for the rest of the year which was almost half of what they used to calculate the loans they gave to him. If they had followed proper underwriting principles, they would not have given him all of the loans he could not afford and he would not have found himself so deeply in debt with looming litigation and possible wage garnishment.

Prohibiting title lenders from allowing guarantors who do not own an interest in a vehicle goes to further protect someone from losing their vehicle when they do not have the ability to repay their title loan. Title loans are non-recourse loans and the lender can only go against the collateral in order to pay it. If someone guaranties a title loan, but doesn't own the car, they will lose nothing if the loan is not repaid. So, to ensure the borrower who could face the loss of their vehicle, can afford the loan, only their income and resources should be considered when giving them the loan.

A recent client used her vehicle to secure a title loan. The client had absolutely no income when she applied. The lender allowed her to provide proof of income of someone who did not own the car even though they were not a titled owner on the car. When it became due, she had no way to pay it and they began trying to repossess her car.

One of the most abused portions of the current payday and title loan statute is that of default. Under the current law, once a client goes into default, the lender must stop charging the high

contract interest rate and drop it down to prime plus 10% (essentially 15%). Additionally, they must also offer them repayment terms that allow them at least 90 days to repay the loan that is only accruing interest at the reduced default rate of 15%. This allows for the borrower to avoid a spiraling debt cycle they cannot get out of. However, what is happening is the lenders are deciding when a borrower is in default in order to avoid stopping the contract interest from running. That allows them to go ahead and charge the full contract interest rate which is uncapped for the entire life of the loan. Once, the full contract period has run, they then stop accruing the contract interest and declare the borrower in default. Allowing the lenders to exploit this creative loophole prevents borrowers from being able to get out from under the debt. By the time the entire contract interest has accrued, it has gone from a payment the borrower couldn't afford to pay to the entire amount allowable on the contract due. They can't afford to pay it and end up further in debt with no way to get out.

One such client was a small business owner that was on the verge of going under for lack of revenue. The client was desperate to keep it going, and took out a title loan against his family car. He had 210 days to repay it and was only to make the first payment on time. By the second payment, he couldn't pay it. The title lender did not put him default even though they sent him a notice he was in default and entitle to a repayment plan. He called their office upon receipt of the letter and they told him to just ignore the letter and pay what he could then and they would make sure he remained in good standing with their office. Not understanding what default really entitled him to, he made a payment over the phone for less than the amount due. He called them again out of fear that his vehicle was going to be repossessed. He asked if the interest could be taken off or if they could work with him in so that he could pay it off and keep his family vehicle. They told him there was no way to reduce the interest on it. A couple weeks after that conversation, they called him and told him if he would agree to pay a certain amount each month, they would take off the remaining contract interest, but he would have to make a payment right then over the phone. He paid what little he had out of his personal account to ensure he got the deal offered by the lender. The following month, he called to make his payment and he was informed they had never agreed to take off any interest and there was simply no way to even do that in their system. Once the entire contract period had run, the lenders corporate office began harassing him for the full amount due. He was also informed by them that the full contract interest had run for the entire life of the loan and that was the full amount that had to be paid now in order to keep his car. If the title lender had stopped accruing the contract interest and dropped it down to the 15% interest when the borrower went into default, the borrower could have afforded to pay the loan off in the 90 days he would have had under the repayment plan. Instead, the lender misled the client as to what his legal rights were in order to collect as much interest as possible for as long as possible. Now, the borrower has to pay an amount well above what he can afford in order to keep his family vehicle.

The lenders are making up their own definitions of default in order to avoid having to charge the default interest rate. For examples, I have attached three different lender's contracts as Exhibit 1. These are actual contracts my clients have brought with them into my office for me to help them address. The provision requiring the borrower's rights to a repayment plan and where

to file complaints if needed, will go to educate and enable the borrower to be able to protect themselves from unscrupulous lenders.

Another area that needs clarification deals with the term, "grace period". Lenders are claiming to be giving grace periods when the borrower cannot make the payments, adding a whole new provision to collect interest for doing so. They keep charging the high interest under the guise that they can because it is a grace period and not interest being added to the original loan agreement. They argue it is a new agreement with its own interest, however it would then not comply with the current legislation because it goes beyond the time limits for payday loans which are meant to be short-term loans. They also use it to escape declaring the loan in default. They tell the client they are going to put it in a grace period to give them more time, however the entire time they are still charging full contract interest.

Titlemax is the best example of this issue. Titlemax was routinely offering an amendment to their loan agreements for a grace period prior to the borrowers even defaulting on a loan. Borrowers were entering into them because it made their initial loan payments lower, however Titlemax was charging borrowers more under the grace period amendment than it did under the loan. Titlemax was the subject of an examination regarding their use of their grace period amendment by the Nevada Financial Institutions Division. That led to an administrative complaint for disciplinary action against Titlemax. It was determined that an evidentiary hearing had to be held and eventually an order was issued finding that Titlemax had indeed charged unlawful interest during the purported grace period which meant it wasn't a grace period at all and an unlawful extension of the loan. Titlemax believed it had a good faith disagreement on the interpretation of the grace period provisions of NRS 604A. Titlemax was ordered to cease and desist giving the grace period amendment loans, pay an administrative fine of \$307,000, and compensate the FID for the costs associated with the administrative hearing. Titlemax was also ordered to conduct a full accounting of and return all principal and interest it had collected under its grace period amendments for the time period beginning December 18, 2014 through the time they stopped giving them, December of 2015. The FID Order has been appealed. Titlemax has not only harmed consumers, but engaged in anti-competitive practices when its honest competitors follow the law as originally intended.

The amendments proposed are intended to clarify this issue and protect not only borrowers from paying additional interest and/or charges that they should not have to pay, but also to protect honest lenders who follow the law as intended.

These client stories are just a small sampling of what I see on a consistent basis when dealing with payday loans. For the protection of my clients, I strongly urge the passage of AB 163.

I thank you for the opportunity to testify this morning, and at this time I will take any questions the committee may have.



**HEARING ON ASSEMBLY BILL 163
ASSEMBLY COMMITTEE ON COMMERCE AND LABOR
MARCH 15, 2017**

**PREPARED TESTIMONY OF VENICIA CONSIDINE, ESQ.
LEGAL AID CENTER OF SOUTHERN NEVADA, INC
ON BEHALF OF ITS CLIENTS**

Good morning, Chairwoman Bustamante Adams and members of the Committee. For the record, my name is Venicia Considine. I am appearing today as a concerned citizen and as an attorney who has represented Legal Aid clients in a variety of consumer defense related issues including payday and title loan defense. I am grateful for the opportunity to testify on this important piece of legislation.

I support this bill because I have worked with individuals trapped on a debt treadmill because they took out a short-term loan that turned into a long term nightmare.

I specifically want to address Section 3 and 4 of AB 163, which concern a clear definition of "grace period." The current definition in NRS 604A.070 and 604A.210, is a period of deferment offered gratuitously without charging any fees, additional fees or additional interest. Which means that a grace period is a period of time given by the licensee to a customer, where the licensee does not require a payment and does not charge the customer any money during that period.

But a couple of years ago, a licensee turned a grace period into a long-term debt treadmill. Clients came in to Legal Aid Center with an agreement extended from a Title Loan called a "Grace Period Payment Deferment Agreement." I have attached an example with my testimony. This was not a repayment plan agreement because it required payments. It was not a grace period because it required immediate payments and extended the term of the loan by 14 months.

The title loan upon which the Grace Period Payment Deferment Agreement was based was dated September 6, 2014 with a payment due October 6, 2014. The "Grace Period Payment Deferment Agreement" was dated October 10, 2014 but the first payment, per the agreement, was due October 6th which was the same day the first payment on the Title Loan was due. The total due on the title loan was \$7,368.92, but under the "Grace Period Payment Deferment Agreement," the total amount due was \$8,635.22.

This agreement violates NRS 604A because it extends the term of the loan unlawfully and charges more interest than the law allows. Further, if the client had not made a payment on

October 6, 2014, the customer was in default. In that case, a repayment plan should have been offered. Instead, this customer was put into a longer, 14 month loan and paying over \$1,200 more in interest on a loan that they were told was a grace period.

The amendments proposed in Section 3 and 4 will make clear that a grace period is a grace period and will stop attempts to claim that the sections are vague and therefore can be used to avoid NRS 604A provisions limiting the term of a loan and protecting consumers from unlawful interest.

I thank you for the opportunity to testify this this afternoon and I urge this committee to pass this consumer protection bill.

GRACE PERIOD PAYMENTS DEFERMENT AGREEMENT

Date:

10/10/14

Account Number:

Customer Name:	Licensee Name: TitleMax of Nevada, Inc. d/b/a TitleMax
Address:	Address: 777 S. Main St. Las Vegas, NV 89101
Co-Borrower Name:	Vehicle Information
Address:	

Definitions and Terms. In this Grace Period Payments Deferment Agreement, "customer," "you," and "your" mean the customer who signed it. "Licensee," "we," "us" and "our" mean TitleMax of Nevada, Inc. d/b/a TitleMax, a title loan services provider licensed and regulated by the Nevada Financial Institutions Division, 2785 E Desert Inn Road, Suite 180, Las Vegas, Nevada 89121, Phone: (702) 486-4120, Fax: (702) 486-4583, <http://www.fid.state.nv.us/>. The word "Motor Vehicle" means the vehicle identified above. The word "Title" means a certificate of title or ownership to the Motor Vehicle.

Consideration. You acknowledge and agree that you and we entered into a Title Loan Agreement on 09/06/2014 ("Loan Agreement.") Under the Title Loan Agreement, we agreed with you that we may subsequently offer you a "Grace Period" which is a gratuitous period of payments deferment. You agree that we are offering you a "Grace Period" and you are voluntarily accepting such offer after entering into a Loan Agreement pursuant to the provisions of NRS 604A.70 and NRS 604A.210. Please note that since this is a "Grace Period" it is not an "extension" as defined in NRS 604A.065. Under the Title Loan Agreement, your obligation to pay simple interest under the Loan Agreement remains unchanged. Other than the interest and fees originally provided for in the Title Loan Agreement, we do not charge you any additional fees or interest for entering into this Grace Period Payments Deferment Agreement.

NOW THEREFORE, in consideration of the mutual promises, herein you and we agree to the payments deferment in this written and signed Grace Period Payments Deferment Agreement.

Grace Period Payments Deferment. In the Title Loan Agreement, you agreed to make your scheduled payments in the amounts and on the dates set forth in the Payment Schedule listed in the Federal Truth In Lending Disclosures at the address indicated above, or at such other address as we direct you in writing. During this Grace Period, we have agreed to amend, modify, and defer your payments as set forth below in the Grace Period Payments Deferment Schedule. Therefore, you and we agree to the amended and deferred payments and periods set forth below in the Grace Period Payments Deferment Schedule. Therefore, you agree to pay us in cash the amount owing on the dates set forth in the Grace Period Payments Deferment Schedule set forth below. If any Deferred Due Date falls on a date we are not open for business, then you agree to pay us on the next business day, and we will credit such payment, as if we received it on the appropriate Deferred Due Date. The Grace Period Payments Deferment Agreement will be consummated upon the date you sign it. Time is of the essence in this Grace Period Payments Deferment Agreement. We will not attempt to collect an amount that is greater than the amount owed. We will not attempt to collect the outstanding balance during the term of the Grace Period by process of alternative dispute resolution, by repossessing the Motor Vehicle or by exercising any other right we have under Nevada law, unless you default on the Grace Period Payments Deferment Agreement.

Any comments or questions may be directed to Customer Service at the following number: (800) 804-5368

Grace Periods Payments Deferment Schedule

Payment Number	Amount of Payment	Deferred Periodic Due Date
1	\$476.46	10/6/2014
2	\$476.46	11/5/2014
3	\$476.46	12/5/2014
4	\$476.46	1/4/2015
5	\$476.46	2/3/2015
6	\$476.46	3/5/2015
7	\$476.46	4/4/2015
8	\$757.14	5/4/2015
9	\$757.14	6/3/2015
10	\$757.14	7/3/2015
11	\$757.14	8/2/2015
12	\$757.14	9/1/2015
13	\$757.14	10/1/2015
14	\$757.14	10/31/2015
The total amount paid after making all payments under the under the terms of the Grace Period Payments Deferment Agreement:		\$8,635.22

BECAUSE THIS IS ONLY AN AMENDMENT AND MODIFICATION OF THE LOAN AGREEMENT IN WHICH WE ARE ONLY MODIFYING AND DEFERRING YOUR PAYMENTS UNDER THE TITLE LOAN AGREEMENT, YOU ACKNOWLEDGE AND AGREE THAT ALL OF THE TERMS AND CONDITIONS OF THE TITLE LOAN AGREEMENT, INCLUDING THE CHARGING OF SIMPLE INTEREST AND WAIVER OF JURY TRIAL AND ARBITRATION PROVISION REMAIN IN FULL FORCE AND EFFECT.

Right to Rescind. You have the right to rescind this Grace Period Payments Deferment Agreement. You may rescind on or before the close of business on the next day of business at the location where the Grace Period Payments Deferment Agreement was initiated. To rescind, you must come to the location where the Grace Period Payments Deferment Agreement was initiated and sign a Cancellation of the Grace Period Payments Deferment Agreement. If you rescind, then we will not charge you any amount for rescinding, and you will be required to make the payments as originally scheduled in the Title Loan Agreement.

Prepayment. You may also pay us in full or make prepayments at any time, without an additional charge or fee, before the final Deferred Periodic Due Date. If you pay the total amount due under the terms of the Title Loan Agreement in full, as deferred through negotiations and agreed to herein, then we shall return the Title to you. You may also make partial prepayments under this Grace Period Payments Deferment Agreement at any time without an additional charge or fee.

Repayment Plan Disclosure: If you default on the loan and this Grace Period Deferred Payments Agreement, we must offer a Repayment Plan to you before we commence any civil action or process of alternative dispute resolution, or before we repossesses the Motor Vehicle.

Default and Repayment Plan. You will be in default under Grace Period Payments Deferment Agreement if you fail to keep any promise made herein. Such default occurs on the day immediately following the date of your failure to perform as described herein. We may waive a default and reinstate your account to good status if you bring your account current or make satisfactory payment arrangements with us. You will have the opportunity to enter into a Repayment Plan with a term of at least 90 days after the Date of Default on the Grace Period Payments Deferment Agreement. Under the terms of any Repayment Plan and pursuant to Nevada law: (1) you must enter into the Repayment Plan not later than 30 days after the date of default, unless we allow a longer period; (2) we will allow the period for repayment to extend at least 90 days after the date of default, unless you agree to a shorter term; and (3) we may require you to make an initial payment of not more than 20 percent of the total amount due under the Repayment Plan. If you enter into a Repayment Plan, we will honor the terms and we will not charge any other amount as an incident to or as a condition of entering into a Repayment Plan. Such an amount includes, without limitation: (a) any interest, regardless of the name given to the interest, other than the interest charged pursuant to the original loan agreement at a rate which does not exceed the rate charged during the term of the original loan agreement; or (b) any origination fees, set-up fees, collection fees, transaction fees, negotiation fees, handling fees, processing fees, late fees, default fees or any other fees, regardless of the name given to the fee. Additionally, if you enter into a Repayment, we will honor the terms of the Repayment Plan, and unless otherwise authorized by Nevada law we will not (i) accept any additional security or collateral from you to enter into the Repayment Plan; (ii) sell to you any insurance (iii) require you to purchase insurance or any other goods or services to enter into the Repayment Plan; (iv) make any other loan to you, unless you are seeking multiple loans that do not exceed the limit set forth under Nevada law; (v) attempt to collect the outstanding balance during the term of the Repayment Plan by repossessing the Vehicle unless you default on the Repayment Plan or (vi) attempt to collect an amount that is greater than the amount owed under the terms of the Repayment Plan. Therefore, if you (I) default on Grace Period Payments Deferment Agreement and do not enter into a Repayment Plan and we do not waive the default, or (II) default on Grace Period Payments Deferment Agreement, enter into a Repayment Plan, and default on the terms of the Repayment Plan, then we may pursue any remedy Nevada law allows, including seeking repossession and sale of the Motor Vehicle.

Security Interest. You have given us possession of the Title to the vehicle, and granted us a security interest in the Title. We continue to maintain our security interest and possession of the Title during this Grace Period Payments Deferment Agreement.

Acknowledgment of Simple Interest Accrual. You acknowledge that we use the simple interest method to calculate and accrue the interest owing under the Loan Agreement. Interest is not compounded under the Loan Agreement. You acknowledge that simple interest is charged on the outstanding principal balance. Payments will be applied first to accrued interest, second to outstanding charges, if any, and third to principal. We calculated and estimated the simple interest under the Loan Agreement and disclosed in the "Finance Charge" disclosure assuming you would pay each scheduled payment in the amount scheduled and on the scheduled Payment Dates. The original Payment Schedule in the Loan Agreement provided for payments which would ratably and fully amortize the entire Principal Amount and interest payable. The interest rate under the Loan Agreement remains unchanged. You acknowledge that simple interest is charged on the unpaid principal balance of this Loan Agreement at the daily rate of 0.2997% from the date of this Loan Agreement until the earlier of: (i) the due date of your last payment as set forth in the original Payment Schedule; or (ii) payment in full. Now that the Payment Schedule has changed, you acknowledge that the new Payment Schedule provided for in this Grace Period Payments Deferment Agreement, if followed, will ratably and fully amortize the entire Principal Amount and interest payable over a longer period of time than the original Payment Schedule in the Loan Agreement. As such you acknowledge and agree you will continue to incur interest as provided in the Loan Agreement. You further agree that in setting the amount of the payments and dates of the payments, we have estimated the accrued interest owing to us assuming you make the payments in the amounts scheduled and on the exact dates set forth in the Grace Periods Payments Deferment Schedule above. Early payments may decrease the amount of interest you owe. Making a payment in an amount greater than scheduled above may decrease the amount of interest you owe. Late payments may increase the amount of interest you owe. The amount of this increase or decrease will be reflected in the final payment. If an early payment is less than the scheduled installment, then you must pay the difference on or before the upcoming installment due date. You may request a payoff at any time.

Governing Law and Assignment. Nevada law governs the Loan Agreement and this Grace Period Payments Deferment Agreement, except the Federal Arbitration Act ("FAA") governs the Waiver of Jury Trial and Arbitration Provision. We may assign or transfer the Loan Agreement and Grace Period Payments Deferment Agreement or any of our rights

Any comments or questions may be directed to Customer Service at the following number (800) 804-5368

By signing this Grace Period Payments Deferment Agreement, you acknowledge that it was filled in before you did so and that you have received a completed copy of it. You agree that the information you provided to before entering into this Grace Period Payments Deferment Agreement is accurate. You represent that you are not a debtor under any proceeding in bankruptcy and have no intention to file a petition for relief under any chapter of the United States Bankruptcy Code. You acknowledge that you have read this Grace Period Payments Deferment Agreement, and agree to its terms. You further acknowledge that except as amended herein, all of the terms of the Title Loan Agreement remain enforceable including but not limited to the charging of simple interest and Waiver of Jury Trial and Arbitration Provision.

Acknowledgments. By signing below, you acknowledge that the payment information noted above is accurate. If the term of this loan is shorter than 210 days, you further represent that the information previously provided on the Covered Borrower Identification Statement is still accurate. You agree to inform the company and sign a new statement if your status as an active duty member of the Armed Forces (Army, Navy, Marine Corps, Air Force, or Coast Guard), or as a dependent or spouse of such member changes.

LICENSEE: Title

Customer's Signature

Date

Its Authorized Agent

Date

Co-Borrower's Signature

Date

Equi Finance, Inc. 10000 Highway 100, Suite 100, Dallas, Texas 75243-1000

Page 2 of 2

FLORIDA TRUTH-IN-LENDING DISCLOSURES

ANNUAL PERCENTAGE RATE	FINANCE CHARGE	Amount Financed	Total of Payments
The cost of your credit as a yearly rate.	The dollar amount the credit will cost you.	The amount of credit provided to you or on your behalf.	The amount you will have paid after you have made all payments as scheduled.
109.3771 %	\$2,068.92	\$5,300.00	\$7,368.92

Your payment schedule will be:

Number of Payments	Amount of Payments	When Payments are Due
6	\$1,052.70	10/6/2014 and each 30 days thereafter
1	\$1,052.72	4/4/2015

Security: You are giving a security interest in the Title to the Motor Vehicle.
 Filing Fee: \$ 0.00
 Prepayment: If you pay off early, you will not have to pay a penalty, and you may be entitled to a refund of part of the finance charge.

See the terms below and on the other pages of this Loan Agreement for any additional information about nonpayment, default, any required repayment in full before the scheduled date and any prepayment refunds and penalties.

Itemization of Amount Financed of	\$5,300.00
1. Amount given to you directly:	\$5,300.00
2. Amount paid on your account:	\$0.00
3. Amount paid to public officials:	\$ 0.00
4. Amount paid to _____ on your behalf:	\$0.00

Calculation of Interest, Application of Payments and Security Interest.

We use the simple interest method to calculate the interest. We calculated the simple interest assuming you will pay on the scheduled Payment Dates. If you make your payments on the dates set forth in the Payment Schedule, the Finance Charge box above discloses the total amount of interest you will owe us under this Loan Agreement. Payments are calculated to ratably and fully amortize the entire Principal Amount and interest payable. Interest is not compounded. Early payments may decrease the amount of interest you owe. Late payments may increase the amount of interest you owe. The amount of this increase or decrease will be reflected in the final payment. If an early payment is less than the scheduled installment, then you must pay the difference on or before the upcoming installment due date. Payments will be applied first to accrued interest, second to outstanding charges, if any, and third to principal. We require you to give us possession of the Title, and you hereby give us possession of the Title. You grant us a security interest in the Motor Vehicle listed above. We will maintain possession of the Title during this Loan Agreement.

Right to Rescind and Prepayment.

You may rescind this loan pursuant to Nevada law. You may rescind before we close on our next business day, at the location listed above. We will not charge you any amount for rescinding. To rescind, you must deliver funds equal to the face value of the loan, less any fees charged. If you rescind, then we will return the Title to you, and refund any amount paid. You have the right to make payments in any amount in advance at any time without incurring any charge, fee or penalty. If you prepay any amount at any time, then the final payment amounts will be adjusted as appropriate to reflect any prepayments we receive. If you prepay pursuant to this Loan Agreement, then we will return the Title to you.

Grace Period.

For purposes of this Loan Agreement, the term "grace period" means the gratuitous period of payments deferment (i) which we offer to you after entering into this Agreement pursuant to the provisions of NRS 604A.70 and NRS 604A.210, (ii) you voluntarily accept such terms of the payments deferment after entering into the Loan Agreement, and (iii) you and we agree to such terms of payments deferment in a written and signed "Grace Period Payments Deferment Agreement." We allow customers that are in good standing during the term of this Loan Agreement to request and enter into a Grace Period Payments Deferment Agreement. You may request and enter into a Grace Period Payments Deferment Agreement by returning to our store not earlier than one business day following the date of this Loan Agreement. If you enter into a Grace Period Payments Deferment Agreement, your obligation to pay simple interest under this Loan Agreement remains unchanged. Other than the interest and fees originally provided for in this Loan Agreement, we do not charge you any additional fees or interest for entering into a Grace Period Payments Deferment Agreement.

Repayment Plan Disclosure: If you default, we must offer a Repayment Plan to you, or commence any civil action or process of alternative dispute resolution, or before we repossesses the Motor Vehicle.

Repayment Plan. If you default and are entitled to enter into a Repayment Plan, we will offer you a "Repayment Plan." We will give you the opportunity to enter into a Repayment Plan for 30 days after such default. The minimum term of the "Repayment Plan" is 90 days. We may require you to make an initial payment of not more than 20 percent of the total amount due under the terms of the Repayment Plan. We shall not except as otherwise provided by this NRS 604A, charge any other amount to you, including, without limitation, any amount or charge payable directly or indirectly by you and imposed directly or indirectly by us as an incident to or as a condition of entering into a repayment plan. Such an amount includes, without limitation: (i) any interest, regardless of the name given to the interest, other than the interest charged pursuant to the original loan agreement at a rate which does not exceed the annual percentage rate charged during the term of the original loan agreement; or (ii) any origination fees, set-up fees, collection fees, transaction fees, negotiation fees, handling fees, processing fees, late fees, default fees or any other fees, regardless of the name given to the fee. We will not take additional security for entering into a Repayment Plan or attempt to collect an amount that is greater than the amount owed under the terms of the Repayment Plan. We will not sell you any insurance or require you to purchase insurance or any other goods or services to enter into the Repayment Plan. We will not make any other loan to you while you are in a Repayment Plan. **Upon default of your obligations under the Repayment Plan, we may repossess the Motor Vehicle.**

Default, Acceleration, Repossession, and Post-Default Interest.

You will be in default and entitled to enter into a Repayment Plan on the day immediately following the date you fail to (i) make a scheduled payment on this loan; (ii) make a scheduled payment on or before the due date for the payment under the terms Grace Period Payments Deferment Agreement; (iii) pay this loan in full on or before the expiration of the initial loan period as set forth herein unless you have entered into a Grace Period Payments Deferment Agreement; (iv) pay this loan in full on or before the expiration of the period as set forth Grace Period Payments Deferment Agreement; or (v) pay any payment under any Grace Period we have extended under NRS 604A.210. We may waive a default and reinstate your account to good status if you bring your account current or make satisfactory payment arrangements with us. However, we are not required to make an offer for you to enter into a Repayment Plan more than once for each loan. Provided that the due date of the repayment plan does not violate the provisions of Nevada Law, you will be in default and not entitled to enter into a Repayment Plan, if you fail (ii) to make a scheduled payment on this loan on or before the due date for the payment under the terms of any repayment plan relating to this loan or (ii) to pay a loan in full on or before the due date any repayment plan relating to the loan. If you are in default and entitled to enter into a Repayment Plan, we may accelerate the balance, but we cannot repossess the Motor Vehicle before offering you a Repayment Plan. If you are in default under the Loan Agreement and Grace Period Payments Deferment Agreement and not entitled to enter into a Repayment Plan or if you are in default under the Repayment Plan, we may seek repossession and sale of the Motor Vehicle as well as any other remedy allowed by Nevada law. If you use fraud to secure a title loan, or if you wrongfully transfer any interest in the Motor Vehicle to a third party, then we may bring a civil action against you for any or all of the following relief: (I) the amount of the loan obligation, including, without limitation, the aggregate amount of the interest, charges and fees negotiated and agreed to by us and you as permitted, less any prior payments made by you; (II) reasonable attorney's fees and costs; and (III) any other legal or equitable relief that the court or arbitrator deems appropriate. If we do not use one or more remedies following your default, we do not waive our right to the same or another remedy or remedies. Our rights herein are cumulative, not exclusive.

Governing Law and Assignment.

Nevada law governs this Loan Agreement, except the Federal Arbitration Act ("FAA") governs the Waiver of Jury Trial and Arbitration Provision. We may assign or transfer this Loan Agreement or any of our rights.

Affidavit. You acknowledge and agree that you provided us with an affidavit stating: (a) The customer provided licensee with true and correct information concerning the customer's income, obligations, employment and ownership of the Motor Vehicle; and (b) The customer has the ability to repay the title loan.

WAIVER OF JURY TRIAL AND ARBITRATION PROVISION. Arbitration is a process in which persons with a dispute: (a) waive their rights to file a lawsuit and proceed in court and to have a jury trial to resolve their disputes; and (b) agree, instead, to submit their disputes to a neutral third person (an "arbitrator") for a decision. Each party to the dispute has an opportunity to present some evidence to the arbitrator. Pre-arbitration discovery may be limited. Arbitration proceedings are private and less formal than court trials. The arbitrator will issue a final and binding decision resolving the dispute, which may be enforced as a court judgment. A court rarely overturns an arbitrator's decision. **THEREFORE, YOU ACKNOWLEDGE AND AGREE AS FOLLOWS:**

1 For purposes of this Waiver of Jury Trial and Arbitration Provision (hereinafter the "Arbitration Provision"), the words "dispute" and "disputes" are given the broadest possible meaning and include, without limitation (a) all claims, disputes, or controversies arising from or relating directly or indirectly to the signing of this Arbitration Provision, the validity and scope of this Arbitration Provision and any claim or attempt to set aside this Arbitration Provision; (b) all federal or state law claims, disputes or controversies, arising from or relating directly or indirectly to this Loan Agreement (including the Arbitration Provision), the information you gave us before entering into this Loan Agreement, and/or any past agreement or agreements between you and us; (c) all counterclaims, cross-claims and third-party claims; (d) all common law claims, based upon contract, tort, fraud, or other intentional torts; (e) all claims based upon a violation of any state or federal constitution, statute or regulation; (f) all claims asserted by us against you, including claims for money damages to collect any sum we claim you owe us; (g) all claims asserted by you individually against us and/or any of our employees, agents, directors, officers, shareholders, governors, managers, members, parent company or affiliated entities (hereinafter collectively referred to as "related third parties"), including claims for money damages and/or equitable or injunctive relief; (h) all claims asserted on your behalf by another person; (i) all claims asserted by you as a private attorney general, as a representative and member of a class of persons, or in any other representative capacity, against us and/or related third parties (hereinafter referred to as "Representative Claims"); and/or (j) all claims arising from or relating directly or indirectly to the disclosure by us or related third parties of any non-public personal information about you.

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.

Assembly Committee on Commerce and Labor
 March 15, 2017
 Page 62

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](#)).]

000202

Assembly Committee on Commerce and Labor
March 15, 2017
Page 69

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:

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.

Assembly Committee on Commerce and Labor
March 15, 2017
Page 71

[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.

ASSEMBLY AGENDA

COMMITTEE ON COMMERCE AND LABOR

Day Wednesday Date March 15, 2017 Start Time 1:30 p.m. Room 4100
 Room 4100 of the Legislative Building, 401 S. Carson St., Carson City, NV.
Videoconferenced to Room 4401 of the Grant Sawyer State Office Building, 555 E. Washington Ave., Las Vegas, NV.

Overview of the Regulation of Short-term Lending and Chapter 604A of the *Nevada Revised Statutes*

[A.B. 163](#) Revises provisions governing certain short-term loans. (BDR 52-737)

[A.B. 222](#) Revises provisions governing payday loans, title loans and installment loans.
 (BDR 52-574)

Public comment.

Possible Committee BDR introductions.

Matters continued from a previous meeting.

Possible work session on measures previously considered.

Unless waived by the Chairman, proposed amendments, handouts, and other exhibits for a hearing must be submitted electronically in PDF format to the committee manager at AsmCL@asm.state.nv.us no later than 5 p.m. the day before the meeting. Proposed amendments must be submitted in writing and include the sponsor's name, contact information, and the intent of the amendment.

Cellular telephones must be silenced while in the committee room.

If you cannot attend the meeting, you can listen to it live over the Internet. The address for the legislative website is <http://www.leg.state.nv.us>. For audio broadcasts, click on the link "Calendar of Meetings."

Note: We are pleased to make reasonable accommodations for members of the public who are disabled and wish to attend the meeting. If special arrangements for the meeting are necessary, please notify the Assembly Committee on Commerce and Labor at (775) 684-8579.

(R#) Indicates the reprint number of the bill/resolution being considered.

PLEASE PROVIDE 20 COPIES OF YOUR DOCUMENTS.



FINANCIAL INSTITUTIONS DIVISION

STATE OF NEVADA

NRS 604A COMPLAINT DATA

information for

A.B. 163 and A.B. 222

before the

ASSEMBLY COMMITTEE ON COMMERCE AND LABOR

NEVADA LEGISLATURE

March 15, 2017

INTRODUCTION

Assembly Bills 163 and 222 propose to enact provisions with respect to short term, payday, title and installment loans. The Financial Institutions Division was requested by the Committee to provide data regarding NRS 604A complaints for calendar years 2015-2017.

NRS 604A COMPLAINT DATA

Attached for the Committee's information is the requested complaint data. Representatives of the Financial Institutions Division will be available by video conference from the Grant Sawyer Bldg. in Las Vegas to present the information and answer questions regarding it.

NRS 604A Complaints
CY 2015 , 2016, 2017

Services	Type	Total
Check Cashing	CC	1
Deferred Deposit Loan	DD	29
High Interest Loan	HIL	61
Title Loan	TL	56
Combination	HIL/TL	2
Total		149

#	Type of Complaint
26	Not considering the customer's ability to repay
10	Exceeding 25% of customer's expected gross monthly income
15	Did not offer repayment plan, or refusal to, or violation of repayment terms
10	Continuous roll over of loans, or overextending loans
20	Multiple loans with same or different licensee
24	Unlicensed
3	Unauthorized debit
2	Title loan exceeds fair market value of vehicle
20	Federal violations - TILA, FCDPA, Reg B, or FCRA
35	Other

Note: A single complaint could involve more than one type of complaint

January 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	67905	604A					TL	Unlicensed, extended a title loan
2	67915	604A					DD	Identity Theft, used social security, did not apply for loan
3	67916	604A					DD	Identity Theft, used social security, did not apply for loan
4	67917	604A					HIL	Identity Theft, used social security, did not apply for loan
5	67918	604A					HIL	Identity Theft, used social security, did not apply for loan
6	67919	604A					HIL	Identity Theft, used social security, did not apply for loan
7	68013	604A					CC	Unlicensed, cashed a check for \$5 surcharge

January 2016 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	70106	604A					HIL	Collection calls at place of employment
2	70107	604A					HIL	Collection calls at place of employment
3	70135	604A					TL	Ability to repay not considered, extended loans only days apart, preyed on age and inability to speak English, kept in the books
4	70163	604A					TL,HIL	Ability to repay not considered, preyed on age and inability to speak English, kept in the books
5	70197	604A					TL	Ability to repay not considered, entered in different loans without properly explaining the agreements, kept in the books, repossessed vehicle
6	70203	604A					TL	Withdrew complaint, resolved

January 2017 Complaints

0

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	72213	604A					HIL	Unlicensed, loan on guns
2	72293	604A					HIL	Illegal collection tactic, visited primary residence twice

February 2015 Complaints

#	Complaint	NRS	Respondent	Return Card	Response	# of days	Type	Type
1	68090	604A					HIL	Refusal to offer repayment plan
2	68097	604A					DD	Duplicate complaint, already resolved
3	68203	604A					HIL, TL	Ability to repay not considered
4	68204	604A					HIL	Unauthorized debit
5	68205	604A					HIL	Ran hard credit inquiry instead of soft inquiry
6	68213	604A					HIL	Denied application based on wrong credit information

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?

Assembly Committee on Commerce and Labor
March 15, 2017
Page 57

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.

Case No. 74335

In the Supreme Court of Nevada

THE STATE OF NEVADA, DEPARTMENT)
OF BUSINESS AND INDUSTRY,)
FINANCIAL INSTITUTIONS DIVISION,)

Appellant,)

vs.)

TITLEMAX OF NEVADA, INC., and)
TITLEBUCKS d/b/a TITLEMAX, a)
Nevada Corporation,)

Respondent,)

Electronically Filed
Jul 23 2018 09:06 a.m.
Elizabeth A. Brown
Clerk of Supreme Court

APPEAL

from the Eighth Judicial District Court, Clark County
The Honorable JOE HARDY, District Judge
District Court Case No. A-16-743134-J

**RESPONDENT'S NRAP 28(f) PAMPHLET
WITH 2017 LEGISLATIVE HISTORY OF AMENDMENTS
TO NRS CHAPTER 604A**

**VOLUME 1, PART 3
PAGES 175-226**

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TABLE OF CONTENTS TO RULE 28(f) PAMPHLET

Tab	Document	Volume	Pages
1	Overview	1	1–3
2	Bill History	1	4–62
3	Bill Text and Adopted Amendments	1	63–229
4	Votes	1	130–132
5	Fiscal Notes	1	133–134
6	Meeting Minutes and Exhibits	1 2 3	135–250 251–500 501–581

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)

Assembly Committee on Commerce and Labor
March 15, 2017
Page 44

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.

Assembly Committee on Commerce and Labor
 March 15, 2017
 Page 47

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.