

Senate Committee on Commerce, Labor and Energy
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SENATOR GANSERT:

How do we measure who would go offshore and who ends up using high-interest credit cards?

ASSEMBLYWOMAN SWANK:

That is one of the challenges we have in trying to gather information. Because those loans are illegal, it would be a somewhat incomplete picture, but having some of the data is better than not having any information. It is not perfect, but it might tell us something.

SENATOR GANSERT:

Is there a way for us to measure credit card debt and how it is affected when you restrict short-term capital through payday loans?

ASSEMBLYWOMAN SWANK:

That is something we need to look at in the larger scale. There are a lot of moving pieces. More often, people in trouble will go to friends and family to borrow money.

I want to emphasize that this bill is not about restricting access. It is just about getting that bigger picture to see what is going on. In my district, I had some great maps showing where these short-term loan storefronts are concentrated. They are in places where people use them, and we want to make sure people have access to them still. We just want to make sure consumers get protection while still having that access. These are my neighbors who use these short-term loans. I do not want to take that away from them.

CHAIR ATKINSON:

The way this database works is very different from what the State Treasurer was proposing in S.B. 17. Is that right?

ASSEMBLYWOMAN SWANK:

Yes. This is getting a picture, putting some sunshine on this and just seeing what we see.

CHAIR ATKINSON:

I will close the hearing on A.B. 515 and open the hearing on A.B. 487.

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ASSEMBLY BILL 487 (3rd Reprint): Revises provisions relating to vehicles.
(BDR 58-783)

ALFREDO ALONSO (Livery Operators Association of Las Vegas):

This is basically a taxi deregulation bill. It removes many of the provisions in NRS 706 that are antiquated and allows taxi companies and drivers to have a little more flexibility.

I will run through the bill. The only issue that is not deregulation is in section 3. This section gives the Nevada Taxicab Authority (NTA) another way to deal with unlicensed taxis. We have had problems with drivers who are not registered either with the NTA or with a transportation network company (TNC) providing rides for cash so they cannot be traced. This provision is very limited and only applies to these cash runs. You have to have probable cause to even stop someone. That standard is very high, higher than it is now.

Section 4 of A.B. 487 removes an antiquated section of the NRS that had to do with onboard computers and provisions regarding the fees that entailed. We are letting those fees go to the NTA. Let the NTA in its wisdom figure out where those fees need to be used and remove all this language that frankly is prehistoric by today's standards.

Section 6 of the bill gives taxi companies more flexibility in the design of their cabs, allowing them to perhaps do some things that are a little different than they have done in the past. This flexibility includes leasing cabs out to drivers for other uses. This is important because taxi companies are having a difficult time hiring and keeping employees. This would allow drivers to work for a cab company and also drive for a TNC. We are hoping this flexibility will keep people employed with the taxicab companies.

Section 7, subsection 2 of the bill allows some flexibility with the age of cars used as taxis. As long as a car is in good shape, the age at which it must be retired is increased from 55 months to 120 months. The competition is fierce, and there is a lot of flexibility on the TNC side. We are looking for the same type of flexibility for taxicab companies.

There are many provisions throughout the bill that make small changes toward flexibility, including changing some documentation that used to be done on paper now being done electronically.

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Finally, section 24.5 revises provisions regarding dynamic advertising, which is electronic displays that move or change to allow taxis to increase their income through advertising. This provision removes the prohibition against moving images but requires that they do not move or change when the vehicle is going 55 miles an hour or faster to avoid distracting other drivers on the freeway.

SENATOR CANCELA:

Regarding the dynamic advertising, where does that revenue go? My understanding is that none of that income trickles down to the actual drivers. I would be interested in understanding whether that is true.

MR. ALONSO:

I believe it does trickle down to the drivers, in the sense that it keeps the taxicab running so the drivers have jobs with benefits. Taxicab companies are losing significant revenue trying to compete with TNCs. We are playing catch-up.

SENATOR SETTELMAYER:

With regard to the provisions in section 3, subsection 7, to my understanding, the NTA has always had the ability to go after unlicensed drivers. We have had this discussion in numerous Sessions. Why do we need section 3?

MR. ALONSO:

It is true that the NTA has the ability to go after unlicensed taxis, but it simply is not happening. We were hoping to put something in statute that would encourage enforcement and make it easier. This provision is extremely narrow, and the standard is high, so our belief is that this would guarantee that this type of enforcement is actually happening.

SENATOR SETTELMAYER:

With regard to section 15 of A.B. 487, I understand you feel the language in the statute is antiquated. I agree that it should go away; however, we did just pass this section of the NRS in 2013, so I am not sure how antiquated it is.

Regarding section 5, subsection 4 of the bill, in line 13 you are changing "must" to "may." Will this allow the cab company to use a sliding scale, like the credit card fee of \$3? Could the company decide to charge \$1 instead, or does this require it to collect \$3 or nothing?

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MR. ALONSO:

It is my understanding that this language provides flexibility. The NTA will ultimately make that decision. We believe that all of this will allow us to compete a little better. That is the goal.

SENATOR SETTELMAYER:

I support the idea of competing better, but I admit I have some trust issues. We have passed some bills this Session that left the Senate in one form and were changed in the Assembly. I have some issues voting for any form of TNC or taxicab bill at this time.

SENATOR HARDY:

Section 9, subsection 1 of the bill says taxicabs are to be inspected not more than once a year. Section 10, subsection 4 says a leased cab must be inspected not less than once a month. Why the difference?

MR. ALONSO:

The intent here is to make sure that leased cabs are inspected often because they will be used by TNC drivers as well as the taxicab company. We felt that was important to keep our customers safe. That is a safety issue for us. If we are leasing them, we are going to take the time to make sure those vehicles are in good order.

SENATOR HARDY:

Yes, but why inspect a leased cab once a month and a nonleased cab once a year?

MR. ALONSO:

The nonleased cabs come back into the shop every night and are maintained by the company on a daily basis. We do not know how many miles are going to be put on a leased cab and have no control over its upkeep. Since the leased cabs will not be coming into the shop every day, we need to ensure that they are being kept up so the same level of safety will exist.

SENATOR HARDY:

Do the TNCs require a monthly inspection of their drivers' private cars?

MR. ALONSO:

No.

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SENATOR GANSERT:

Section 10, subsection 1 of the bill seems to say that taxicabs can be leased by an independent contractor to work within a TNC. Is that right?

MR. ALONSO:

Yes.

SENATOR GANSERT:

Section 8, subsection 1 talks about credit and debit card fees. I am not familiar with the taxi industry. Are there maximum amounts you can charge, or do you just have to post how much you are going to charge?

MR. ALONSO:

It is posted how much the fee is going to be. You do not have to use a credit card, and in fact the majority pay cash. If you are going to use a credit card, the fee is posted.

SENATOR GANSERT:

Is there a maximum that fee can be?

MR. ALONSO:

I believe the maximum is \$3.

CHAIR ATKINSON:

There is no minimum; the fee is just \$3. Right?

MR. ALONSO:

Right.

RUSTY McALLISTER (Nevada State AFL-CIO):

We are in support of A.B. 487. We believe there are some provisions in this bill that would assist the people we represent, the cab drivers, with regard to allowing them more opportunities in the TNC business through the leasing process. We are pleased with the provision that the cab company cannot lease more than 50 percent of its cars. We believe this bill will help us.

SENATOR SETTELMAYER:

If the idea is to deregulate the industry and increase opportunities and flexibility, why would we even have a percentage on that at all?

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MR. MCALLISTER:

I am not sure. Maybe I am misreading it, but section 10, subsection 8 says the certificate holder may not have a number of unexpired leases that exceeds the number of taxicabs allocated to the certificate holder. That helps us.

CHAIR ATKINSON:

Mr. Alonso, could you clarify that language?

MR. ALONSO:

It means that we can only lease 50 percent of our fleet.

SENATOR SETTELMAYER:

Again, if we are trying to deregulate and trying to give people more flexibility, why would you have that 50 percent limitation? There are some companies in Washington, D.C., for example, where it is quite common to have a lot of individuals leasing a taxi and using it for TNC and also taxi purposes at the same time. Why do you want a percentage on that?

MR. ALONSO:

When we discussed this, particularly with the employees, the discussion was not everybody wants to do that. You have a lot of employees who are very happy with their situation—they have benefits and a good solid place to work—but there were others who wanted the flexibility to be able to do both without having to go into debt to buy another car. We wanted to allow our employees to have the ability to drive both for a cab company and for a TNC, rather than losing drivers to the TNCs. It is not completely flexible or deregulated, but we thought it was a fair start.

SENATOR SETTELMAYER:

I guess it is just a fundamental difference of opinion about the word "deregulation." In my opinion, deregulation means you take rules off rather than creating new ones.

SENATOR SPEARMAN MOVED TO DO PASS A.B. 487.

SENATOR CANCELA SECONDED THE MOTION.

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SENATOR SETTELMAYER:

I will vote no. I may vote yes on the Floor if I can get past my trust issues and some of the other problems that have arisen.

SENATOR HARDY:

I will vote yes and reserve my right to vote no on the Floor.

THE MOTION PASSED. (SENATOR SETTELMAYER VOTED NO.)

* * * * *

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CHAIR ATKINSON:

Is there any public comment? Hearing none, I will adjourn the meeting at 10:27 p.m.

RESPECTFULLY SUBMITTED:

Lynn Hendricks,
Committee Secretary

APPROVED BY:

Senator Kelvin Atkinson, Chair

DATE: _____

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EXHIBIT SUMMARY				
Bill	Exhibit / # of pages		Witness / Entity	Description
	A	1		Agenda
	B	5		Attendance Roster
A.B. 206	C	18	Marji Paslov Thomas	Work Session Document
A.B. 515	D	2	William Horne / Advance America, Cash Advance Centers of Nevada, Inc.; Enova International	Proposed Amendment

SENATE AGENDA
for the
COMMITTEE ON COMMERCE, LABOR AND ENERGY

Day Saturday Date June 3, 2017 Start Time Call of Chair* Room 2135

Room 2135 of the Legislative Building, 401 S. Carson St., Carson City, NV.

Videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 E. Washington Ave., Las Vegas, NV.

All Senate meetings are available live over the Internet at <http://www.leg.state.nv.us>. Click on the link "Calendar of Meetings."

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 Senate Committee Manager at (775) 684-1461.

All documents, handouts and exhibits in support of your testimony must be submitted electronically in PDF format no later than 24 hours before the meeting time to the Committee on Commerce, Labor and Energy Committee Manager at SenCLE@sen.state.nv.us. In addition, please bring 20 copies of your documents, handouts, and exhibits to the meeting for distribution to the public. If you are planning to provide a PowerPoint or other electronic presentation, you are responsible for notifying the Committee Manager prior to the meeting and bringing your own electronic copy for presentation.

*** Meeting to convene upon adjournment of Senate Judiciary and Senate Government Affairs**

FOURTH AGENDA

- A.B. 487 (R3) Revises provisions relating to vehicles. (BDR 58-783)
- A.B. 515 (R1) Revises provisions governing deferred deposit loans, title loans and high-interest loans. (BDR 52-1227)

WORK SESSION

- A.B. 206 (R1) Revises provisions relating to the renewable portfolio standard. (BDR 58-746)

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

Public Comment

At the Chair's discretion, items on this agenda may be taken in a different order than listed; two or more agenda items may be combined for consideration; an item may be removed from this agenda; or discussion of an item on this agenda may be delayed at any time. The Committee may vote to introduce Bills and Resolutions not on this agenda. Possible discussion, action or Work Session may occur on matters previously considered.

Interested parties may observe the meeting and/or provide testimony through simultaneous videoconference when available.

Public comment will be taken at appropriate times during the meeting. Because of time considerations, the period for public comment by each speaker may be limited, and speakers are urged to avoid repetition of comments made by previous speakers. No public comment or testimony will be taken on Bills/Resolutions being discussed during Work Sessions.

Proposed amendments must be submitted electronically in PDF format to the Committee SenCLE@sen.state.nv.us no later than 24 hours before the meeting time. The proposed amendment must include the Bill and/or Resolution number, a statement of intent, and the name and contact information of the amendment sponsor. Please bring 20 copies of the proposed amendment to the Committee meeting.

Electronic devices (e.g., cellular telephones, pagers, tablets and laptop computers) must be in silent mode or turned off while in the Committee room.



Section 1. Chapter 604A of NRS is hereby amended by adding thereto a new section to read as follows:

1. The Commissioner shall, by contract with a vendor or service provider or otherwise, develop, implement and maintain a database by which the Commissioner may ~~generate a report related to~~ collect information on deferred deposit loans or title loans, which may be used to generate an annual report on deferred deposit loans or title loans using aggregated information. Information collected by such database may include, but is not limited to: ~~made by licensees to customers in this State which includes, without limitation:~~

- (a) Whether a customer has a deferred deposit loan or title loan outstanding with more than one licensee;**
- (b) Whether a customer has had such a loan outstanding with one or more licensees within the 30 days immediately preceding the making of a loan;**
- (c) Whether a customer has had a total of three or more such loans outstanding with one or more licensees within the 6 months immediately preceding the making of the loan; and**
- (d) Any other information ~~necessary to comply with the provisions of this chapter~~ determined by the Commissioner and adopted by regulation.**

2. After the development and implementation of the database created pursuant to subsection 1, a licensee who makes a deferred deposit loan or title loan shall enter or update the following information in the database for each such loan made to a customer at the time a transaction takes place:

- (a) The date on which the loan was made;**
- (b) The type of loan made;**
- (c) The principal amount of the loan;**
- (d) ~~The fees charged for the loan;~~**
- (~~ed~~) The annual percentage rate of the loan;**
- (~~fe~~) The total finance charge associated with the loan;**
- (~~gf~~) If the customer defaults on the loan, the date of default;**
- (~~hg~~) If the customer enters into a repayment plan pursuant to NRS 604A.475, the date on which the customer enters into the repayment plan; and**
- (~~ih~~) The date on which the customer pays the loan in full.**

3. The Commissioner shall establish, and cause the vendor or service provider administering the database created pursuant to subsection 1 to charge and collect, a fee for each loan entered into the database by the licensee ~~not to exceed one dollar (\$1.00,) which may be passed through to the borrower.~~ The ~~money fee~~ collected pursuant to this subsection must be relative to, and used to pay for, the operation and administration of the database.

4. Except as otherwise provided in this subsection, any information in the database created pursuant to subsection 1 is confidential and shall not be considered a public book or record pursuant to NRS 239.010. The information may be used by the Commissioner for statistical purposes if the identity of the persons or the licensee is not discernible from the information disclosed.

5. The Commissioner shall adopt regulations that:

- (a) Prescribe the specifications for the information entered into the database created pursuant to subsection 1 for the purposes of the annual report;**
- (b) Establish standards for the retention, access, reporting, archiving and deletion of information entered into or stored by the database;**
- (c) Establish the amount of the fee required pursuant to subsection 3; and**
- (d) Are necessary for the administration of the database.**

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Hispanic Chambers of Commerce of San Francisco
Cámaras de Comercio Hispánicas de San Francisco

September 29, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

RE: Docket No. CFPB-2016-0025

Dear Ms. Jackson:

The Hispanic Chambers of Commerce of San Francisco promotes business and preserving the traditions of our community. We have worked to expand business opportunities and create partnerships, procurement opportunities, and to link small businesses and corporations. This allows us a platform to assist in the growth of our community's financially, and economically. This is why we are writing to express our deep concern about the Consumer Financial Protection Bureau's short-term lending rule as the proposed rule will close many businesses and leave many Californian's unable to access regulated credit.

Across the country, small businesses will close as a result of the CFPB's proposed payday lending rules. When regulated short-term lenders close, borrowers will turn to unlicensed and unregulated lenders. These unregulated lenders offer loans at higher fees and do not offer consumer protections like regulated companies provide. Regrettably, the CFPB does not recognize these concerns, leaving consumers even more susceptible to scam artists and unlicensed lenders.

Small dollar loans play an important role in the financial services marketplace, but unfortunately the CFPB's proposed rule will eliminate access to credit for millions of Americans. and threaten many small businesses. Storefront lenders, many family-run and operated, simply do not

The Bureau should focus on new rules from the federal perspective on addressing illegal operators and scam artists and preventing these bad actors from taking advantage of consumers. As proposed, the CFPB's rules will be detrimental to the hard-working individuals who need the short-term loan.

Thank you for your time and for your continued service with the Consumer Protection Bureau. Your work is vital to protecting and empowering consumers while fostering a fair and competitive financial services marketplace.

Sincerely yours;

Carlos Solórzano-Cuadra
CEO & Board of Directors
Hispanic Chambers of Commerce Of San Francisco (HCCSF)
Phone: 415.735-6120
E mail: Carlos@hccsf.com

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**CALIFORNIA
HISPANIC**
CHAMBERS OF COMMERCE

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September 15, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Docket No. CFPB-2016-0025

Ms. Jackson:

The California Hispanic Chamber of Commerce representing over 800,000 Hispanic business owners in California recognizes the important role of regulated short-term credit in our economy and state. Many short-term lenders are small businesses, and borrowers often run or work for small businesses. The CFPB's rules would be a crushing blow to small lenders and, their customers who would lose a regulated credit option, with many likely turning to unregulated lenders that do not provide the protections or recourse associated with licensed lending companies. In addition, the CFPB's proposal does nothing to address alternative products leaving California consumers without good short-term credit options.

As an organization dedicated to Hispanic business owners, we support laws such as those currently in place in California that protect consumers in need of short-term, small-dollar credit, while also preserving their ability to access that credit by ensuring regulated lenders can sustainably operate. Our state's legislators carefully crafted existing statutes to meet the evolving needs of diverse customers. The CFPB's proposed rules would override these statutes and regulations, eliminating a regulated industry and exposing Californian's to the risks and scams associated with illegal, unregulated lenders.

We urge the CFPB to withdraw these unnecessary proposed rules to ensure consumers maintain access to safe, reliable and transparent short-term credit.

Sincerely,

Frank Montes, Chairman
California Hispanic Chamber of Commerce



July 26, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Docket No. CFPB-2016-0025

**SUBJECT: CONSUMER FINANCIAL PROTECTION BUREAU PROPOSED SHORT-TERM
LENDING RULES**

Dear Ms. Jackson:

The California Chamber of Commerce is the largest broad-based advocate to government in California. Membership represents one-quarter of the private sector jobs in California and includes firms of all sizes and companies from every industry within the state. Nearly three-fourths of Chamber members are companies with 100 or fewer employees.

Our members are very concerned about potential federal rules impacting the short-term lending industry proposed by the CFPB. We do support rules that provide meaningful consumer protections as well as protections for businesses providing services. The practices of illegal operators are harmful to legitimate businesses offering short-term loans to consumers and small businesses who may not qualify for traditional financial products. Broad access to short-term small dollar loans prevents consumers from turning to unlicensed, unregulated Internet lenders.

We request that the Bureau work with industry stakeholders to craft a regulation in a fair and transparent process. As many states including California already regulate in this area, care must be taken to work in conjunction with these rules. Stakeholders have practical experience and knowledge of consumers' needs and timelines that is valuable in the rulemaking process. The Bureau's rules should be respectful of existing state laws, protective of consumers, and fair and workable to operators in the regulated industry.

Sincerely,

Valerie Nera
Policy Advocate

1215 K Street, Suite 1400
Sacramento, CA 95814
916 443 6670
www.calchamber.com



August 15, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

To whom it may concern

The Highland Park Chamber of Commerce represents the interest of more than 100 businesses in Highland Park, California. We are writing to express our deep concerns regarding the Consumer Financial Protection Bureau's (CFPB) proposed rule on short-term lending.

California's small businesses, many of which are regulated short-term lenders, play a critical role for their employees and communities they serve. Unfortunately, the CFPB's proposed rule includes requirements that no small operators can meet, threatening to immediately destroy small businesses, while subjecting larger operators to a slow death.

Unfortunately, consumers' need for credit will not disappear once these businesses close their doors. Instead, families within our community will turn to unlicensed lenders operating outside the jurisdiction of federal and state regulators or to more expensive forms of credit, such as bank-provided overdraft programs.

We recommend the CFPB reconsider its harmful rule on short-term lending. Instead of decimating an entire regulated industry, the Bureau should focus on addressing the illegal practices of unlicensed lenders who pose the greatest threat to consumers.

Sincerely,

Andrew Barrera
President, Board of Directors
Highland Park Chamber of Commerce
1270 N. Avenue 50
Los Angeles, CA 90042
(323) 810-7157



9/14/2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Docket No. CFPB-2016-0025

Ms. Jackson:

The San Joaquin County Hispanic Chamber of Commerce represents over 300 members, many of whom are small business owners. For over 44 years, we have worked to expand business opportunities, which is why we are writing to express our deep concern about the Consumer Financial Protection Bureau's short-term lending rule as the proposed rule will close many businesses and leave many Californians unable to access regulated credit.

Across the country, small businesses will close as a result of the CFPB's proposed payday lending rules. When regulated short-term lenders close, borrowers will turn to unlicensed and unregulated lenders. These unregulated lenders offer loans at higher fees and do not offer consumer protections like regulated companies provide. Regrettably, the CFPB does not recognize these concerns, leaving consumers even more susceptible to scam artists and unlicensed lenders.

Also, the CFPB rule creates a new, untested product but the Bureau has not examined what will happen to consumers when untried, overly strict regulations decimate the short-term lending industry. With regulated short-term credit disappearing, a "superior" product will not suddenly appear. Instead, people will lose a personal finance option and be left with expensive, unregulated, and experimental options.

Overall, we urge the CFPB to further examine the unintended consequences that can result from overly strict regulations and to focus more on illegal and unlicensed lenders, instead of decimating regulated lenders, including many small businesses throughout California and the United States.

Sincerely,

Bob Gutierrez
President, San Joaquin County Hispanic Chamber of Commerce

Executive Committee

Bob Gutierrez / President
Food 4 Less/ Rancho San Miguel

John Freeman / President-Elect
California Water Service

Eddie Lira / Secretary
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Jason Roth
TULEBURG

Hugo Parra
(Honorary Board Member)
Comerciantes Unidos

Below please find Alisa Nave-Worth's testimony for AB 515.

- I represent Multistate clients including the following: MoneyTree, Check City, Check Into Cash, QC Financial and USA Cash.
- As members of the Community Financial Services Association, the leading national trade group of short term lenders, we work hard to ensure we not only comply with existing Nevada law but that we employ in each of our storefronts the best practices in the nation with regard to short term lending.
- **Notably, our clients also represent over 80 brick and mortar storefronts throughout Nevada.** These Nevadan employers employ hundreds of Nevadans in good paying jobs and have done so for decades.
 - In the audience today is Jim Marchesi, the founder of Check City, Nevada's largest brick and mortar short term lender. He, with his son, Ryan Marchesi personally employ over 300 Nevadans. We have submitted on Nelis a letter from Check City regarding AB 515.
- **Deferred Deposit Loans are a critical financial solution for many Americans when they experience temporary income interruptions or savings shortfalls.**
 - Chambers across the nation
 - 1 million Americans
 - 26,000 Nevadans wrote in favor during the recent federal rule making.
 - **We have placed on Nelis a selection of these letters for you.**
- **It is important to understand the critical need short term lending plays in the lives of everyday Nevadans.** Short term lending is used in lieu of other more onerous options in a variety of capacities:
 - For unforeseen emergencies,

- to cover short term income loss in Nevada's volatile employment market and
- for small businesses that have a short term payroll gap

Nevadans use short term loans to avoid more harmful economic, and personal, consequences which may include any of the following:

- Foregoing necessary medical care for loved ones
 - Prohibitively high credit card fees
 - Overdraft a bank account – which results in higher fees than a short term deferred deposit loan
 - Losing a necessary home utility and the associated fees with getting that utility back
- For a comparison of some of these short term fees, we have placed on Nelis a document that appropriately compares some of these costs to the cost of a short term deferred deposit loan.
 - **We are concerned with any legislation that seeks to limit access to critical capital in a highly regulated market. For this reasons, we have the following concerns with AB 515:**
 - **AB 515 fails to place in statute the fees for a mandated database and places that decision in the hands of a for-profit industry, as opposed to the hands of this contemplative body.** Specifically, Section 3 of AB 515 fails to define a precise fee, or fee range, for the database services.

This is a profound departure from other proposed legislation considered by this body this current legislative session, including SB17 and AB222.

We believe that the decision of how much burden should be passed onto Nevada's businesses and Nevada's consumers should be left

to this body, and its public deliberation, as opposed to the assigned regulators and the for-profit vendors it will be working with.

Further, we believe as drafted, this provision and the associated **unknown fee** will have the ultimate effect of limiting capital to consumers – who are everyday Nevadans.

- Short term lending is a high risk, low margin industry. Any additional fees will have two ultimate consequences. Increased fees will either
 - 1) Drive out small brick and mortar Nevada based businesses, limiting access to consumers, or
 - 2) Require a pass through to consumers which will drive up the price of capital significant. When consumers are paying a flat fee of less than \$20.00 for many products, even a \$2.00 per loan fee transaction is a 10% increase in short term fees for that consumer.
 - Either way, ultimately it is the Nevadan consumer who will be disadvantaged by an increase of fees.
- AB 515 in form seeks a registry, but in function is laying the groundwork for cooling off periods, which do not eliminate the need for capital by Nevada's consumers.
 - As contemplated in **Sections 1(b) and 1(c)**, this registry is a pre-cursor to establishing statewide cooling off periods in Nevada.
 - **Restricting access to short term capital will not eliminate the need for capital by Nevadans.** As seen in other jurisdictions, consumers are driven to other, far more onerous, off-shore lending sites, which will never be subject to the protective laws of Nevada and will always be outside of the jurisdiction of this body.

- **GOOGLE:** I encourage the committee to google Nevada pay day lenders to observe the number of lenders offering loans in Nevada that are not regulated or governed by the state. We have placed on Nelis just a sample of these lenders and the associated rates.
- **NOT SUBJECT TO 515 or 163:** It is critical to note that not only will these lenders be subject to the requirements of AB515, but they further are not subject to the critical reforms of AB163, which my clients and this industry worked with Chairman Flores in this current legislative session.
- **SHOWN BY FID REPORT:** This is an important point, as demonstrated by the FID reports presented by Commissioner Burns in the hearing this session on AB222. This has also been placed on Nelis and was taken from Nelis associated with the previous testimony.
 - The #1 source of complaints in this document is the former state of the Ability to Repay in Nevada. We worked to remedy this concern with the passage of AB163.
 - The #2 source of complaints in this document is abuse by unregulated lenders – which will ultimately be exacerbated by the institution of cooling off periods.
- Thank you and I am here for any and all questions.

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

**Seventy-ninth Session
June 3, 2017**

The Senate Committee on Commerce, Labor and Energy was called to order by Chair Kelvin Atkinson at 8:34 a.m. on Saturday, June 3, 2017, in Room 2135 of the Legislative Building, Carson City, Nevada. The meeting was videoconferenced to Room 4412E of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. [Exhibit A](#) is the Agenda. [Exhibit B](#) is the Attendance Roster. All exhibits are available and on file in the Research Library of the Legislative Counsel Bureau.

COMMITTEE MEMBERS PRESENT:

Senator Kelvin Atkinson, Chair
Senator Pat Spearman, Vice Chair
Senator Nicole J. Cannizzaro
Senator Yvanna D. Cancela
Senator Joseph P. Hardy
Senator James A. Settelmeyer
Senator Heidi S. Gansert

GUEST LEGISLATORS PRESENT:

Assemblyman Chris Brooks, Assembly District No. 10
Assemblyman Jason Frierson, Assembly District No. 8
Assemblywoman Heidi Swank, Assembly District No. 16

STAFF MEMBERS PRESENT:

Marji Paslov Thomas, Policy Analyst
Bryan Fernley, Counsel
Lynn Hendricks, Committee Secretary

OTHERS PRESENT:

Jon Sasser, Legal Aid Center of Southern Nevada; Washoe Legal Services
Alisa Nave-Worth, MultiState Associates, Inc.
William Horne, Advance America, Cash Advance Centers of Nevada, Inc.; Enova International, Inc.

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Keith Lee, Community Loans of America
John Barnes, Veritec Solutions
Alfredo Alonso, Livery Operators Association of Las Vegas
Rusty McAllister, Nevada State AFL-CIO

CHAIR ATKINSON:

I will open the work session on Assembly Bill (A.B.) 206.

ASSEMBLY BILL 206 (1st Reprint): Revises provisions relating to the renewable portfolio standard. (BDR 58-746)

MARJI PASLOV THOMAS (Policy Analyst):

I have prepared a work session document ([Exhibit C](#)) describing the bill and the amendments proposed by the bill's sponsor. There is an error in Proposed Amendment 5267 in [Exhibit C](#). On page 2, lines 32 through 34, the words "with a goal of achieving by 2040 an amount of renewable energy production equal to at least 80 percent of the total amount of electricity sold by providers of electric service in this State" should be deleted.

SENATOR HARDY:

What is to prevent the industry from taking advantage of the tax credits now without increasing the renewable portfolio standard (RPS)?

ASSEMBLYMAN CHRIS BROOKS (Assembly District No. 10):

Nothing. NV Energy and private customers are doing that now.

SENATOR SETTELMAYER:

We have discussed the Energy Choice Initiative (ECI) and what it meant to the people who voted for it.

In [Exhibit C](#), Proposed Amendment 5267 seems to say, in section 3, subsection 5, that utilities will only have until 2020 to use portfolio energy credits. Does this preclude them from using vintage credits? In the past, we have allowed utilities to use credits older than two years. Does this limit them to only two years?

ASSEMBLYMAN BROOKS:

That provision was intended to help with averaging. One of the concerns was about what was termed the "lumpiness" of complying in connection with how

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long it takes to develop a project. This would let utilities average energy credits over the course of a couple of years instead of having rigid annual cutoffs.

SENATOR SETTELMAYER:

Does section 3, subsection 5 preclude utilities from using energy credits older than two years?

ASSEMBLYMAN BROOKS:

It does not, to my understanding.

SENATOR SETTELMAYER:

I would like an opinion from Counsel as to whether this language allows utilities to use their vintage credits as we have done in the past.

BRYAN FERNLEY (Counsel):

I do not think this language prevents utilities from using credits. There is no expiration to credits in this language or in this bill. It looks to me like credits could continue to be used for as long as they are available.

SENATOR SETTELMAYER:

I just wanted to make sure that was on the record.

Section 2.59, subsection 3 of the proposed amendment in [Exhibit C](#) prohibits the Public Utilities Commission of Nevada (PUCN) from rejecting any portions of an integrated resource plan (IRP) that include renewable energy. Does this mean that even if the PUCN determines the energy is not needed or the system is far more expensive than other least cost alternatives, the PUCN cannot say no?

ASSEMBLYMAN BROOKS:

No. This is meant to prevent the PUCN from denying based solely on uncertainty about what may happen with the ECI and subsequent legislation. The PUCN would still use the same cost analysis, the same benefit analysis and the same need analysis. This provision says it cannot reject an IRP based solely on uncertainty relating to a ballot question.

SENATOR SETTELMAYER:

I read that language differently. It says, "The Commission shall not reject any portion of a plan ... that includes a new renewable energy contract ... for the purpose of complying with the provision of NRS 704.7801" That has

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nothing to do with a ballot initiative. It almost sounds as if we are taking away the ability of the PUCN to worry about cost, and that to me is a dangerous concept.

ASSEMBLYMAN BROOKS:

That is not what this sentence is trying to do. If you read that entire sentence, it says, "The Commission shall not reject any portion of a plan ... solely on the grounds of any uncertainty relating to a ballot question for the deregulation of the electricity market of this State."

CHAIR ATKINSON:

That is the way I read it.

SENATOR SETTELMAYER:

I will keep reading it. I am just worried there might be a problem.

SENATOR SPEARMAN:

A lot has been made about whether A.B. 206 would require something that is an improbability on the part of the utility. I would like to direct our attention to Senate Bill (S.B.) 65, which was the Governor's bill.

SENATE BILL 65 (2nd Reprint): Revises provisions related to the filing by certain electric utilities of an integrated resource plan. (BDR 58-167)

If you look at the preamble of that bill, it says, in part:

AN ACT relating to public utilities; requiring the Public Utilities Commission of Nevada to require certain utilities which supply electricity in this State to provide an overview of the utility's resource plan or any amendment to the resource plan at least 4 months before filing the plan

That is what we are talking about. How do we know what is getting ready to happen, and how? What process is in place so that if things turn around for the utility, the PUCN will know? It continues:

... requiring the Commission to consider the cost of such measures and sources of supply to the utility's customers when making such a determination; requiring the Commission to include its

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justification for the preferences given to such measures and sources of supply in certain orders

That is very clear in terms of what needs to happen. One of the reasons S.B. 65 was one of the first bills we tackled was because we wanted to answer all of those questions with respect to uncertainty. Note that S.B. 65 refers to all utilities. We do not know if NV Energy will stay as it is now if the ECI passes again. The IRP is where a lot of questions are answered about any and all utilities. Not only do they answer questions in the IRP, but there is also a requirement to have a public hearing. If there are any questions, any doubt in anyone's mind, including customers or ratepayers, that is where those questions are answered.

SENATOR SETTELMAYER:

In regard to the word "any," does A.B. 206 still eliminate municipalities, co-ops, general improvement districts and others? Who is exempt from the RPS based on the latest amendment? Are there still exemptions that currently exist, or does it now apply to any utility?

ASSEMBLYMAN BROOKS:

This amendment does not change the portion of A.B. 206 regarding electric service providers and when they must start complying with the RPS.

SENATOR SPEARMAN MOVED TO AMEND AND DO PASS AS AMENDED A.B. 206.

SENATOR CANNIZZARO SECONDED THE MOTION.

SENATOR HARDY:

The question of whether NV Energy is going to stay if the ECI is passed is a critical one. I am concerned about what will happen when we have so many unknowns, including the solar gardens.

This bill is laudable and creates economic opportunities, but those economic opportunities exist now. All of the wonderful things we have talked about do not make me want to vote for A.B. 206, but I will not be unhappy if it passes. I do not think we have the crystal ball that will tell us how this is going to affect everyone when we try to change so many things at once. I can juggle three things but not four things.

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SENATOR GANSERT:

I appreciate the amendments, but I have to think through them more thoroughly. I will vote no for now, but I may change that later. This Committee and Legislature have demonstrated strong support for renewable energy.

CHAIR ATKINSON:

I want to clarify that A.B. 206 does not affect those entities that exited the system, like MGM, Caesars and Wynn.

SENATOR SPEARMAN:

I would like to direct your attention to S.B. 146. This is the bill we passed dealing with distributive generation.

SENATE BILL 146 (2nd Reprint): Revises provisions governing the filing of an integrated resources plan with the Public Utilities Commission of Nevada. (BDR 58-15)

THE MOTION PASSED. (SENATORS GANSERT, HARDY AND SETTELMAYER VOTED NO.)

* * * * *

CHAIR ATKINSON:

I will open the hearing on A.B. 515.

ASSEMBLY BILL 515 (1st Reprint): Revises provisions governing deferred deposit loans, title loans and high-interest loans. (BDR 52-1227)

ASSEMBLYMAN JASON FRIERSON (Assembly District No. 8):

I will give some history of the bill.

Assembly Bill 515 reflects an interest to explore what is going on with payday loans. This bill started off with an effort to protect consumers from being caught in a cycle of high-interest loans that they can never pay off. There were concerns that this was an effort to end the payday loan industry in Nevada. That was not my intention. My intention with this bill was to look at the industry and how it impacts consumers so the Legislature can make informed decisions.

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The Legislature has visited payday loans, title loans and high-interest loans many times over the last several Sessions. Every time we visit this issue, it is with the hope that we can protect consumers who are at their most vulnerable, people who need money to pay their bills, keep their lights on and feed their children, from ending up in a worse situation.

We also recognize that there are legitimate circumstances where someone needs access to this kind of service. But every time we talk about this, questions are raised about whether Nevada really has these problems, whether people are getting caught up in this cycle. Is this just a national talking point, or is it something that really happens in Nevada?

After a previous measure to deal with the industry did not succeed, we felt it would be a good idea for us to stop debating about whether the problem exists and instead obtain that information and know for sure. This bill is the result. This is an opportunity to have sunshine on this issue, to have transparency. This is an opportunity to empower us with actual information about Nevada so we can look at the future and make decisions based on facts rather than on talking points.

This bill originally started out with not only collecting information, but also requiring the industry to use that information to decide whether to make individual loans. I scaled that back to just collecting data. Rather than trying to change the industry, I just want it to provide information so we can make informed decisions. This is not a new idea. This has been done in other states, and it has not put the industry out of business in those states.

I recognize that any time you want to bring sunshine to an issue, there is reluctance. In almost every area of life, there are good actors and bad actors, and we do not want to throw the baby out with the bathwater. This bill is an effort to take that into account. Let us find out what they are doing, what their practices are, whether we have folks getting caught up and to what extent consumers are better or worse off with payday loans, title loans and high-interest loans. It should be noted, by the way, that those are three different kinds of loans. Unlike many states, Nevada puts all high-interest loans in one statute. At some point, it would be worthwhile to have a conversation about dividing those types of loans out so we can treat them separately, but we will not know that until we get this information.

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Again, this bill is not about changing the industry as much as giving us the tools to make informed decisions by requiring a database that collects this information, compiles it and reports back to us. There is nothing more important in a limited 120-day Session than having information so we can make informed decisions. That is what A.B. 515 does.

SENATOR HARDY:

Have the other states with this type of database found things that led to changes in their laws to protect the industry and the consumers?

ASSEMBLYMAN FRIERSON:

The short answer is that I do not know. To me, it is more important that we get information about Nevada, since Nevada is unique in the presence of gaming and the transiency of our population. For that reason, I would think other states would want to know what our data collection shows. The information could be helpful for the industry, or it could be helpful for consumer advocates, or it could be completely neutral and we could recognize that we do not have a problem. There is no way to know unless we collect the information.

SENATOR HARDY:

I suspect some people have a problem. Otherwise, we would not be talking about this every Session.

ASSEMBLYMAN FRIERSON:

I would certainly agree with that.

SENATOR SETTELMAYER:

From what you say, this database is just for fact-finding. It is not about future enforcement or anything like that. In that case, why have we not included high-interest loans in order to start gathering that information as well?

ASSEMBLYMAN FRIERSON:

There has been an effort to include them. Every subset of this industry would prefer to be left out. It has become convenient to say, "We'll support this bill if you just look at the others and leave us alone." We would like to collect data on all high-interest loans, but any effort to collect data on any of these kinds of loans would be valuable.

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ASSEMBLYWOMAN HEIDI SWANK (Assembly District No. 16):

This bill creates a database for deferred deposit loans, high-interest loans, and title loans. These databases, which have been used in 14 other states, are a simple single point-of-sale database. They integrate with the software licensees already use. In fact, many Nevada licensees use these in other states, so the software is already integrated in their nationwide systems.

This is a very low-cost way to gather this information. The fee is usually less than 1 percent. This means the per loan fee ranges from \$0.50 to \$1. Nationally, the average loan is \$375. The highest possible fee for that loan would be \$1, which is 0.2 percent of the loan. The amount charged per loan is based on the volume. George Burns, Commissioner of the Division of Financial Institutions (FID), was unable to be here today. In the hearing on A.B. 515 held in the Assembly Committee on Commerce and Labor, he testified that given our volume, he estimated the fee would be closer to 50 cents per loan.

This bill will help us get a better picture of the industry and let us see what is happening in Nevada. In previous hearings, Commissioner Burns said this would be a significant improvement for his office. He stated that what the Division is doing now only captures about 60 percent of the information, and what it does get is only very basic information.

I will step you through A.B. 515. Most of the bill is in section 1. Section 1, subsection 1 directs the FID Commissioner to develop and maintain the database. It also lists some of the reports that can be run by the Commissioner.

Section 1, subsection 2 lists the information to be entered into the database by the licensee. Again, this is a single point of entry that is already integrated into what they do, and many Nevada licensees already do this in other states.

Section 1, subsection 3 directs the Commissioner to have the vendor who provides the software to charge licensees a fee for each loan. Based on the average loan of \$375, the fee is only 0.2 percent.

Section 1, subsection 4 says that all information must be kept confidential. It further states that the information used by the Commissioner to run reports is to be anonymized. It will not be possible to track the information gathered back to the individual customers. The focus is on getting the larger picture, not on the individual people who take out loans.

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Section 1, subsection 5 directs the Commissioner to adopt regulations related to the database.

Section 1, subsection 6 exempts longer-term loans, those over 150 days. Those folks report to credit reporting agencies, so as this first step, we are focusing on the more short-term loans.

An amendment has been proposed by William Horne ([Exhibit D](#)) that I will now address. Section 1, subsection 1 of the bill refers to the reports that would be run. The amendment would change it from saying that the Commissioner would collect raw data, like the date on which the loan was made and the type of loan, to saying the Commissioner would collect data such as whether the customer had had an outstanding loan with one or more licensees in the previous 30 days. We would like the Commissioner to collect the raw data and draw conclusions from that data, rather than gathering just the conclusions.

The amendment also states, as I read it, that the Commissioner actually collects the information and maintains the database personally. That is current practice. We would like the licensees to do the single point-of-sale collection of information.

SENATOR SETTELMAYER:

How many other states are part of this national database?

ASSEMBLYWOMAN SWANK:

It is not actually a national database; it would be a State database not connected to the other states. Fourteen other states also have these statewide databases.

SENATOR SETTELMAYER:

How many vendors of this type of software exist? Will there be competition so that we have a choice of vendors, or is there only one vendor who will get the deal?

ASSEMBLYWOMAN SWANK:

There are several vendors who provide this type of software. We have one of them here to answer questions.

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SENATOR SETTELMAYER:

It would be good to know the actual number of vendors.

JON SASSER (Legal Aid Center of Southern Nevada; Washoe Legal Services):
We are in support of A.B. 515.

The Legal Aid Center of Southern Nevada has a consumer rights section that represents people who are caught in the treadmill of payday loans, and we have had a lot of experience in that area. We think the database would be an important step forward in terms of getting a look at the picture in Nevada, so that going forward, we will know what makes sense for our State and what does not.

The bill does include high-interest loans. It did not in its original form, but we suggested an amendment to make sure high-interest loans are included. There is a particular type of high-interest loan that is carved out, and the bill lists a number of criteria that must be met in order to be a part of that carve-out. That is in section 1, subsection 6. These are longer-term loans that are paid in installments rather than in a lump sum at the end of the loan. The lenders report information to credit bureaus and have to do credit checks.

Section 1, subsection 6, paragraph (f) specifies that lenders of this type of loans are not allowed to sue in court to enforce the debt. This is an important clarification because there has been litigation around this. With all the protections that are in there, it makes sense to carve this type of high-interest loan out of the bill. All other types of high-interest loans were added back in.

SENATOR GANSERT:

Do lenders of these types of loans have the right to sue now?

MR. SASSER:

They do not.

SENATOR GANSERT:

Are there a lot of those types of loans?

MR. SASSER:

I do not know the exact number. I think I remember the Commissioner saying that was about 25 percent of the total.

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ALISA NAVE-WORTH (MultiState Associates, Inc.):
MultiState Associates, Inc., includes Moneytree, Check City, Check Into Cash, QC Financial and USA Cash. We are opposed to A.B. 515.

As members of the Consumer Financial Services Association, the leading national trade group of short-term lenders, we work very hard to ensure we not only comply with existing Nevada law, but that we employ in each of our storefronts the best practices in the Nation with regard to short-term lending. Notably, our clients also represent 80 brick-and-mortar storefronts throughout Nevada. These Nevadan employers employ hundreds of Nevadans in good-paying jobs and have done so for decades.

We are concerned about any legislation that seeks to limit access to critical capital in the highly regulated markets. We have three major concerns with A.B. 515. First, the bill fails to place in statute the fees for a mandated database and instead places that decision in the hands of a for-profit industry. There are very few of these vendors nationwide, and in fact, in the 14 states in which they exist, there is one dominant vendor. This vendor will profit from being able to determine the fees.

The fee seems nominal; it is not a big deal to add \$1 to a loan, but it is a major deal to small businesses like Check City. Check City made 500,000 loans last year, and adding \$1 per loan is an expenditure of \$500,000. The loans Check City offers are \$16.50 per \$100. When you add a dollar to that and pass it through to the consumer, it has a major effect on the consumer and the storefront. We have concerns about the fact that the fee is not being decided by this body but rather will be negotiated by a regulator and a for-profit industry.

Our second major concern is that A.B. 515 is being described as a fact-finding database. In the 14 states where these databases exist, they have been used for enforcement of cooling-off periods for short-term loans. That is the function of the database. We believe this bill is the precursor to a broader effort to restrict capital that is needed by Nevadans.

Our third concern is that you cannot view alternative financial services in a vacuum. When you restrict capital through payday loans or title loans, those who need capital will go elsewhere. They could go to pawn shops, high-interest long-term installment loans, rent-to-own stores, tax refund anticipation loans,

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or, as has happened in other states, unregulated out-of-state offshore loans available on the Internet. I encourage the Committee to Google "Nevada payday lenders" to observe the number of lenders offering loans in Nevada that are not regulated or governed by the State. These are highly predatory lenders who are outside of Nevada's jurisdiction.

When other states have required this type of database, our industry suffers. In the state of Washington, 75 percent of the brick-and-mortar storefronts went out of business. At the same time, the number of complaints to the Washington State Department of Financial Institutions about unregulated offshore and tribal lenders spiked. We are also concerned that these unregulated lenders will not be part of the database. You are also missing high-interest long-term lenders and all other unregulated lenders. You will be making decisions based on data that is incomplete and imprecise.

WILLIAM HORNE (Advance America, Cash Advance Centers of Nevada, Inc.;
Enova International, Inc.):

I am here today in opposition to A.B. 515. The basis of our opposition has been well outlined by Ms. Nave-Worth. In other states, we have seen these databases used improperly to justify loan caps and to restrict access to credit, and they end up harming the very people they want to protect.

This bill wants to collect data so we can get a clear picture on how our products are being used and to what extent. However, there is a carve-out on a significant portion of the industry, and that is high-interest loans as outlined in *Nevada Revised Statutes* (NRS) 604A.480. Either we are going to collect data on the industry or we are not, but you cannot get a true picture if you do not collect all the data. The data that is not collected is from the part of the industry that is basically unregulated.

I note that there is no fiscal note on the bill. I find that interesting. The bill requires the Commissioner to contract with a private vendor and mandates that private vendor to charge a fee to support the database. I believe you cannot have the State contract with a private entity to do a mandated fee and use that as a mechanism to avoid a two-thirds vote requirement for new fees or increases to existing fees. That is what this bill does, and it should require a two-thirds vote.

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As Assemblywoman Swank noted, I have submitted an amendment, [Exhibit D](#). This language gets at the information you are trying to collect. It also puts the onus on the Commissioner to set the fee and cap it at \$1. If you allow the vendor to do that, it may be \$0.50, \$0.75, \$1 or \$1.25. There is no cap, and we do not know where that will end. The amendment also allows lenders to pass that fee through to the customer. The amendment in [Exhibit D](#) will give the bill more transparency and make it more workable.

CHAIR ATKINSON:

Did you discuss this amendment with the sponsor of the bill?

MR. HORNE:

Yes. He felt the language in the bill was sufficient.

CHAIR ATKINSON:

So it is not a friendly amendment.

MR. HORNE:

No.

KEITH LEE (Community Loans of America):

I join my colleagues in opposition to [A.B. 515](#) and echo their comments.

Community Loans of America does business in 12 locations in Nevada under the name Nevada Title and Payday Loans, Inc. We are primarily an auto title lender, though we do a few payday loans as well. It should be noted that with regard to title loans, there can only be one outstanding title loan at a time because by the very nature of a title loan, a title lender takes the title from the owner and files a lien on the title with the Department of Motor Vehicles.

Another difference between a title loan and other loans under NRS 604A is that with a title loan, the only recourse in the event of a default is the repossession of the automobile. There is no ability to seek a deficiency judgment or go to a collection agency; the sole recourse is repossession. With respect to my client, of the loans in default, which are approximately 22 percent of the total, we repossess fewer than 5 percent of those loans.

I have spoken to both Assemblyman Frierson and Assemblywoman Swank on several occasions about this bill.

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SENATOR HARDY:

Has the data collected in those 14 other states led to changes in their statutes that have protected the people getting the loans or made them more transparent? Also, if we adopted the amendment in [Exhibit D](#), would you support the bill?

Ms. NAVE-WORTH:

To answer your first question, the database has resulted in a significant decrease in the industry. As I said before, in the 6 years since the database was implemented in Washington State, 75 percent of the brick-and-mortar establishments in that state have been shuttered. This has also happened in North Carolina and Florida.

With regard to the amendment in [Exhibit D](#), we have given it a preliminary review. We would be supportive, but I would have to review it with all our members.

SENATOR HARDY:

Do you see this database proposal as a precursor to an enforcement opportunity?

Ms. NAVE-WORTH:

Yes. There were two other bills proposing databases this Session, both of which had two-thirds vote requirements. In both of those bills, [S.B. 17](#) and [A.B. 222](#), the databases were part and parcel of a larger plan to add a cooling-off period.

[SENATE BILL 17](#): Revises provisions governing payday lending. (BDR 52-409)

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

In [S.B. 17](#), there was a 30-day cooling-off period, and [A.B. 222](#) included a number of other measures to limit access to capital. The database was part of that because it gave a way to track loans so the cooling-off period could be implemented.

The FID currently gets about 60 percent of this information. That is not because it does not have the reach; it is because it is not pursuing the information. It has the legal authority to go after a lot of information regarding this industry.

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MR. HORNE:

We have had a number of conversations with Assemblyman Frierson on the idea of creating a database. My clients have said that they would be neutral in that regard on the bill if they had an opportunity to work with him on the language because they do operate in some jurisdictions that have a database. However, it was important to them to ensure that the information was collected solely as data, not as an enforcement mechanism.

It is also important to note that there is an ability-to-repay provision in a bill you processed, A.B. 163.

ASSEMBLY BILL 163 (3rd Reprint): Revises provisions governing certain short-term loans. (BDR 52-737)

That bill requires lenders to check credit reports. A single-purpose database would be redundant and unnecessary.

If the amendment is adopted, our clients would be neutral on A.B. 515. We would come to the table to find ways to make the industry work better in Nevada.

JOHN BARNES (Veritec Solutions):

We are neutral on A.B. 515 as it defines a high-interest loan. That is a policy decision we believe is best left for you to make.

I am here to testify about the use of a database in other states. Veritec Solutions provides a real-time regulatory database in 14 states. Our system is used for the monitoring of payday loans, short-term installment loans, auto title loans and predatory mortgage loans. Although no two states in which we operate have identical laws, one commonality is a cap on the amount of money a customer can have or the amount of loans a person can have at one time. The laws passed in these states not only protect consumers, but they have also created secure and stable environments for lenders to continue to operate and profit in.

Our database system does not simply track loans. It ensures in real time that every loan issued is in full compliance with state law. The information that results from these systems has allowed policymakers to understand the activity in their states and meet their legislative objectives.

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In 2001, Florida added a database for payday loans that would ensure state law was properly monitored. At the time, the payday loan industry said it would put them out of business. Not only has that not happened, but this last year, 8 million payday loans were issued to consumers in Florida. I would also like to point out that the default rate in Florida is 1.5 percent. Contrast that to the industry's reports showing a default rate between 5 percent and 10 percent in states without a database.

This system ensures that lenders get paid back. In states that allow payday lending, 44 percent use a database. Several of the lenders present here today not only operate in those states but are prospering under that system. Advance America, Check Into Cash and Payday Lenders Association, as well as the Consumer Financial Service Association, have supported legislation that includes statewide databases in several other states.

Veritec has been the database provider in 14 states, covering more than 100 million consumers. We believe our system strikes a balance of allowing access to credit for those who need it in time of need but also ensuring consumers are protected from falling into a cycle of debt by appropriate and responsible regulation.

ASSEMBLYWOMAN SWANK:

I wanted to address some of the comments made by those in opposition to A.B. 515. On the issue of consumers resorting to black market loans, those loans are illegal and cannot be collected on. Unfortunately, they do exist in the world today, but people who take out black market loans do not actually have to pay them back. There is no way to enforce payback.

Regarding what other states have done, many states have implemented these databases in conjunction with other legislation. That is not our intent here. I am a good scientist. I like to get my data first before anything, and I would be more than happy if this shows we have a healthy system supporting folks who need access to short-term loans. I am wholly in support of that.

Regarding the two-thirds vote, half of the states that have databases set it up this way. It is just one of two ways in which you can set up these databases.

I would like to note that the United Veterans Legislative Council and Nevadans for the Common Good wanted to be here to testify in support of A.B. 515.

ASSEMBLY AGENDA

COMMITTEE ON GOVERNMENT AFFAIRS

Day Monday Date May 29, 2017 Start Time 9 a.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.

***Please note time and room changes**

[A.B. 515](#) Revises provisions governing payday lending. (BDR 52-1227)

[S.B. 137](#) (R1) Revises provisions governing certain plans, programs and reports relating to veterans. (BDR 37-64)

Public comment.

Possible work session on measures previously considered.

Possible matters continued from a previous meeting.

Proposed amendments must be submitted in writing to the committee along with the sponsor's name, contact information, and the intent of the amendment. Letters of support or opposition for particular measures should be directed to the individual members of the committee and are only entered into the record upon the request of the Chairman, or if the letter is read verbatim as testimony during committee meetings.

Unless waived by the Chairman, the deadline for proposed amendments, handouts, and other exhibits for a hearing must be submitted electronically in PDF format to the email address AsmGA@asm.state.nv.us no later than 9 a.m. on the business day prior to the meeting.

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 Government Affairs at (775) 684-8868.

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

PLEASE PROVIDE 20 COPIES OF YOUR DOCUMENTS.



Meeting ID: 1298

AB515

Speaker Jason Frierson
Assembly Member Heidi Swank

Payday Loan Overview

- Most borrowers seek a payday loan for about \$375 to cover **routine** expenses (utilities, credit card payments, rent or mortgage, health care, food, etc.)
 - This also applies to 69% of first time borrowers.
- Loans are typically made for a period of **two weeks**, at which point the lump sum (including principal and fees) is due, generally from the borrower's next paycheck
- OR borrowers can re-up the loan by paying the initial fees again (around \$75)
- With annual interest rates over 500% and fees around 20% (\$20 per \$100 borrowed) these loans typically account for 1/4 of borrower's take-home pay, forcing roll over loans.

Roll-Over Loans

- Colorado's Attorney General concluded that about 61% of all payday loans were “refinance-type” transactions.
 - Not uncommon for a borrower to pay \$1,200 or more in interest and fees over a 5-month period for what started as a \$500 short-term payday loan.
- This high cost, short payback period, & lump-sum repayment requirement creates a cycle of debt.
- Business model designed to put borrowers on debt treadmill indefinitely.
 - In fact, payday loan borrowers are **4x** more likely to file for bankruptcy.

**Average borrower
takes out 8 payday
loans annually**

Payday Loan Overview

To justify these exorbitant rates, payday lenders claim their loans are “high-risk”.

Consumer Financial Protection Bureau defines risk-based pricing as offering “different consumers different interest rates or other loan terms, based on the estimated risk that the consumers will fail to pay back their loans.”

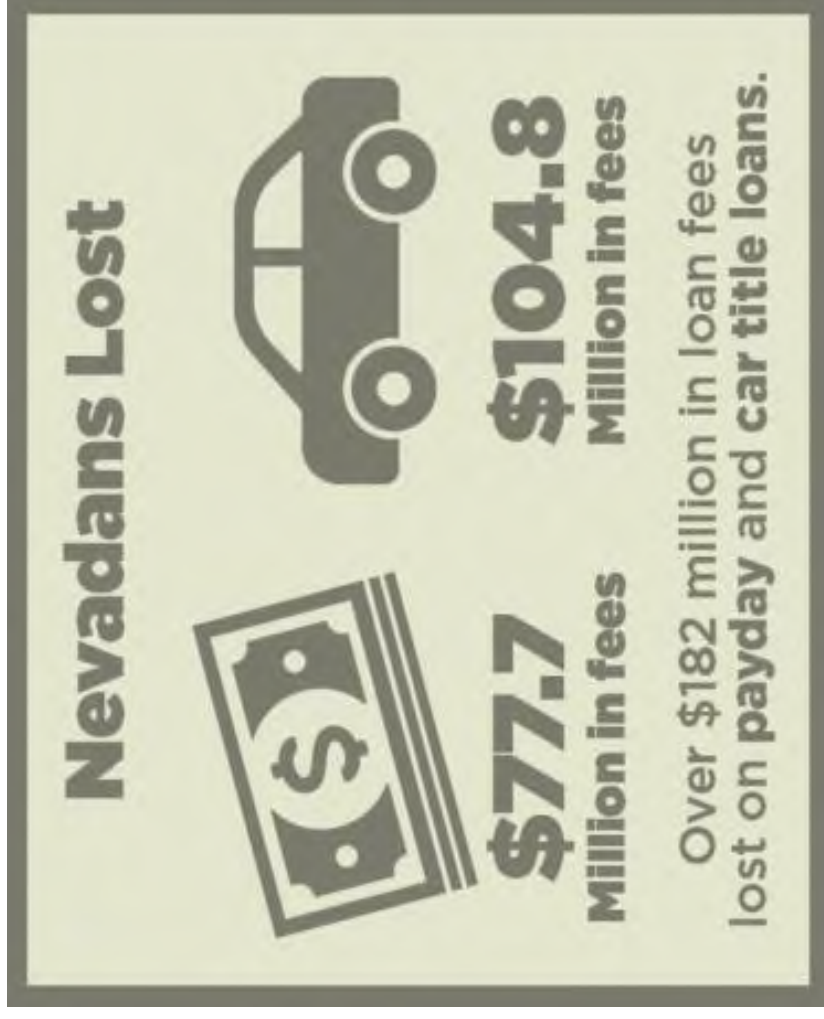
C-4

- Payday lenders do not differentiate among consumers, because they do not alter rates based on ability to pay.
- Payday loans, though high-cost, are not high-risk. Repayment is virtually guaranteed through automatic debit agreements.
 - Borrower gives lender postdated personal check or authorization to make withdrawal from borrower’s bank account. With such authorization, lenders are often first in line to drain the account once the employer directly deposits the paycheck. Evidence strongly suggests that payday loans cause borrowers to bounce checks and to incur overdraft and other bank fees.

Thus, there is no justification for the excessively high rates payday lenders charge.

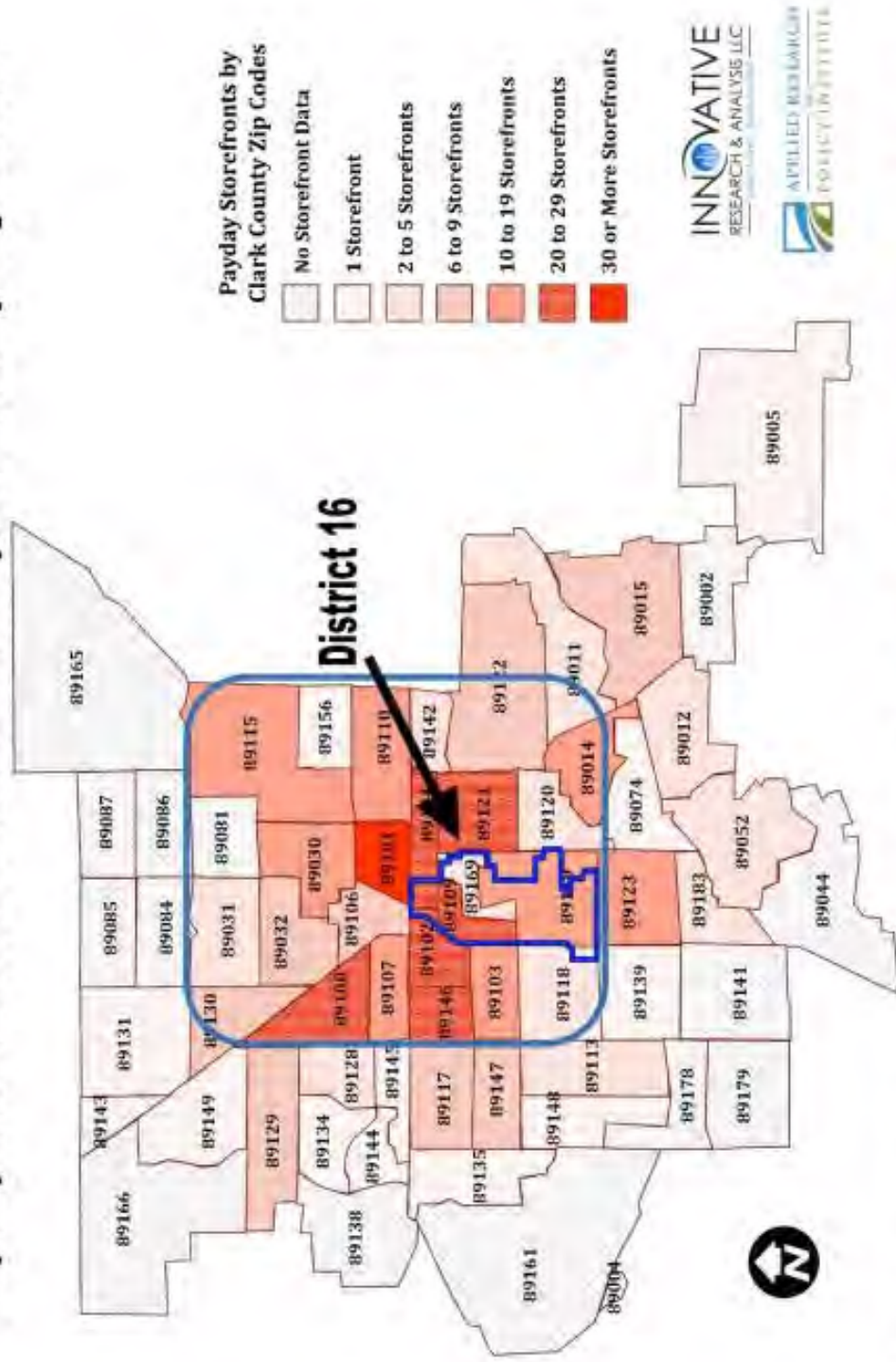
Economic Loss

- Often, borrowers have to turn to public programs for assistance with these necessities when forced to use their limited resources on excessive payday lending fees.
 - 1 in 6 borrowers receives government assistance.
- Payday lenders strip money from their customers, reducing spending on other goods and services, which in turn strip the economy of potential gains.
- State and public is best served by regulating payday lenders.

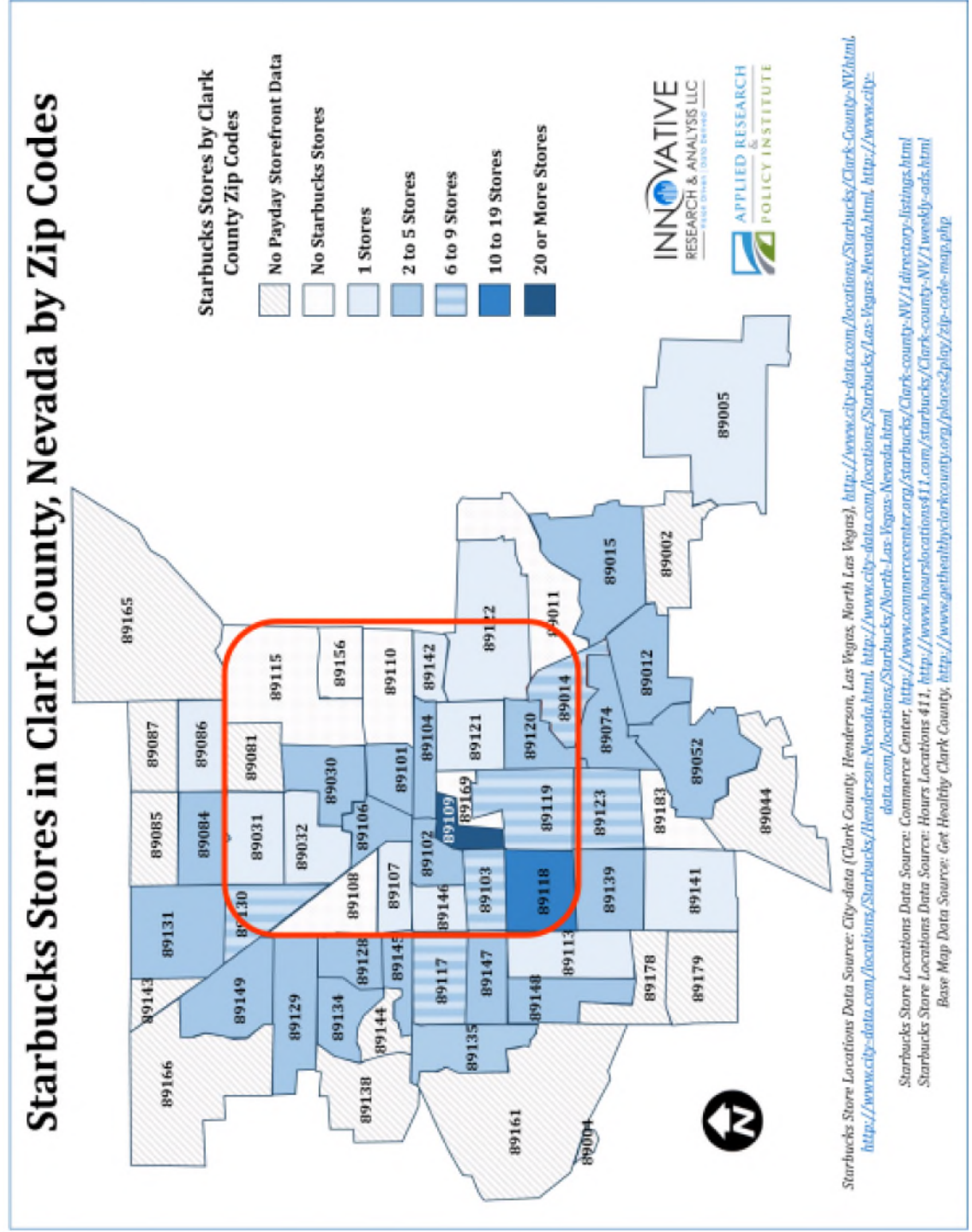


Prevalence of Payday Lenders Correlated with Income

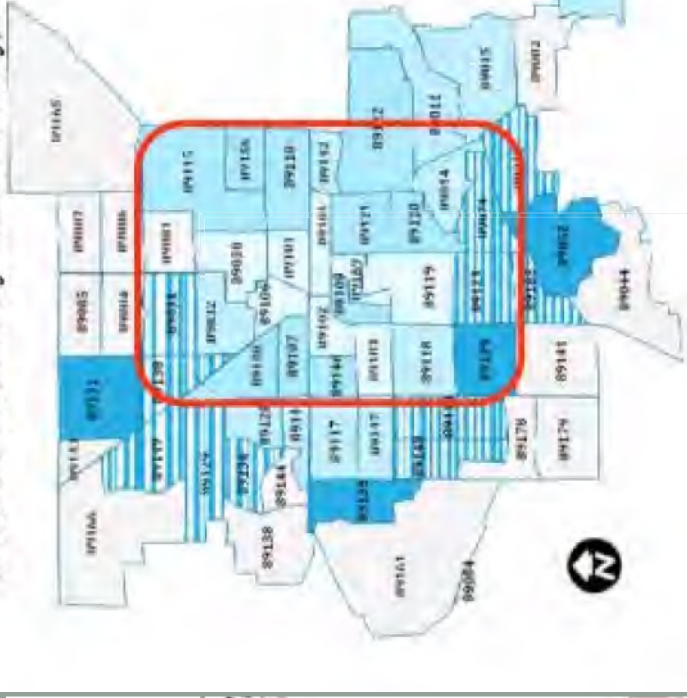
Payday Storefronts in Clark County, Nevada by Zip Codes



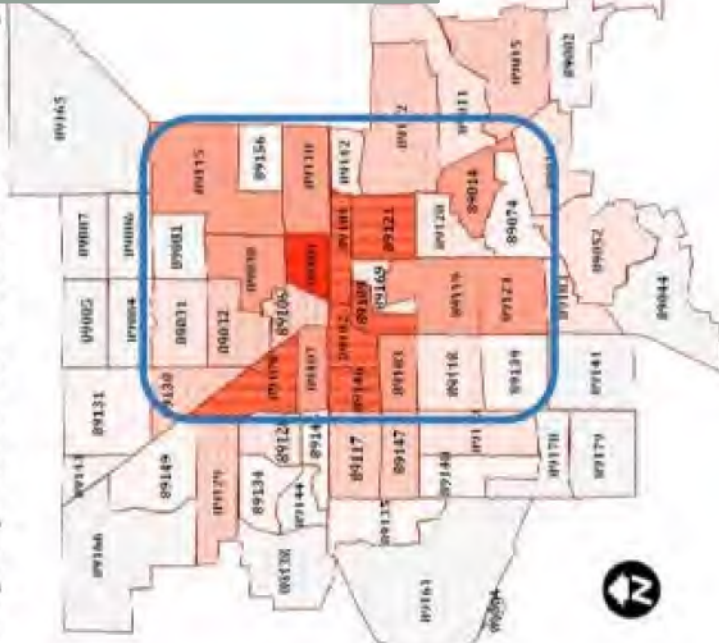
Prevalence of Payday Lenders Correlated with Income



Median Income by Clark County, Nevada by Zip Codes



Payday Storefronts in Clark County



AB515: Need for Nevada Specific Data

- Need for Nevada-specific data on how borrowers use payday/title loans AND how lenders use their product
- Database for collecting information on payday/title loans
 - Section 1: The Commissioner contracts with a vendor to implement and maintain a database from which reports can be run
 - Section 2: Information that shall be included in the database
 - Section 3: Cause the vendor of the database to collect fees from payday/title lenders
 - Section 4: Information is confidential and anonymous
 - Section 5: Allows the Commissioner to put into regulation database specifications, reporting standards, and vendor fee

Stop Cyclic Behavior

- Around the turn of the 20th century, high interest (at 20% a month) short-term loans created financial quicksand for users, forcing perpetual loans. This was deemed a “scandal” and led to the adoption of the Uniform Small Loan Law in 1916 by many states.
 - Today, the average payday loan is twice as expensive.
 - This new law mandated manageable installment repayments and capped APR’s between 36% and 42%. However, competitors found loopholes.
- Modern payday lending emerged in the early ’90s due largely to the Depository Institutions Deregulation and Monetary Control Act.
 - By 2008, there were more payday loan storefronts than McDonald’s restaurants and Starbucks coffee shops combined.
- The same characteristics that define the payday loan define the subprime mortgages whose proliferation precipitated the economic collapse in the mid-2000s, and have now been thoroughly discredited.

In Summation

- The Center for Responsible Lending calls the payday loan “a defective product.”
- The real need for responsible small-dollar credit cannot be adequately addressed as long as predatory products continue to dominate the marketplace.

AB515

Speaker Jason Frierson
Assembly Member Heidi Swank

PROPOSED AMENDMENT TO AB 515

Purpose of Amendment: To include high interest loans in the collection of data by the Commissioner of Financial Institutions.

AMEND Assembly Bill No. 515 as follows:

Section 1. Chapter 604A of NRS is hereby amended to read as follows by adding thereto a new section to read as follows:

1. *The Commissioner shall, by contract with a vendor or service provider or otherwise, develop, implement and maintain a database by which the Commissioner may generate a report related to deferred deposit loans, ~~or~~ high interest loans and title loans made by licensees to customers in this state which includes, without limitation:*

(a) Whether a customer has a deferred deposit loan, high interest loan or title loan outstanding with more than one licensee;

(b) Whether a customer has had such a loan outstanding with one or more licenses within the 30 days immediately preceding the making of a loan;

(c) Whether a customer has had a total of three or more such loans outstanding with one or more licensees within the 6 months immediately preceding the making of the loan; and

(d) Any other information necessary to comply with the provisions of this chapter.

2. *After the development and implementation of the database created pursuant to subsection 1, a licensee who makes a deferred deposit loan, high interest loan or title loan shall enter or update the following information in the database for each such loan made to a customer at the time a transaction takes place.*

(a) The date on which the loan was made;

(b) The type of loan made;

(c) The principal amount of the loan;

(d) The fees charged for the loan;

(e) The annual percentage rate of the loan;

(f) The total finance charge associated with the loan;

(g) If the customer defaults on the loan, the date of default;

(h) If the customer enters into a repayment plan pursuant to NRS 604A.475, the date on which the customer enters into the repayment plan; and

(i) The date on which the customer pays the loan in full.

3. *The Commissioner shall establish, and cause the vendor or service provider administering the database created pursuant to subsection 1 to charge and collect, a fee for each loan entered into the database by the licensee. The money collected pursuant to this subsection must be used to pay for the operation and administration of the database.*

4. Except as otherwise provided in this subsection, any information in the database created pursuant to subsection 1 is confidential and shall not be considered a public book or record pursuant to NRS 239.010. The information may be used by the Commissioner for statistical purposes if the identity of the persons is not discernible from the information disclosed.

5. The Commissioner shall adopt regulations that:

(a) Prescribe the specifications for the information entered into the database created pursuant to subsection 1;

(b) Establish standards for the retention, access, reporting, archiving and deletion of information entered into or stored by the database;

(c) Establish the amount of the fee required pursuant to subsection 3; and

(d) Are necessary for the administration of the database.

Add a new section which creates a new type of loan in NRS 604A called a “long-term high interest loan “which is attached

Submitted on behalf of Legal Aid Center of So. NV by

JON L. SASSER, ESQ.
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 Reno, Nevada 89501
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October 5, 2016.

Monica Jackson
Office of the Executive Secretary
Docket No. CFPB-2016-0025
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

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Don Salazar

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Ruben Taborda

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Greg Winagardner

Re: CFPB Notice and Request for Comment, Docket No. CFPB-2016-0025

Dear Ms. Jackson:

I am writing to express my strong opposition to the CFPB's proposed rule related to the short-term credit industry. The Bureau's rule will have a devastating impact on millions of underserved and underbanked Americans who rely on short-term credit products, and the rule will negatively affect the U.S. economy as thousands of businesses, most of them small businesses, will be forced to close and jobs will be lost. Sadly, the communities that will be most affected by this rule are minority communities and rural populations who are already underserved by financial institutions.

I am the President and CEO of the United States Hispanic Chamber of Commerce (USHCC), which promotes the economic growth, development, and interests of over four million Hispanic-owned businesses across the United States. Our members are an integral part of the U.S. economy, contributing \$661 billion every year. In addition to my current role leading the USHCC, I have spent over half my professional career in the banking industry and have an intimate knowledge of what's at stake if this burdensome rule goes into effect and imposes onerous restriction no small business could meet.

The CFPB's proposed regulations on the short-term credit industry do not fully take into account the impact on minority businesses and their many neighborhood customers, particularly Hispanics. The CFPB seems to have overlooked the disproportionate impact that the economic downturn has had on Hispanic households, and this rule will exacerbate that negative impact. When both businesses and their consumers don't have access to the capital they need, each party and their communities suffer. Money spent at small businesses stays in the community, circulating locally and boosting local economies. While the CFPB may believe it is protecting consumers, the Bureau's rule will only serve to kill jobs, drain away critical tax revenue, and cut access to essential services in communities without other alternatives.

Non-banks currently help individuals in underserved communities who lack traditional banking services. As written, the CFPB's rule will effectively shutter nearly all of these non-bank lenders. According to the CFPB's own estimates, 84 percent of payday loan volume will be eliminated resulting in a 66 percent reduction in the number of storefronts – mainly in rural and minority communities. As a result of onerous regulations and restrictions placed on banks and credit unions, these financial institutions are unwilling to serve to customers in many communities. There is absolutely no indication that banks would enter this space to provide access to the lost credit as it would remain unprofitable for them.

The CFPB must seriously reconsider its proposed rule on the short-term credit industry for the financial well-being of American consumers and the nation's economic vitality. The rule will force thousands of storefront lenders to close their doors, in turn denying access to credit for those who need it most, stifling business growth, and killing jobs in the Hispanic community. The CFPB claims to protect consumers, but its rule will do the exact opposite of that.

Sincerely,



Javier Palomarez
President & CEO
USHCC



September 26, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Docket No. CFPB-2016-0025

Dear Ms. Jackson:

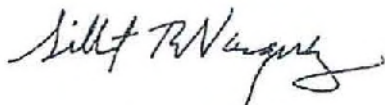
The Los Angeles Latino Chamber of Commerce (LALCC) is committed to supporting economic growth in our region's Latino community. In partnership with our 1,000 members, we are the leading advocates for Latino-owned small- and medium-sized businesses in the Los Angeles area. LALCC is deeply concerned about the impact the Consumer Financial Protection Bureau's (CFPB) new regulations for short-term loans will have on small businesses and consumers.

As an organization dedicated to minority-owned businesses, LALCC and its members recognize the important role of regulated short-term credit in our economy and community. Many short-term lenders are also small businesses, and borrowers often run or work for small businesses. The CFPB's rules would be a crushing blow to small lenders and, in turn, their customers. By the CFPB's own analysis, the rules would result in a significant decline in revenue – somewhere on the order of 59-84 percent – that no small lender could survive. As a result, customers would lose a regulated credit option, with many likely turning to unregulated lenders that do not provide the protections or recourse associated with lawful lending companies. The CFPB's proposal does nothing to address these illegal lenders.

LALCC supports laws such as those currently in place in California that protect consumers in need of short-term, small-dollar credit, while also preserving their ability to access that credit by ensuring regulated lenders can sustainably operate. Our state's legislators carefully crafted existing regulations to meet the evolving needs of our diverse customers and operators. The CFPB's proposed rules would override these regulations, eliminating a regulated industry and exposing Californians to the risks and scams associated with illegal, unregulated lenders.

We urge the CFPB to work with industry stakeholders to revisit its regulations to better understand the lessons learned by regulators at the state level, and to address the serious problems represented by unregulated lenders. Any new lending regulations must ensure regulated lenders can continue to offer consumers the credit they need.

Sincerely,



Gilbert R. Vasquez
Chairman of the Board



Theresa Martinez
Chief Executive Officer

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Los Angeles Metropolitan Hispanic Chambers of Commerce

Serving Ventura, Los Angeles, & Orange County

July 28th, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Docket No. CFPB-2016-0025

To whom it may concern:

On behalf of the Los Angeles Metropolitan Hispanic Chamber of Commerce, I am writing to express my strong concerns about the Consumer Financial Protection Bureau's proposed rule on short-term lending. As an organization committed to fostering economic equality and growth in the Latino business community, we advocate for rules that safeguard local businesses and the consumers they serve. However, the Bureau's proposed rule harms those it intends to protect.

Our organization and its members understand the important role small-dollar credit fills in the financial services marketplace. For many, short-term loans are an effective and popular option when facing financial hardship. We also know that taking away an individual or family's ability to borrow credit when they need it the most doesn't erase their obligation or the stress they experience. Instead, placing arbitrary limitations on consumers' capacity to secure credit will drive them to more expensive and less regulated alternatives.

As the Bureau has conceded, the proposed rule will bring a severe blow to storefront lenders, forcing many across our state to shutter their doors. As a result, a critical legal avenue for short-term credit will be eliminated, and consumers will turn to unlicensed lenders operating in the shadows to meet their credit needs. Unlicensed lenders will continue to issue risky loans outside the jurisdiction of federal and state regulators, offer

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www.businessinlosangeles.com, www.chamberla.org,

loans that involve higher fees, and provide none of the consumer protections offered by regulated companies.

Also troubling is the fact that, as written, the regulations will preempt laws that do protect consumers and have been crafted, debated and refined over decades by local and state policymakers who know their constituents best. California provides one of the strictest regulatory frameworks in the country, but the Bureau failed to examine our state's successful regulatory approach or the actual effect the rules will have on consumers who occasionally count on regulated payday loans.

As advocates for responsible access to credit, we urge the CFPB to reconsider its rule on short-term lending and instead redirect its effort towards combating unregulated lenders and scam artists who pose the greatest threat to consumers. Doing so will ensure that legal business may continue to operate and consumers maintain critical access to credit.



Hugo W. Merida
Chairman of the Board,
Los Angeles Metropolitan Hispanic Chamber of Commerce
Cel 213-500-5657

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San Francisco, CA



October 5, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Docket No. CFPB-2016-0025

To whom it may concern:

On behalf of the Latin American & Caribbean Business Chamber of Commerce, I am writing to express my opposition to the CFPB's proposed rule on short-term lending. As written, the proposed rule will cut off a legal, regulated supply of lending for consumers who need it the most.

At a time when, according to a recent Federal Reserve study, 47% of Americans cannot pay for an unexpected \$400 expense, short-term credit plays a critical role in the lives of many families.

Although some of our members may not have taken out a small dollar loan from a financial institution, if the CFPB rule should go into effect, many of the storefronts will be forced out of business because of the burdensome regulatory regime proposed. For consumers who do not have friends and family to ask for help (or choose not to ask out of embarrassment), they will be driven to the unregulated, online marketplace, where they will get the money they need, but are at the mercy of unscrupulous, illegal lenders often times operating offshore.

I urge the CFPB to keep in mind the millions of consumers who use small dollar lending products responsibly but will be worse off if their only alternative is to obtain small dollar loans from illegal and unlicensed Internet lenders should the proposed rule go into effect. Taking away a legal option already regulated at the state and local levels does nothing unless more regulated alternatives, not less are created.

Please consider the consequences of what this rule will do to consumers.

Thank you,

Antonio Lau
Vice President
Latin American & Caribbean Business
Chamber of Commerce (LATCARBCC)

President & CEP
InovaNow
Phone: (707) 430-2237
E: alau@InovaNow.net
www.InovaNow.net



September 26, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

RE: Docket No. CFPB-2016-0025

Dear Ms. Jackson:

On behalf of the Latin Business Association (LBA) and our membership, we would like to express our concerns regarding the Consumer Financial Protection Bureau's (CFPB) proposed rule on short-term lending.

The LBA is one of the nation's most active Latin business trade associations. We represent more than 800,000 Latino owned businesses in California, advocating for opportunities that set business owners at a higher class of competitiveness. Our members are keenly aware of how important access to small amounts of legitimate short-term credit can be for both individuals and small businesses.

Small dollar loans play an important role in the financial services marketplace, but unfortunately the CFPB's proposed rule will eliminate access to credit for millions of Americans and threaten many small businesses. Storefront lenders, many family-run and operated, simply do not have the resources necessary to comply with the onerous regulatory regime proposed and will be forced to close. These closings would effectively eliminate access to credit for those who need it the most.

I encourage the CFPB to consider drafting new rules allowing individuals to continue to have access to regulated credit and operate their legal businesses. As proposed, the CFPB's rules will be detrimental to small businesses, the hard-working individuals currently employed by the short-term lending industry and the millions of consumers who value short-term credit.

Sincerely,

A handwritten signature in black ink, appearing to be "Ruben Guerra", written over a circular stamp or logo.

Ruben Guerra
Chairman & CEO
Latin Business Association



Nicaraguan American Chamber of Commerce Northern California

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October 5, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Docket No. CFPB-2016-0025

Dear Madam:

For more than 10 years, the Nicaraguan American Chamber of Commerce has been a steady voice for hundreds of businesses and trade associations in the San Francisco/Bay Area in California. We are extremely worried that the Consumer Financial Protection Bureau's proposed rule on short-term lending will unfavorably impact California's consumers and businesses.

When regulated short-term lenders are forced out of business, many Californians will lose a valuable financial service that they find to be accessible, clear, and reliable. Losing access to such a financial tool will drive consumers to costlier and less regulated options. Borrowers will find themselves paying excessive overdraft fees, missing critical financial obligations, and facing the possibility of bankruptcy. Additionally, consumers may turn to unlicensed lenders and scam artists, which are not addressed in the proposed regulations at all.

Additionally, the regulations will undermine laws that have been refined for years by California policymakers who have a deep knowledge of their constituents and their needs. California consumers do not need the second-guessing of a federal approach as they already have successful regulations that provide consumer protections and equitable access to credit. The CFPB continues to view payday loans in a vacuum, subjecting nonbank lenders to arbitrary and complicated rules while ignoring short-term credit products that consumers use interchangeably (e.g., bank overdraft).

The Nicaraguan American Chamber of Commerce urges the CFPB to focus on the problem of unregulated lending and to recognize that eliminating access to short-term credit will leave consumers to turn to costlier and riskier alternatives.

Sincerely,

Martha Vaughan
President/CEO
NICAMERCNC

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415-678-7372 ♦ 415-550-1068
E-mail Infonica@Nicamerccnc.com ♦ www.Nicamerccnc.com



South Bay Latino Chamber of Commerce

California Non-Profit Corporation
13545 Hawthorne Blvd., # 201
Hawthorne, CA 90250
(310) 676-3970

July 29, 2016

Mr. Erick Verdazco-Vega
President/CEO

Mr. Christopher Gallo
Chair
The Gallos Inc.

Founding Board President
Mr. Candy Suenz, Dec.

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American City Vista

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Water Board

Hon. Janice Hahn

Hon. Jane Harman

Hon. Tony Mendoza

Hon. Alex Padilla
CA State Senator

Ms. Toni Romero
Telemundo

Ms. Claudia Trejos
ESPN Deportes

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552
via e-mail: FederalRegisterComments@cfpb.gov

Re: Docket No. CFPB-2016-0025-Letter of Opposition

Dear Ms. Jackson:

I am writing to express my objections to the Consumer Financial Protection Bureau's proposed rule on short-term lending.

The South Bay Latino Chamber of Commerce is proud of its mission to promote, advocate, educate, and inspire our South Bay community, as such, we advocate for rules that safeguard local businesses and the consumers they serve. Unfortunately, the Bureau's proposed rule harms those it intends to protect.

We understand, and can appreciate, the importance of regulatory oversight to ensure consumers' access to safe credit, which is why we oppose the CFPB's effort to create a new, untested credit product. This sweeping bureaucratic approach ignores consumer sentiment, while giving unregulated lenders and scam artists an opportunity to thrive. By eliminating most regulated lending and doing nothing to address unregulated lenders and scam artists, the CFPB's rule will leave consumers little choice but to seek out expensive and risky unlicensed internet loans.

As advocates for responsible access to credit, we urge the CFPB to reconsider its rule on short-term lending. California consumers are well served by the existing state-regulated lending market; rather than eliminating it, the CFPB should redirect its effort towards combating illegal lending practices that pose the greatest threat to consumers. Doing so will ensure that legal business may continue to operate and consumers maintain critical access to credit.

Sincerely,

Christopher Gallo
Chairman of the board
South Bay Latino Chamber of Commerce



South Bay Latino Chamber of Commerce

California Non-Profit Corporation
13545 Hawthorne Blvd., # 201
Hawthorne, CA 90250
(310) 676-3970

July 29, 2016

Mr. Erick Verduzco-Vega
President/CEO

Mr. Christopher Gallo
Chair
The Gallos Inc.

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Mr. Candy Saenz, Dec.

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Office of the Executive Secretary
Consumer Financial Protection Bureau
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Washington, DC 20552
via e-mail: FederalRegisterComments@cfpb.gov

Re: Docket No. CFPB-2016-0025-Letter of Opposition

Dear Ms. Jackson:

The South Bay Latino Chamber of Commerce (SBLCC) is a leader in the Latino business community. Our chamber promotes advocating and creating development opportunities for Latino business communities of the South Bay in Los Angeles County. The SBLCC believes that it is necessary to focus on three main issues: education; business ownership; and community rehabilitation. As such, we advocate for rules that safeguard local businesses and the consumers they serve. Unfortunately, the Bureau's proposed rule harms those it intends to protect.

We understand, and can appreciate, the importance of regulatory oversight to ensure consumers' access to safe credit, which is why we oppose the CFPB's effort to create a new, untested credit product. This sweeping bureaucratic approach ignores consumer sentiment, while giving unregulated lenders and scam artists an opportunity to thrive. By eliminating most regulated lending and doing nothing to address unregulated lenders and scam artists, the CFPB's rule will leave consumers little choice but to seek out expensive and risky unlicensed internet loans.

As advocates for responsible access to credit, we urge the CFPB to reconsider its rule on short-term lending. California consumers are well served by the existing state-regulated lending market; rather than eliminating it, the CFPB should redirect its effort towards combating illegal lending practices that pose the greatest threat to consumers. Doing so will ensure that legal business may continue to operate and consumers maintain critical access to credit.

Sincerely,

Erick Verduzco-Vega
President/CEO
South Bay Latino Chamber of Commerce



Alicia Aguirre
President
City of Redwood City

Daniel Parra
Vice President
City of Fowler

Sandra Armenta
Treasurer
City of Rosemead

Roberto Uranga
Secretary/Parliamentarian
City of Long Beach

Diane J. Martinez
Immediate Past President
City of Paramount

Regional Board Members
David Alvarez
City of San Diego

Anamarie Avila Farias
City of Martinez

Maritsa Castellanoz
City of Tulare

Gregorio Gomez
City of Farmersville

Eric Guerra
City of Sacramento

Abel Gullen
City of Oakland

Raul Peralez
City of San Jose

V. Manuel Perez
City of Coachella

Willie Rivera
City of Bakersfield

Esmeralda Soria
City of Fresno
Executive Director
John E. Arriaga
Legal Counsel
Bonny Garcia

August 28, 2016

Ms Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Docket No. CFPB-2016-0025

To whom it may concern

On behalf of the League of California Cities Latino Caucus, I am writing to express my concern about the Consumer Financial Protection Bureau's proposed rule on short-term lending. Our organization supports rules that will provide meaningful consumer protections across all financial service providers. Some of our members have concerns with the payday lending program as a whole; we are particularly concerned with the unlicensed, unregulated internet ventures. We are aware however that the use for regulated short-term lending continues to be utilized among consumers and that these proposed regulations essentially eliminate these entirely.

We feel that a holistic approach which includes input by both the consumer's and the payday loan business operators should be considered by the CFPB. We hope you take this into account during your deliberations.

Sincerely

John E. Arriaga
President



August 30, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Docket No. CFPB-2016-0025

Dear Ms. Jackson:

As an organization that represents the interests of Orange County's 30,000 Hispanic-owned businesses, access to capital has been an important issue for the Orange County Hispanic Chamber of Commerce for many years. Our members are keenly aware of how important access to small amounts of legitimate short-term credit can be for both individuals and small businesses. The OCHCC is writing to express our concerns regarding the Consumer Financial Protection Bureau's (CFPB) proposed rule on short-term lending that will limit access to consumer credit to the detriment of consumers in Orange County and throughout California.

As an organization that works every day to enhance the quality of life of the Hispanic community, we are concerned that taking away someone's ability to borrow when they need it most will not help solve the periodic financial emergencies many consumers deal with.

As written, the regulations will preempt state laws created after over many years of regulating and adjusting short-term lending policy here in California. We feel that the CFPB would have been better served if they had carefully examined California's successful regulatory approach, and used it as a model for the nation.

Additionally, the CFPB's rule does not in any way address unregulated lenders and scam artists, the biggest threat to consumers in California, and instead groups all lenders indiscriminately.

Therefore, we urge the CFPB to focus on eliminating unregulated lending rather than ridding the market of regulated lenders, who provide a needed service.

Sincerely,

Rueben Franco
President and CEO,
Orange County Hispanic Chamber of Commerce

2130 E. Fourth St. Ste. 160 Santa Ana, CA 92705
www.ochcc.com
Office: 714-953-0273



August 22, 2016

Ms. Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re: Docket No. CFPB-2016-0025

To whom it may concern:

On behalf of the Kern County Hispanic Chamber of Commerce (KCHCC), I am writing to voice my opposition to the Consumer Financial Protection Bureau's (CFPB) proposed rule on short-term lending. While our organization supports rules that will provide meaningful consumer protections, we are highly concerned about the impact this rule will have on businesses and consumers within our county.

The KCHCC and those it represents recognize the value storefront payday lenders bring to our community. These businesses provide their employees with a reliable paycheck and health benefits, while offering a critical source of short-term credit for managing financial challenges. Unfortunately, the CFPB's proposed rules set requirements that no small operators can meet and will undoubtedly lead to the closure small businesses currently offering a legal and viable credit product.

However, consumers' need for credit will not disappear once these regulations are in place. Instead the people of Kern County will find themselves defaulting on payments, racking up overdraft fees (which are notably absent from the rule, despite their similar use by consumers), declaring bankruptcy, or turning to unlicensed lenders operating outside the jurisdiction of federal and state regulators.

As an organization dedicated to business growth and development for our members, the KCHCC urges the CFPB to withdraw this excessive rule proposed on regulated businesses and redirect its effort towards combating unregulated lenders and scam artists who pose the greatest threat to consumers.

Sincerely,

Jay Tamsi, President/CEO
Kern County Hispanic Chamber of Commerce

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 09:41 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 3
PAGES 501-581**

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

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

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

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

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

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

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

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

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

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

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

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

Assemblywoman Bilbray-Axelrod:

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

Assemblywoman Swank:

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

Assemblyman Marchant:

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

Assemblywoman Swank:

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

Assemblyman Ellison:

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

Assemblywoman Swank:

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

Jim Penrose, Committee Counsel:

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

Assemblyman Ellison:

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

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

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

Assemblyman Ellison:

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

George Burns:

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

Assemblyman Ellison:

Why are you allowing only 60 percent to report?

George Burns:

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

Assemblyman Kramer:

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

Assemblywoman Swank:

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

Assemblywoman Neal:

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

George Burns:

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

Assemblywoman Neal:

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

George Burns:

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

Assemblywoman Neal:

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

George Burns:

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

Chairman Flores:

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

Jim Penrose:

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

Assemblywoman Bilbray-Axelrod:

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

George Burns:

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

Assemblyman Marchant:

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

Assemblywoman Swank:

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

Assemblyman McCurdy:

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

Assemblywoman Swank:

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

Chairman Flores:

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

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

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

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

Chairman Flores:

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

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

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

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

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

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

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

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

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

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

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

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

Chairman Flores:

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

John Barnes, representing Veritec Solutions, LLC:

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

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

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

Assemblyman Kramer:

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

Assemblyman Marchant:

Do any other states directly contract with your company?

John Barnes:

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

Assemblyman Marchant:

Do the states pay you directly?

John Barnes:

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

Assemblyman Marchant:

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

John Barnes:

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

George Burns:

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

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

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

Assembly Committee on Government Affairs
 May 29, 2017
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Assemblywoman Swank:

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

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

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

Chairman Flores:

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

RESPECTFULLY SUBMITTED:

Isabel Youngs
 Committee Secretary

APPROVED BY:

Assemblyman Edgar Flores, Chairman

DATE: _____

EXHIBITS

[Exhibit A](#) is the Agenda.

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

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

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

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

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