TESTIMONY OF

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COMMISSIONER – FINANCIAL INSTITUTIONS DIVISION

STATE OF NEVADA

on

S.B. 242

PAYDAY LENDER BEST PRACTICES ACT

REQUIRING PAYDAY LENDERS TO USE BEST PRACTICES

before the

SENATE COMMITTEE ON COMMERCE, LABOR AND ENERGY

NEVADA LEGISLATURE

March 16, 2015, 8:30 a.m.

Grant Sawyer State Office Building

Las Vegas, Nevada

INTRODUCTION

Senate Bill 242 proposes to enact the Payday Lender Best Practices Act that requires payday lenders to use best practices of the Community Financial Services Association of America.

The Financial Institutions Division (FID) is generally neutral with regard to this supportive reiteration of established provisions of NRS 604A with the following technical concerns that the use of generic and all encompassing terminology may generate confusion in an already complex statute.

SB 242

SECTION 2

The term "payday lender" is a generic one that is used to describe what NRS 604A defines as a "Deferred Deposit Lender"; that is, a lender that takes a check for the amount of the loan plus applicable interest and fees that is transacted against the borrower's account at a time of their next payday (NRS604A.050). The term "payday lender" does not really apply to the other types of 604A licensees such as check cashers, high interest lenders and title lenders that the "Payday Lender" Best Practices Act appears to also address directly and indirectly.

SECTION 7

The use of the term "licensee" is all encompassing of the types of businesses licensed under NRS 604A. Section 7 is a new requirement to the statute, and the advertising disclosure provision in sub-section 1 that services should be used for "…short-term financial needs only and not as a long-term financial solution…) is not really applicable to check cashing services and is somewhat confusing for longer term high interest loans and longer term title loans.

SECTION 8

Again, the all encompassing use of the term "licensee" in this provision reiterating the extension period limits of NRS 604A.408 is not really applicable to 30 day title loans under 604A.445(1) that permits up to 6 extensions and 210 day title loans under 604A.445(3) that does not permit extensions at all.

CONCLUSION

In conclusion, the Financial Institutions Division (FID) is generally neutral with regard to this supportive reiteration of established provisions of NRS 604A, and looks forward to working with the sponsor and other stakeholders to address the technical concerns we have outlined in this testimony.