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MINUTES OF MEETING - COMMERCE COMMITTEE - 55TH NEVADA  
ASSEMBLY SESSION - MARCH 13, 1969

Present: Wood, Hafen, Mello, Espinoza, Capurro, Bowler  
and Torvinen.

Absent: None

Also Present: Wm. C. Sanford, Attorney at Law, Reno

Chairman Wood convened the meeting at 11:00 a.m. and noted that he had requested a bill be drafted relating to loans and financing organizations. He introduced Mr. Sanford who was knowledgeable of the situation.

Sanford stated that in 1959 the legislature passed the Nevada Instalment and Inancial Loan Act which was based on the "add on" factor plus a service charge. By virtue of the Truth In Lending Bill which is federal and the Uniform Credit Consumer Code they are limited to \$2500 with rates as low as 1.9%. It was considered that this was reasonable for the high risk type of loan. The Small Loan Act was passed in 1963. The rates started at 3 1/2% for the first one hundred dollars and 3% for each hundred dollars after that. In some cases an excess over the limit is permitted and the rate is 1% for that. In 1966 a banking department in their annual report noted that these finance companies are very strictly regulated. They had to write off \$1 million of their gross but netted \$1 million and of this the average rate of 4.21% was derived.

In 1967 the earnings dropped to either 3.4% or 3.8%. The report for 1968 will be out around June and Mr. Sanford said he was satisfied that it will be even lower than that. The amendment would set the limit to \$7500. The rate would be 3% for the first \$300 and 1 3/4% for the next \$700 or in excess and there would be no limitation on the amount at 1.25%. This would put an overall rate of 1.5% per month which would be permitted. He said he had discussed this with the banking department and they feel the ceiling should be lifted. The bill will further state the requirements in the Uniform Credit Consumer Code. The present act permits \$12 add on which would be about 21.8%. That sounds like it would be 12% interest but it is not. It would come to about 1.8% per month. He noted that all administrative costs have gone up and there is a high cost on money. They have to pay 7% interest if they borrow funds and with the administrative costs they are paying 8%. When they went into operation they were probably paying 3% or 3 1/2% and that is a big difference.

Also under the old act they are not permitted to lend on real estate. In the proposed act they will be permitted to do this on loans over \$1000. With that you would be in the second

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mortgage market.

Espinoza said if they loaned money on real estate they would be getting into the trust deed category and he wondered how they could avoid the 12% limitation on real estate loans. Mr. Sanford said this act would supercede that. This state has about 6 usury acts in existence, where they used to have only two. Now the small loan act is an exception to that and limits loans to a certain amount and sets forth certain rates; it requires licensing and has strict supervision. He continued that there has not been a single complaint on these companies. The Bank Supervisor has the method and the attorney general has the staff to handle this now.

Capurro moved that this proposal be drafted and submitted as a committee measure; Bowler seconded the motion.

Espinoza said he felt they should have an opportunity to look at this before they decide whether or not the committee wants to introduce it.

Sanford noted that there was also a present limitation on the term of a loan. They are presently limited to 24 months and the proposed act would limit them to 25 months for \$300 or under and loans in excess of that would run for 48 months. The Uniform Consumer Credit Code sets no limitation at all; however they felt one was needed and so did the banking industry.

Wood said it was not necessary to act on this motion now if they preferred to wait; Espinoza withdrew his motion. Bowler said in his opinion there was so much legislation to get through this session, they really did not have time to review all of the drafts as well as the bills before they were introduced.

Motion having been made and seconded, vote taken and unanimously carried.

Mr. Sanford thanked the committee for their time and said he would furnish any further information they may need on this subject.

Chairman Wood then noted changes to the agenda. Because of a water rate hearing now before the PSC, they have had to set the taxicab matter on March 20. He noted that their committee had been given the dog racing bill, S.B. 140 for consideration and this would most likely require hearings if the committee wanted to have them. If they did, he suggested March 20 for S.B. 140 and March 25 for the PSC bills. This was satisfactory with all members.

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Wood then asked them to set down the ground rules to be followed during the hearings on S.B. 140.

Hafen suggested that they try to have one extensive hearing on this rather than several small hearings; this would save a lot of time.

Capurro suggested they limit the questions asked but not the answers during the question and answer period. Mello said it might be a good idea to limit the number of persons to speak also.

It was determined that they would begin with the Proponents who would be allowed 30 minutes to present their arguments and they would decide among them who would be the spokesmen. Thereafter the Opponents would be given 30 minutes with the same spokesmen limitation. They can have one man or a dozen but they will only be allowed 30 minutes. The Gaming Board's position should be given also and they will be allowed 15 minutes; the Racing Commission also a total of 15 minutes. Question and answer period will follow and there will be no limitation on the time because the bill is only providing another feature to the present law.

Chairman Wood said he would arrange for the assembly to adjourn promptly at 10:00 on the 20th so they can be assured of at least 2 and 1/2 hours for this hearing.

Wood then noted that since they would be meeting at 7:30 that evening for discussion with Mr. McDonald they would adjourn unless anyone had anything further to add. Torvinen asked if everyone had received the letter from Mr. Buxbaum on A.B. 101 and the answer being negative, copies were ordered.

Meeting adjourned.