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A.B. 478

Provisions governing loans and loan services

Testimony before Senate Commerce and Labor Committee

EXHIBIT J Senate Committee on Commerce/Labor
Date: 5/10/07 Page 1 of 10

Nevada Lenders Association

By: Robert A. Ostrovsky

May 10, 2007

History of NRS 604A and NRS 675

2010
The history of these two statutes is very different. NRS 604A originated only in 1997 as NRS 604, and was written specifically to regulate the consumer services of check cashing and payday loans/deferred deposits. NRS 604A is part of Title 52, Trade Regulations.

The NRS 675 Installment Loan statute was enacted in 1959, nearly a half century ago, and has been revisited and amended seven times since 1977. NRS 675 regulates installment lending services provided by its licensees to both consumers and small business customers. NRS 675 is part of Title 56, Financial Institutions.

Purpose of NRS 675, established 1959

The Legislative Declaration that this body of law is based on is particularly relevant to the issues addressed in A.B. 478.

NRS 675 States:

There exists in this state a widespread demand for loans repayable in installments, which loans may or may not be made on substantial security. This demand has been steadily increased by many social and economic factors.

It Is The Purpose Of NRS 675 To:

- (a) Bring under public supervision those engaged in the business of making loans.*
- (b) Attract adequate commercial capital to the business, so that the demand for such loans may be satisfied; and*
- (c) Ensure the availability in this state of adequate, efficient, and competitive financial services.*

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A.B. 478

What it Should Do:

1. Enhance consumer protection and provide strong, sensible regulation.
2. Allow maximum consumer choice of licensed financial services.
3. Encourage diversity and competition in the marketplace.

What it Should Not Do:

1. Drastically decrease financing options for Nevada consumers and small business.
2. Drive consumers to utilized local unlicensed lenders, or out of state and offshore, unlicensed internet lenders.
3. Strip dozens of Nevada Installment Lenders of their long held NRS 675 licenses, forcing many of those companies to change their business model to smaller, higher priced payday loans(NRS 604A)

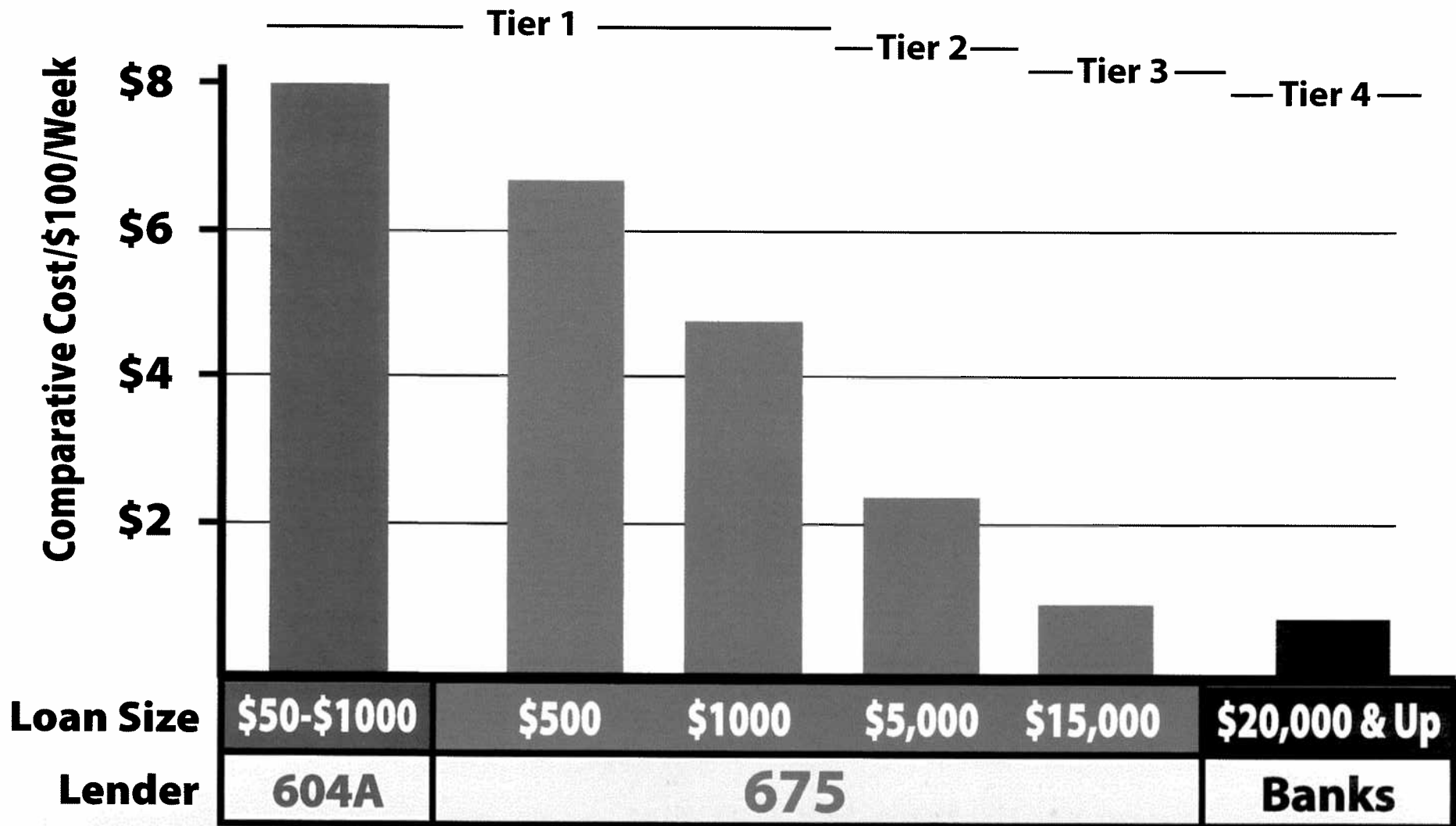
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Nevada Loan Markets

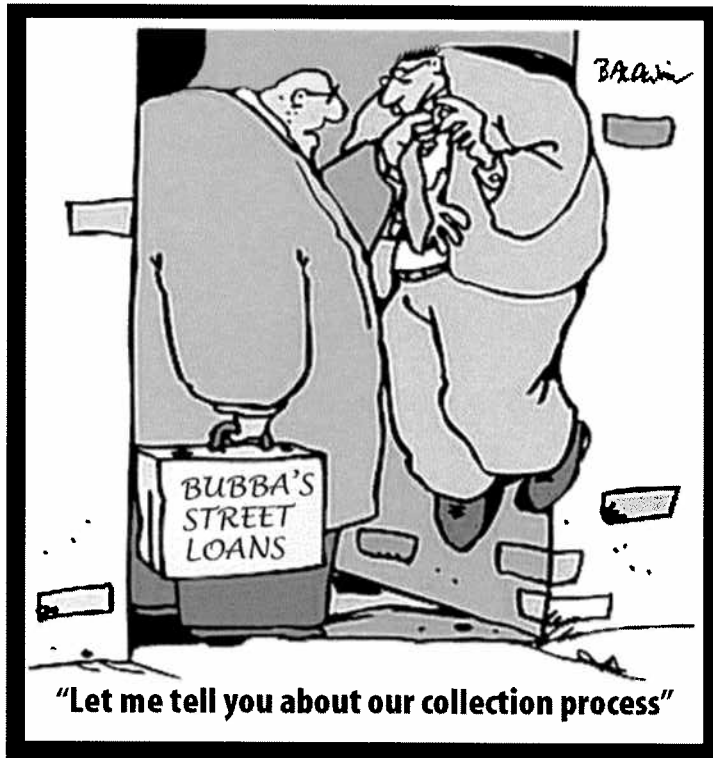
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	NRS 604A	NRS 675	Banks & Credit Cards
Purpose of Loan	Short Term Needs	Short Term & Long Term Needs	Short Term & Long Term Needs
Type of Loan	Unsecured (No collateral except vehicle titles)	Unsecured & Secured (Any collateral except R. E.)	Unsecured & Secured (Any type collateral)
Type of Customer	Consumers	Consumers & Small Business	Consumers & General Business
Typical Size of Loans	\$50 - \$1000	\$500 - \$20,000	Any amount
Market Served	CD Credit Market	BC Credit Market	AB Credit Market
Typical Default Rates	10% - 30%	4% - 15%	1% - 2%
Number of Companies	168	79	36
Licensed as a Financial Institution	No	Yes	Yes

Market Rates by Loan Size & Lender Type



Don't Eliminate Consumer Options



Eliminating many NRS 675
lenders would result in more
Nevada consumers using
unlicensed local lenders



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Payday Loans = Costly Cash

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www.ftc.gov/bcp/online/pubs/alerts/pdayalt.shtm

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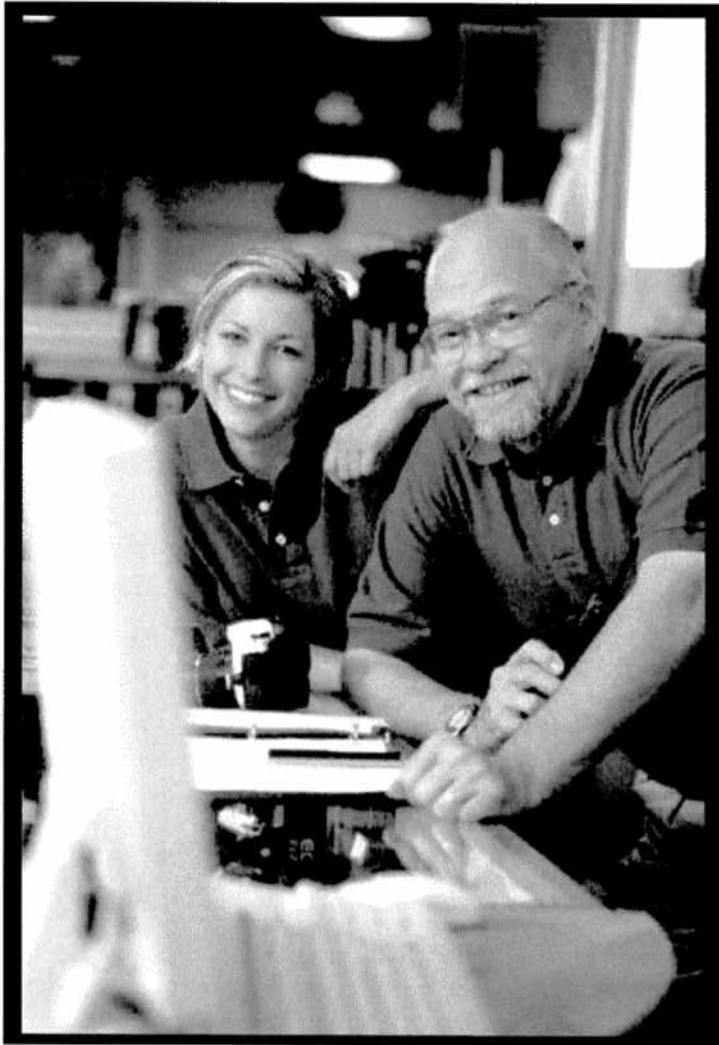
Payday Loan Up to \$500

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Eliminating many NRS 675 lenders would result in more Nevada consumers using unlicensed internet lenders.

Small Business Loans



NRS 675 Installment Lenders provide a variety of loans to Nevada's small business owners, most of which are prohibited in 604A*.

*** 604A does not allow collateral (except vehicle titles) and does not allow long term loans.**

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Conclusion

The industry's amendments to A.B. 478 accomplish all major goals of the original bill. They eliminate the so-called NRS 675 "evader" contracts and provide important additional consumer protection for military personnel.

At the same time, these amendments allow Nevada's NRS 675 licensees to continue to provide the much needed installment lending services, as they have for nearly 50 years, to both Nevada consumers and small business owners.