Current Nevada Payday and Title Loan Laws & Consumer Protections (NRS 604A)

Types of loans:

1. Payday Loans (unsecured loan)
    a. Deferred Deposit Loans- traditional payday loans where borrower gets an advance on their next paycheck for a short time period, usually 14 days.
    b. High-Interest Loans: Anything longer than a traditional payday loan that charges 40% or more interest. These typically don't require access to the borrower's bank acc. and are for 90 days.
    c. High-Interest Installment Loans: These charge between 40% - 199% interest and are longer term loans (at least 150 days). They can check your credit and do report to the credit bureaus. Often called credit building loans for those with little or poor credit.
2. Title Loans (secured loan)
    a. Title Loans: 30 – 210 day loans requiring the borrower to surrender their car title until the loan is paid in full.

Current Consumer Protections:

1. Unsecured loans-
    a. Ability to repay underwriting analysis requires lenders to look at borrower's actual ability to afford the payments including monthly income and expenses.
    b. Lender cannot write a loan that effectively requires a payment of more than 25% of borrower's gross monthly income.
    c. Limits on length of time the loan can be for: 90 days maximum for deferred deposit loans & high-interest loans. High-interest installment loans have no time limit, however they are limited to 199% interest and lender cannot sue if borrower defaults so lender verifies the credit-worthiness of borrower making the risk borrower defaults and needs an extension less likely.
    d. Default status requires lender to drop interest rate to prime plus 10% and provide a repayment plan to borrower which arguably allows the borrower to repay the loan and avoid sliding further into debt.
2. Secured loans-
    a. Ability to repay underwriting analysis requires lenders to look at borrower's actual ability to afford the payments including monthly income and expenses.
    b. Lender cannot write a loan that exceeds the fair market value of the vehicle.

Weaknesses of Current Consumer Protections & Solutions:

1. Unsecured loans-
    a. If there are outstanding loans with other payday lenders, the lender does not know about them as they are not credit based loans reported to credit bureaus. There is no centralized database.
    b. It is exceedingly difficult for FID to enforce the time limitations. The lenders can simply give the borrower a new loan and the borrower uses the proceeds of the new loan to pay the original loan. The only way to identify it as a rollover is if the lender identifies it on the loan agreement. There is no centralized database to review the loan history to identify the practice of rolling loans over.
    c. When the client goes into default, lenders simply do not put them in default status and drop the interest rate as required. The lenders are deciding when the borrower is in default. A centralized database would easily identify when loans were in default.
2. Secured loans-
    a. If a borrower has multiple payday loans out that would decrease the borrower's ability to repay the loan, they can't see them because they are not reported to the credit bureaus. A centralized database would give lenders the ability to see their payday loan liabilities.

Agenda Item VI B-2 (FINANCIAL SECURITY)
Meeting Date: 05-21-2018