

JOINT HEARING

MEETING OF THE
SENATE AND ASSEMBLY
STANDING COMMITTEES
ON
COMMERCE

188

Date: March 16, 1971

Members Present: Senator Close
Senator Drakulich
Senator Lamb
Senator Swobe

Members Absent: Senator Hecht

Assemblymen Present: Mr. McKissick
Mr. Capurro
Mr. Lingenfelter
Mr. Poggione

Others Present: Frank J. Fahrenkopf, Reno Attorney
Gordon Bryan, Pacific Finance
Dr. Tom White, Commerce Department
Lou Paley, Secty-Tres., AFL-CIO
Attorney General Bob List
Gene Bigelow, Private Investigators'
Licensing Board.

Chairman Close called the meeting to order at 12:15 P.M. Members of the Assembly Commerce Committee were present to hear testimony on SB 473.

SB 473 - Extensively amends Nevada Installment
Loan and Finance Act.

Mr. Fahrenkopf told the committee that the bill basically does two things. It reduces the ceiling on the small loan companies when making loans. At the present time the ceiling is \$2500. They are asking that it be increased to \$10,000. The bill would also raise the rate structure. He said the small finance companies service those people with small marginal credit who cannot go to a bank to obtain a loan. They are high-risk loan individuals. He distributed a chart showing the present loan structure and the proposed rates. (See Exhibit A) For the first \$200 borrowed, the rates would be lower. From \$300 up, the percentage rate would

increase. These rates have been suggested by the Commissioners of Uniform State Law and the Uniform Consumer Credit Code.

The bill provides for an interest rate of 36% for the first \$300; 21% on the next \$700; and 15% on all loans above \$700. He compared the proposed rate with that charged by consumer credit companies, such as department stores, which charge 1.8% per month. In amounts less than \$300, the loan companies' rate is higher. But this is not the case for loans above \$300.

Both Utah and Idaho have rate structures that are proposed in this bill. He said there is a great need for the increase in rates since their cost for obtaining capital has gone up considerably.

Mr. Fahrenkopf gave examples of the amount of money earned and their net return on investments for the years 1966 through 1969. He also advised them of the amounts that had to be written off because of bankruptcies. (For those figures, see Exhibit B)

The bill also provides that companies can charge for the audits made by the banking division. The 1959 Act omitted the provision whereby the companies could assess the cost of the audit made by the State. Since 1959, the companies have voluntarily paid for the audit.

Senator Lamb said that such regulations in this field could result in the possibilities of other entities. This appears to be a step in that direction.

Mr. Poggione said he did not agree with Mr. Fahrenkopf's statement regarding the type of clientele who patronize loan companies. He said they are not all marginal risks. Many people will deal with a small loan company because they are unable to obtain small loans from the bank even though they have good credit.

The industry itself is very competitive, but in the northern part of the state there is an abundance of business and the companies are not very aggressive.

Mr. Bryan told the committee that the bill would not result in charging the highest rate, but would set the maximum amount the company could charge. If the borrower wishes, he can negotiate for a lower rate.

A discussion followed concerning the fact that if an entity were told the maximum amount that could be charged, nine times out of ten, the rate used would be the maximum.

Dr. White told the committee that this industry is getting a large return on loans just like the banks. He feels that they may be charging too much now and that they have not yet proven their case. In a highly competitive industry, increasing prices is likely to decrease the net profits.

Mr. Poggione suggested that the rate change be left up to the individual finance company. If one has a lower rate of overhead, he can afford to charge less than one with a high overhead.

Dr. White said he has no objections to raising the loan limit. He believes that most of the lending will still occur in the \$2500 bracket. With regard to the increase in interest rates, he is not violently opposed, but would rather see all regulations of rates removed than to set a standard which would become the maximum, rather than the minimum.

Senator Close said that if all rate regulations were stricken, we would have loan companies charging an exorbitant rate for small loans over and above the 36% per year.

Mr. Fahrenkopf was asked if the amount of the loans was increased to \$5,000 or \$10,00, but the interest rate remained the same, would this be of some assistance to the industry. He replied saying that would be better than nothing.

Mr. Poggione asked how the loans are to be secured as there is no provision in the bill for real estate. Mr. Bryan said the bill would have a lot more flexibility if real estate were included as a security. He admitted that it will "crimp their style", and they would have several times the loans if real estate were included.

Following the testimony on SB 473, the Assemblymen and guests left the meeting.

SB 55 - Amends law relating to licensing and control of private investigators, private patrolmen, process servers, polygraph operators and repossessors.

Attorney General List told the committee about the Private Investigators' Licensing Board, which consists of the Attorney General, by statute, and four members appointed by the Governor representing the four branches of the regulated professions.

Section 1 would require that uniform traffic officers be included in the category of private patrolmen. The basis for this is at the present time night watchmen and guards are regulated and we are finding that certain contractors and others engaged in the activity where they find it necessary to control traffic are occasionally doing more than simply using flagmen. He said that if they are in uniform and if they are armed, it gives them the aura of a peace officer.

The individual is generally obtained from a union hall, told to get a uniform and a gun and go out on a job. They are not trained in any manner for the responsibilities given to them. Therefore, they should be included in the category of private patrolmen and acquire the knowledge and experience necessary to perform their duties.

Section 2, subsection 3, would provide that any sums in excess of \$2500 at the end of the year would revert to the General Fund. All of their funds come from fees received from applicants for licenses and licence renewals. They are seeking to retain a balance of \$2500 for a cushion in the event their fiscal budget is cut.

Section 3 would allow the increase of the application fee from \$25 to \$50 to cover the cost of examinations and processing of applications.

In Section 5 they are asking for the power of subpoena in the instance of a license violation.

Senator Swobe said he had discussed the penalty factor with the Reno Police Department and it was their opinion that the first violation should be regarded as a misdemeanor and the second, a gross misdemeanor. Mr. List said he has no objection to changing the penalty.

SB 56 - Revises license application and qualification requirements for private investigators, private patrolmen, process servers, polygraph operators and repositors.

Attorney General List explained the new provisions in the bill and said the 5-years experience to obtain a private investigator's license is not difficult to obtain. The people that a private investigator hires are not required to be licensed. They can obtain the necessary experience working for a licensed private investigator.

He announced that there are two more provisions he would like to see added to the bill. The first would propose an amendment to NRS 648.190 which sets forth to whom the chapter applies. At the present time the bill does not apply to police officers and detectives employed by law enforcement agencies in the state of Nevada. It also does not apply to insurance adjusters, persons employed as special detectives for one employer, charitable philanthropic societies, and lawyers during their practice. These people are excluded and do not need licenses.

They have had applications from police officers who are employed on a full time basis who want to do some moonlighting as private investigators. They came before the Board and felt they were excluded from the provision in the Chapter, but wanted a license anyway to work as private investigators. The Board felt that this is not, in the instance of police officers, a desirable thing since they have access to public files, to confidential police department records and files which would create a conflict of interest. The Board did not want to license them as private investigators, but if they worked part-time for an investigator that would be acceptable. The individuals persisted and have threatened to go into business claiming they are excluded from the provisions of the chapter. The law reads that they are excluded from these provisions as long as they are involved in their official capacity. Therefore, they are recommending adding the language "while such detective or officer is engaged in the performance of his official duties." Should he want to go into business, he must come and obtain a license like everyone else.

The second item concerns canine use and sentry duty. At the present time there are several businesses operating in which the security companies provide dogs to construction companies and warehouses. We are licensing these people who train the dogs under the private patrolmen section of the law.

Mr. List went on to say, "the law does not really give us any decent standard to measure. In a letter to Senator Close, we have suggested that in addition to the other four categories that we add canine trainer and handler. It should be added to 648.016, which is the definitions and also the definition category in 648.110, a special qualification for the canine trainer-handler which would require the applicant to demonstrate the ability to train, control, and provide an animal which would not endanger the public's safety. Although we have no authority to do it, we require the Reno Police Department's canine people to go out and put the applicant through a demonstration technique."

Sanator Close asked about the number of year's experience that would be necessary to obtain such a license. Mr. List suggested three years. This experience would not have to be in the field of canine security, but as a canine trainer. Senator Close suggested that the experience be determined by the individual's ability to demonstrate the dogs in action.

Mr. Bigelow said he agreed with Senator Close. The most important aspect of including this in Section 648 is to insure that the man is qualified and that would far outweigh any time experience.

Attorney General List and Mr. Bigelow left the meeting following their testimony.

Senator Swobe moved to "do pass" SB 55; seconded by Senator Drakulich; motion carried.

Senator Swobe moved to amend SB 56 as follows: Strike out Subsection 9, and add the amendments suggested by Attorney List in NRS 648.016 and 648.110. The motion was seconded by Senator Drakulich and unanimously carried.

Following a brief discussion of SB 473, the meeting was adjourned at 1:47 P.M.

Comparison of Costs under Uniform Consumer Credit Code (1) vs. Nevada Installment Loan & Finance Act (2)
(12 Month Contracts)

Proposed 1971 Installment Loan Act

Cash Advanced to Borrowers	Uniform Consumer Credit Code "Supervised Lenders"		Effective Percentage Rate to Maturity		Cash Advanced to Borrowers	Nevada Installment Loan and Finance Act		Monthly % Yield	Annual
	Total Cost	Average Dollars Per \$100 Per Year	Monthly	Annual		Total Cost	Average Dollars Per \$100 Per Year		
\$ 100	\$ 20.48	\$ 20.48	3.00%	36.00%	\$ 100	\$ 21.00	\$ 21.00	3.06%	36.72%
200	41.08	20.54	3.00	36.00	200	42.00	21.00	3.06	36.72
300	61.56	20.52	3.00	36.00	300	57.00	19.00	2.78	33.36
400	79.04	19.76	2.90	34.80	400	72.00	18.00	2.64	31.68
500	93.88	18.78	2.77	33.24	500	81.00	16.20	2.39	28.68
600	107.52	17.92	2.65	31.80	600	90.00	15.00	2.22	26.64
700	120.68	17.24	2.56	30.72	700	99.00	14.14	2.10	25.20
800	133.48	16.69	2.48	29.76	800	108.00	13.50	2.00	24.00
900	146.04	16.23	2.41	28.92	900	117.00	13.00	1.93	23.16
1000	158.36	15.84	2.35	28.20	1000	126.00	12.60	1.88	22.56
1100	170.08	15.46	2.30	27.60	1100	134.00	12.18	1.82	21.84
1200	180.96	15.08	2.25	27.00	1200	142.00	11.83	1.76	21.12
1300	191.48	14.73	2.20	26.40	1300	150.00	11.54	1.72	20.64
1400	201.64	14.40	2.15	25.80	1400	158.00	11.29	1.68	20.16
1500	211.68	14.11	2.11	25.32	1500	166.00	11.07	1.65	19.80
1600	221.48	13.84	2.07	24.84	1600	174.00	10.87	1.63	19.56
1700	231.04	13.59	2.03	24.36	1700	182.00	10.71	1.60	19.20
1800	240.36	13.35	2.00	24.00	1800	190.00	10.56	1.58	18.96
1900	249.68	13.14	1.97	23.64	1900	198.00	10.42	1.56	18.72
2000	258.76	12.94	1.94	23.28	2000	206.00	10.30	1.54	18.48
2100	267.72	12.75	1.91	22.92	2100	214.00	10.19	1.53	18.36
2200	276.80	12.58	1.89	22.68	2200	222.00	10.09	1.51	18.12
2300	285.76	12.42	1.86	22.32	2300	230.00	10.00	1.50	18.00
2400	294.60	12.27	1.84	22.08	2400	238.00	9.92	1.49	17.88
2500	303.44	12.14	1.82	21.84	2500	246.00	9.84	1.48	17.76
3000	347.40	11.58	1.74	20.88					
3500	390.52	11.16	1.68	20.16					
4000	433.04	10.83	1.63	19.56					
4500	475.20	10.56	1.59	19.08					
5000	517.36	10.35	1.56	18.72					
5500	559.52	10.17	1.53	18.36					
6000	601.32	10.02	1.51	18.12					
6500	651.30	10.02	1.50	18.00					
7000	701.40	10.02	1.50	18.00					
8000	801.60	10.02	1.50	18.00					
9000	901.80	10.02	1.50	18.00					
10000	1002.00	10.02	1.50	18.00					

(1) Final draft as approved by the National Conference on July 30, 1968 and by the American Bar Association on August 7, 1968.

(2) \$9 per \$100 per year on the first \$1000; \$8 per \$100 per year above to \$2500 - plus - a service charge not to exceed \$3 per month computed at the rate of 1¢ per \$1 per month on the first \$200; 1/2¢ per \$1 per month above; present loan ceiling \$2500.

1966 -	Loaned	\$26,300,000
	Net Earnings	1,000,000
	Wrote Off	1,000,000
	Net Return on Investment	1.2%
1967 -	Loaned	\$27,000,000
	Net Earnings	700,000
	Wrote Off	1,291,000
	Net Return on Investment	2.89%
1968 -	Loaned	\$30,000,000
	Net Earnings	1,400,000
	Wrote Off	750,000
	Net Return on Investment	5.1%
1969 -	Loaned	\$33,000,000
	Net Earnings	1,093,000
	Wrote Off	1,600,000
	Net Return on Investment	5.18%

These figures do not take into consideration the cost to the loan companies of obtaining the money themselves.