

**MINUTES OF THE
BUSINESS AND LABOR INTERIM COMMITTEE**

Wednesday, May 22, 2002 – 2:00 p.m. – Room 403 State Capitol

Members Present:

Sen. Dan R. Eastman, Senate Chair
Rep. Katherine M. Bryson, House Chair
Sen. Gene Davis
Sen. Parley G. Hellewell
Sen. Ed P. Mayne
Rep. Gerry A. Adair
Rep. Roger E. Barrus
Rep. Cindy Beshear
Rep. Jackie Biskupski
Rep. David Clark
Rep. Brad King
Rep. Karen W. Morgan
Rep. Brent D. Parker

Members Absent:

Sen. Curtis S. Bramble
Sen. L. Steven Poulton
Rep. Greg J. Curtis
Rep. Carl W. Duckworth
Rep. Ben C. Ferry
Rep. Thomas Hatch

Staff Present:

Ms. Mary Catherine Perry, Research Analyst
Mr. Thad LeVar, Associate General Counsel*
Ms. Sandra Wissa, Legislative Secretary

Note: A list of others present and a copy of materials can be found at <http://www.image.le.state.ut.us/imaging/history.asp> or by contacting the committee secretary, Sandra Wissa, at 538-1032.

1. Call to Order

Chair Bryson called the meeting to order at 2.17 p.m.

MOTION: Rep. Adair moved to approve the minutes of the January 16, and April 24, 2002 meetings. The motion passed unanimously with Rep. King absent for the vote.

2. Regulation of Consumer Lending

A. Regulation of Check Cashers

Ms. Mary Catherine Perry presented an overview of consumer lending including Utah's Check Cashing Registration Act. She distributed a handout "Consumer Lending."

Rep. Ty McCartney distributed and reviewed the handouts "Model Deferred Deposit Loan Act" and "Payday Lending: Myths and Realities." He explained how high the interest rates are on payday lending loans.

Rep. Bryson relinquished the chair to Sen. Eastman.

Ms. Linda Hilton, Director, Coalition of Religious Communities, Crossroads Urban Center, explained that Utah does not cap interest rates. She also stated that some payday lending institutions are not complying with current law.

* Not licensed to practice law in Utah

Mr. Scott McCagno, Consumer Credit Counseling, stated that he feels payday loan institutions exploit people. He explained that individuals are paying a high fee to use these businesses to cash their paychecks, but do not in most cases have other alternatives.

Mr. Tim Hawker, Io Data, distributed and reviewed the handouts "Utah Consumer Lending Association: Utah Customer Study: July 2001" and "Interim Hearing on Consumer Lending and Payday Lenders." He provided the committee members with information from a survey conducted by his company for the Utah Consumer Lending Association. The information included: customer demographics, customer motives for using payday advances, and customer perceptions of borrowing options.

Ms. Ann Pyne, Raincheck, distributed the handout "Overview of the Payday Advance Industry." She stated that consumers use check cashers for short-term loans and that most people using these services are making informed decisions. She also indicated that most customers are happy with the services provided by her company.

Mr. Tracy Rawle, Utah Consumer Lending Association, answered questions from the committee.

Mr. Edward Leary, Commissioner, Department of Financial Institutions, explained that the APR (Annual Percentage Rate) is a fair way to allow consumers to compare loans. He stated that the Department does onsite inspections of these businesses. He also stated that very few complaints are received by the Department on these businesses.

Committee discussion followed.

MOTION: Rep. Adair moved to ask staff to draft a bill addressing issues raised during committee discussion.

SUBSTITUTE MOTION: Rep. Parker moved to encourage a work group to conduct further study on issues raised and allow Rep. McCartney to bring proposed legislation, if necessary, back to the Committee for its consideration later in the interim. The motion passed, with Rep. Adair and Rep. Clark voting in opposition. Rep. King was absent for the vote.

B. Regulation of Mortgage Lending

Mr. Thad LeVar reviewed the regulations of Mortgage Lending including subprime and predatory lending. (See mailing packet page 33.)

Rep. Paul Ray distributed and reviewed the handout "Mar 18, 2002: In recent months." He explained that he has formed an informal work group to look into this issue during the summer and would like to return to the Committee with legislation later this interim.

Mr. Al Bingham, ACCU Mortgage, spoke on predatory lending. He stated that Utah is ranked #1 in the nation in terms of mortgage fraud. He explained that education, licensing, and enforcement would help the mortgage industry in Utah.

Mr. Dexter Bell, Director, Division of Real Estate, Department of Commerce, explained the difference between fraudulent lending and predatory lending and indicated that Utah's problem is more with fraudulent lending. He stated that he supports across the board regulations for mortgage brokers.

Mr. Kay R. Ashton, State President, Utah Mortgage Lenders Association, stated that only one department should regulate all of the mortgage industry. He explained that fraud in the industry is prevalent and that while the industry does not lack regulation, there may need to be more enforcement of those regulations. He stated that his association would support regulations and state laws that empower the state to enforce federal regulations and provide consequences for those who violate federal law.

Mr. Michael Siler, Director of Public Affairs, AARP Utah, introduced Mr. DaCosta Mason.

Mr. DaCosta Mason, National Coordinator for Consumer Issues, State Affairs Department, AARP, distributed written copies of his testimony. He stated that older homeowners are being targeted for predatory lending and that there are also racial disparities with subprime loans.

MOTION: Rep. Parker moved that the Committee recommend that Rep. Ray prepare legislation on the issue and bring it back to the Committee later this year. The motion passed unanimously, with Sen. Mayne, Rep. Biskupski, and Rep. King absent for the vote.

3. Adjourn

MOTION: Rep. Adair moved to adjourn the meeting. The motion passed unanimously, with Sen. Mayne, Rep. Biskupski, and Rep. King absent for the vote.

Chair Eastman adjourned the meeting at 4:57 p.m.