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FISCAL IMPACT REPORT

SPONSOR Herrera/Chandler/
Ely/Romero/Roybal
Caballero ORIGINAL DATE 2/18/19 HB 22
 LAST UPDATED _____ SB _____
 SHORT TITLE Lower Small & Installment Loan APR SB _____
 ANALYST Glenn

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	Indeterminate-See Fiscal Implications	Indeterminate-See Fiscal Implications	Recurring	General Fund
	Indeterminate-See Fiscal Implications	Indeterminate-See Fiscal Implications		Financial Literacy Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 22, HB 386

Conflicts with HB 150

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Attorney General (NMAG)

Responses Not Received From

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Bill 22 amends the New Mexico Bank Installment Loan Act and Small Loan Act to reduce the maximum allowable interest rate for loans made under the Acts from 175 percent to 36 percent.

The effective date of HB 22 is July 1, 2019.

FISCAL IMPLICATIONS

RLD did not submit an analysis for HB22, but in its analysis for HB375, which is a duplicate of HB22, RLD stated that its Financial Institutions Division (FID) currently licenses lenders making loans under the Small Loan Act. FID cannot predict the number of licensed lenders that will abstain from renewing a small loan license as a result of the bill. License renewal fees are a minimum of \$500 plus seventy-five cents (\$0.75) per \$1,000 of loans outstanding on December 31st of the preceding year. Each licensee also is assessed a \$200 examination fee and a \$200 fee to finance financial literacy programs in New Mexico. Therefore, for each licensee that does not renew an existing small loan license, there will be a minimum revenue reduction of \$700. See table below.

Minimum Revenue Reduction (dollars in thousands)

	General Fund	Financial Literacy Fund
100 License Reduction	70.0	20.0
200 License Reduction	140.0	40.0
300 License Reduction	210.0	60.0

RLD stated in its analysis of HB375 that due to the passage and implementation of House Bill 347 in 2017, which established the current APR cap of 175 percent, the number of licensed lenders declined from 673 as of December 31, 2016, to 597 as of December 31, 2018. According to RLD, this resulted in a general fund revenue decline of approximately \$106,400 during this two-year period.

SIGNIFICANT ISSUES

RLD stated in its analysis of HB375 that the bill’s decrease in the interest rate cap may discourage lenders from obtaining or renewing small loan licenses and result in a decrease in revenues to the general fund. See discussion above in Fiscal Implications.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates:

HB 375 Decrease Maximum APR for Small Loans

HB 386 Installment & Small Loan Maximum Interest

Conflicts with HB 150, Installment & Small Loan Changes, which also amends Sections 58-7-7 & 58-15-17 NMSA 1978.

BG/gb/al