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## FISCAL IMPACT REPORT

**LAST UPDATED** \_\_\_\_\_  
**ORIGINAL DATE** 02/03/2025

**SPONSOR** Chandler/Roybal Caballero

**BILL**  
**NUMBER** House Bill 224

**SHORT TITLE** Student Loan Bill of Rights Act

**ANALYST** Lobaugh

### REVENUE\* (dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
License Fees			Up to \$250.0	Up to \$250.0	Up to \$250.0	Recurring	Student Loan Bill of Rights Fund

Parentheses ( ) indicate revenue decreases.

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT\* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
RLD	No fiscal impact	Up to \$285.0	Up to \$569.9	Up to \$854.9	Recurring	General Fund and/or Student Loan Bill of Rights Fund*

Parentheses ( ) indicate expenditure decreases.

\*Increased expenditures to the general fund would depend on how much revenue is collected from license fees for the Student Loan Bill of Rights. See fiscal implications section.

### Sources of Information

LFC Files

Agency Analysis Received From  
Higher Education Department (HED)

Agency Analysis was Solicited but Not Received From  
Regulation and Licensing Department (RLD)  
New Mexico Attorney General (NMAG)

## SUMMARY

### Synopsis of House Bill 224

House Bill 224 (HB224) creates a new Student Loan Bill of Rights Act in state law relating to private student loans. Private student loans are extensions of credit to students or parents to fund higher education that are not made, insured, or guaranteed under the federal Higher Education Act of 1965. Banks, credit unions, nonprofits, state-affiliated organizations, higher education institutions, and other private entities can hold or service private student loans.

HB224 requires the Financial Institutions Division of the Regulation and Licensing Department (RLD) to license people or entities engaged in the business of serving private student loans. The bill specifies student loan servicers must provide RLD with a written application for an initial license and a nonrefundable initial license fee of no more than \$5,000. The bill requires student loan servicers to attain a license for each place of business that they maintain in New Mexico. HB224 requires RLD to conduct background checks and investigate whether applicants for a student loan servicer license are financially sound and of good character before issuing a license. The bill exempts banks, credit unions, subsidiaries of banks and credit unions, and the state Higher Education Department (HED) from its licensing and other requirements. Student loan servicing licenses issued by RLD expire at the end of the calendar year following its issuance and must be renewed through a renewal application process and fee.

HB224 requires RLD to automatically issue licenses to federal student loan servicing contractors if they pay the required license fee. The bill requires federal student loan servicing contractors to inform RLD within seven days after being notified of the expiration, revocation, or termination of their federal contract with the U.S. Department of Education.

HB224 prohibits private student loan providers and servicers from engaging in unfair, abusive, or deceptive practices. The bill states such practices are subject to the enforcement and penalty provisions of the state Unfair Practices Act. The bill authorizes RLD to monitor and assess risk to borrowers by requiring information and reports from private student loan providers and servicers. HB224 authorizes RLD to revoke a license and impose administrative penalties for violations of Student Loan Bill of Rights Act. The bill also allows for judicial enforcement of the Student Loan Bill of Rights Act and creates civil penalties. The bill also allows a person to bring an action in district court against a private lender or servicer to recover actual damages, punitive damages, legal fees, or other remedies.

HB224 requires private lenders to provide cosigners with notifications and disclosures prior to offering a student loan or a loan to refinance an existing student loan. The bill also provides cosigners with access to student loan records and processes for releasing cosigners from loan obligations.

HB224 prohibits private lenders from accelerating loan payments, except in cases of payment default. The bill also requires a private lender to make any flexible or modified repayment options they offer equally available to all borrowers. Additionally, the bill requires private lenders and servicers to discharge student loan obligations after notification of a borrower or cosigner experiencing a total and permanent disability.

HB224 creates a student loan ombudsman position at RLD to assist student loan borrowers and attempt to resolve their complaints. The bill requires the New Mexico Attorney General (NMAG) and HED to collaborate with the student loan ombudsman in assisting borrowers and enter into an information sharing agreement by the end of July 2026. The bill requires the student loan ombudsman, NMAG, and HED to create a student loan borrower course by July 2026. The bill requires the RLD to publish annual status reports on the implementation of the Student Loan Bill of Rights Act by December 1 starting in 2027 and continuing each year thereafter.

The effective date of this bill is January 1, 2026.

## **FISCAL IMPLICATIONS**

HB224 creates a new “student loan bill of rights fund” in the state treasury. The new nonreverting fund would consist of licensing fees collected by RLD related to the Student Loan Bill of Rights Act and money that is otherwise appropriated, donated, or accrues to the fund. HB224 provides for continuing appropriations from the fund to RLD to administer the Student Loan Bill of Rights Act. LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds because earmarking reduces the ability of the Legislature to establish spending priorities.

Licensing fee revenue projections for the student loan bill of rights fund are difficult to determine because of limited data. Preliminary survey of New Mexico loan services yielded approximately 25 providers who could pay up to \$10,000 in licensing fees each year. HED does not currently collect data on how many private colleges and universities offer private student loans in the state. If licensing fee revenue collected by RLD is insufficient to cover RLD’s costs of implementing HB224, there could be a recurring cost to the state general fund.

In response to similar legislation in 2024, RLD reported it would need an additional \$569.9 thousand each year for four full-time employees to implement the requirements of a Student Loan Bill of Rights Act. Specifically, RLD reported this additional funding would cover the salaries, benefits, and operational costs of the new ombudsman position, two examiners, and a licensing specialist. The additional operating budget impact in FY26 would be \$285 thousand because of the bill going into effect in the middle of the fiscal year.

## **SIGNIFICANT ISSUES**

The student loan ombudsman position created by HB224 may duplicate the responsibilities of other existing student loan ombudsman offices and borrower assistance resources. The U.S. Consumer Financial Protection Bureau has an education loan ombudsman’s office to assist borrowers and handle complaints related to both federal and private student education loans. Additionally, HED reports federal student loan servicing contractors are each required to have an ombudsman office to address borrower concerns. The New Mexico Educational Assistance Foundation, a nonprofit foundation authorized under state law to make and service private student loans, also has a student loans ombudsman. HED also maintains a hotline for concerns related to student financial aid.

CSL/sgs/SL2/rl