FISCAL IMPACT REPORT

SPONSOR   Ortiz y Pino   **DATE TYPED**   2/16/05   **HB**

SHORT TITLE   Low-Income Resident Credit Union   **SB**   498

ANALYST   Hadwiger

APPROPRIATION
(in $000s)

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	**FY06**	**FY05**	**FY06**		
	$200.0			Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
Department of Finance and Administration (DFA)
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 498 appropriates $200,000 from the general fund to the Department of Finance and Administration (DFA) to develop a credit union for low-income residents of New Mexico.

Significant Issues

According to DFA, one of the primary reasons for the creation of credit unions is to make credit available to people of modest means. To fulfill this mission the National Credit Union Association (NCUA) has established special operational policies for federal credit unions that serve low-income groups and underserved areas. A low-income credit union is defined in Section 701.34 of the NCUA Rules and Regulations as one where a majority of its members either earn less than 80% of the average for all wage earners as established by the Bureau of Labor Statistics, or whose annual household income falls at or below 80% of the median household income for the nation. The term "low-income" also includes members who are full-time or part-time students in a college, university, high school or vocational school.

DCA reported that the president of the State Employees Credit Union, stated that there were at least two low-income credit unions that were established and doing business in New Mexico— New Mexico Central Credit Union and Rio Grande Credit Union. The New Mexico Industry Manager for Credit Unions stated that existing credit unions could obtain a designation as a "low-income" credit union by forwarding a request for the designation to the regional director of the NCUA along with appropriate documentation supporting the request. An existing credit union can also perform a loan or membership survey for another credit union to determine if the credit union is primarily serving low-income members.

FISCAL IMPLICATIONS

The appropriation of $200,000 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY06 would revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

The DFA Local Government Division (LGD) does not administer any type of program related to the operation, feasibility or establishment of a credit union. Therefore, the LGD could only act within the procurement policy in providing oversight for contractual services.

ALTERNATIVES

DFA offered the following alternatives:
1. A request could be issued to an existing credit union to conduct a low-income survey to determine if 80% of the people served in the area are of low-income. A determination of low-income would qualify the credit union as a "low-income" credit union by the NCUA.
2. A request to open a branch could be issued to an existing credit union to serve a specific underserved area or low-income area of Albuquerque.
3. Low-income individuals can continue to bank at conventional banks that are required to operate under the "Community Reinvestment Act" which requires all banks to operate under guidelines to serve the needs of individuals in that community.

DH/lg