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FISCAL IMPACT REPORT

ORIGINAL DATE 01/23/13

SPONSOR Anderson LAST UPDATED 01/30/13 HB 14/aHJC

SHORT TITLE Misleading Extensions of Credit SB _____

ANALYST Weber

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		NFI				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Attorney General's Office (AGO)
Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of HJC Amendment

Summary of House Judiciary Committee amendment to House Bill 14

1. On page 2, line 2, after "means", insert "compliance with related provisions of the federal Truth in Lending Act or".
2. On page 2, line 5, strike the closing quotation mark.
3. On page 2, between lines 5 and 6, insert the following new subsection:
 - C. "Nothing in this section shall restrict or affect the use of convenience checks as an access device for a line of credit previously established under an existing agreement between the lender and the borrower; provided that an access device complies with the federal Truth in Lending Act."

The amendment does not change the intent of the bill but adds the federal Truth in Lending Act as an authority.

Synopsis of Original Bill

House Bill 14 provides that the extension of credit via a bank check, without adequate notification the transaction is in fact a loan, constitutes an unfair and deceptive trade practice.

An extension of pre-approved credit is not a misleading extension of credit when there is prominent notice that includes an explanation of interest due and the other terms of the credit.

“Adequate notification” means printing the word loan in large, legible letters at least five times larger than the next smaller letters printed on the check, prominently displayed on the front of the bank check instrument.

FISCAL IMPLICATIONS

There are no fiscal implications.

SIGNIFICANT ISSUES

The AGO recommends that although this bill is straightforward, it may be useful to further clarify that the purpose of the section is to put consumers on notice that pre-approved bank checks are “loans” and that the material terms of such loans must be prominently conveyed in a manner easily understood by the consumer.

MW/bm:svb