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FISCAL IMPACT REPORT

ORIGINAL DATE 1/25/15

SPONSOR Roybal Caballero **LAST UPDATED** _____ **HB** 24

SHORT TITLE Loan Interest Rate Caps **SB** _____

ANALYST Elkins

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17		
	(\$70.0-\$210.0)	(\$70.0-\$210.0)	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		TBD	TBD		Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates SB72
Relates to HB36

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)
Public Regulation Commission (PRC)
New Mexico Municipal League (NMML)

SUMMARY

Synopsis of Bill

This bill amends the Bank Installment Loan Act and the Small Loan Act, imposes a cap on interest rates of thirty-six percent, voids contracts that exceed the interest rate cap, and repeals section 58-15-33 NMSA 1978 which states the permitted charges for payday loans.

FISCAL IMPLICATIONS

According to RLD, this bill would reduce the number of small loan licensees. There would be a reduction in license revenue of \$700 for every small loan licensee that does not renew their license. For every one hundred licensees that do not renew, the division would see a revenue reduction of \$70 thousand.

This bill would also have an impact on RLD’s operating budget. RLD would recognize cost savings by having fewer licensees to inspect and no longer having to maintain the payday loan database.

SIGNIFICANT ISSUES

RLD offers the following commentary:

Page 2, lines 8 through 11, contradicts the Home Loan Protection Act (HLP) section 58-21A-3(M)(1)(d)(1-14), NMSA 1978 with regards to the inclusion of charges or fees incident to the extension of credit. The HLP excludes from points and fees, specific fees that are bona fide and reasonable and paid to a person other than the creditor or an affiliate of the creditor.

Page 7, lines 18 and 19 repeal section 58-15-33, NMSA 1978, which states all the administrative fees allowed on payday loan products, effectively eliminating those products. However the bill leaves intact the remaining provisions of the Small Loan Act section 58-15-32, NMSA 1978, and sections 58-15-33 to 58-15-38, which are specific to payday loan products.

According to the New Mexico Municipal League, a poll conducted by the Public Policy Polling in January, 2014 shows that 86 percent of New Mexicans support interest rate caps of 36 percent or less.

CE/aml