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FISCAL IMPACT REPORT

SPONSOR Lundstrom ORIGINAL DATE 3/18/15
LAST UPDATED _____ HM 131
SHORT TITLE Examine Consumer Lending Industry SB _____
ANALYST Elkins

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

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

(Parenthesis () Indicate Expenditure Decreases)

Relates to HB 24, HB 36, and SB 72

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Memorial 131 requires the Legislative Finance Committee to examine the consumer lending industry and to convene a task force for the purpose of improving the regulation of lending practices. The task force is required to determine reasonable interest rates and proper protection for New Mexico consumers from abusive lending practices. Findings and recommendations are to be reported to the appropriate legislative interim committees no later than September 30, 2015.

FISCAL IMPLICATIONS

HM 131 requires LFC to convene a task force during the 2015 interim to consider ways in which the state may better regulate lending practices in New Mexico. The cost of the task force would include per diem and mileage for members. The number of members on the task force is not included in HM 131.

SIGNIFICANT ISSUES

The mission of the Legislative Finance Committee is to provide the Legislature with objective fiscal and public policy analyses, recommendations, and oversight of state agencies to improve

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performance and to ensure accountability through the effective allocation of resources for the benefit of all New Mexicans. The LFC consistently produces evaluations on a number of policy issues.

The LFC Evaluation Unit maintains a work plan of evaluations approved by the LFC. This study is not currently on the work plan and would require a reprioritization of pending evaluations.

The Regulation and Licensing Department offers the following commentary:

House Memorial 131 does not define reasonable or excessive. For example reasonable by committee standards may not be reasonable by industry standards and may force many small loan companies out of business in New Mexico. With almost 25 percent of New Mexicans being unbanked or under banked, small loan companies provide a necessary service for individuals in need of emergency funds.

Numbers provided in HM 131 indicate that small loan companies are exposed to high risk borrowers and, therefore, must charge higher interest rates.

The task force should consider APR vs. interest rate. A reasonable interest rate may equate to what appears to be an excessive Annual Percentage Rate (APR). It is important that the committee understand the difference and consider that difference as it relates to the definition of reasonable or excessive.

RELATIONSHIP

HB 24, HB 36, and SB 72 impose a 36 percent cap on interest rates.

TECHNICAL ISSUES

According to RLD, page 4 Line 6 through 14, does not clarify how persons would be selected for the task force or the desired make-up of the proposed committee to be convened by the LFC.

CE/bb