

1 HOUSE BILL 480

2 **53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017**

3 INTRODUCED BY

4 Patricia Roybal Caballero

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10 AN ACT

11 RELATING TO USURY; ENACTING NEW SECTIONS OF THE NEW MEXICO BANK
12 INSTALLMENT LOAN ACT OF 1959 AND THE NEW MEXICO SMALL LOAN ACT
13 OF 1955; LIMITING INTEREST RATES FOR SMALL LOANS; VOIDING
14 CONTRACTS THAT EXCEED THE INTEREST RATE CAP; REPEALING A
15 SECTION OF THE NEW MEXICO SMALL LOAN ACT OF 1955.

16
17 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

18 SECTION 1. Section 56-8-9 NMSA 1978 (being Laws 1957,
19 Chapter 209, Section 1, as amended) is amended to read:

20 "56-8-9. EXCESSIVE CHARGES PROHIBITED--APPLICABILITY OF
21 MAXIMUM RATES--DEFINITION.--

22 A. Unless otherwise provided by law, no person,
23 corporation or association, directly or indirectly, shall take,
24 reserve, receive or charge any interest, discount or other
25 advantage for the loan of money or credit or the forbearance or

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1 postponement of the right to receive money or credit except at
2 the rates permitted in Sections 56-8-1 through 56-8-21 NMSA
3 1978.

4 B. Except as provided for in this section, the
5 maximum lawful rate of interest charged or received for the
6 extension of credit shall not exceed thirty-six percent per
7 year.

8 C. The calculation of interest shall include any
9 periodic or nonperiodic interest, any periodic or nonperiodic
10 finance charge, any ancillary products or services and any
11 other charges or fees incident to the extension of credit.

12 D. Any contract for the extension of credit entered
13 into after July 1, 2017 having a rate of interest in excess of
14 the maximum lawful rate shall be void as to principal and
15 interest.

16 E. The limitation on interest for the extension of
17 credit shall not apply to any federally insured depository
18 institution or government-issued bonds.

19 F. In the event the United States prime lending
20 rate exceeds ten percent, the maximum lawful rate of interest
21 charged or received may exceed thirty-six percent per year but
22 shall not exceed thirty percentage points in excess of the
23 United States prime lending rate.

24 [~~B.~~] G. No provision of law prescribing maximum
25 rates of interest that may be charged in any transaction shall

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1 apply to a transaction in which a corporation is a debtor,
2 regardless of the purpose for which the corporation was formed
3 and regardless of the fact that an individual is codebtor,
4 endorser, guarantor, surety or accommodation party. No
5 corporation or its codebtor, endorser, guarantor, surety or
6 accommodation party shall have a cause of action or
7 affirmatively plead, counterclaim, set off or set up the
8 defense of usury in any action to recover damages or enforce a
9 remedy on any obligation executed by the corporation, and no
10 civil or criminal penalty ~~[which]~~ that would otherwise be
11 applicable except as provided in Sections 30-43-1 through
12 30-43-5 NMSA 1978 shall apply on any obligation executed by the
13 corporation.

14 ~~[G. A lender may, in the case of business or~~
15 ~~commercial loans for business or commercial purposes in the~~
16 ~~amount of five hundred thousand dollars (\$500,000) or more,~~
17 ~~take, receive, reserve or charge on any loan or discount made,~~
18 ~~or upon any note, bill of exchange or other evidence of debt,~~
19 ~~interest at a rate agreed to by the parties even if the rate~~
20 ~~exceeds the rate set forth in Section 56-8-11 NMSA 1978.~~

21 ~~D.]~~ H. In addition to the maximum interest or
22 discount ~~[which]~~ that a lender is permitted to charge by law,
23 the lender may charge, take, reserve or receive a premium or
24 points in an amount up to but not exceeding three percent of
25 the face amount of the loan on interim construction loans;

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1 provided that the total amount does not exceed the maximum
2 lawful rate of interest as provided in Subsections B through F
3 of this section. The lender may charge and require the
4 borrower to pay the premium upon execution of the loan
5 agreement, whether the proceeds are delivered to the borrower
6 immediately or whether there are to be obligatory or permissive
7 future advances. The lender shall not be required to refund
8 this charge in the event of prepayment of the obligation. For
9 the purposes of this section, ~~[an]~~ "interim construction loan"
10 means a loan secured by a first mortgage and used by the
11 borrower primarily for financing the construction of buildings,
12 structures or improvements on or to the real property on which
13 the first mortgage has been taken.

14 ~~[E-]~~ I. A lender may charge, take, reserve or
15 receive points or a premium on any loan secured by real
16 property; provided that the points or premium together with the
17 interest or discount charged, taken, reserved or received do
18 not exceed the maximum interest, ~~[or discount permitted by law.~~
19 ~~The lender shall not be required to refund this charge in the~~
20 ~~event of prepayment even if the prepayment would result in a~~
21 ~~higher charge to the borrower than permitted by law] as~~
22 provided in Subsections B through F of this section."

23 SECTION 2. Section 56-8-13 NMSA 1978 (being Laws 1957,
24 Chapter 209, Section 4) is amended to read:

25 "56-8-13. PENALTIES AND FORFEITURES.--

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1 A. The taking, receiving, reserving or charging of
2 a rate of interest greater than allowed by [~~this act~~] Section
3 56-8-9 NMSA 1978, when knowingly done, shall be deemed a
4 forfeiture of the entire amount of such interest [~~which~~] that
5 the note, bill or other evidence of debt carries with it or
6 [~~which~~] that has been agreed to be paid thereon. In case the
7 greater rate of interest has been paid, the person by whom it
8 has been paid or [~~his~~] the person's legal representatives may
9 recover [~~back~~] by civil action twice the amount of the interest
10 thus paid from the person, corporation or association taking or
11 receiving the same; provided that such action is commenced
12 within two [~~(2)~~] years from the time the usurious transaction
13 occurred.

14 B. Any contract for the extension of credit entered
15 into after July 1, 2017 having a rate of interest in excess of
16 the maximum lawful rate shall be void as to principal and
17 interest."

18 SECTION 3. Section 58-7-1 NMSA 1978 (being Laws 1959,
19 Chapter 327, Section 1) is amended to read:

20 "58-7-1. SHORT TITLE.-- [~~This act shall be known~~] Chapter
21 58, Article 7 NMSA 1978 may be cited as the "New Mexico Bank
22 Installment Loan Act of 1959"."

23 SECTION 4. A new section of the New Mexico Bank
24 Installment Loan Act of 1959 is enacted to read:

25 "[NEW MATERIAL] MAXIMUM INTEREST RATES--EXCEPTIONS.--

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1 A. Except as provided for in this section, the
2 maximum lawful rate of interest charged or received for the
3 extension of credit shall not exceed thirty-six percent per
4 year.

5 B. The calculation of interest shall include any
6 periodic or nonperiodic interest, any periodic or nonperiodic
7 finance charge, any ancillary products or services and any
8 other charges or fees incident to the extension of credit.

9 C. Any contract for the extension of credit entered
10 into after July 1, 2017 having a rate of interest in excess of
11 the maximum lawful rate shall be void as to principal and
12 interest.

13 D. The limitation on interest for the extension of
14 credit shall not apply to any federally insured depository
15 institution or government-issued bonds.

16 E. In the event the United States prime lending
17 rate exceeds ten percent, the maximum lawful rate of interest
18 charged or received may exceed thirty-six percent per year but
19 shall not exceed thirty percentage points in excess of the
20 United States prime lending rate."

21 **SECTION 5.** A new section of the New Mexico Small Loan Act
22 of 1955 is enacted to read:

23 "[NEW MATERIAL] MAXIMUM INTEREST RATES--EXCEPTIONS.--

24 A. Except as provided for in this section, the
25 maximum lawful rate of interest charged or received for the

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1 extension of credit shall not exceed thirty-six percent per
2 year.

3 B. The calculation of interest shall include any
4 periodic or nonperiodic interest, any periodic or nonperiodic
5 finance charge, any ancillary products or services and any
6 other charges or fees incident to the extension of credit.

7 C. Any contract for the extension of credit entered
8 into after July 1, 2017 having a rate of interest in excess of
9 the maximum lawful rate shall be void as to principal and
10 interest.

11 D. The limitation on interest for the extension of
12 credit shall not apply to any federally insured depository
13 institution or government-issued bonds.

14 E. In the event the United States prime lending
15 rate exceeds ten percent, the maximum lawful rate of interest
16 charged or received may exceed thirty-six percent per year but
17 shall not exceed thirty percentage points in excess of the
18 United States prime lending rate."

19 SECTION 6. REPEAL.--Section 58-15-33 NMSA 1978 (being
20 Laws 2007, Chapter 86, Section 15) is repealed.

21 SECTION 7. EFFECTIVE DATE.--The effective date of the
22 provisions of this act is July 1, 2017.