

HOUSE MEMORIAL 131

52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015

INTRODUCED BY

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A MEMORIAL

REQUESTING THE LEGISLATIVE FINANCE COMMITTEE TO EXAMINE THE
CONSUMER LENDING INDUSTRY IN NEW MEXICO AND CONVENE A TASK
FORCE DURING THE 2015 INTERIM TO CONSIDER THE FURTHER
REGULATION OF CONSUMER LENDING PRACTICES.

WHEREAS, in 2015, there are 684 small loan companies
licensed pursuant to the New Mexico Small Loan Act of 1955 to
do business in New Mexico; and

WHEREAS, consumer loans currently being made by companies
in New Mexico and by online lenders to residents of New Mexico
include installment loans, payday loans, car title loans and
tax refund anticipation loans; and

WHEREAS, data collected by the financial institutions
division of the regulation and licensing department for
calendar year 2013 indicate that for the total of 64,735

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1 unsecured installment loans:

2 A. the annual percentage rate of interest ranged
3 from 0 percent to 1,517 percent, with an average of 486
4 percent;

5 B. the total amount of loan principal was
6 \$38,426,486.84, with an average principal loan amount of
7 \$546.57;

8 C. the total amount of loan principal repaid was
9 \$29,239,879.53, and the total amount of loan principal
10 considered as a write-off or charge-off was \$3,820,702.68;

11 D. the total amount of interest and fees received
12 was \$22,182,322.53, and the total amount of interest considered
13 as a write-off or charge-off was \$2,213,838.18; and

14 E. there were 30,554 loans for which the loan
15 principal and accrued interest was not paid in full and 11,950
16 loans that were renewed, refinanced or extended; and

17 WHEREAS, the New Mexico legislature in 2007 enacted
18 statutory reforms to regulate payday loans to address, among
19 other things, the high cost of small loans, the frequency of
20 rollovers and recurring cycles of debt; and

21 WHEREAS, since 2007, some small loan lenders have revised
22 their loans and business practices to circumvent and avoid the
23 consumer protections enacted in the 2007 payday loan reform
24 legislation; and

25 WHEREAS, the New Mexico legislature in 2013 enacted

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1 legislation requiring licensees pursuant to the New Mexico
2 Small Loan Act of 1955 to report to the financial institutions
3 division of the regulation and licensing department specific
4 information regarding loans with annual percentage rates
5 greater than 175 percent to the state to enable the legislature
6 to better understand the consumer lending industry in New
7 Mexico; and

8 WHEREAS, in the ten regular legislative sessions prior to
9 2015, twenty-seven bills have been introduced concerning the
10 regulation of consumer lending, of which only three received
11 final legislative approval; and

12 WHEREAS, except for the effort during the 2006 legislative
13 interim, which effort assisted in the passage of the payday
14 lending reforms in 2007, efforts of interim committees and
15 study groups since then have failed to build a consensus for
16 additional reform of consumer lending regulations in New
17 Mexico; and

18 WHEREAS, many New Mexicans need access to short-term and
19 long-term loans for a variety of purposes, and this need
20 extends throughout the population, affecting persons with both
21 substantial income and financial resources as well as those
22 with little or no income and inadequate financial resources;
23 and

24 WHEREAS, companies making consumer loans are entitled to
25 make a reasonable but not an excessive profit on loans made to

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1 New Mexicans; and

2 WHEREAS, it is in the best interest of New Mexico to
3 assure reasonable access for all residents to affordable credit
4 and to sources of short-term loans without the imposition of
5 draconian fees or interest rates for all New Mexico consumers;

6 NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF
7 REPRESENTATIVES OF THE STATE OF NEW MEXICO that the legislative
8 finance committee be requested to study the consumer lending
9 industry in New Mexico and convene a task force during the 2015
10 legislative interim to consider ways in which the state may
11 better regulate lending practices in New Mexico to provide
12 residents with consumer lending alternatives at reasonable
13 rates and better protection from abusive lending practices; and

14 BE IT FURTHER RESOLVED that the legislative finance
15 committee and the task force report their findings and
16 recommendations to the appropriate legislative interim
17 committees no later than September 30, 2015; and

18 BE IT FURTHER RESOLVED that copies of this memorial be
19 transmitted to the president pro tempore of the New Mexico
20 senate, the speaker of the New Mexico house of representatives,
21 the director of the legislative finance committee, the director
22 of the legislative council service, the attorney general and
23 the director of the financial institutions division of the
24 regulation and licensing department.