

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 unsecured installment loans:

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

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

C. the total amount of loan principal repaid was \$29,239,879.53, and the total amount of loan principal

considered as a write-off or charge-off was \$3,820,702.68;

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

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

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

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

WHEREAS, the New Mexico legislature in 2013 enacted legislation requiring licensees pursuant to the New Mexico Small Loan Act of 1955 to report to the financial institutions division of the regulation and licensing department specific information regarding loans with annual percentage rates greater than 175 percent to the state to enable the legislature to better understand the consumer lending industry in New Mexico; and

WHEREAS, in the ten regular legislative sessions prior to 2015, twenty-seven bills have been introduced concerning

the regulation of consumer lending, of which only three received final legislative approval; and

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

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

WHEREAS, companies making consumer loans are entitled to make a reasonable but not an excessive profit on loans made to New Mexicans; and

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

NOW, THEREFORE, BE IT RESOLVED BY THE HOUSE OF REPRESENTATIVES OF THE STATE OF NEW MEXICO that the legislative finance committee be requested to study the

consumer lending industry in New Mexico and convene a task force during the 2015 legislative interim to consider ways in which the state may better regulate lending practices in New Mexico to provide residents with consumer lending alternatives at reasonable rates and better protection from abusive lending practices; and

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

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