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FISCAL IMPACT REPORT

SPONSOR Lundstrum DATE TYPED 03/16/05 HB HJM100/aHJC

SHORT TITLE Consumer Lending Practices Study SB _____

ANALYST McSherry

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
	NFI		(Minimal-\$37.0)	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

House Joint Memorial relates to SB 787, Consumer Loan Act, and to SB 200 Consumer Loan Act.

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulations and Licensing Department (RLD)

SUMMARY

Synopsis of House Judiciary Committee Amendment

The House Judiciary amendment changes the proposed date that the office of the attorney general and the financial institutions division of the regulation and licensing department would be proposed to make available copies of the proposed joint study of consumer lending practices, including recommendations from August 31, 2006 to December 15, 2005.

Synopsis of Original Bill

House Joint Memorial 100 proposes that the Attorney General Office (AGO) and the Financial Institutions Division (FID) of the Regulation and Licensing Department (RLD) be requested to undertake a joint study of consumer lending practices in New Mexico and make available copies of the study, including legislative action recommendations, to the “appropriate interim legislative committees” by August 31, 2006.

The proposed study would focus on:

1. the data collected by RLD regarding payday loans, car title loans, and tax refund anticipation loans
2. the regulatory framework of making closed-end, and short-term loans of \$1,000.00 or less regarding payday loans, car title loans, and tax refund anticipation loans

3. the implementation of a statewide lender's information exchange program.

Significant Issues

The proposed scope, timeline and purpose of the proposed study are clearly defined in the memorial.

PERFORMANCE IMPLICATIONS

RLD asserts that the present Financial Institutions Division staff is at the limit of its performance capacity and that additional resources would be required to adequately perform and manage the proposed study. However, other department and divisions often perform studies as requested by the legislature. The depth and breadth of the study would be affected by whether or not the study was funded.

FISCAL IMPLICATIONS

There is no appropriation contained in this memorial.

Many studies are proposed and requested to be performed by agencies without associated funding.

RLD contends that conducting the proposed study would result in increased cost to the Division and that either the Division: 1) would need additional temporary help who understands the business of making short-term loans such as payday, car title, and tax refund anticipation loans or 2) would need to contract with an outside professional to research, assemble and analyze data to complete the study. The Department asserts that the anticipated the cost of either option is approximately \$39,000, considering salary, office space, per diem and use of a vehicle.

ADMINISTRATIVE IMPLICATIONS

RLD reports that the Department anticipates the study would take a significant amount of the Division Director's and one additional staff member's time. The Department predicts that the Director would need to convene periodic meetings of a group consisting of small loan licensees, trade associations, consumer advocates, and the Attorney General's Office and that the members of the group would need to come to a consensus on recommendations for any appropriate legislative action. According to RLD, a previous study on this subject was conducted in 1999 and the Department estimates that FID management spent the equivalent of 0.3 FTE percent of their time on the project.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

If HJM100 is not enacted, it is likely that a joint study performed by the Office of the Attorney General and the Financial Institutions Division of the Regulation and Licensing Department would not be completed regarding consumer-lending practices in New Mexico.

EM/lg