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FISCAL IMPACT REPORT

ORIGINAL DATE 02/01/10

SPONSOR Wirth LAST UPDATED _____ HB _____

SHORT TITLE Database & Requirements of Certain Loans SB 33

ANALYST Wilson

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Non-Rec	Fund Affected
FY10	FY11	FY12		
	\$291.0	\$291.0	Recurring	General Fund

(Parenthesis () Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY10	FY11	FY12	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		\$291.0	\$291.0	582.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation & Licensing Department (RLD)

SUMMARY

Synopsis of Bill

Senate Bill 33 amends the Installment Loan Act and the Small Loan Act as follows:

- The Installment Loan Act is amended so that only precomputed loans are permitted. The bill adds definitions for precomputed loan and installment loan.
- The Small Loan Act is amended to require that any person making loans for any purpose must be licensed.
- Any loan of \$10,000 or less must be made pursuant to the Small Loan Act.
- Adds a new section to the Small Loan Act capping the per annum rate of interest for loans of \$10,000 or less and requiring minimum loan terms.

- Amends the Small Loan Act to require 60 point bold type for the signage that is required to be displayed by a payday lender.
- Amends the Small Loan Act to require licensees to input loan information into a database certified by the Director of the Financial Institutions Division (FID) of RLD

FISCAL IMPLICATIONS

RLD states the fiscal impact cannot be determined. The amendment to the Small Loan Act 8 line requires anyone who makes loans to be licensed. Currently only lenders who made loans for \$2,500 or less were required to obtain a small loan license. Under the provisions of this bill those making loans between \$2,500 and \$10,000 will be required to have a license.

The Small Loan Act section 58-15-9 NMSA 1978 requires an annual examination to be performed for each licensed place of business. If it is the intent of the Bill to have all lenders to be licensed, it cannot be determined how many more persons may need to obtain a small loan license.

Without an appropriation for the FID to hire examiners, the FID will not be able to meet its statutory mandate of annual examinations for all licensed locations. In addition the FID needs funding to pay for the required loan database.

There is a \$500 fee for a license under the Small Loan Act. This could, presumably pay for the annual examinations for the additional licensed locations. Currently there are 583 licenses under the Small Loan Act. Assuming the number doubles there will be additional revenues of \$291,000. This estimate is probably high since FID does not think that there are that many who will have to have licenses under this bill

SIGNIFICANT ISSUES

RLD notes that it appears that the intent of the legislation is to regulate small loans made to consumers and not to regulate all loans. For example, lenders making mortgage loans under the Mortgage Loan Companies and Loan Brokers Act, car dealers making loans under the Motor Vehicle Sales Finance Act. will now also need to have a small loan license.

The bill will require firms making government guaranteed student loans, loans to purchase stocks, IRA loans, loans by insurance companies to a consumer on a policy held by the consumer, real estate contract loans, commercial loans etc. to obtain a license. As written, the bill only has an exemption for Banks, Credit Unions, Savings and Loan Associations, pawnbrokers and commercial loans made to dealers upon personal property held for resale.

ADMINISTRATIVE IMPLICATIONS

The Small Loan Act section 58-15-9 NMSA 1978 requires an annual examination to be performed for each licensed place of business. If it is the intent of the Bill to have all lenders to be licensed, it cannot be determined how many more persons may need to obtain a small loan license. Without an appropriation for the FID to hire examiners, the FID will not be able to meet its statutory mandate of annual examinations for all licensed locations.

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Without an appropriation to pay for the database provider, the director will not be able to certify a provider for the licensees to input the required loan information as specified in the bill.

DW/svb