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FISCAL IMPACT REPORT

ORIGINAL DATE 2-6-06

SPONSOR Ortiz y Pino LAST UPDATED _____ HB _____

SHORT TITLE LOW-INCOME RESIDENT CREDIT UNION SB 645

ANALYST Hadwiger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	FY07		
	\$200.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Department of Finance and Administration (DFA)

Regulation and Licensing Department/Financial Institutions Division (RLD/FID)

Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Senate Bill 645 appropriates \$200 thousand from the general fund to the Local Government Division (LGD) of the Department of Finance and Administration (DFA) in FY07 to develop a credit union for low-income residents of New Mexico.

FISCAL IMPLICATIONS

The appropriation of \$200 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY07 would revert to the general fund.

SIGNIFICANT ISSUES

DFA noted that this legislation addresses the need to establish a credit union serving low-income individuals/groups in New Mexico. One of the primary reasons to create credit unions is to make credit available to people of modest means. To fulfill this mission the National Credit Un-

ion Association (NCUA) has established special operational policies for federal credit unions that serve low-income groups and underserved areas. A low-income credit union is defined in Section 701.34 of the NCUA Rules and Regulations as one where a majority of its members either earn less than 80% of the average for all wage earners as established by the Bureau of Labor Statistics, or whose annual household income falls at or below 80% of the median household income for the nation. The term "low-income" also includes members who are full-time or part-time students in a college, university, high school or vocational school.

According to DFA, a senior official of the State Employees Credit Union stated that there were at least two low-income credit unions that were established and doing business in Albuquerque—New Mexico Central Credit Union and Rio Grande Credit Union. Existing credit unions can obtain a designation as a “low-income” credit union by forwarding a request for the designation to the regional director of the NCUA along with appropriate documentation supporting the request. An existing credit union can also perform a loan or membership survey for another credit union to determine if the credit union is primarily serving low-income members.

ADMINISTRATIVE IMPLICATIONS

DFA indicated that DFA/LGD does not administer any type of program related to the operation, feasibility or establishment of a credit union. Therefore, the LGD could only act within the procurement policy in providing oversight for contractual services. Additionally, this legislation does not address programmatic goals at LGD/DFA. The LGD would administer the funds with the responsible party through a grant agreement, request for proposals or a memorandum of understanding. DFA indicated the appropriation could be managed with existing staff and would not require additional human resources.

ALTERNATIVES

DFA offered alternatives to the bill. An existing credit union could conduct a low-income survey to determine if 80 percent of the people served in the area are of low-income. A determination of low-income would qualify the credit union as a "low-income" credit union by the NCUA. Also, a request to open a branch could be issued to an existing credit union to serve a specific underserved area or low-income areas of New Mexico. Low-income individuals can continue to bank at conventional banks that are required to operate under the “Community Reinvestment Act” which requires all banks to operate under guidelines to serve the needs of individuals in that community.

HSD recommended that language should be added to SB645 to specify what is meant by “develop a credit union,” or “low-income residents of New Mexico.”

DH/nt