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FISCAL IMPACT REPORT

SPONSOR Herrera/Chandler/
Romero/Ferrary/
Roybal Caballero ORIGINAL DATE 2/7/19 HB 386
 LAST UPDATED _____ SB _____
 SHORT TITLE Installment & Small Loan Maximum Interest SB _____
 ANALYST Glenn

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	Indeterminate-See Fiscal Implications	Indeterminate-See Fiscal Implications	Recurring	General Fund
	Indeterminate-See Fiscal Implications	Indeterminate-See Fiscal Implications		Financial Literacy Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates HB 375

Conflicts with HB 150

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Attorney General (NMAG)
Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

House Bill 386 amends the New Mexico Bank Installment Loan Act and Small Loan Act to reduce the maximum allowable interest rate for loans made under the Acts from 175 percent to 36 percent.

The effective date of HB 386 is July 1, 2019.

FISCAL IMPLICATIONS

RLD states that its Financial Institutions Division (FID) currently licenses lenders making loans under the Small Loan Act. FID cannot predict the number of licensed lenders that will abstain from renewing a small loan license as a result of HB 386. License renewal fees are a minimum of \$500 plus seventy-five cents (\$0.75) per \$1,000 of loans outstanding on December 31st of the preceding year. Each licensee also is assessed a \$200 examination fee and a \$200 fee to finance financial literacy programs in New Mexico. Therefore, for each licensee that does not renew an existing small loan license, there will be a minimum revenue reduction of \$700. See table below.

Minimum Revenue Reduction (dollars in thousands)

		General Fund	Financial Fund	Literacy
100 License Reduction		70.0	20.0	
200 License Reduction		140.0	40.0	
300 License Reduction		210.0	60.0	

RLD states that due to the passage and implementation of House Bill 347 in 2017, which established the current APR cap of 175 percent, the number of licensed lenders declined from 673 as of December 31, 2016, to 597 as of December 31, 2018. According to RLD, this resulted in a general fund revenue decline of approximately \$106,400 during this two-year period.

SIGNIFICANT ISSUES

RLD states that HB 386’s decrease in the interest rate cap may discourage lenders from obtaining or renewing small loan licenses and result in a decrease in revenues to the general fund. See discussion above in Fiscal Implications.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Duplicates HB 375, Decrease Maximum APR for Small Loans

Conflicts with HB 150, Installment & Small Loan Changes, which also amends Sections 58-7-7 & 58-15-17 NMSA 1978.

BG/gb/al