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FISCAL IMPACT REPORT

SPONSOR Ivey-Soto ORIGINAL DATE 2/07/21
LAST UPDATED _____ HB _____
SHORT TITLE Small Loan Act Exemptions & Licenses SB 269
ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY21	FY22	FY23	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI			

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

Administrative Office of the Courts (AOC)

New Mexico Attorney General (NMAG)

SUMMARY

Synopsis of Bill

Senate Bill 269 amends the New Mexico Small Loan Act of 1955 (SLA) to allow loans that are \$5 thousand or less, and upon which no interest, finance charge, or other fee is assessed, to be exempted from the credit reporting and right of rescission sections of the SLA. The bill also clarifies that loans made by out of state licensees are still subject to document review for purposes of disclosure of operations if requested by the Financial Institutions Division (FID) director.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

RLD reports the number of potential licensees is unknown, but assumed to be fairly small in number, so any increases in revenue or expenses are anticipated to be negligible.

AOC also does not believe the bill has a fiscal or an administrative impact on the courts.

SIGNIFICANT ISSUES

The bill exempts certain no fee loans from Section 58-15-4 (right of rescission) of the SLA. This section currently provides that loans made pursuant to the SLA shall include a provision granting the borrower the right to rescind the transaction by returning 100 percent of the amount advanced within a certain time period and no fee for the rescinded transaction can be charged.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The NMAG noted SB269 potentially conflicts with HB149 “Installment Loan Changes” in that HB149 proposes that a loan of \$10 thousand or less be made only pursuant to the New Mexico Bank Installment Loan Act of 1959 or the Act. The proposed requirement in HB149 that a loan of \$10 thousand or less be made in compliance with the Act conflicts with SB269 to the extent SB269 leaves undisturbed the Act’s application to loans of \$5,000 or less. *See* NMSA 1978, § 58-15-3.

OTHER SUBSTANTIVE ISSUES

It’s unclear if this bill affects no fee loans that may be tied to a specific purchase, and the lender will be paid something by the vendor. For instance, a car dealer who bakes into the sales price an amount, say ten percent, in exchange for an interest-free loan. Or, a loan that may be zero percent, but interest actually accrues but is not otherwise due unless the borrower misses a timely payment.

AHO/al