



## SB 66 and HB 149 Two Bills to Regulate Predatory Lending.

### Why Lower Small Loan Interest Rates Are Good for New Mexico

**Summary:** SB 66 / HB 149 would cap the interest rate for small and installment loans from storefront lenders at 36%, replacing the current cap of 175% imposed in 2017. Previously, some lenders were charging up to 1,000% percent and the average was over 300%, but the current rate of 175% still burdens the most economically vulnerable residents of our state. The bills also prohibits an array of lender fees and other charges which had been used to boost loans exorbitantly. With both SB 66 and HB 149 loan repayment is fully capped at 36%.

**History:** In 2017, legislation capped the interest rate at 175%. Because defenders of the industry argue that high interest rates are at least a way to ensure borrowing options for low-income residents of the state, a 2017 bill to cap the small-loan interest rate at 36% per annum met with opposition from the loan industry and died in the Senate Corporations and Transportation Committee and the House Business and Industry Committee. In 2019, new legislation (HB 150) passed the House 53:14 and the Senate 33:0, and was signed by the Governor, closing some of the loopholes that have allowed predatory lenders to take advantage of the poor. It also requires all loan agreements to disclose the full cost of the loan including interest and fees, but it did not lower the current 175% cap.

### Why This Legislation Is Good for NM

- Predatory lenders target the most vulnerable New Mexicans.
- The federal small loan rate cap of 36% for military families, who are often young and with little savings, sets a good example of what should be the cap for low-income families in our state.
- Roughly 80% of short-term loans are refinanced or rolled over rather than paid off, and many New Mexican wind up taking out multiple loans to pay off the first one.
- The current financial strain on many New Mexicans due to the COVID-19 pandemic calls for helping those in need, not taking advantage of them and putting them even deeper in debt.
- According to Think New Mexico, there is one storefront lending location for every 3,800 residents in New Mexico, six times more than the number of McDonald's per resident. And 85% of those lenders are owned by out-of-state corporations.
- A 36% interest rate cap would discourage predatory lenders in our state, a business that has proliferated since the legislature ended interest rate caps for all loans in 1981.
- A 36% interest rate cap would bring New Mexico in line with most other states in the nation.
- Lower interest rates improve repayability of loans, reducing default rates and risk to lenders.

### Supporting Organizations

- Prosperity Works
- Think New Mexico
- NM Center on Law and Poverty