

The Governor and The Legislature Should Not Ignore High-Interest Loans

In the first week of the 2022 Legislature, lawmakers introduced several bills that would lower New Mexico's unconscionable 175-percent interest rate cap on small loans to 36 percent. But the Legislature won't even be able to discuss such measures in the current 30-day session without an official "message" from Gov. Michelle Lujan Grisham.

However, at least so far, the governor has not indicated that she's willing to send such a message.

In 2021, the New Mexico State Legislature came close to passing a bill that would have meaningfully curbed excessive interest rates on small installment loans in the state. Last year's Senate Bill 66 would have capped rates at 36 percent, as many other states do. The bill passed the Senate by a healthy margin. However, the bill got derailed in the House of Representatives, which passed a watered down version supported by a coalition of Republicans and Democrats – including a large number of progressives. The bill died at the end of the session before a conference committee met to try to resolve differences.

New Mexico Ethics Watch recently published a report titled *The Big Interest in Small Loans*. We analyzed the effect of storefront loan companies on their customers, how this state compares with others, the history of usury laws in New Mexico, campaign contributions from the industry, messaging from lobbyists for these companies and other aspects of the small installment loan business.

So far at least three bills similar to last year's SB 66 have been introduced in the Legislature: SB 107 (Sens. Bill Soules and Katy Duhigg, both Democrats); SB 129 (Sen. Gregg Schmedes, a Republican); and HB 78 (Rep. Patricia Caballero, a Democrat). All three measures would reduce the current interest rate to 36 percent.

Although the governor has given lip service to the idea of ending high interest rates, a recent statement from her press office to reporters is not encouraging. Her spokeswoman wrote, "... we are not willing to compromise the importance of the matter by adding it to the agenda without a good-faith consensus between stakeholders that will result in substantive action and protections for New Mexicans."

However, seeking "consensus" here essentially means giving storefront lenders veto power over legislation that basically would amount to a pay cut for their industry, and still leaves poor New Mexicans vulnerable.

"The longer we wait on good, common-sense legislation to rid New Mexico of excessive interest-rates, the longer poor people will have to suffer," said Kathleen Sabo, executive director of New Mexico Ethics Watch. "We call on Gov. Lujan-Grisham to send a message and let the debate in the Legislature begin."

As our report shows, the small-loan industry helps keep low-income people in a cruel cycle of debt. We point out how the industry targets Native Americans: the city of Gallup has about 40 storefront loan locations, even though its population is only 22,000.

Our report shows how these high-interest loans suck money out of the state, as nearly all the major storefront loan companies are headquartered outside of New Mexico. And it examines how the industry argument -- that these high-interest loans are necessary to help poor people -- is self-serving, even if it's been swallowed by many legislators and lobbyists.

New Mexico Ethics Watch strongly urges Gov. Lujan-Grisham to throw her full support behind legislation to reduce interest rates on small loans. And we urge legislators to reconsider their reluctance to support this important move toward fair lending.

Our report titled *The Big Interest in Small Loans* can be found at <https://www.nmethicswatch.org/the-big-interest-in-small-loans.html>

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