

CITY of ALBUQUERQUE

TWENTY-FIRST COUNCIL

COUNCIL BILL NO. R-14-102 ENACTMENT NO. _____

SPONSORED BY: Diane Gibson, Isaac Benton, Rey Garduño, Klarissa Peña

1 RESOLUTION

2 SUPPORTING INTEREST AND FEE CAPS ON NON-BANK LENDING 3 INSTITUTIONS IN NEW MEXICO

4 WHEREAS, Albuquerque has about 140 licensed small loan companies that
5 routinely charge 300% to 600% interest on loans lasting five months to
6 unlimited duration; and

7 WHEREAS, Albuquerque small loan companies issued about 78,000 loans
8 with interest rates over 175% during 2012 according to New Mexico's
9 Department of Regulation and Licensing statistics; and

10 WHEREAS, Consumer Finance Protection Bureau, Center for Responsible
11 Lending and Pew Charitable Trust studies have all shown high interest lending
12 traps borrowers and their families in crippling cycles of debt; and

13 WHEREAS, studies conducted by the Consumer Financial Protection
14 Bureau, the Pew Charitable Trust and others show high cost loans take money
15 out of consumer's pockets damaging local businesses and reducing jobs in
16 local economies; and

17 WHEREAS, the City of Albuquerque desires that consumers utilize credit
18 that does not result in permanent financial damage to borrowers, their families
19 and the community, and wishes to accomplish this in a manner that simplifies
20 regulation and allows businesses that benefit our community to have the
21 maximum flexibility to conduct business as they choose; and

22 WHEREAS, the victims of high interest loans are primarily the poor, single
23 moms, and veterans and these borrowers are seldom adequately vetted for
24 ability to repay; and

25 WHEREAS, the US Department of Defense has determined that high cost
26 lending puts dangerous stresses on the families of active military personnel

[+ Bracketed/Underscored Material+] - New
[- Bracketed/Strikethrough Material-] - Deletion

1 and harms military readiness, and is in the process of expanding its 36% rate
2 cap on short term loans to cover all categories of loans; and

3 WHEREAS, 18 states have implemented interest rate caps ranging from
4 17% to 36% and have not reported any decreases in available credit; and

5 WHEREAS, Pew Charitable Trust surveys indicate that borrowers who lose
6 access to expensive credit as a result of interest rate caps are more than able
7 to compensate through reduced debt costs and cutting back on expenses;
8 and

9 WHEREAS, measures other than across the board interest rate caps have
10 proven ineffective at limiting lending abuses because lenders modify their
11 products to circumvent the law; and

12 WHEREAS, two recent polls show 86% of New Mexicans support interest
13 rate caps of 36% or less; and

14 WHEREAS, New Mexico Department of Regulation and Licensing statistics
15 show consumers were charged \$99 million in interest and fees on 175% APR
16 and higher small loans in 2012, and the amount of additional fees charged for
17 loans between 40% and 175% APR is unknown; and

18 WHEREAS, the number of high interest small loan licensees in New Mexico
19 has grown from 582 at the end of 2011 to 656 at the end of 2013; and

20 WHEREAS, the federal Consumer Financial Protection Bureau has no
21 authority to regulate interest rates.

22 BE IT RESOLVED, BY THE COUNCIL THE GOVERNING BODY OF THE CITY OF
23 ALBUQUERQUE:

24 Section 1. That the City of Albuquerque urges the New Mexico Legislature
25 and the Governor to stop the high cost lending epidemic by enacting inflation
26 indexed interest and fee caps of 36% or less across all loan products offered
27 by small loan companies and non-chartered lenders.

28 Section 2. That the City of Albuquerque urges the Director of the New
29 Mexico Department of Regulation and Licensing to exercise his full rule
30 making powers under the Unfair Trade Practices Act and the Small Loan Act to
31 end high cost lending abuses.