



Legislation Text

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CITY of ALBUQUERQUE
TWENTY-FIRST COUNCIL

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

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

RESOLUTION

Supporting Interest And Fee Caps On Non-Bank Lending Institutions In New Mexico

(Gibson, Benton, Garduño, Peña)

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

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

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

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

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

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

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

WHEREAS, the US Department of Defense has determined that high cost lending puts dangerous stresses on the families of active military personnel and harms military readiness, and is in the process of expanding its 36% rate cap on short term loans to cover all categories of loans; and

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

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

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

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

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

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

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

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

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

Section 2. That the City of Albuquerque urges the Director of the New Mexico

Department of Regulation and Licensing to exercise his full rule making powers under the Unfair Trade Practices Act and the Small Loan Act to end high cost lending abuses.

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