March 15, 2021

The Honorable Gail Chasey
Chairwoman
New Mexico House Judiciary Committee
490 Old Santa Fe Trail
Santa Fe, NM 87501

Dear Chairwoman Chasey,

On behalf of the 13,127 members and supporters of the Council for Citizens Against Government Waste (CCAGW) in New Mexico, I urge you to oppose SB 66, which would cut the maximum rate of interest on loans to 36 percent from 175 percent.

This bill would impose additional burdens and price controls on small loan lenders, as well as force borrowers to become increasingly dependent on government subsidies.

While the intention of SB 66 is to protect Americans from predatory lending and other financial mistreatment, this one-size-fits-all approach to short-term, small-dollar lending will not help New Mexicans, especially in the middle of the COVID-19 pandemic. According to Experian’s 2020 Consumer Credit Review, New Mexicans have the eighth lowest credit score average in the United States at 694, and around 40 million Americans have a FICO score less than 600. New Mexicans with low credit scores seeking non-prime lending will have a hard time finding a lender to provide a line of credit with interest loans of 36 percent, equal to a 3 percent monthly interest rate. This could result in many New Mexicans losing credit or access to a new loan.

Senate Finance Committee Chairman George Muñoz (D-Gallup) said that his colleagues “do not understand how the world really works” and what the bill “could do to people’s lives when they’re in need.” Senator David Gallegos (R-Eunice) noted, “I contacted one of [the storefront lending businesses] that we use in our area. They say they have 16 stores here in New Mexico and that they will have to close down if this passes.”

When these lenders shut down, New Mexicans will still not be able to obtain loans from a bank. They will turn to other credit options, including predatory lenders (loan sharks). They could also travel to neighboring states with better loan options including Texas at 664 percent and Oklahoma at 203 percent. On October 12, 2017, a Mercatus Center study found that in Arkansas, which has a 17 percent interest loan cap, residents living in counties bordering other states would simply drive to a neighboring state with a less restrictive loan rate.

Again I urge you to vote against SB 66, which will impose price controls on small loan lenders, limit consumer choices, and force borrowers to become more dependent on the government.

Sincerely,

cc: Members of the House Judiciary Committee