

[https://www.santafenewmexican.com/news/local\\_news/proposed-99-interest-rate-gums-up-lending-reforms/article\\_6900d16c-8658-11eb-8db3-e7c00e64855f.html](https://www.santafenewmexican.com/news/local_news/proposed-99-interest-rate-gums-up-lending-reforms/article_6900d16c-8658-11eb-8db3-e7c00e64855f.html)

RINGSIDE SEAT

## Proposed 99% interest rate gums up lending reforms

By Milan Simonich [msimonich@sfnewmexican.com](mailto:msimonich@sfnewmexican.com)

Mar 18, 2021



**Milan Simonich**

*Ringside Seat*

Lobbyists for storefront lenders in New Mexico have left no doubt about their awesome clout.

They are skillfully maneuvering to preserve the state law that permits installment loan companies to charge obscene interest rates — as much as 175 percent. It's a system that enslaves the neediest people in a life of debt.

Just when it looked promising for Senate Bill 66, which would cap interest rates at 36 percent, the lobbyists delivered for their out-of-state corporate clients.

Rep. Eliseo Alcon, D-Milan, pushed through an amendment in the House Judiciary Committee to change the cap to 99 percent if someone was denied a loan at 36 percent.

Alcon's sponsorship of the amendment seemed odd, given his open declaration that he knew little about finance.

“Money is not my thing, OK? If you'd look at my checking account, you'd know that,” Alcon said.

But there he was, proffering the complicated amendment for 99 percent interest rates. His amendment also contained an industry loophole to eliminate caps on interest rates.

I asked Alcon who wrote the amendment. He became annoyed.

“Are you saying I’m not smart enough to write it?” he said, trying to deflect a question with a question.

He eventually answered.

“I had some help from some of the [state’s bill] drafters. I presented it to one of the lobbyists for the lending industry,” Alcon said.

In fact, lobbyists and lawyers had crafted provisions for Alcon’s amendment that would further hurt low-income consumers.

During the committee hearing, Alcon asked that a lobbyist, Joseph Rubin of OppLoans, answer questions about the 99 percent interest rate.

Rubin claimed the measure wasn’t only a means of allowing for a rate higher than the proposed 36 percent. He said it provided protections for consumers.

One of the bill’s sponsors, Democratic Sen. Katy Duhigg of Albuquerque, clobbered Rubin for that statement.

Duhigg pointed out that the amendment merely listed consumer protections already in statute. More important, the amendment would allow the industry to evade caps on interest rates.

When I spoke with Alcon, he made one strong point he hadn’t mentioned during the hearing.

He said the Grants area he represents has no credit union, despite claims to the contrary. A person in desperate need of \$500 to repair a vehicle needs a storefront lender, he said.

Fine. But why should the interest rate for that repair loan be a colossal 99 percent? That’s a rate befitting organized crime bosses, not the government of impoverished New Mexico.

Neighboring Colorado, 16 other states and Washington, D.C., cap interest rates at 36 percent. That's the same rate the U.S. military has established for soldiers to protect them from predatory lenders.

Yet lobbyists and many lawmakers contend a cap of 36 percent would make high-risk loans impractical.

The storefront lending industry in New Mexico had tried for a rate of 125 percent but failed in a previous legislative hearing. Then Alcon and the lobbyists devised the proposal of 99 percent — two digits just as noxious as their other proposals.

"I just said I need something, and 99 percent can work," Alcon said in an interview." I wanted to find an avenue for people who don't have that availability of a credit union."

Storefront lending companies in New Mexico seem to be everywhere. They outnumber credit unions, 561 to 147.

One storefront lender exists for every 3,800 people in the state. By comparison, McDonald's has one restaurant for every 23,300 New Mexico residents.

Alcon's amendment to the bill didn't last long. It was stripped away on the floor of the House of Representatives.

But the 99 percent interest rate survived. The full House of Representatives voted to allow 99 percent interest on loans under \$1,100.

That's a win for storefront lenders. The state's last accounting of thousands of high-interest loans showed about half of them were for less than \$1,100.

State senators voted not to concur with the House amendments. If no reform measure passes both the House and Senate, the state's odious 175 percent interest rate would remain.

The cap of 36 percent is a humane proposal. Albuquerque attorney Nick Madison explained why.

He testified to the House Judiciary Committee about one of his clients, a disabled person who obtained a \$6,000 loan at 130 percent interest — lower than the maximum allowable. That loan cost the customer \$34,000 across four years, Madison said.

Fred Nathan, who heads the policy organization Think New Mexico, has spent months working for a cap of 36 percent. Now he sees adversaries everywhere.

“The former speaker of the House, Raymond Sanchez, is the general of the army of lobbyists that oppose the bill,” Nathan said.

Sen. Bill Soules, D-Las Cruces, the primary sponsor of SB 66, said he didn’t recognize his proposal after Alcon and other House members worked it over.

Soules did his job. But the Legislature as a whole is close to failure on reforming loan rates.

The cap of 36 percent should have sailed through the House and Senate in the first three weeks of this 60-day session.

Instead, industry amendments and rewrites have put the proposal in jeopardy with two days left.

What should have been an easy bill is turning into a cakewalk — for storefront lenders, their lobbyists and lawyers.

*Ringside Seat is an opinion column about people, politics and news. Contact Milan Simonich at*

*msimonich@sfnewmexican.com*

*or 505-986-3080.*

**Milan Simonich**

Editor