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Governor signs bill slashing interest rates for small loans

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Mar 1, 2022

Gov. Michelle Lujan Grisham on Tuesday signed into law a bill drastically lowering the cap on interest rates for so-called storefront lenders.

House Bill 132 aims to prevent predatory lending practices by both brick-and-mortar businesses and online lenders that offer small loans to customers with poor credit scores, most of whom are low-income people, by lowering the cap on interest rates to 36 percent from 175 percent.

“As we continue to grow our economy and create quality jobs for New Mexicans across the state, protecting New Mexico consumers remains critically important,” the governor said in a news release issued Tuesday.

“After many years of effort by advocates and legislators, I am glad to finally sign this legislation into law and deliver common-sense protections to vulnerable New Mexicans in rural and urban communities statewide,” she said.

The bill, which had considerable bipartisan support in this year’s legislative session, is considered a victory by advocates and lawmakers who had worked for years without success to pass a measure slashing the rate cap. HB 132 affects the rates on loans of up to \$10,000. It allows lenders to charge a fee of up to 5 percent for loans of up to \$500.

“This bill signifies an end to crippling loans that harm New Mexican families,” Rep. Susan Herrera, D-Embudo, one of the sponsors of the bill, said in the news release.

Another sponsor, Rep. Brian Egolf, D-Santa Fe, said in a statement the new law will “make a real difference in the lives of New Mexicans who struggle to make ends meet. By capping these interest rates, we can stop the debt trap and help more families get ahead.”

The New Mexico Center for Law and Poverty had been calling for an end to the high interest rates for years.

In a statement the nonprofit released Tuesday, attorney Lindsay Cutler said, “For years so many advocates and community members have fought for a fair and affordable interest rate cap. New Mexican families who’ve experienced crushing financial hardships because of predatory loans have come forward to tell their stories and the stories of their communities over and over, year after year. Today all that hard work has paid off.”

Based on the center’s research, 65 percent of small lenders in the state are located within 15 miles of tribal or pueblo lands.

Some lawmakers who opposed the bill said storefront lenders are often the only loan sources for struggling residents when money is tight, and they argued the measure would lead many of those lenders to shut down.

The governor also signed other key pieces of legislation this week. A bill she signed Monday allows broad access to test strips that can detect the presence of the potent opioid fentanyl and potentially help avoid deadly overdoses.

The bill lifts restrictions on public access to devices that can test for drug impurities. It also gives state health officials new authority to intervene and rein in the spread of diseases like HIV and hepatitis that can be transmitted through intravenous drug use.

Overdoses in New Mexico increasingly are linked to the ingestion of drugs laced with fentanyl. States including Arizona already have decriminalized test strips designed to detect fentanyl.

New Mexico routinely leads the American West in rates of opioid-related drug overdose deaths.

Lujan Grisham also signed legislation that provides new preferences on state government procurement contracts to bids by Native American-owned businesses based on tribal lands and increases the preference for in-state and military-veteran owned businesses.

Procurement preferences are reserved for small- to moderate-sized businesses with annual revenues of up to \$6 million, providing an 8 percent advantage on bidding prices to resident and Native American-owned businesses. Businesses owned by military veterans get a 10 percent advantage,

under the legislation from Democratic Sen. Benny Shendo of Jemez Pueblo and Rep. Harry Garcia of Grants.

A third bill she signed will increase in payments to many retired legislators from the pension fund for state and local government employees overseen by the Public Employees Retirement Association, without an increase in contributions. New Mexico legislators receive a daily stipend and mileage reimbursements when working but no formal salary.

Average annual pension benefits for retired legislators should increase from about \$11,000 to \$14,000.

The Associated Press contributed to this report.

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