Legislature OKs bill to end 175% interest rate

New Mexico legislators took a giant step Wednesday toward shutting down a few hundred businesses.

Good for the lawmakers.

They went from timid to tough-minded in a month, at last acting to end more than three decades of legal loan-sharking in New Mexico.

By approving House Bill 132, the Legislature sided with state residents instead of wealthy predatory lending companies. The bill would reduce the maximum annual interest rate on installment loans from 175 percent to 36 percent.

Milan Simonich
Ringside Seat

A late amendment by Sen. Cliff Pirtle, R-Roswell, pushed back the bill's effective date from July 1 to Jan. 1. Pirtle voted against the bill after amending it, demonstrating that a minority of state lawmakers still bow to an industry that takes from the poor and gives to the rich.

The House of Representatives concurred with the amendment by Pirtle. It was a painful but pragmatic compromise.

With less than 24 hours remaining in the 30-day legislative session, slashing the oppressive interest rate was more important than possibly losing the bill by contesting Pirtle's gift to storefront lenders.

Democratic Gov. Michelle Lujan Grisham issued a statement Wednesday praising legislators for approving the measure. It was a clear indication she will sign the bill into law.

"This legislation addresses an important issue that affects the most vulnerable New Mexicans in both rural and urban communities, which is why I included such action in my 2021 legislative priorities," Lujan Grisham said.

Notice that Lujan Grisham cited her support for reforms in 2021. She was mostly a spectator this year, failing to endorse the legislation until the hard work was done by others.

Before the legislative session began, Lujan Grisham asked Lt. Gov. Howie Morales to try to find common ground between "stakeholders" on storefront loan rates.

Lujan Grisham's idea was poorly conceived and led nowhere. Predatory lenders operating in New Mexico are almost all part of national corporations based in other states. These lenders were happy with the unconscionable 175 percent interest rate and wanted to keep it.

Lobbyists for the predatory companies have been spinning circles around legislators for years. The dizzying experience was often supplemented with campaign contributions.

Lobbyists for the national companies expected to win again this time. McDonald's has one restaurant in New Mexico for every 23,000 people. There's a storefront lender for every 4,000 residents.

House Speaker Brian Egolf, D-Santa Fe, played a key role in the turnabout.

Egolf last year was so passive about a similar bill to end predatory lending that he told me he was unaware of its prospect of passing. Egolf this winter co-sponsored HB 132 with Rep. Susan Herrera, D-Embudo.

Even with Egolf's effort, the bill almost collapsed. A backer of the predatory lending industry, Democratic Rep. Eliseo Alcon of Milan, challenged the legality of the bill. Alcon correctly pointed out that Lujan Grisham had not cleared it for the legislative agenda.

Egolf appealed to the governor, and she belatedly authorized the bill after it had been heard by two legislative committees. Lujan Grisham could have staved off any threat to the bill by acting weeks earlier.

With the speaker engaged in stopping predatory lending, all but two of 45 House Democrats voted for the bill. Alcon and Rep. Ambrose Castellano of Las Vegas opposed the rate cut to 36 percent.

Eight of 24 House Republicans also voted for the bill, a reversal from last year when the GOP closed ranks to maintain triple-digit interest rates.

Two Republicans senators, Steve Neville of Farmington and Gay Kernan of Hobbs, also backed the lower interest rate.

Sen. David Gallegos, R-Eunice, voted for the lower interest rate in a committee hearing, but flip-flopped later. Gallegos raised the same talking points spouted by storefront lenders — proof that industry lobbyists attacked the bill until the end.

Another important figure in passing the bill was Juan Fernández, president and CEO of the Credit Union Association of New Mexico. A cool hand during debates, Fernández told legislators credit unions can and are making emergency loans at no more than 28 percent interest.

Fernández's effort rebutted claims by storefront lenders that downtrodden consumers would have no access to credit if the bill were approved.

Behind the scenes, a polite, persistent group helped pass the bill. The public policy organization Think New Mexico, headed by Fred Nathan, outperformed former legislators Debbie Rodella and Raymond Sanchez, who were part of an army of lobbyists for storefront lenders.

Rep. Herrera worked for four years to pass the bill. She compared herself to Sisyphus, a mythical figure forced to roll a boulder up a hill for eternity.

Cutting outrageous interest rates shouldn't have been difficult. The difference this year was legislators listened to reason instead of industry lobbyists spreading mythology of their own.

Ringside Seat is an opinion column about people, politics and news. Contact Milan Simonich at msimonich@sfnewmexican.com or 505-986-3080.