



new mexico
**ETHICS
WATCH**

THE BIG INTEREST IN SMALL LOANS

by Samuel Hatch, Tony Ortiz,
Kathleen Sabo, and Steve Terrell



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Glossary

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Glossary

Annual Percentage Rate (APR): The interest charged for borrowing that represents the actual yearly cost of the loan.

Contract lobbyist: A lobbyist who contracts with one or more clients, often including businesses and organizations from a variety of sectors and sometimes government agencies.

Installment loans: Loans that are repaid over time with a set number of scheduled payments. These include traditional mortgages and car loans. Storefront lending companies offer installment loans but with much higher interest rates than banks or credit unions. New Mexico allows interest rates up to 175 percent.

New Mexico Campaign Finance Information System: New Mexico’s Office of the Secretary of State instituted a new campaign finance reporting tool, located at <https://login.cfis.sos.state.nm.us/#/index>, for registration, filing, and research. “All campaign finance disclosure reports due **AFTER** the 2020 Primary Election” were subject to submission in the new system. Older reports were submitted through <https://www.cfis.state.nm.us/>; data prior to the above deadline is housed in this older system.

Online loans: Loans made over the internet by companies that often sidestep state regulations of the small-loan industry.

PAC: An acronym for Political Action Committee, which, according to the watchdog website OpenSecrets.org, is a “political committee organized for the purpose of raising/spending money to elect and defeat candidates.”

Payday loans: Short-term unsecured loans often characterized by extremely high interest rates, typically required to be repaid at the borrower's next payday. Before payday loans and rolling over became illegal in New Mexico in 2017, many payday loan customers would “roll over” their loans, taking out more money to pay off their original payday loan.

Political contributions: Money contributed to the election process, either directly to a candidate’s campaign or to political committees.

Predatory lending: A derogatory term frequently used by consumer advocates to describe the type of loans described above. These loans are targeted at poor people who do not have the same financial tools, information, or access as more affluent borrowers. The U.S. Federal Deposit Insurance Corporation (FDIC), in a 2016 report, said, “Although there is no universally accepted definition, predatory lending typically involves imposing unfair and abusive loan terms on borrowers, often through aggressive sales tactics; taking advantage of borrowers’ lack of understanding of complicated transactions; and outright deception.”

Secured loan: A loan in which the borrower pledges some asset such as a car or property as collateral for the loan.

Small loans: For the purposes of this report, “small loans” is used synonymously with “storefront loans.”

Storefront loans/lenders: Businesses that offer fast, small-amount loans, often without credit checks, with high interest rates. Typically, they operate out of offices in strip malls and cater to those with poor credit histories. In New Mexico, under current law, they mostly offer high-interest installment loans and/or title loans. Some storefront lenders also offer check-cashing services, in which they cash checks – for a fee – for customers who do not have bank accounts.

Title loans: Secured loans in which borrowers can use their vehicle title as collateral with no credit check. Title loans are typically short-term with much higher interest rates than regular loans.

“Unattributable” contributions: A term to distinguish lobbyists’ political contributions that list the lobbyists themselves or their firms as the “contribution on behalf of” in reports required by the Secretary of State’s office. These contributions are extremely common in reporting forms and the campaign finance data. They can hamper the ability to meaningfully track contributions by special interests or corporations to political candidates.

Usury laws: Laws regulating the amount of interest that can be charged on a loan. In the U.S., Usury laws mostly are implemented and enforced by individual states, though the federal government in 2006 adopted the Military Lending Act, which set a 36 percent interest cap on loans made to members of the armed forces.

I. Introduction

So near and yet so far ...

That was the feeling at the end of the regular 2021 New Mexico Legislature among advocates, some lawmakers and many members of the general public who wanted to see genuine reform of the storefront loan industry and ending forever exorbitant interest rates that keep many New Mexicans in a crushing level of indebtedness.

During the 2021 legislative session, the state Senate passed a bill, Senate Bill 66¹, that would have reduced maximum interest rates in the state from the current 175 percent to 36 percent, a level that more and more states have adopted in recent years.²

In 2021, a new ally in the effort to cap small-loan interest rates emerged: New Mexico credit unions. Paul Stull of the Credit Union Association of New Mexico, said, “We are concerned about the debt trap our members can fall into. Credit unions and other agencies are ready to make these loans.”³

However, any optimism over that accomplishment quickly soured as the bill began moving through the state House of Representatives.

While opposition to SB 66 in the Senate came mostly from Republicans, in the House, GOP opponents were joined by Democrats, who had different reasons to oppose the 36 percent cap. Generally speaking, Republicans argued the state shouldn’t interfere in a private business, while Democrats opposing the bill said they feared poor people would be cut off from needed loans.⁴

The House Judiciary Committee made significant changes to the bill and by the time it limped off the House floor, it would have allowed interest rates of up to 99 percent for loans less than \$1,100.

Though both the Senate and House appointed members to a conference committee to try to work out a compromise, that committee never met. The bill died when the session ended.

Somehow it seemed like far more of a victory for the small-loan industry than a victory for the low-income people of New Mexico.

So near and yet so far ...

¹ <https://www.nmlegis.gov/Legislation/Legislation?Chamber=S&LegType=B&LegNo=66&year=21>

² Predatory Installment Lending in the States: 2020, a report by the National Consumer Law Center <https://www.nclc.org/images/pdf/rpt-InstallmentLoans-feb-2020.pdf>

³ “Bad behavior sullies predatory lending debate and kills bill” Sherry Robinson, *Carlsbad Current Argus*, (April 5, 2021).

⁴ See Chapter V, *infra*, for a counter to this argument.

But the fact that the effort to impose fair interest-rate legislation was so close in succeeding in 2021 has made some advocates optimistic that maybe just one more major push is needed to successfully advance such legislation across the goal line.

As consumer advocates gear up for another possible battle over excessive interest rates in the upcoming legislative session, New Mexico Ethics Watch has been analyzing the storefront lending industry in New Mexico and how that sector has managed to thwart efforts to significantly reduce those rates.

So, what's the big problem with 175 percent interest rates for small loans?

Just about every time the issue arises in the New Mexico Legislature, among those testifying in favor of lower interest rates are consumers who tell horror stories about being lured to take out loans at storefront offices and get trapped in cycles of having to take out more high-interest loans to pay off their old ones. People who took out installment loans for a few hundred dollars have seen those "quick and easy" loans balloon into thousands of dollars of debt.

And it's low-income people, especially those who are not sophisticated in the world of finance, who are targeted by the small-loan industry with promises of "no credit checks" and "cash within 30 minutes."

Native Americans in particular are targeted by these businesses. Take Gallup, a city touted as the "commercial hub of the Navajo Nation."⁵ With a population of only about 22,000 there are more than 40 small-loan offices listed in the state's current Small Loans Directory.⁶

As the *Albuquerque Journal* recently reported, "About 60 percent of New Mexico's small-loan stores are within 10 miles of tribal land, where many residents live below the federal poverty line, according to the New Mexico Center on Law and Poverty."⁷

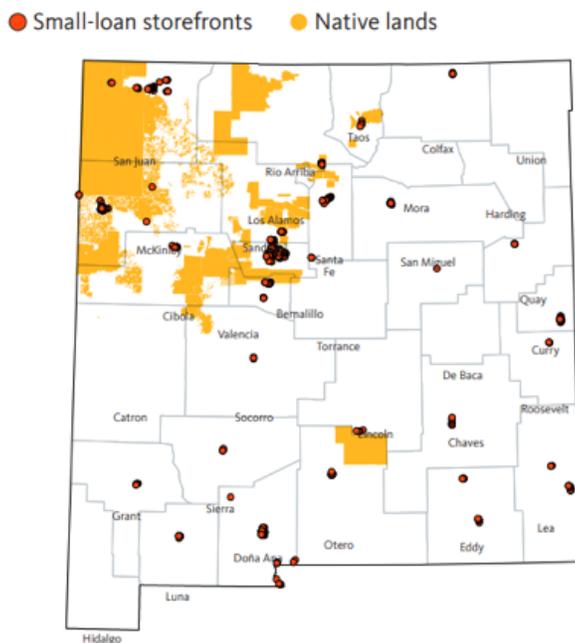
⁵ From the Greater Gallup Economic Development Corp. website, <https://www.gallupedc.com/resource-center/resource-library/p/item/12711/gallup-nm-gateway-to-the-navajo-nation>

⁶ <https://tinyurl.com/2021-NMSmallLoanDirectory>

⁷ "Effort resumes to cap interest rates on small loans" Dan Boyd, *Albuquerque Journal* (Jan. 5, 2022)

Figure 1. New Mexico Center on Law and Poverty "Small Loans Factsheet", excerpted from page 1. Note the prevalence of small loan lenders near tribal land.

Small-loan lenders and Native lands: New Mexico, 2018



We have looked at campaign finance reports and lobbyist reports for the 2020 election cycle as well as those filed in 2021; information about more than a dozen companies from the Secretary of State’s Businesses Services Division, the state Regulations and Licensing Department’s Small Loan Company Directory and individual company websites; and reports by state and national organizations advocating storefront loan reform including Think New Mexico, Prosperity Works, the National Consumer Law Center, New Mexico Center on Law and Poverty, National Equity Atlas and the Pew Charitable Trust. And we’ve looked at possible solutions to wean people off loans with excessive rates.

What we didn’t find in our analysis were major amounts of campaign contributions to lawmakers from small-loan companies that you find from other industries.

For instance, while Chevron spent nearly \$1.8 million in contributions to New Mexico candidates and committees during the 2020 election⁸, according to campaign finance reports from last year’s election cycle, the small-loan company that gave the most in campaign contributions, Security Finance Corporation of Spartanburg, S.C., directly contributed only \$43,000 in the 2020 election cycle. Total campaign contributions from this industry in the last election were just over \$140,000.

⁸ The Continuing Influence of the Oil and Gas Industry in New Mexico in 2020: New Mexico’s Long-Standing Resource Curse by New Mexico Ethics Watch <https://www.nmethicswatch.org/oil-and-gas-report-follow-up.html>

And, according to campaign finance reports, the lawmakers who got the most contributions directly from small-loan companies -- House Appropriations and Finance Committee Chairwoman Patricia Lundstrom, D-Gallup, and former Sen. Clemente Sanchez, D-Grants -- received only \$7,500 each directly from storefront lenders. (Lundstrom’s political action committee, People for Growing Our Economy, also received \$1,500 from the industry.)

Figure 2. 2020 election cycle storefront lender contributions by state

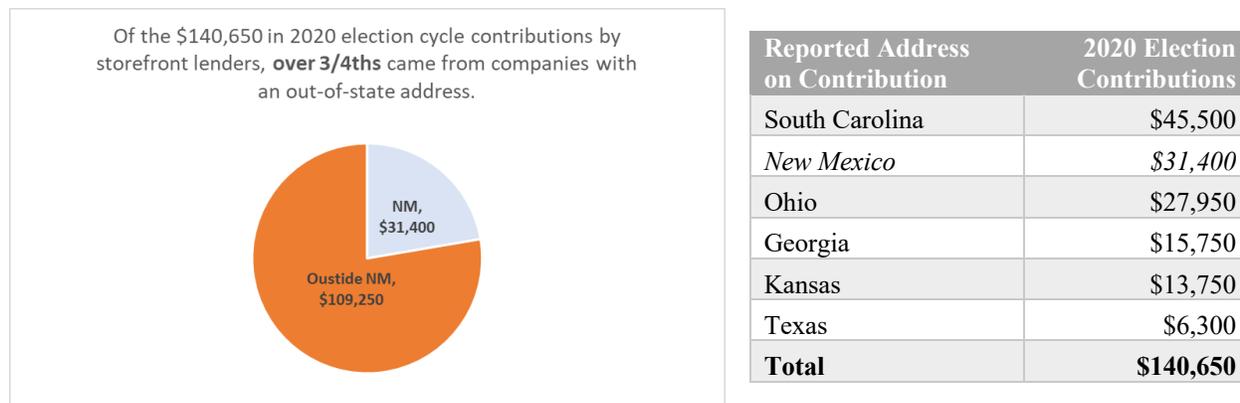
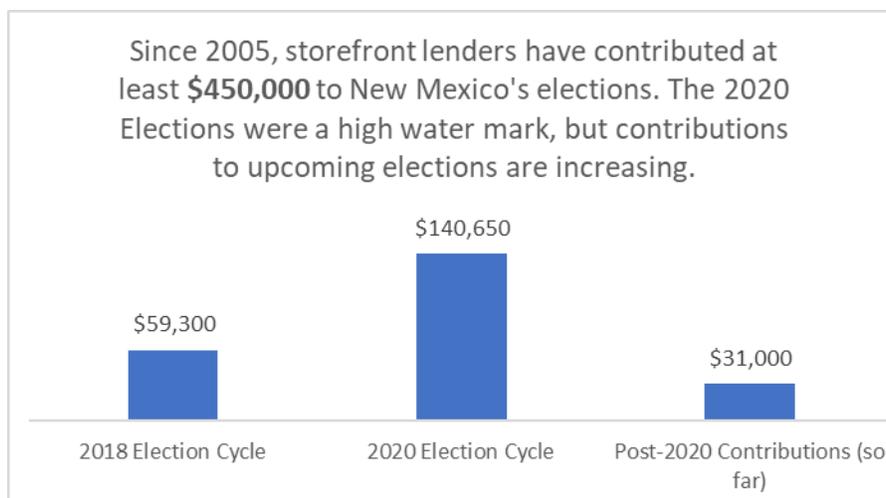


Figure 3. Contributions by storefront lenders to New Mexico’s elections



Our analysis did not find meaningful contributions by the small loan industry to New Mexico's federal congressional delegation. Except for a \$2,500 contribution to U.S. Rep. Yvette Herrell by a storefront lender and a \$500 contribution to U.S. Rep. Debra Haaland from a lobbyist employed by a storefront lender, 2020 election contributions were to state legislative candidates.

But even though these companies’ campaign contributions are relatively meager, they’ve employed a corps of lobbyists to fight attempts like SB 66, that sought to reduce maximum

interest rates. This group includes many of the best-known lobbyists in the Roundhouse, including former House Speaker Raymond Sanchez, former state senator and longtime Republican leader Mickey Barnett, veteran contract lobbyists Daniel Najjar, Vanessa Alarid and Linda Siegle, the latter two who are married to legislators.

Most of the lobbyists for the storefront lenders are “contract lobbyists” who represent several, sometimes dozens of clients.

When lobbyists report their political contributions to the Secretary of State’s Office, their forms include a column labeled “Contribution on behalf of.” Contract lobbyists sometimes report contributions on behalf of several clients.

But frequently a lobbyist also will include contributions listing only his or her name -- or sometimes the name of their law firm or lobbying business -- in the “on behalf of” column. In this report we refer to such political donations from lobbyists as “unattributed” or “unattributable” contributions.

Often these “personal” contributions will constitute a majority, sometimes even *all* of the contributions a lobbyist lists in a report, making it impossible to tell the purpose of the contribution or on behalf of what industry or client the contribution is made.

If campaign contributions help “build relationships” with legislators as lobbyists sometimes say (or “buy access” as more jaundiced observers believe), it’s likely this unattributable money could make legislators more apt to listen to a lobbyist’s views on bills affecting *any* of his or her clients.

Last year’s SB 66 was the most serious effort for reforming the small loan industry in New Mexico since 2017, when the Legislature passed and the governor signed into law House Bill 347, which basically did away with the type of small loan known as “payday” loans.

Before 2017 there had been no cap on interest rates in this state for more than 30 years. The new law established a cap of 175 percent, which still is very high. But before HB 347, the average interest rate for small loans was nearly twice that.

This bill was backed by major storefront loan lobbyists and sponsored by legislators often considered friendly to that industry. There were other bills that year that aimed to cap interest rates at 36 percent. It’s not clear whether any of those would have passed had HB 347 not picked up momentum as a compromise.

Some consumer advocates, while hating the 175 percent cap, say passing HB 347 was far better than doing nothing, noting that the legislation has saved New Mexicans as much as \$250 million a year.¹⁰

But this only highlights how many millions of dollars are still being drained from New Mexico borrowers and the state’s economy under the 175 percent cap

¹⁰ Prosperity Works <https://www.prosperityworks.net/issues-in-depth-predatory-lending.html>

II. Recent History of Lending Laws in New Mexico

In 2020, Think New Mexico published a report that summarized the history of predatory lending in our state.¹¹ Interestingly, enactment of the Small Loan Act in 1947 capped interest rates on small loans in New Mexico at 36 percent annually.¹² That interest rate stayed in place until the early 1980's, when the legislature abolished interest rate caps on every kind of loan.¹³

For more than three decades, New Mexico was one of a small number of states with no usury ceiling, until a bipartisan reform effort in 2017 which was supported by several lobbyists for the small-loan industry:

After years of failed efforts to rein in predatory lending in New Mexico, in 2017 the legislature and Gov. Susana Martinez enacted the state's first substantial limitations on small lenders in nearly 40 years.

The legislation was sponsored by the bipartisan team of Reps. Patricia Lundstrom, D-Gallup, Debbie Rodella, D-Española; Yvette Herrell, R-Alamogordo; and Jane Powdrell-Culbert, R-Corrales.¹⁴

The new law applied to all loans of less than \$5,000. This put New Mexico in a better place than the many other states whose laws regulating small loans have carve-outs allowing payday lenders to continue charging unlimited rates. Online lenders were also covered by New Mexico's law and were required to register their operations with the state.

The 2017 law requires lenders to give borrowers at least 120 days to pay back a loan, eliminating so-called "payday" loans that had to be repaid in two to four weeks. The law also requires loans to be paid back in at least four installments of both interest and principal, eliminating "interest only" loans where borrowers would pay interest every month and never reduce the principal owed on the loan.

Finally, the law imposed an annual interest rate cap on all small loans in New Mexico. Unfortunately, that interest rate cap was set extremely high: 175 percent per year.

This was the compromise required in return for achieving the other hard-fought reforms in the bill. However, some of the leading consumer advocates balked at the compromise. For example, Rep. Patricia Roybal Caballero, D-Albuquerque, refused to support the bill, explaining, "I cannot and I will not support anything that's in the triple digits."¹⁵

¹¹ "How Predatory Lending Swallowed New Mexico and What We Can Do About It" Think New Mexico (Fall 2020)

¹² *Ibid*, p. 13

¹³ *Ibid*, p. 14

¹⁴ House Bill 347, 2017 regular session. Signed by Gov. Susana Martinez, April 6, 2017

¹⁵ "Efforts to rein in payday loans meet resistance from lawmakers" Steve Terrell, Santa Fe New Mexican, Feb. 25, 2017

The bill passed the House 64-2 and the Senate 27-14, with the opposing Senate votes split down the middle: seven from Democratic legislators who objected to the triple-digit interest rate cap, and seven from Republicans who opposed government interference in the lending market. Despite its excessively high interest rate cap, the law did bring down the cost of small loans, which averaged 347 percent prior to the law. Consumer advocates who worked on the bill estimated that capping the rate at 175 percent has saved New Mexican families as much as \$250 million a year.¹⁸

As Think New Mexico wrote in its 2020 report, *How Predatory Lending Swallowed New Mexico and What We Can Do About It* “These immense savings underscore how many millions of dollars are still being drained from New Mexicans and the state’s economy under the 175% cap, and how much further we have to go to truly protect families from falling into debt traps.”¹⁹

Since 2017, several bills have been introduced to cap permissible interest rates at 36 percent. Our analysis indicates that many of those bills never received a committee hearing.

However, in 2021, Senate Bill 66 (sponsored by Sens. Bill Soules and Katy Duhigg) passed both chambers. However, time ran out in the session before a conference committee could meet. That near-miss, a mere four years after the 2017 reform bill, has raised hopes that New Mexico can muster the political will to further reduce the cost of small loans.

Recent legislative proposals:

A. 2019

HB 22 (Reps. Susan Herrera; Christine Chandler; Daymon Ely; Andrea Romero; and Patricia Roybal Caballero): HB 22 proposed to amend the New Mexico Bank Installment Loan Act and the Small Loan Act to reduce the allowable interest rate for loans made under those acts from 175 percent to 36 percent. This bill did not receive a committee hearing.

HB 375 (Reps. Patricia Roybal Caballero and Natalie Figueroa): HB 375 proposed to amend the New Mexico Bank Installment Loan Act and the Small Loan Act to reduce the allowable interest rate for loans made under those acts from 175 percent to 36 percent. This bill did not receive a committee hearing.

HB 386 (Reps. Susan Herrera; Christine Chandler; Andrea Romero; Joanne Ferrary; and Patricia Roybal Caballero): HB 386 proposed to amend the New Mexico Bank Installment Loan Act and the Small Loan Act to reduce the allowable interest rate for loans made under those acts from 175 percent to 36 percent. **HB 386 was identical to HB 22 and HB 375.**

Actions: HB 386 was referred to the House Labor, Veterans and Military Affairs Committee, where it received a Do Pass without recommendation. The vote was 5-4.

¹⁸ Prosperity Works <https://www.prosperityworks.net/issues-in-depth-predatory-lending.html>

¹⁹ *Ibid*, p. 15

Yes votes: Eliseo Lee Alcon (D), Chair; Patricia Roybal Caballero (D); Karen Bash (D); Miguel Garcia (D); and Linda Trujillo (D).

No votes: Rachel Black (R); David M. Gallegos (R); Tim Lewis (R); and Sheryl Williams Stapleton (D).

HB 386 was then referred to the House Judiciary Committee. The vote was 8-3.

Yes votes: Gail Chasey (D) Chair; Daymon Ely (D); Eliseo Lee Alcon (D); Micaela Lara Cadena (D); Christine Chandler (D); Brian Egolf (D); Georgene Louis (D); Matthew McQueen (D);

No votes: Greg Nibert (R); Bill Rehm (R); and James Townsend (R).

Excused: Deborah Armstrong (D); Zachary Cook (R); and Dayan Hochman-Vigil (D).

HB 386 was then referred to the House Floor, where it died without a floor vote at the end of the legislative session.

B. 2020

HB 81 (Rep. Patricia Roybal Caballero): HB 81 proposed to amend the New Mexico Bank Installment Loan Act and the Small Loan Act to reduce the allowable interest rate for loans made under those acts from 175 percent to 36 percent. HB 81 did not receive a committee hearing.

C. 2021

HB 99 (Reps. Patricia Roybal Caballero and Susan Herrera): HB 99 proposed to amend the New Mexico Bank Installment Loan Act and the Small Loan Act to reduce the allowable interest rate for loans made under those acts from 175 percent to 36 percent.

Actions: HB 99 was referred to the House Consumer and Public Affairs Committee, where it received a Do Pass. The vote was 3-2.

Yes votes: Elizabeth “Liz” Thomson (D) Chair; Andrea Romero (D); and Brittney Barreras (D).

No votes: Stefani Lord (R); and Randall Pettigrew (R).

HB 99 was then referred to the House Judiciary Committee, where it did not receive a hearing.

HB 149 (Reps. Susan Herrera, Patricia Roybal Caballero, Joy Garratt and Roger Montoya): HB 149 proposed to amend the New Mexico Bank Installment Loan Act and the Small Loan Act to reduce the allowable interest rate for loans under those acts from 175 percent to 36 percent.

Synopsis of the bill in the Legislative Finance Committee fiscal impact report:

HB 149 [would amend] the Bank Installment Loan Act (BILA) and Small Loan Act (SLA) by reducing the maximum annual percentage rate (APR) allowable for loans from 175 percent to 36 percent, or possibly higher if the prime rate is above 10 percent for two months. The bill also [proposed] increasing the maximum covered loan amount from \$5 thousand to \$10 thousand. HB 149 did not receive a committee hearing.

SB 66 (Sens. William Soules and Katy Duhigg): SB 66 proposed to amend the New Mexico Bank Installment Loan Act and the Small Loan Act to reduce the allowable interest rate for loans under those acts from 175 percent to 36 percent. Senate Bill 66 is a duplicate of HB 149 (2021), which did not get a committee hearing.

SB 66 successfully navigated the Senate with few changes. The Senate Judiciary Committee Substitute for SB 66 maintained the 36 percent cap on interest rates for loans of \$10,000 or less. That substitute bill passed the Senate without further revisions.

However, the bill was heavily revised during its journey through the House. Rep. Susan Herrera, D-Embudo, said it was clear that such a low rate couldn't win enough support to pass the House. She further noted that lawmakers were trying to balance the need to regulate loan practices, while also ensuring that people who need help can get it.²⁰

Ultimately, during the floor debate on the bill, Rep. Patricia Lundstrom sponsored an amendment that authorized an interest rate cap of 99 percent for loans of \$1,100 or less. For loans between \$1,100 and \$10,000, the rate would have been capped at 36 percent.

When the Senate failed to concur with the House changes and the House did not recede, each chamber appointed members to serve on a conference committee. However, that committee did not meet before the session ended.

Synopsis of the bill in the Legislative Finance Committee fiscal impact report:

Senate Bill 66 [would amend] the Bank Installment Loan Act (BILA) and Small Loan Act (SLA) by reducing the maximum annual percentage rate (APR) allowable for loans from 175 percent to 36 percent, or possibly higher if the prime rate is above 10 percent for two months. The bill also [proposed] increasing the maximum covered loan amount from \$5 thousand to \$10 thousand. Summaries of amendments to the bill are set forth in the fiscal impact report. [Microsoft Word - SB0066.doc \(nmlegis.gov\)](#)

Actions: SB 66 was initially referred to the Senate Tax, Business and Transportation Committee (STBTC), where it received a Do Pass. The vote was 7-4.

Yes votes: Benny Shendo (D), Chair; Michael Padilla (D), Vice Chair; Carrie Hamblen (D); Martin Hickey (D); Leo Jaramillo (D); Bill Tallman (D); and Peter Wirth (D).

No votes: Gay Kernan (R); Craig Brandt (R); Ron Griggs (R); and Joshua Sanchez (R).

²⁰ "House sends revised loan bill back to Senate", Dan McKay, Albuquerque Journal (March 17, 2021)

SB 66 was then referred to the Senate Judiciary Committee, where a substitute for SB 66 received a Do Pass. The vote was 6-2.

Yes votes: Joseph Cervantes (D), Chair; Bill O’Neill, Vice Chair; Katy Duhigg (D); Daniel Ivey-Soto (D); Linda Lopez (D); and Mimi Stewart (D).

No votes: Gregory Baca (R); and Mark Moores (R).
Absent: Cliff Pirtle (R).

The bill was then referred to the Senate Floor, where it passed on a vote of 25-14: [Voting Report \(nmlegis.gov\)](http://nmlegis.gov)

In the House of Representatives, SB 66 received two committee referrals. The bill was first heard in the House Commerce and Economic Development Committee, where it received a Do Pass. The vote was 6-4.

Yes votes: Antonio “Moe” Maestas (D), Chair; Natalie Figueroa (D); Doreen Gallegos (D); Wonda Johnson (D); Javier Martinez (D); and Linda Serrato (D).

No votes: Alonzo Baldonado (R); Rebecca Dow (R); Kelly Fajardo (R); and Jane Powdrell-Culbert.

The bill was next referred to the House Judiciary Committee, which heavily amended the bill. The committee’s version essentially would have created a process that allowed an interest rate of up to 99 percent if a borrower was denied a loan at an interest rate of 36 percent or less. The amended bill received a Do Pass, on a vote of 8-4.

Yes votes: Gail Chasey (D), Chair; Micaela Lara Cadena (D); Eliseo Alcon (D); Deborah Armstrong (D); Brian Egolf (D); Daymon Ely (D); Georgene Louis (D); and Matthew McQueen (D).

Zachary Cook (R); Greg Nibert (R); Bill Rehm (R); and James Townsend (R).

Finally, the bill was referred to the House Floor, where representatives adopted Rep. Lundstrom’s floor amendment. The amended bill received bi-partisan support and it passed on a vote of 52-16. [Voting Report \(nmlegis.gov\)](http://nmlegis.gov)

III. Storefront Lending in Other States

A. APR Caps in Other States: How New Mexico Compares

The National Consumer Law Center (NCLC) is a non-profit organization that pursues consumer justice and economic security for low-income people in the United States. Their web site can be found at: nclc.org

In 2020, the NCLC published a comprehensive, apples-to-apples comparison of annual percentage rates for small loans in the fifty states and the District of Columbia.²¹ As noted in the report, APR is the gold standard for measuring the true cost of a loan, as it includes both interest and loan fees.²²

Included in the NCLC report is a reference to HB 347 (2017) (Reps. Patricia Lundstrom (D), Debbie Rodella (D), Yvette Herell (R), and Jane Powdrell-Culbert (R)). HB 347 enacted reforms to small loans acts in the New Mexico statutes and the report had this to say about the legislation:

“New Mexico formerly did not cap the APRs for consumer loans at all. In 2017, the state imposed a 175% APR cap on consumer loans of \$5,000 or less, effective January 1, 2018. This cap still allows abusively high loans—loans that consumers are unlikely to be able to repay, and that operate as long-term debt traps—but it represents a step in the right direction.”²³

The enactment of HB 347 certainly was a step in the right direction, but the following data points, maps and charts illustrate that New Mexico remains far out of step with a significant majority of the other states when it comes to APR caps for small loans.

a. \$500 Six-Month Loan

According to the National Consumer Law Center, as of early 2020, 45 states and the District of Columbia had rate caps for a \$500, six-month installment loan. The median rate cap among those that cap rates is 38.5 percent APR. Of these jurisdictions, 20 states and the District of Columbia cap the APR for a \$500 six-month loan at 36 percent or less. Twelve states impose a cap between 36 percent and 60 percent, and 13 states cap the APR for a \$500 loan at more than 60 percent. Two states, Delaware and Missouri, do not place any limit on the cost of a \$500 six-month loan. Ohio was in this category until 2017, when it closed loopholes that had allowed lenders to evade its caps. In addition, three states, Idaho, Utah, and Wisconsin, don’t impose any cap other than that the terms of the loan cannot be “unconscionable”— a legal principle that bans terms that shock the conscience. **New Mexico** had formerly been in this category, but it imposed a cap, albeit a very high one, 175%, in 2017.²⁴

²¹ [“Predatory Installment Lending in the States: 2020”](#), National Consumer Law Center (February 2020)

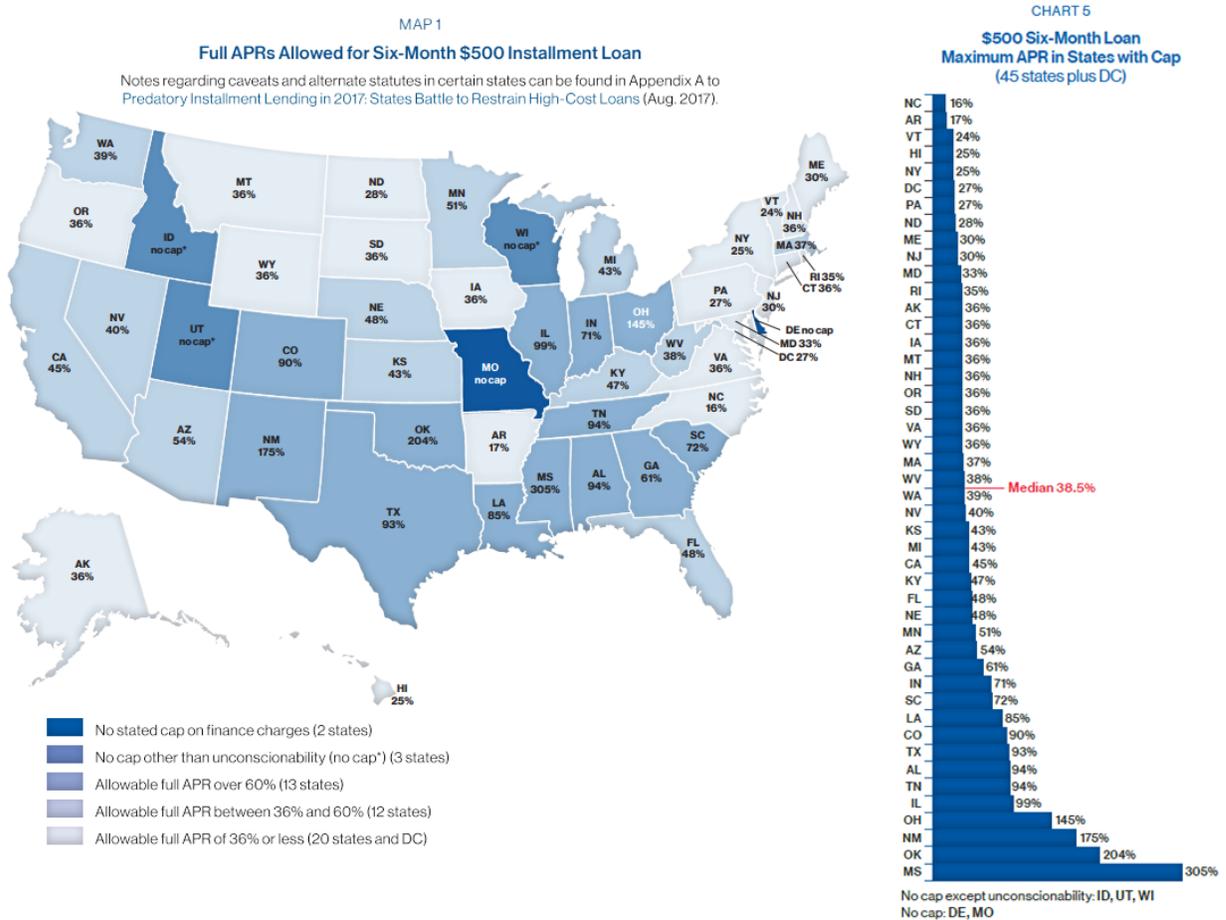
²² *Ibid*, p. 6

²³ *Ibid*, p. 11

²⁴ *Ibid*, p. 7

Figure 4. NCLC Report, Map 1 and Chart 5, excerpted from pages 8 and 14.

Note: New Mexico is third from the bottom of Chart 5.



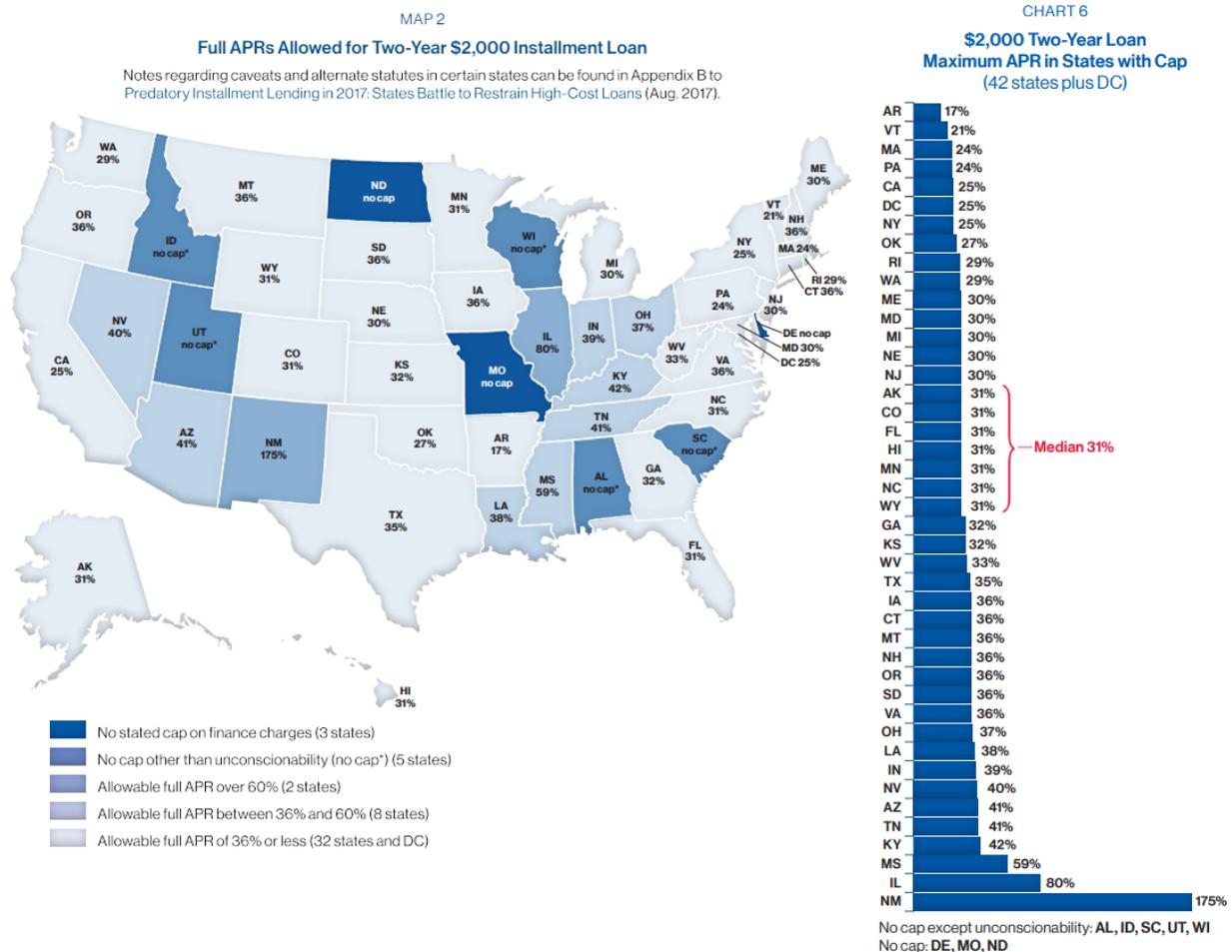
b. \$2,000 Two-Year Loan

The National Consumer Law Center also pointed out that as of early 2020, 42 states and the District of Columbia cap the APR on a \$2,000, two-year installment loan, at a median of 31 percent. Of these, the great majority—32 states and the District of Columbia—cap the APR for this loan at 36 percent or less. Eight states cap it between 36 percent and 60 percent APR, and two states, Illinois and **New Mexico**, cap the APR for a \$2,000 loan at more than 60 percent. The lending laws in three states, Delaware, Missouri, and North Dakota, don’t impose any cap on the cost of a \$2,000, two-year loan. Ohio had been in this category until 2017. Five states -- Alabama, Idaho, South Carolina, Utah, and Wisconsin -- have no cap other than that the terms of the loan cannot be “unconscionable.” **New Mexico** had formerly been in this category until 2017.²⁵

²⁵ *Ibid*, p. 10

Figure 5. NCLC Report, Map 2 and Chart 6, excerpted from pages 9 and 14.

Note: New Mexico is at the bottom of Chart 6.



of State's Office.²⁷

Colorado now imposes a \$500 amount limit on payday loans offered in the state. The amount of all outstanding loans of a borrower should not exceed \$500 at any given time. Payday loans can be taken for a period of 180 days or longer and the finance charge must not exceed an annual percentage rate of 36 percent.²⁸

Colorado's 2018 reform did not provide interest rate caps on installment loans and title loans.

C. Loan Reform for Members of the Military

Finally, it should be noted that the federal government has also acted to rein in interest rates. Following a Defense Department report about the impact of predatory lending on troops, Congress capped loans to active duty military at 36 percent.²⁹

The federal Military Lending Act was enacted in 2006.

IV. The Players

Listed below are people and entities who have been active in the ongoing battles over storefront lending and high interest rates in recent years.

One of the difficulties of trying to get information about the storefront-loan companies is that some of the companies active in New Mexico operate under names different from their corporate parents.

All campaign contributions were derived from campaign finance reports from the Secretary of State's Campaign Finance Information System (both the new website and the old one, which has documents from before the 2020 primary.)

We are not including the company called Affirm, a finance company based in San Francisco that made \$7,000 in political contributions in New Mexico for the 2020 election and has a New Mexico lobbyist, Jason Weak. But while Affirm does appear in the state's *Small Loans Directory*³⁰ (under its corporate address in California) no individual offices are listed in the state. Also, the company's website says that Affirm's maximum interest rate is 30 percent, which means the company wouldn't be directly affected by the interest rate cap proposed in the New Mexico Legislature.

²⁷ "Colorado Proposition 111: Payday loan interest limit wins big", The Denver Post, Joe Rubino, (November 6, 2018)

²⁸ "Colorado Payday Loan Law and Legislation", UStateLoans.org (December 2021)..

²⁹ "Why Cap Interest Rates at 36%", National Consumer Law Center (August 2021)

³⁰<https://tinyurl.com/2021-NMSmallLoanDirectory>

Figure 6. 2020 election cycle contributions by storefront lenders³¹



*As mentioned above, contributions by Affirm are not included in our analysis.

A. Companies

Security Finance Corporation of Spartanburg: A South Carolina-based company that operates 43 stores in New Mexico. Security Finance contributed \$43,000 to New Mexico political campaigns in the 2020 election, which is more than any other installment loan company. Security Finance has contributed an additional \$2,500 toward future elections. Lobbyist: John L. Thompson.

Access Financial Services Inc.: Based in Cincinnati, Ohio, is the parent company of Check ‘n’ Go, which operates 28 stores in New Mexico under the corporate name “Southwestern & Pacific Specialty Finance, Inc.” Access contributed \$36,450 to New Mexico political campaigns in 2020, and an additional \$2,750 toward future elections. Lobbyist: Daniel Najjar.

Community Loans of America: Based in Georgia, this company operates 17 stores in New Mexico under the name of “New Mexico Title Loans Inc.” This company contributed \$16,750 to politicians and PACs during the 2020 election cycle. Lobbyist: Daniel Najjar.

QC Holdings, Inc.: Now known as QCHI, the company, based in Lenexa, Kansas, has 10 stores in New Mexico operating as “LendNation.” QCHI also has operated in this state under the name “First Payday Loans.” The company made contributions totaling \$13,750 in this state for the

³¹ This includes PAC and candidate contributions; 63 percent of these storefront lender contributions were to candidates.

2020 election. QC Holdings has contributed an additional \$12,750 toward future elections. Lobbyists: Daniel Najjar and Jason Weaks (starting 2021).

Consumer Installment Loan Association of New Mexico: According to the New Mexico Secretary of State’s Corporations website, this Albuquerque-based organization’s status is “revoked” and the company is not in good standing. Cristina Chavez, director of the Secretary of State’s Business Services Division, told New Mexico Ethics Watch that this association had not filed required reports since 2006. But this group continues to have a lobbyist and continues to make campaign contributions. Addresses for the association used in campaign contributions include locations in San Antonio, Texas; Bulverde, Texas; and Albuquerque, Rio Rancho and Las Cruces. The association spent \$12,650 in New Mexico political contributions during the 2020 election. It has also contributed another \$500 toward upcoming elections. Lobbyist: Raymond Sanchez.

Opportunity Financial: Though this Chicago-based corporation does appear in the state’s Small Loans Directory (under its corporate address), no individual offices are listed in New Mexico. Following the 2020 elections, this company contributed \$10,000 to political campaigns in this state. Lobbyists: Vanessa Alarid and Katherine Crociata, (who works for Alarid’s company.)

World Acceptance Corporation: A South Carolina corporation operating 34 stores in New Mexico, according to its website. Its political contributions in New Mexico totaled \$5,000 during the 2020 election. It contributed a further \$1,000 toward future elections. No registered lobbyist in this state.

Title Cash: Part of Hutcheson Enterprises of Huntsville, Alabama, this company, specializing in auto title loans, has 13 offices in New Mexico. It contributed \$4,250 to political campaigns in the 2020 election. No registered lobbyist in this state.

Courtesy Loans: Based in Shawnee, Oklahoma, Courtesy operates nine stores in New Mexico under the name “Courtesy Loans of New Mexico.” Courtesy made \$2,700 in political contributions in New Mexico in the 2020 election. Lobbyist: Mickey Barnett.

Tancorde Finance, Inc.: One of the few homegrown storefront lenders in New Mexico, owned and operated by the Tanner family in Gallup. It has four stores in New Mexico, three in Gallup and one in Farmington. Tancorde contributed \$1,100 to political campaigns in 2020. Lobbyists: Matejka Santillanes, Joseph “Jay” Santillanes.

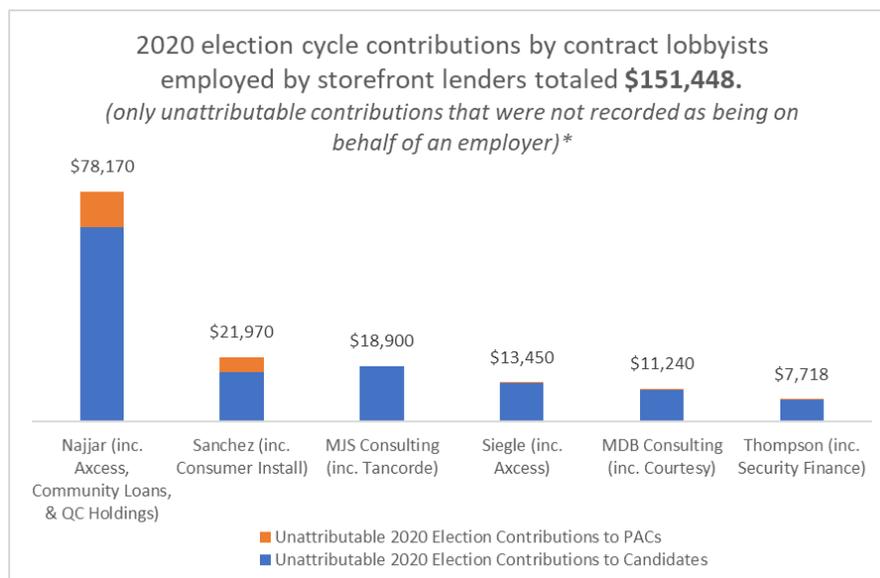
Sun Loan Company New Mexico: A San Antonio, Texas-based business operating 29 stores in New Mexico. No registered lobbyist in this state. Sun’s parent company, Brundage Management Company made one \$5,000 contribution (to the Brian Egolf Speaker Fund) during the 2020 election and in 2021 made a single contribution of \$500 to Rep. Patricia Lundstrom, D-Gallup. No registered lobbyists in this state.

New Mexico Credit Corporation: A company with 13 stores in the state. Although the business is considered a “domestic” corporation and lists an Anthony, N.M. address with the Secretary of State’s Corporations Division, its director Sean Baumgartner lives in Austin, Texas and also is

president of a small-loan company called Texan Credit Corporation. The secretary for this company is Lester Dees of Baton Rouge, Louisiana, whose LinkedIn page says has more than 58 years of experience in the consumer finance field and has an ownership stake in businesses across 10 states. There is no record of political contributions from this company in New Mexico in 2020 or 2021. Lobbyist: Mickey Barnett (hired in 2021.)

Western Shamrock: This corporation, based in San Angelo, Texas, has nine stores in New Mexico, (operating under the names of "Western Finance," "Shamrock Finance" and "Western Shamrock Finance"). The company’s website advertises "traditional installment loans" with interest rates that "can vary anywhere between 5% to 36% depending on your credit score and other determining factors." But calls by New Mexico Ethics Watch to some of its stores in New Mexico show that the total cost of a \$500 loan would be \$758.98 (51 percent more than the principal), while a \$100 loan would cost a customer \$205 (more than 100 percent more than the principal.) While either is far less than the 179 percent allowed under New Mexico law, it’s still more than the 36 percent maximum advertised. State records show no registered lobbyist for Western Shamrock in 2020. But in February 2021, the company hired Mickey Barnett to lobby. In May 2021 Western Shamrock contributed \$500 to Rep. Patricia Lundstrom and another \$500 to Lundstrom’s PAC, People for Growing Our Economy.

Figure 7. Unattributable 2020 election contributions by lobbyists employed by storefront lenders³²



**As discussed below, Jason Weeks is not included in our 2020 Election analysis as he was employed by Affirm. Weeks is included when discussing upcoming elections, as he was hired by QC Holdings in 2021.*

B. Lobbyists

Daniel Najjar: A lawyer and longtime lobbyist in the New Mexico Legislature, a partner at the Virtue & Najjar law firm. He currently represents Axxcess Financial Services and 14 other clients

³² This includes PAC and candidate contributions; 88 percent of these small loan lobbyists’ contributions were made to candidates.

not involved in storefront lending. These include T-Mobile and the New Mexico Beverage Association. In 2020, Najjar worked for Community Loans and QC Holdings as well as Axxess. His political contributions in the 2020 election cycle totaled \$130,020 (including \$13,750 specifically marked from QC, \$12,250 from Axxess and \$5,250 from Community Loans). Of this total, \$78,170 was listed as on behalf of Najjar or his firm. Najjar reported an additional \$27,887 in political contributions for upcoming elections, all of which were on behalf of himself or his law firm (besides one \$1000 contribution made on behalf of Axxess).

Raymond Sanchez: A former speaker of the House in the state Legislature, who is a lawyer and lobbyist. He represents the Consumer Installment Loan Association of New Mexico as well as three other clients not involved in the storefront loan industry. In the 2020 election cycle, Sanchez made \$21,970 in contributions on behalf of himself and his clients. Between January and the end of September, Sanchez made \$2,250 in political contributions.

Vanessa Alarid: A former executive director of the New Mexico Democratic Party and the wife of state Rep. Antonio “Moe” Maestas. Her clients in 2020 included Opportunity Financial, as well as the Pfizer drug company and 12 other clients. In the 2020 election period, Alarid reported \$104,550 in political contributions – none of which were specifically on behalf of Opportunity Financial. She made \$85,150 in political contributions between January and September 2021, \$5,000 of which were on behalf of Opportunity and \$15,500 of which were on behalf of herself and her consulting firm, Alarid Consulting.

John L. Thompson: A veteran lobbyist who represents Security Finance, the largest storefront loan company in the state, as well as 15 other unrelated clients, including environmentalist organizations like Conservation Voters New Mexico and the Western Landowner’s Alliance. Though Security Finance was the largest political contributor of all the storefront lenders last year, Thompson himself personally contributed only \$7,718 to political campaigns for the 2020 election, all of which was on behalf of himself. In 2021, between January and September, Thompson’s political contributions totaled \$7,919, none of which was on behalf of Security Finance; \$4,919 of these contributions were on behalf of himself and his consulting firm.

Mickey Barnett: An Albuquerque lawyer, a former state senator and former Republican National Committee member whose 10 clients include Courtesy Loans, New Mexico Credit Corporation and, since February 2021, Western Shamrock. Barnett made \$13,940 in political contributions during the 2020 election, \$2,700 of which was on behalf of Courtesy Loans, the rest being on behalf of himself. Between January and December, Barnett has contributed \$1,250 to political campaigns, all on behalf of himself.

Matejka and Joseph “Jay” Santillanes: This couple lives in Socorro and represent Tancorde Finance, as well as five other clients, including the Navajo Nation and the city of Socorro. Matejka reported \$18,900 in contributions to campaigns during the 2020 election, all on behalf of herself and her husband. Between January and September 2021, Jay Santillanes reported no political contributions while Matejka made \$2,500 in contributions, all under her own name.

Linda Siegle: A longtime lobbyist as well as a member of the Santa Fe Community College Board and the wife of state Sen. Liz Stefanics. She currently represents 20 clients, all non-profits

or education entities, the majority of which are in the field of healthcare. But for several years up to 2020 she also represented Axxess Financial Services and testified in at least one legislative committee in 2021 against SB 66, which would have imposed a 36-percent interest rate for loans in the state. Siegle argued that such a low rate would drive storefront lenders away from the state and would hurt the poor – a standard industry talking point. Siegle contributed \$13,450 to political campaigns in 2020 on behalf of herself. Between January and September of 2021, she gave \$5,100.

Jason Weaks: Weaks was employed by the Affirm company in 2020 (see note above). Since then, he’s also been employed by QC Holdings in 2021, along with 22 other companies; in 2021, he has reported \$45,850 in contributions, \$13,250 of which were on behalf of QC, and \$24,100 of which were on behalf of himself or his law firm. Weaks’ other clients include MEDNAX, and the New Mexico Brewers Guild.

V. Industry Messaging

As one might expect, the small loan industry goes to some lengths to justify keeping interest rates high in New Mexico – higher than in other states, as discussed in Chapter III. In Chapter IV, we have detailed the people involved with the industry, including a number of powerful lobbyists whom the industry relies upon to represent and achieve its best interests.

Here are some of the points made by the industry:

1. If the small loan industry did not provide loans to New Mexicans, there would be nowhere for people to turn to obtain a small loan. (Or, the only place for people to turn would be to highly unscrupulous online lenders charging even more astronomical interest rates.)³³
2. The high interest rates are a consequence of the industry’s operational and nonoperational fixed costs and the cost of the industry assuming the risk of making small loans to people with questionable credit.
3. If the small loan industry did not provide loans to New Mexicans, the people who obtain small loans would miss an opportunity to establish credit and improve their financial standing.

Let’s examine each one of these messages:

1. If the small loan industry did not provide loans to New Mexicans, there would be nowhere for people to turn to obtain a small loan. (Or, the only place for people to turn would be to highly unscrupulous online lenders charging even more astronomical interest rates.)

³³ A complimentary argument is that if interest rates are capped, small loan lenders will leave the state. See <https://www.farmersfieldonline.com/magazine-features/2017/3/1/the-myth-vs-the-truth-about-regulating-payday-lenders.html>, for an explanation of how this has happened in some states and might happen in others, but that this is not the end of the story.

This is a message that appears in industry literature and has been parroted by some legislators. However, it has been shown that in states where small loan businesses have shut down, potentially due to interest rate caps, people may flock online for loans but only temporarily, and that people will return to getting money in what may be seen as traditional ways: working extra hours; selling possessions; borrowing from friends and family.³⁴ Additionally, one study showed that when people did not have as much access to small loan companies, the percentage of people who turned to online lenders for money rose only incrementally.³⁵

It is also true that some existing credit unions are currently offering small loans to members. (According to the National Credit Union Administration, “payday alternative loans” (PALs)³⁶ offered through federal credit unions have application fees capped at \$20, and loan terms between one and six months.³⁷) Granted, these credit unions could do a better job advertising these loans.

Credit cards are also an alternative to small, high-interest loans. Business Insider notes that, according to data from the Federal Reserve, the average credit card has an interest rate of 16.1 percent.³⁸ The financial publication suggests looking for a card with the lowest possible APR – the lowest cost for borrowing, and that if one cannot pay off the full balance each month, to consider a card with a 0 percent introductory rate.³⁹

Additionally, a program called TrueConnect, (promoted in this state by Prosperity Works), that provides guidance and a platform to/for employers (municipal and county governments, schools, colleges and companies) wishing to make small loans to their employees is taking root across the state.⁴⁰ These small loans are paid back over time as payroll deductions, with interest rates between 20 and 25 percent.⁴¹

³⁴ Ibid.

See also, <https://www.businessinsider.com/personal-finance/how-to-borrow-money-if-you-cant-get-a-loan>, which suggests putting the following parameters in place: time frame, interest rate (to help hold the borrower accountable and create a small incentive for the lender), and when payments begin.

³⁵ In a 2014 study on the topic, the Pew Charitable Trusts found that the rate of online borrowers in states that banned payday lending was only slightly higher (1.58 percent) than in states that allowed payday lending stores (1.37 percent) -- a difference that is too small to be statistically significant. Moreover, focus groups of borrowers in states that restrict payday loans reported resorting to other means like selling or pawning possessions; borrowing from family or friends; calling bill collectors to work out a payment plan; and picking up extra hours at work. Separate studies commissioned by Arkansas and North Carolina found similar results. Ibid.

³⁶ These alternative loans are an option for anyone who needs a small amount of cash quickly. While they're only available to credit union members, joining a credit union — which often has membership requirements, like residence in a certain area — is usually very accessible. These loans are regulated by the National Credit Union Administration, and are meant to help consumers avoid predatory lending practices at payday lenders. See <https://www.businessinsider.com/personal-finance/how-to-borrow-money-if-you-cant-get-a-loan>.

³⁷ See <https://www.mycreditunion.gov/life-events/consumer-loans/payday-loan-alternatives>.

³⁸ See <https://www.businessinsider.com/personal-finance/how-to-borrow-money-if-you-cant-get-a-loan>.

³⁹ Ibid.

⁴⁰ <https://trueconnectloan.com/>

⁴¹ See *State needs to cap high-interest loans – now*, Ona Porter, December 18, 2021, https://www.santafenewmexican.com/opinion/my_view/state-needs-to-cap-high-interest-loans-now/article_d5e5beb2-5ea9-11ec-8e89-23a31a7fd658.html

2. *The high interest rates are a consequence of the industry's operational and nonoperational fixed costs and the cost of the industry assuming the risk of making small loans to people with questionable credit.*

The industry lists both operational and nonoperational fixed costs.⁴² The industry says that these costs must be added to each loan and that for smaller loans the costs cannot be spread out over time as with longer-term loans and thus require a large interest rate to assist a company in recouping these costs. As stated in an August 12, 2020 FEDS Note

*Interest includes compensation not only for forbearance (forgoing current income for future income) and risk bearing but also compensation for expenses to originate, service, and collect loans. The latter expenses are largely fixed, not varying much with the amount of credit. They arise because an application is received or a loan is made. With fixed costs being large relative to loan amount smaller loans require higher interest rates than larger loans. This consideration looms especially important in consumer lending, where loan amounts are quite small.*⁴³

(Note: The article from which the above information is pulled says that previous studies finding that costs of consumer lending rise less than proportionately with loan amount are more than 30 years old. The article also notes that many changes in technology, competition, and regulation have occurred since the studies were conducted, and that “a reexamination of the cost structure of the consumer finance industry is warranted.”⁴⁴)

As of the writing of this report, it is safe to say that small loan companies in certain parts of New Mexico can be easily accessed. In Gallup, a city with a population of only about 22,000, there are more than 40 businesses listed in the state's current Small Loans Directory. In Albuquerque, the state's largest city, the directory lists more than 80.⁴⁵

In both these cities, as well as other New Mexico communities, some of the larger storefront loan companies have two or more offices. For instance, in Gallup, Security Finance has three addresses listed in the state Small Loan Directory. And the directory lists five Gallup locations

⁴² Operating costs include wages and salaries, occupancy costs, advertising, administrative costs, and losses or additions to loss reserves. Non-operating costs include funding costs and income taxes.]

⁴³ The cited note contains the following disclaimer: *FEDS Notes are articles in which Board staff offer their own views and present analysis on a range of topics in economics and finance. These articles are shorter and less technically oriented than FEDS Working Papers and IFDP papers.* Chen, Lisa, and Gregory Elliehausen (2020). “The Cost Structure of Consumer Finance Companies and its Implications for Interest Rates: Evidence from the Federal Reserve Board's 2015 Survey of Finance Companies,” FEDS Notes. Washington: Board of Governors of the Federal Reserve System, August 03, 2020, <https://doi.org/10.17016/2380-7172.2610>.

⁴⁴ Ibid.

⁴⁵ New Mexico Regulation and Licensing Department 2021 Small Loans Directory: <https://realfile1ee897135beb4b1c82715d36398de4c5.s3.amazonaws.com/56eeb771-8615-4d62-bd48-67ead5f9971d?AWSAccessKeyId=AKIAJBKPT2UF7EZ6B7YA&Expires=1640722809&Signature=X9ZahzI0INAXCk5frTV%2BA3jRYzM%3D&response-content-disposition=inline%3B%20filename%3D%22Small%20Loan%20Directory%20as%20of%20September%2020%202021.pdf%22&response-content-type=application%2Fpdf>

for Excel Finance of New Mexico, though the company's website⁴⁶ says that one of these is in nearby Window Rock. (The Excel stores operate under different names including Cash Man, Cash Stop, Lucky Loans and Tse Bonito.⁴⁷) These parts of New Mexico, and particularly McKinley County, subsequently have high rates of borrowed small loans.⁴⁸

It appears that some of the fixed costs justifying high interest rates are self-generated, and perhaps unnecessary. When a company closes some of its stores in one community, there appears to be no reason why that company's remaining location(s) can't pick up the slack and service customers moving from the company's closed locations, thus reducing fixed costs. If a company had only one location in a community, and that store closed, however, consumers would need to find a new company from which to procure a loan.

Also, existing loan-making entities such as credit unions already have infrastructure in place and can operate on lower fixed costs.

What is apparent is that the issue of needing to charge higher interest rates to cover fixed costs is a matter that has been self-manufactured at least in part by the small loan industry.

3. If the small loan industry did not provide loans to New Mexicans, the people who obtain small loans would miss an opportunity to establish credit and improve their financial standing.

New Mexico Ethics Watch has been unable to unearth any statistics that would demonstrate that people who avail themselves of a small loan are more likely to establish good credit for themselves than those who do not. In September of 2020, a visitor to consumerfinance.gov asked, "I heard that taking out a payday loan can help rebuild my credit or improve my credit score. Is this true?"

The response from the Consumer Financial Protection Bureau – which describes itself as "a U.S. government agency that makes sure banks, lenders, and other financial companies treat you fairly" – was as follows:

Probably not. Payday loans generally are not reported to the three major national credit reporting companies, so they are unlikely to impact your credit scores.

Most storefront payday lenders do not consider traditional credit reports or credit scores when determining loan eligibility. They also do not generally report any information about payday loan borrowing history to the nationwide credit reporting companies.

⁴⁶ Excel Finance website: <https://excelfinco.com/locations/>

⁴⁷ Ibid

⁴⁸ New Mexico Regulation and Licensing Department, 2020 New Mexico Small Loan Act Annual Report, Section 3: County Breakdown of Loans Made to new Mexico Borrowers, pg. 14: <https://realfile1ee897135beb4b1c82715d36398de4c5.s3.amazonaws.com/b50bedbe-93c0-40b3-9615-3793feaf1df0?AWSAccessKeyId=AKIAJBKPT2UF7EZ6B7YA&Expires=1640793254&Signature=p%2F7usOryHFHfZqqsN0QFCASUuCM%3D&response-content-disposition=inline%3B%20filename%3D%222020%20Small%20Loan%20Annual%20Report.pdf%22&response-content-type=application%2Fpdf>

However, if you don't pay your loan back and your lender sends or sells your payday loan debt to a debt collector, it is possible the debt collector might report this debt to one of the major national credit reporting companies. Debts in collection could hurt your credit scores.

Likewise, some payday lenders bring lawsuits to collect unpaid payday loans. If you lose a court case related to your payday loan, that information could appear on your credit reports and may lower your credit scores.⁵⁰

Additionally, research has shown that small loan borrowers are likely to roll over a loan from loan term to loan term, with an increasing inability to pay an ever-burgeoning amount of interest and fixed loan costs.⁵¹ As the Bureau notes, above, a collection lawsuit could eventually appear on a credit report and lower credit scores.

While New Mexico Ethics Watch has set out contributions and how they may influence votes, the reality is that the amount of money contributed specifically by the storefront loan industry is relatively small, piling in comparison to, for example, the oil and gas industry, whose contributions Ethics Watch has also reported upon.⁵² In fact, we have struggled to understand the full sway of the industry, given that their contributions to PACs and candidates are relatively small. What seems evident is that legislators, and perhaps some lobbyists, are true believers – that they have come to believe the messaging of the industry that New Mexicans need the services of the small loan industry, without which some will be unable to obtain money desperately needed and to build credit.

VI. Lawmakers and Industry Contributions

A. Recipients of 2020 Election Contributions

a. Recipients of Storefront Lenders' 2020 Election Contributions

Storefront lenders contributed **\$88,950** during the 2020 Election Cycle, to 58 legislative candidates, including those in the primary and general elections. Most of the contributions were to Democrats, in particular, state Senate Democrats. Senate Democratic candidates received both the most *total* lender contributions and the most on *average* from lenders. The 15 Senate Democratic candidates who received contributions from the industry during the 2020 Elections

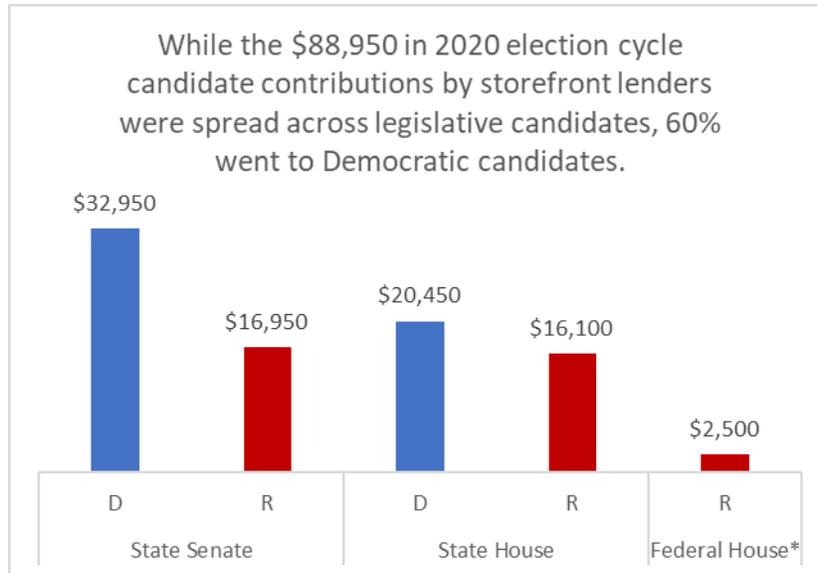
⁵⁰ See <https://www.consumerfinance.gov/ask-cfpb/i-heard-that-taking-out-a-payday-loan-can-help-rebuild-my-credit-or-improve-my-credit-score-is-this-true-en-1611/>.

⁵¹ "It's not unusual for a \$300 loan to be rolled over many times and ultimately cost more than \$800 in principal and interest, according to the Center for Responsible Lending, a North Carolina advocate for reform....The repeat borrowing is called loan churn, and roughly two-thirds of the \$2.6 billion in fees lenders charge each year is from loan churn. In fact, during the first year they seek a loan, typical payday borrowers are indebted for more than 200 days out of that year." See, *The Myth vs. the Truth About Regulating Payday Lenders*, Liz Farmer, February 2017, <https://www.governing.com/archive/gov-payday-lending-online.html>

⁵² See <https://www.nmethicswatch.org/reports--materials.html>

received an average of nearly \$2,200 from storefront lenders.

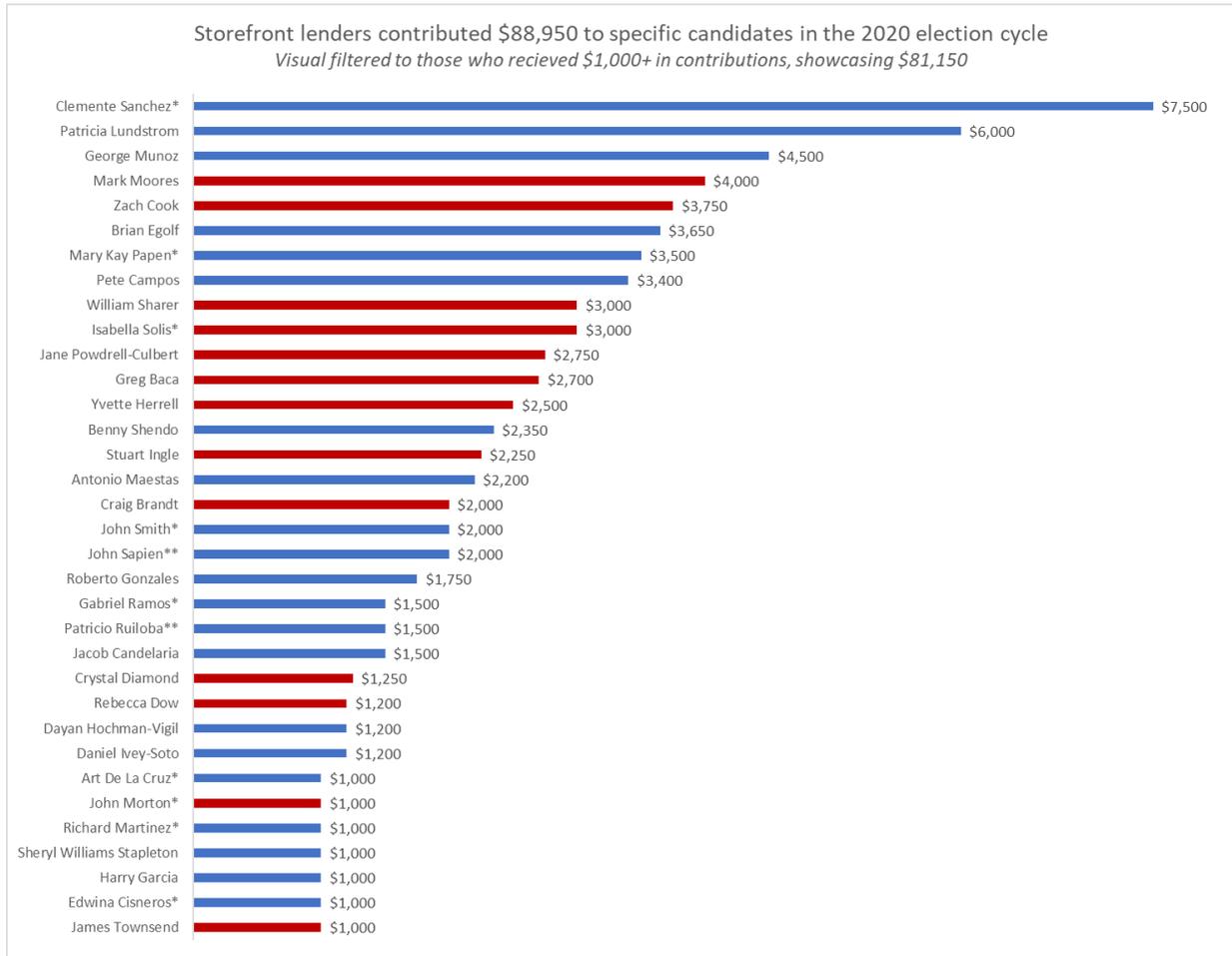
Figure 8. 2020 election contributions by storefront lenders, legislative breakdown



**\$2,500 in congressional contributions was a singular contribution to U.S. Rep. Yvette Herrell's successful 2020 race.*

Contributions to Senate Democrats were buoyed by large contributions by the industry to two Democrats who ultimately lost their primaries – Sen. Clemente Sanchez (\$7,500) and Sen. Mary Kay Papen (\$3,500). Neither of their successors (Sen. Joshua Sanchez (R) and Sen. Carrie Hamblen (D), respectively) received 2020 election contributions from lenders. However, most candidates the industry supported won their elections in 2020, including 39 of the 58 state legislative candidates supported by storefront lenders.

Figure 9. Recipients of storefront lenders' 2020 election cycle contributions



**Lost 2020 primary or general election*

***Did not run despite contributions*

Figure 10. Recipients of storefront lenders' 2020 election cycle contributions

Candidate	Party	2020 Election Contributions	Candidate	Party	2020 Election Contributions
Clemente Sanchez*	D	\$7,500	Edwina Cisneros*	D	\$1,000
Patricia Lundstrom	D	\$6,000	Harry Garcia	D	\$1,000
George Munoz	D	\$4,500	John Morton*	R	\$1,000
Mark Moores	R	\$4,000	James Townsend	R	\$1,000
Zach Cook	R	\$3,750	Alonzo Baldonado	R	\$950
Brian Egolf	D	\$3,650	Kelly Fajardo	R	\$700
Mary Kay Papen*	D	\$3,500	Georgene Louis	D	\$500
Pete Campos	D	\$3,400	Candie Sweetser	D	\$500
William Sharer	R	\$3,000	Joseph Cervantes	D	\$350
Isabella Solis*	R	\$3,000	Doreen Gallegos	D	\$300

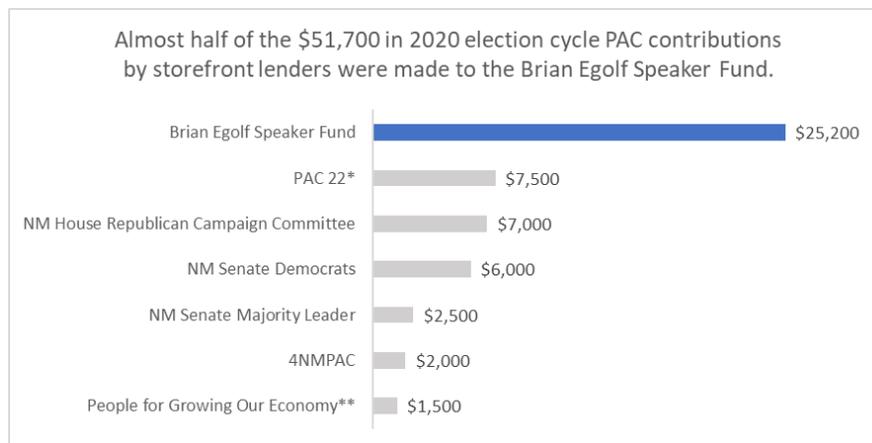
Jane Powdrell-Culbert	R	\$2,750	Giovanni Coppola*	R	\$300
Greg Baca	R	\$2,700	Greg Nibert	R	\$300
Yvette Herrell	R	\$2,500	Thomas Stull*	R	\$300
Benny Shendo	D	\$2,350	Robert Godshall*	R	\$300
Stuart Ingle	R	\$2,250	Ryan Chavez*	R	\$300
Antonio Maestas	D	\$2,200	Ricky Little*	R	\$250
John Arthur Smith*	D	\$2,000	Michael Hendricks*	R	\$250
John Sapien**	D	\$2,000	William Burt	R	\$250
Craig Brandt	R	\$2,000	Adelious Stith*	R	\$250
Roberto Gonzales	D	\$1,750	Michael Padilla	D	\$200
Gabriel Ramos*	D	\$1,500	Javier Martinez	D	\$200
Patricio Ruiloba**	D	\$1,500	Linda Lopez	D	\$200
Jacob Candelaria	D	\$1,500	Elizabeth Thomson	D	\$200
Crystal Diamond	R	\$1,250	Raymundo Lara	D	\$200
Daniel Ivey-Soto	D	\$1,200	Rachel Black	R	\$200
Dayan Hochman-Vigil	D	\$1,200	Candy Spence Ezzell	R	\$200
Rebecca Dow	R	\$1,200	Sander Rue*	R	\$200
Art De La Cruz*	D	\$1,000	William Rehm	R	\$200
Richard Martinez*	D	\$1,000	Martin Zamora	R	\$200
Sheryl Williams Stapleton	D	\$1,000			
Grand Total					\$88,950

**Lost 2020 primary or general election*

***Did not run despite contributions*

Storefront lenders also contributed **\$51,700** to various PACs during the 2020 election cycle. Nearly half of these contributions were to the Brian Egolf Speaker Fund.

Figure 11. 2020 election cycle contributions by storefront lenders to PACs



**PAC 22 is the Senate Republican PAC*

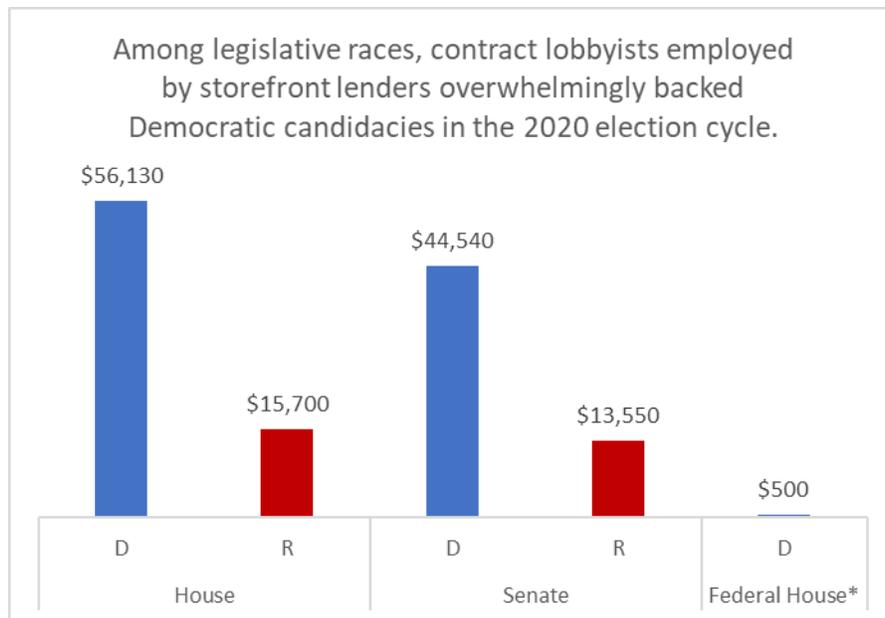
***People for Growing Our Economy PAC is Rep. Patricia Lundstrom's (D) PAC*

b. Recipients of Lobbyists' 2020 Election Contributions

Nearly all of the **\$133,370** in unattributable candidate contributions from lending lobbyists, made during the 2020 election cycle, went to legislative candidates. However, it should be noted that they also supported non-legislative candidates: \$3,450 in contributions went to judicial, executive and municipal races.

Lobbyists overwhelmingly backed Democratic candidates. More than three quarters of their contributions went to Democratic Senate and House candidates.

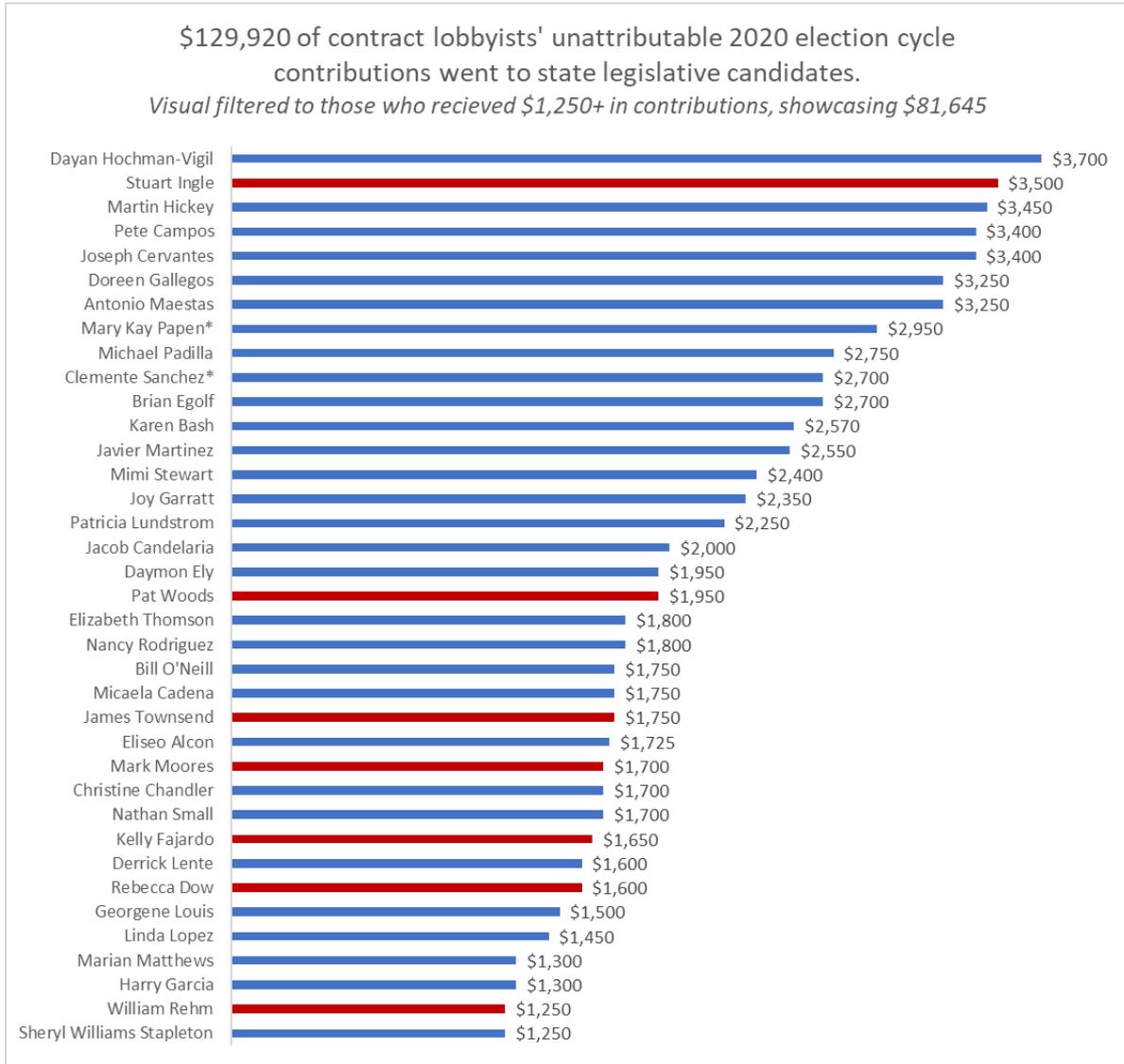
Figure 12. Unattributable 2020 election cycle contributions by small loan industry lobbyists, legislative breakdown



*A singular \$500 contribution was made to U.S. Rep. Debra Haaland's successful 2020 re-election.

Compared to the contributions made by lenders, lobbyists fared better at supporting winning candidates. Lobbyists contributed to 133 state legislative candidates in the 2020 election cycle; 91 candidates won, 36 lost, and 6 received contributions but did not ultimately run in the 2020 election. Among recipients of lobbyists' 2020 election cycle contributions visualized, only two lost their elections (Sens. Clemente Sanchez and Mary Kay Papen, both Democrats).

Figure 13. Recipients of small loan lobbyists' unattributable 2020 election cycle contributions



**Lost 2020 primary or general election*

Figure 14. Recipients of small loan lobbyists' unattributable 2020 election cycle contributions

Candidate	Party	Unattributable 2020 Election Contributions from Lobbyists	Candidate	Party	Unattributable 2020 Election Contributions from Lobbyists
Dayan Hochman-Vigil	D	\$3,700	Jason Harper	R	\$550
Stuart Ingle	R	\$3,500	Gail Chasey	D	\$500
Martin Hickey	D	\$3,450	Carlos Cisneros**	D	\$500
Joseph Cervantes	D	\$3,400	Anthony Allison	D	\$500
Pete Campos	D	\$3,400	Willie Madrid	D	\$500
Antonio Maestas	D	\$3,250	Harold Pope	D	\$500
Doreen Gallegos	D	\$3,250	John Sapien**	D	\$500
Mary Kay Papen*	D	\$2,950	Michael Hendricks*	R	\$500
Michael Padilla	D	\$2,750	Alonzo Baldonado	R	\$500
Brian Egolf	D	\$2,700	Robert Godshall*	R	\$500
Clemente Sanchez*	D	\$2,700	Ellis McMath*	R	\$500
Karen Bash	D	\$2,570	Giovanni Coppola*	R	\$500
Javier Martinez	D	\$2,550	Ryan Chavez*	R	\$500
Mimi Stewart	D	\$2,400	Greg Baca	R	\$500
Joy Garratt	D	\$2,350	Gail Armstrong	R	\$500
Patricia Lundstrom	D	\$2,250	Rodney Montoya	R	\$500
Jacob Candelaria	D	\$2,000	Adelious Stith*	R	\$500
Daymon Ely	D	\$1,950	Thomas Stull*	R	\$500
Pat Woods	R	\$1,950	Crystal Diamond	R	\$500
Nancy Rodriguez	D	\$1,800	John Morton*	R	\$500
Elizabeth Thomson	D	\$1,800	Kristina Ortez	D	\$400
Micaela Cadena	D	\$1,750	Linda Serrato	D	\$400
Bill O'Neill	D	\$1,750	Jessica Velasquez*	D	\$400
James Townsend	R	\$1,750	Paul Baca*	D	\$350
Eliseo Alcon	D	\$1,725	Antoinette Sedillo Lopez	D	\$350
Christine Chandler	D	\$1,700	Susan Herrera	D	\$300
Nathan Small	D	\$1,700	Candie Sweetser	D	\$300
Mark Moores	R	\$1,700	Linda Trujillo**	D	\$300
Kelly Fajardo	R	\$1,650	Brenda Boatman**	R	\$300
Derrick Lente	D	\$1,600	James Strickler	R	\$300
Rebecca Dow	R	\$1,600	Cathrynn Brown	R	\$300
Georgene Louis	D	\$1,500	Rachel Black	R	\$300
Linda Lopez	D	\$1,450	Larry Scott	R	\$300
Harry Garcia	D	\$1,300	Brittney Barreras	D	\$290
Marian Matthews	D	\$1,300	Leo Jaramillo	D	\$270
Sheryl Williams Stapleton	D	\$1,250	Abbas Akhil**	D	\$250

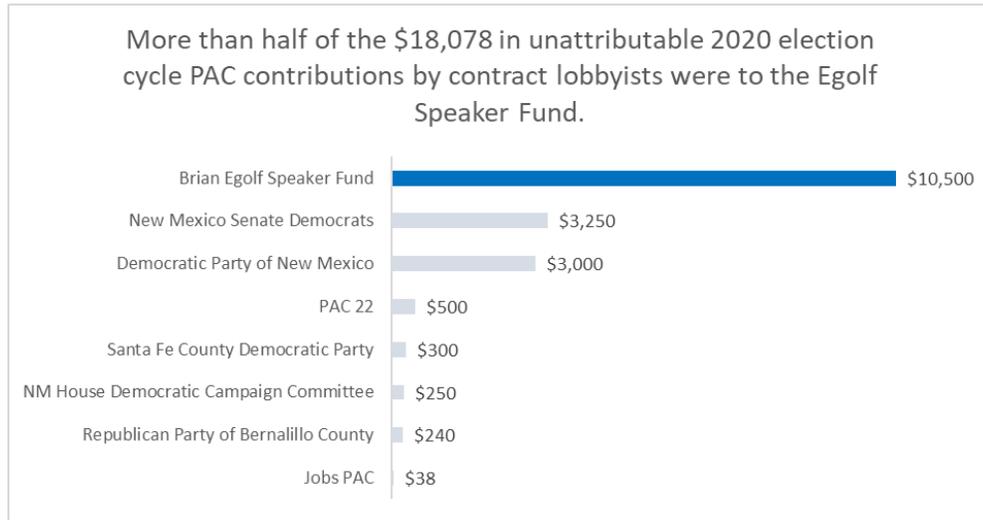
William Rehm	R	\$1,250	Miguel Garcia	D	\$250
Peter Wirth	D	\$1,200	Joanne Ferrary	D	\$250
Deborah Armstrong	D	\$1,200	Shannon Pinto	D	\$250
John Arthur Smith*	D	\$1,200	Neomi Martinez-Parra*	D	\$250
Melanie Stansbury	D	\$1,200	Carrie Hamblen	D	\$250
George Munoz	D	\$1,200	Claudia Risner*	D	\$250
Roger Montoya	D	\$1,120	Linda Calhoun*	R	\$250
Gerald Ortiz Y Pino	D	\$1,100	Amy Smith Maloy*	R	\$250
Natalie Figueroa	D	\$1,000	Ricky Little*	R	\$250
Benny Shendo	D	\$1,000	Jack Chatfield	R	\$250
Brenda McKenna	D	\$1,000	Dinah Vargas*	R	\$250
Gabriel Ramos*	D	\$1,000	Martin Zamora	R	\$250
Daniel Ivey-Soto	D	\$1,000	William Burt	R	\$250
William Sharer	R	\$1,000	Ron Griggs	R	\$250
Matthew McQueen	D	\$900	Greg Nibert	R	\$250
Debra Sariñana	D	\$900	John Clark*	R	\$250
Christine Trujillo	D	\$900	John Foreman*	R	\$250
Elizabeth Stefanics	D	\$870	Karen Whitlock*	D	\$200
Meredith Dixon	D	\$800	Patricia Roybal Caballero	D	\$200
Pamela Cordova*	D	\$750	Art De La Cruz*	D	\$200
Katy Duhigg	D	\$750	Billie Helean*	D	\$200
Sander Rue*	R	\$750	Siah Correa Hemphill	D	\$200
Candace Gould*	R	\$750	Kevin Lucero*	D	\$200
Rodolpho Martinez*	D	\$700	Richard Martinez*	D	\$200
Jane Powdrell-Culbert	R	\$700	Tim Lewis**	R	\$200
Lisa Martinez*	D	\$650	Mark Gallegos*	D	\$150
Bill Tallman	D	\$600	Idalia Lechuga-Tena*	D	\$150
William Soules	D	\$600	Raymundo Lara	D	\$150
Craig Brandt	R	\$600	Edwina Cisneros*	D	\$150
Andrea Romero	D	\$550	Matthew Gonzales*	D	\$125
Gregg Schmedes	R	\$550			
Grand Total					\$129,920

**Lost 2020 primary or general election*

***Did not run despite contributions*

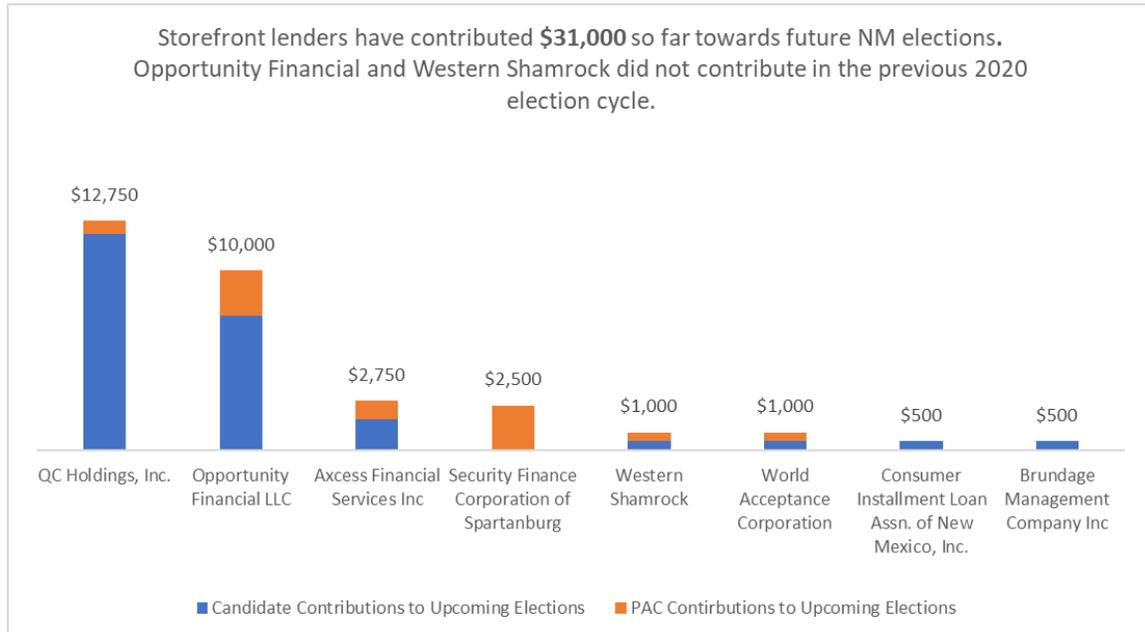
In addition to candidate-specific contributions, lobbyists made **\$18,078** in unattributable contributions to various PACs. Like the PAC contributions made by storefront lenders, most were to the Brian Egolf Speaker Fund.

Figure 15. Unattributable 2020 election contributions by small-loan lobbyists to PACs



B. Contributions to Future Elections

Figure 16. Post-2020 election cycle contributions by storefront lenders⁵³



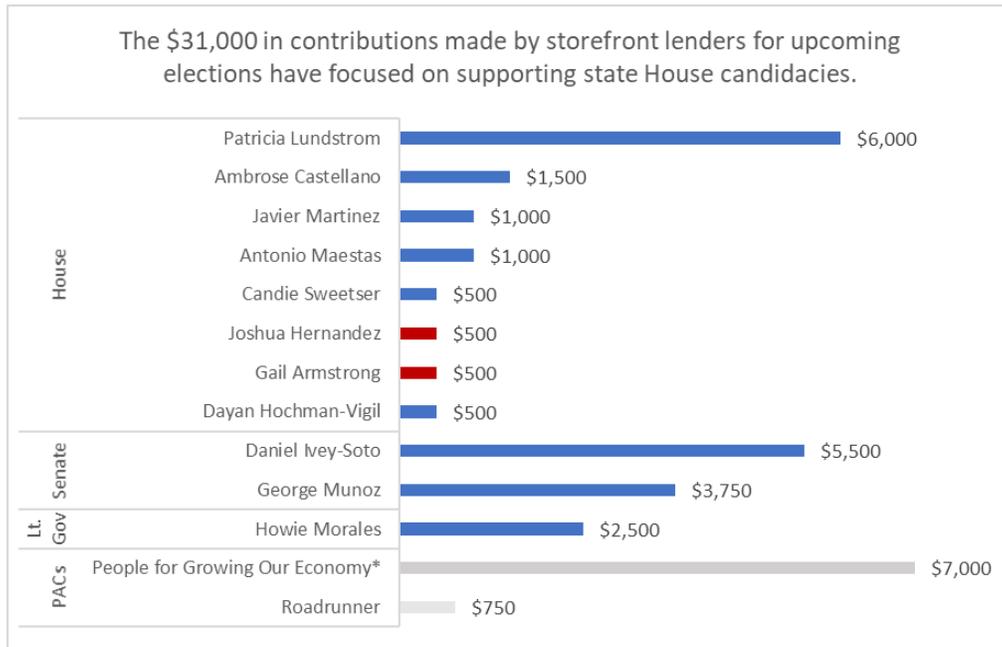
Storefront lenders have contributed \$31,000 to the upcoming election cycles . Most contributions have been made by QC Holdings and by Opportunity Financial.

⁵³ This includes PAC and candidate contributions; 75 percent of these storefront lenders’ contributions were to candidates.

a. Recipients of Storefront Lenders’ Post-2020 Election Contributions

As of now, the majority of these contributions have been to state House candidates, and specifically to Rep. Patricia Lundstrom, D-Gallup, and her PAC, *People for Growing Our Economy*. Lenders have contributed \$6,000 and \$7,000 to each, respectively. State Senate candidates and Lt. Gov. Howie Morales have also received contributions from the industry. Except for contributions to Republican Reps. Joshua Hernandez and Gail Armstrong, all contributions have been to Democratic candidates.

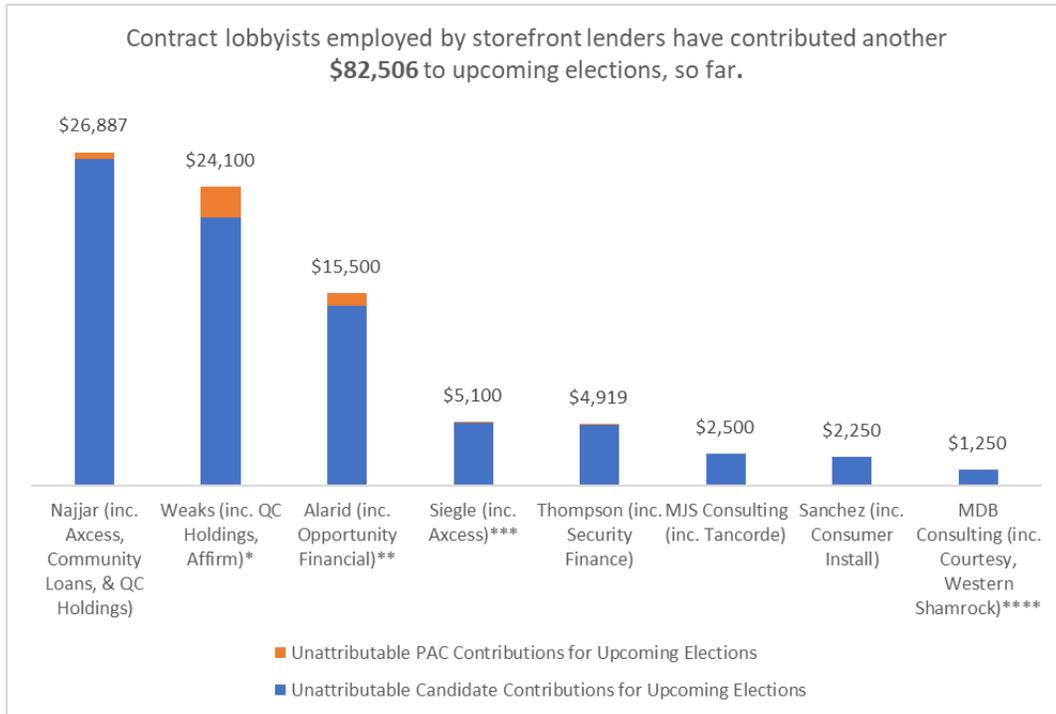
Figure 17. Recipients of storefront lenders contributions for post-2020 elections



*People for Growing Our Economy PAC is Rep. Patricia Lundstrom's PAC

b. Recipients of Lobbyists' Post-2020 Election Contributions

Figure 18. Unattributable contributions by small loan industry lobbyists to post-2020 elections⁵⁴



*Jason Weaks has been employed by QC Holdings since 2021.

**Vanessa Alarid has been employed by Opportunity Financial since 2021.

***Linda Siegle does not list a storefront lender employer in 2021 – however, she was previously employed by Access in 2020 and has since testified for the industry.

****Mickey Barnett has been employed by Western Shamrock since 2021.

Lobbyists employed by the industry have made **\$82,506** in unattributable contributions to upcoming elections, with the majority going to state House and Senate candidates. However, Governor Grisham’s 2022 re-election campaign has been, by far, the largest singular recipient of these unattributable contributions, as her campaign has received \$11,000. Other than gubernatorial candidates, Speaker Brian Egolf, Bernalillo County District Attorney Raul Torrez, Reps. Patricia Lundstrom and Doreen Gallegos, and Sen. Daniel Ivey-Soto have been the top recipients of these lobbyist contributions. The highest PAC contributions were to Zia 52 (Rep. Gallegos’ PAC) and People for Growing Our Economy (Rep. Lundstrom’s PAC).

⁵⁴ This includes PAC and candidate contributions; 95 percent of these small loan lobbyists’ contributions were to candidates.

Figure 19. Recipients of unattributable post-2020 election cycle contributions by small loan industry lobbyists

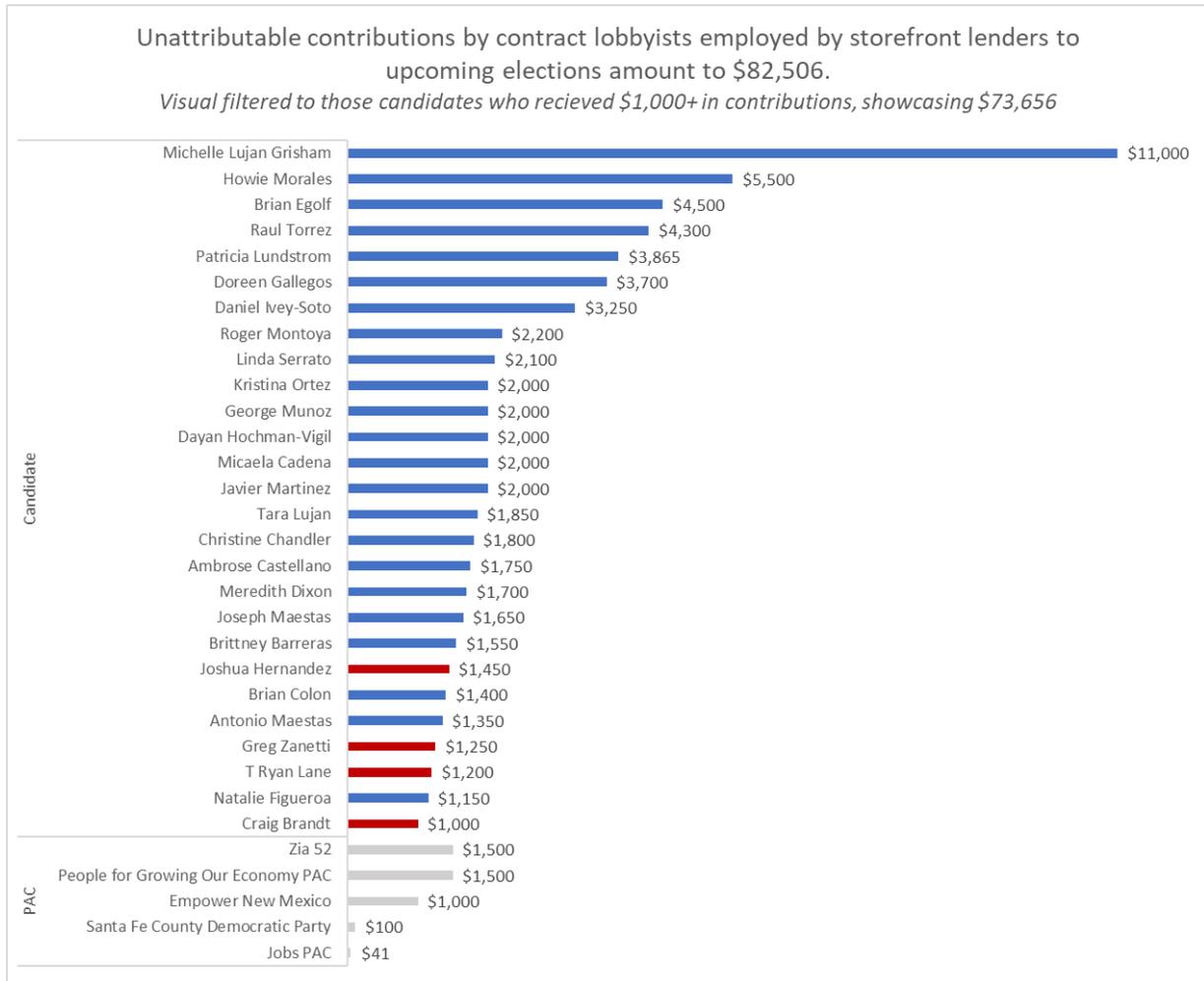


Figure 20. Recipients of unattributable 2022 and 2024 election cycle contributions by small loan industry lobbyists

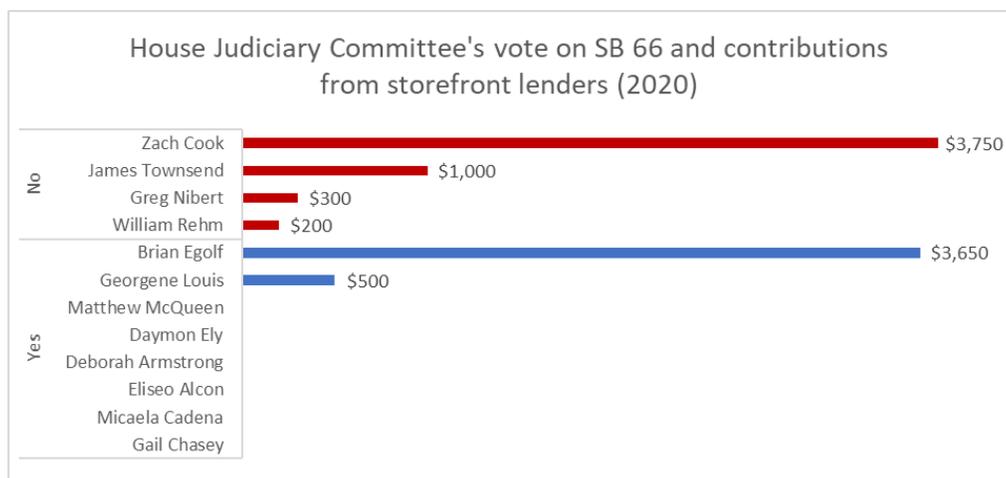
Candidates	Party	Unattributable Post-2020 Election Contributions by Lobbyists	Candidates	Party	Unattributable Post-2020 Election Contributions by Lobbyists
Governor			Senate		
Michelle Lujan Grisham	D	\$11,000	Daniel Ivey-Soto	D	\$3,250
Greg Zanetti	R	\$1,250	George Munoz	D	\$2,000
Lieutenant Governor			Craig Brandt	R	\$1,000
Howie Morales	D	\$5,500	Crystal Diamond	R	\$500
House			Martin Hickey	D	\$500
Brian Egolf	D	\$4,500	Brenda McKenna	D	\$300
Patricia Lundstrom	D	\$3,865	Katy Duhigg	D	\$300
Doreen Gallegos	D	\$3,700	Harold Pope	D	\$300
Roger Montoya	D	\$2,200	Pete Campos	D	\$250
Linda Serrato	D	\$2,100	David Gallegos	R	\$250
Micaela Cadena	D	\$2,000	Bernalillo County DA		
Kristina Ortez	D	\$2,000	Raul Torrez	D	\$4,300
Javier Martinez	D	\$2,000	Public Regulation Commission, District 3		
Dayan Hochman-Vigil	D	\$2,000	Joseph Maestas	D	\$1,650
Tara Lujan	D	\$1,850	State Auditor		
Christine Chandler	D	\$1,800	Brian Colón	D	\$1,400
Ambrose Castellano	D	\$1,750	Bernalillo County Sheriff		
Meredith Dixon	D	\$1,700	Patricio Ruiloba	D	\$500
Brittney Barreras	D	\$1,550	State Treasurer		
Joshua Hernandez	R	\$1,450	Heather Ryan Benavidez	D	\$450
Antonio Maestas	D	\$1,350	NM Supreme Court		
T Ryan Lane	R	\$1,200	Briana Zamora	D	\$100
Natalie Figueroa	D	\$1,150	Julie Vargas	D	\$100
Raymundo Lara	D	\$900	PACs		
Elizabeth Thomson	D	\$750	People for Growing Our Economy		\$1,500
Candie Sweetser	D	\$750	Zia 52		\$1,500
Derrick Lente	D	\$700	Empower New Mexico		\$1,000
Matthew McQueen	D	\$500	Santa Fe Co. Democratic Party		\$100
Debra Sariñana	D	\$500	Jobs PAC		\$41
Susan Herrera	D	\$400			
Eliseo Alcon	D	\$300			
Joy Garratt	D	\$250			
Marian Matthews	D	\$250			
Grand Total					\$82,506

VII. House Votes and Industry Contributions

A. House Judiciary Committee’s Vote on SB 66.⁵⁵

As previously outlined, during the 2021 legislative session, SB 66 (following its passage by the House Commerce and Economic Development Committee) was referred to the House Judiciary Committee. The committee amended the bill to allow interest rates up to 99 percent. The committee voted a do-pass recommendation 8-4 along party lines.

Figure 21. HJC vote on SB 66, and storefront lender 2020 election contributions



It should be noted that with the exception of Republican Rep. Zach Cook, each member of the House Judiciary Committee also received unattributable 2020 election cycle contributions from small loan industry lobbyists. From both sources (industry contributions and unattributable lobbyists’ contributions), those voting in favor received \$16,400 while opponents received \$8,500. On the House floor, Reps. James Townsend, Greg Nibert, and Bill Rehm voted in favor of the bill despite their earlier opposition in the committee; Rep. Eliseo Alcon voted nay on the House floor, despite earlier support in the Judiciary Committee.

B. House Vote on SB 66

The House passed SB 66 by a bipartisan vote of 52-16. Regardless of whether consisting of lender contributions, lobbying contributions, or a combination, those voting “yes” received more industry contributions than did opponents – not surprising, due to the large number of “yes” votes.

⁵⁵ The report is focusing on the House Judiciary Committee’s vote on SB 66 because it was the committee that made the most major changes to the bill that previously passed the Senate.

The average House member voting “yes” received just shy of \$1,000 in contributions from lobbyist employed by storefront lenders. Those who voted “no” received roughly half that, \$580 on average.

Figure 22. Full House vote on SB 66 and received contributions

House Vote on Amended Substitute SB 66	Lender Contributions	Lobbyist Contributions	Total 2020 Election cycle contributions
Yes	\$17,650	\$50,730	\$68,380
No	\$10,550	\$9,275	\$19,825
Grand Total	\$28,200	\$60,005	\$88,205

VIII. Recommendations

A. Legislature

This report has documented the history of storefront lending in New Mexico and the 2017 legislative reforms that were passed with bi-partisan support. We offer the following recommendations to the legislature, which will improve the quality of life for New Mexico families who too often find themselves overwhelmed by the onerous terms of high-interest loans.

- **Impose a 36 percent interest rate cap on small loans.** The legislature should resurrect SB 66 (2021) and reduce the maximum interest rate on small loans from 175 percent to 36 percent. As noted earlier in this report, a 36 percent cap on interest rates will align New Mexico with interest rate policies adopted by a large majority of other states.
- **Strengthen financial literacy education.** We wholeheartedly echo Think New Mexico’s recommendation that financial literacy education be strengthened in New Mexico.⁵⁶ We also take note that the Albuquerque Journal editorial board recently proposed that school districts be allowed to offer financial literacy as a stand-alone course or as part of an already-required course.⁵⁷ The editorial board correctly notes that many of our state’s ongoing problems – high poverty, reliance on predatory lenders, low retirement savings – can be traced to low financial literacy.⁵⁸

B. Secretary of State

We offer the following recommendations to the Secretary of State, to better reflect contributions, as well as ease data-related issues that hampered the analysis of contributions to our lawmakers and representatives.

⁵⁶ “How Predatory Lending Swallowed New Mexico and What We Can Do About It”, Think New Mexico, p. 26

⁵⁷ “Editorial: Legislators should focus windfall on making our state’s core government work”, Albuquerque Journal Editorial Board (January 9, 2022)

⁵⁸ *Ibid*

- **Reign in the systemic listing of lobbyists themselves in the “On behalf of” columns in reporting forms.** In this report, we have noted the ability of lobbyists to list contributions to candidates/PACs as “on behalf” of themselves or their law firm/consulting group (what we have listed as “unattributable contributions”). When lobbyists list themselves on their reporting forms as the “on behalf of” entity, we cannot connect their contributions to any specific employers they represent, and we are left to make general inferences from their listed employers. While some of these contributions may indeed be coming from the lobbyists as a truthful contribution from themselves, the sheer magnitude of how common this practice is calls this into question. Is this simply a means to hide contributions from a company or special interest? We cannot be certain and instead our analysis has to repeatedly emphasize that these are contributions from lobbyists employed by an industry. Reigning in this practice would better reflect where these numerous contributions to our lawmakers come from.
- **Include older election cycles in the new CFIS.** Data prior to the 2020 Primary Election is housed in the older CFIS, while data from recent elections is held in the new CFIS. For those interested in analysis across election cycles, it requires downloading data from both sources then aligning the data across multiple sets. This takes considerable time and data cleaning. While we recognize that this would require sufficient staff time, backlogging “old” campaign finance data into the “new” site would better provide a one-stop-shop for campaign finance data.
- **Analyze the prevalence of missing lobbyist forms due to the switch to “new” CFIS.** New Mexico Ethics Watch noted one missing lobbying form during our analysis, most likely the result of the switch from the “old” campaign finance site to the “new” site. This issue was rectified by reaching out to the Secretary of State’s Office. Since our analysis focused on a small set of lobbyists, we are unable to tell if this is a prevalent issue; however, any missing lobbying data is problematic as it impedes our understanding of who is contributing what to our lawmakers. A comparison of what forms the Secretary of State’s office has and what should be available in the downloadable datasets may illuminate other missing forms.
- **Streamline pathways for accurate reporting of names in downloadable contributions data.** To collate the contributions analyzed in this report, considerable time and effort was put into cleaning of CFIS data. Misspellings of candidate names, lobbyists names, business names, and colloquial abbreviations for all resulted in lengthy data cleaning that obstructed quick/timely analysis. Uniform spellings, especially of lawmakers, within this downloadable data would be immensely helpful and aid analysis of campaign contributions made by various industries and lobbyists.
- **Removing Column R from downloadable sets from new CFIS.** While the Secretary of State’s Office has an informative key on what specific columns of data represent, Column

R was particularly troublesome.⁵⁹ The key lists Column R as “Election”. However, discussions with the Secretary of State’s Office highlighted that this column does not perfectly align, and can list an election contrary to when the contribution actually occurred; i.e., a contribution may have occurred on September 1 2021 but is listed as a previous election cycle in Column R instead of the 2022 Election. The office noted that this column of data is a recurring problem and confusing to those using the data; we agree, and recommend that Column R “Election” either be more accurately aligned with the transaction date and the correct election cycle, or removed from the downloadable data sets to avoid confusion. The importance of analyzing data by election cycle pushes a recommendation to the former.

IX. Conclusion

Despite 2017 reform in New Mexico that created a prohibition against payday loans, New Mexico continues to lag behind other states in doing away with high, unconscionable rates charged for small loans. The reticence to pass major lending reform has cost New Mexicans millions of dollars, harmed credit ratings and perhaps even contributed to the ongoing poverty status of some of the most vulnerable New Mexicans.

The industry’s messaging has clearly been effective, providing an emotional and compelling reason for continuing the high interest rates for small loans that have afflicted some New Mexicans. But, evidence continues to come in from states that have capped small loan interest rates that supports the conclusion that consumers looking for small loans are able to obtain them, without undue harm.

A groundswell of support for instituting a small loan interest rate cap of 36 percent has been building. The infrastructure for imposing the cap already exists in SB 66, introduced during the 2021 legislative session.

It’s time to leverage the big interest in small loans to bring relief to those New Mexicans dependent upon small loans for their financial benefit.

⁵⁹ See <https://login.cfis.sos.state.nm.us/Template/Contributions%20and%20Loans%20File%20Layout%20Key.pdf> for campaign finance contributions key

X. Appendices

Appendix 1

Data Methodology & Issues

All contributions were downloaded on October 20th, 2021 from both campaign finance systems to capture the most recent reporting forms and data.

Our tabulation of the contributions by both storefront lenders and small loan lobbyists is likely an underrepresentation of the reality. The switch to the new campaign finance data website creates a rift between “old” and “new” data that hampered our analysis; some data was seemingly duplicated (i.e., had the same contribution listed twice) and as such was removed from our analysis. But if such data was *indeed* two separate transactions, it is not represented in the preceding sections. Naming conventions were also problematic – lenders/lobbyists (and candidates) names are not uniform within the system, where acronyms, misspellings, and shorthand all result in a more difficult dataset to clean and collate. When data obstacles emerged and could not be solved, effort was made to *undercount* contributions to avoid overstepping in our analysis. However, by doing so, we also potentially underrepresent the financial contributions made by this industry to our lawmakers and representatives.

The self-reporting nature of contributions also raise eyebrows when looking at the available data. For instance, addresses are provided for each contribution within the campaign finance sites; this runs the risk of contributors mischaracterizing where their business is *truly* headquartered. In some instances, we noted that a contribution by Lender A was immediately followed by another contribution from the same lender, yet curiously the two have different reported addresses or states of origin. As such, our analysis may underrepresent the out-of-state influence of this industry.

Appendix 2

Sources Below are the major sources New Mexico Ethics Watch used in this report:

A. Government publications and websites

* New Mexico Regulations and Licensing Department’s Small Loan Company Directory. The current directory includes information up to September 20, 2021: <https://tinyurl.com/2021-NMSmallLoanDirectory>

* State Financial Institutions Division’s 2020 New Mexico Small Loan Act Annual Report: <https://realfile1ee897135beb4b1c82715d36398de4c5.s3.amazonaws.com/b50bedbe-93c0-40b3-9615-3793feaf1df0?AWSAccessKeyId=AKIAJBKPT2UF7EZ6B7YA&Expires=1641418735&Signature=tsFdYT4TYw%2Bp9ypUNviF8cqJd8%3D&response-content->

[disposition=inline%3B%20filename%3D%222020%20Small%20Loan%20Annual%20Report.pdf%22&response-content-type=application%2Fpdf](#)

* New Mexico Secretary of State's Businesses Services Division:
<https://portal.sos.state.nm.us/BFS/online/CorporationBusinessSearch>

* New Mexico Secretary of State's *old* Campaign Finance Information System (for campaign contributions up through the 2020 primary and lobbyist reports through the end of calendar year 2020): <https://www.cfis.state.nm.us>

* New Mexico Secretary of State's *new* Campaign Finance Information System (for campaign contributions starting after the 2020 primary and lobbyist reports starting in 2021):
<https://login.cfis.sos.state.nm.us/index.html#/index>

* My Credit Union.gov "Payday Loan Alternatives" <https://www.mycreditunion.gov/life-events/consumer-loans/payday-loan-alternatives>

* FEDS Notes. Washington: Board of Governors of the Federal Reserve System, August 3, 2020,
<https://doi.org/10.17016/2380-7172.2610>

* Consumer Financial Protection Bureau, a question about payday loans Sept. 1, 2020,
<https://www.consumerfinance.gov/ask-cfpb/i-heard-that-taking-out-a-payday-loan-can-help-rebuild-my-credit-or-improve-my-credit-score-is-this-true-en-1611/>

B. Other small-loan studies

* Think New Mexico's 2020 report *How Predatory Lending Swallowed New Mexico and What We Can Do About It*: <https://www.thinknewmexico.org/wp-content/uploads/PredatoryLending-web.pdf>

* The National Consumer Law Center's *Predatory Installment Lending in the States: 2020*, a report by <https://www.nclc.org/images/pdf/rpt-InstallmentLoans-feb-2020.pdf>

* The National Consumer Law Center's "Why Cap Interest Rates at 36%?"
https://www.nclc.org/images/pdf/high_cost_small_loans/IB_Why_36.pdf

* Prosperity Works predatory lending web page <https://www.prosperityworks.net/issues-in-depth-predatory-lending.html>

* New Mexico Center on Law and Poverty, small loans fact sheet, based on data from National Equity Atlas.
https://nationalequityatlas.org/sites/default/files/New_Mexico_Small_Loans_factsheet_08-05-19.pdf

* UStatesLoans.org, "Colorado Payday Loan Law and Legislation,"
<https://www.ustatesloans.org/law/co>

C. Newspaper and magazine articles

- * “House sends revised loan bill back to Senate” Dan McKay, *Albuquerque Journal* (March 17, 2021)
- * “Bad behavior sullies predatory lending debate and kills bill” Sherry Robinson, *Carlsbad Current Argus*, (April 5, 2021).
- * “Efforts to rein in payday loans meet resistance from lawmakers” Steve Terrell, *Santa Fe New Mexican*, (Feb. 25, 2017).
- * “State needs to cap high-interest loans – now,” Ona Porter, *Santa Fe New Mexican*, (December 18, 2021), https://www.santafenewmexican.com/opinion/my_view/state-needs-to-cap-high-interest-loans-now/article_d5e5beb2-5ea9-11ec-8e89-23a31a7fd658.html
- * “Effort resumes to cap interest rates on small loans” Dan Boyd, *Albuquerque Journal* (Jan. 5, 2022)
- * “3 ways to borrow money if you can't get a loan,” Liz Knueven, *Business Insider*, <https://www.businessinsider.com/personal-finance/how-to-borrow-money-if-you-cant-get-a-loan>
- * “Payday loan interest limit wins big,” Joe Rubino, *The Denver Post*, (November 6, 2018)
- * *The Myth vs. the Truth About Regulating Payday Lenders*, Liz Farmer, *Governing* magazine February 17, 2017
<https://www.governing.com/archive/gov-payday-lending-online.html>

D. Small Lender websites

- * Access Financial Services Inc.: <https://www.access-financial.com>
- * Community Loans of America <https://clacorp.com>
- * New Mexico Credit Corporation: <https://newmexicocreditcorp.com>
- * Opportunity Financial <https://www.opploans.com>
- * QCHI <https://www.qchi.com>
- * Security Finance Corporation <https://www.securityfinance.com>
- * Sun Loan Company <https://www.sunloan.com>
- * Western Shamrock <https://westernshamrock.com>

* World Acceptance Corporation <https://www.loansbyworld.com>

E. Storefront loan alternatives

*True Connect, <https://trueconnectloan.com>

XI. Acknowledgments

New Mexico Ethics Watch would like to acknowledge the works of others that formed the foundation of our report and analysis:

The National Consumer Law Center’s 2020 report provided invaluable visuals on interest-rate caps across the United States.

The New Mexico Secretary of State’s Office for their timely responses to our questions related to contribution data housed in their campaign finance websites.

State Sen. Bill Soules, Think New Mexico’s Fred Nathan, Prosperity Works’ Ona Porter and Karen Meyers, and lobbyists Linda Siegle and Raymond Sanchez for taking the time to talk to New Mexico Ethics Watch for this report.