



**A Letter from New Mexico Faith Leaders
to New Mexico Legislators on the Small Loan Interest Rate Cap proposed legislation**

January 28, 2022

We, the undersigned, as faith leaders, clergy, lay-leaders, and members representing faith traditions from across our state, join in support of HB 132, and ask for your passage of legislation that would cap small-loan interest rates at 36%. Such loans, most offered through storefront lending companies, have had a devastating impact on far too many individuals and families in New Mexico since the repeal of a similar cap almost 40 years ago. At least eighteen (18) states including Texas, Colorado, Oklahoma, and the United States Military have interest and fee caps set at 36% or lower. We believe that the time to act is long overdue and that New Mexico must be the next state to follow this practice.

As people of faith, we share deep convictions grounded in scripture warning us against predatory usury which we know has plagued humankind since biblical times; and we know that today we face such practices in crisis proportions across our state. As the prophet Moses shared with the Children of Israel the laws and ordinances handed down from God, we hear these words about our dealings with those mired in poverty. “If you lend money to my people, to the poor among you, you shall not deal with them as a creditor; you shall not exact interest from them. And if your neighbor cries out to me, I will listen, for I am compassionate.” (Exodus 22:25, 27b). As followers of this God, we too have been called to be compassionate, especially in our dealings with the poor. We know that with regards to unfair lending practices, our Native communities suffer the most. 65% of storefront lenders are located within a few miles of tribal land. Indeed, there are currently 521 small loan licensees in New Mexico charging up to 175% interest registered with the Department of Regulation & Licensing; and these companies do not represent local businesses since more than 89 percent of the companies reaping these profits are based out of state.

People in New Mexico, all of our communities, deserve principled banks and ethical lenders that will serve and strengthen our families rather than place upon them a tremendous burden that only pushes them further into debt. The combination of our state's loose lending rules and our high poverty rates has made New Mexico a magnet for predatory lenders and continues to leave a devastating impact on those who can least afford it and for the generations that follow them.

A local pastor shares a story of a family struggling financially who came to him seeking assistance from his church. When he met with them to discuss their situation, he learned they had taken out a loan from a small lender. The loan, \$500, turned to a \$1,000 bill within a few months. The interest rate was 175%. This family, already struggling to pay their bills, became further embedded in poverty because of their desperation and lack of understanding of the extortionate interest rates being applied to their loan. "It was a death spiral," he explains, recalling the family and their dire situation and the needed action of the church to pay off the bill.

We understand that any emergency situation can create a financial crisis. An unexpected health issue, the death of a family member and funeral costs, the loss of a job, the breakdown of a family automobile, any situation that requires instant cash can leave those who already struggle financially with few options so they turn to unscrupulous lenders who currently can charge up to 175% interest. The statistics are irrefutable and they should shock anyone who hears the stories.

Some crises we face are hard to solve. Others require only a surge of ethical responsibility and a carefully thought out prescription for change. In this case, HB 132 offers a reasonable and just way forward. To cap such loans at an interest rate of 36% is the most effective form of regulation. Just as we need speed limits to protect motorists, catch limits to protect fisheries, we need interest limits to protect borrowers.

We are called by our religious traditions to protest against injustice and to speak for the poor. Our prophets demand that we cry out in no uncertain terms to oppose those who "deprive the poor of their rights and who withhold justice" from them. On behalf of the people of New Mexico, and especially on behalf of those who struggle with financial difficulties, our poor

among us, we ask that those who are led to govern with justice and fairness rally in support of this legislation. We know there is no good argument in favor of keeping those mired in poverty, our most vulnerable residents, in the grip of lenders who demonstrate no concern or care for those seeking assistance. We have borne witness to these practices too long. We call upon you to act now.

Faithfully,

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