TITLE: An Action Relating To NAABIK'ÍYATI' Committee Of The Navajo Nation Council: Supporting Efforts To Reduce The Small Loan Annual Percentage Rate from 175% to 36% And Requesting The New Mexico Legislature To Adopt The 36% Annual Percentage Rate

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DATE: July 14, 2020

TITLE OF RESOLUTION: AN ACTION RELATING TO NAABIK'ÍYÁT'Í' COMMITTEE OF THE NAVAJO NATION COUNCIL; SUPPORTING EFFORTS TO REDUCE THE SMALL LOAN ANNUAL PERCENTAGE RATE FROM 175% TO 36% AND REQUESTING THE NEW MEXICO LEGISLATURE TO ADOPT THE 36% ANNUAL PERCENTAGE RATE

PURPOSE: This resolution, if adopted, would support efforts to reduce the small loan annual percentage rate from 175% to 36% and requesting the New Mexico Legislature to adopt the 36% annual percentage rate.

This written summary does not address recommended amendments as may be provided by the standing committees. The Office of Legislative Counsel requests each Council Delegate to review each proposed resolution in detail.
PROPOSED STANDING COMMITTEE RESOLUTION
24th NAVAJO NATION COUNCIL -- Second Year, 2020

INTRODUCED BY

(Prime Sponsor)

TRACKING NO. 0169-20

AN ACTION
RELATING TO NAABIK’IYÁT’I’ COMMITTEE OF THE NAVAJO NATION
COUNCIL; SUPPORTING EFFORTS TO REDUCE THE SMALL LOAN ANNUAL
PERCENTAGE RATE FROM 175% TO 36% AND REQUESTING THE NEW
MEXICO LEGISLATURE TO ADOPT THE 36% ANNUAL PERCENTAGE RATE

WHEREAS:

A. The Naabik’iyát’i’ Committee is a standing committee of the Navajo Nation
Council. 2 N.N.C. § 700. The Committee is empowered to coordinate with all federal
and state programs with the other standing committees for the purpose of providing the
most efficient delivery of services to the Navajo Nation. 2 N.N.C. § 701(A)(4).

B. In 2017, the New Mexico legislature passed HB 347 that capped the interest rate on
small loans to 175% APR (annual percentage rate). This was the first across-the-board
interest rate cap in New Mexico in nearly three decades. While the reduction is
commendable, there is tremendous work that still needs to be achieved because New
Mexico has one the highest state APR caps in the United States. According to the
National Consumer Law Center, based on data collected in February 2020, New Mexico
has the third highest interest rate cap for a $500 six-month loan and has the highest
interest rate for a $2,000 two-year loan.
C. The data collected from the National Consumer Law Center showed for a $500 six-
month loan, the average interest rate among forty-five states is 38.5% APR. For a $2,000
two-year loan, the average interest rate among forty-two states is 31% APR. While 38.5%
and 31% APR is still high for an average consumer, these rates are better than the current
175% APR in New Mexico.

D. Approximately 65% of loan companies in New Mexico are located within 15 miles
of indigenous lands. There is approximately one lender for every 500 people in Gallup.
There are 595 high-cost loan companies licensed to do business in New Mexico.
Indigenous persons often do not seek clarification to better understand the terms of the
small loan, and storefront small loan lenders are often the only entity that will provide a
small loan to them. Small loan businesses do not provide sufficient amount of
information regarding the costs and terms of loans to indigenous consumers, especially
those that have difficulty understanding the English language, to make an informed
decision.

E. While there is an outcry from small loan businesses in New Mexico that they cannot
make a profit off of a 36% APR, the United States Congress passed the 2006 Military
Lending Act that requires active duty service members and their spouses, children, and
certain other dependents to be provided no more than 36% APR on small loans. Twenty-
one states have APR caps of 36% or less on $500 loans, and thirty-three states have APR
caps of 36% or less on $2000 loans; however, these storefront small loan businesses are
still in operation. It is uncalled for that these small loan lenders take advantage of Navajo
consumers without meaningful and clear disclosure of the annual percentage rate and
amount of money they would have to repay.

F. By Resolution NNHRCJULY-09-20, the Navajo Nation Human Rights Commission
supported the reduction of the small loan interest rate from the current 175% APR to 36%
APR. See attached Exhibit A. The Commission further finds it is in the best interest of
Navajo Nation and Navajo consumers to reduce the annual percentage rate of small loans
in New Mexico from the current 175% to 36%. The New Mexico Legislature should
follow the United States Congress with the 2006 Military Lending Act, but instead of
applying it to only active duty service members and their spouses, children, and certain
other dependents, it should be applied to everyone who borrows from a small loan lender in New Mexico.

NOW THEREFORE BE IT RESOLVED:

The Navajo Nation hereby supports the efforts to reduce the small loan interest rate from 175% APR to 36% APR and requests the New Mexico Legislature to adopt the 36% APR during the 2021 legislative session.