

THE NAVAJO NATION  
LEGISLATIVE BRANCH  
INTERNET PUBLIC REVIEW PUBLICATION



LEGISLATION NO: \_0169-20\_\_

SPONSOR: Daniel E. Tso

**TITLE: An Action Relating To NAABIK'IYATI' 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**

***Date posted: August 11, 2020 at 5:16 PM***

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## LEGISLATIVE SUMMARY SHEET

Tracking No. 0169-20

**DATE:** July 14, 2020

**TITLE OF RESOLUTION:** AN ACTION RELATING TO NAABIK'ÍYÁT'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

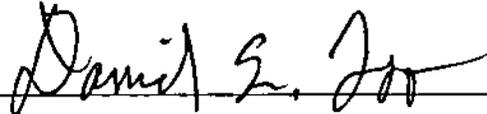
**PURPOSE:** This resolution, if adopted, would support efforts to reduce the small loan annual percentage rate from 175% to 36% and requesting the New Mexico Legislature to adopt the 36% annual percentage rate.

**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.**

5-DAY BILL HOLD PERIOD: Johnson  
Website Posting Time/Date: \_\_\_\_\_  
Posting End Date: 08-16-20  
Eligible for Action: 08-17-20

1 PROPOSED STANDING COMMITTEE RESOLUTION  
2 24<sup>th</sup> NAVAJO NATION COUNCIL -- Second Year, 2020

3 INTRODUCED BY

4   
5 \_\_\_\_\_  
6 (Prime Sponsor)

7  
8 TRACKING NO. 0169-20

9  
10 AN ACTION

11 RELATING TO NAABIK'ÍYÁT'I' COMMITTEE OF THE NAVAJO NATION  
12 COUNCIL; SUPPORTING EFFORTS TO REDUCE THE SMALL LOAN ANNUAL  
13 PERCENTAGE RATE FROM 175% TO 36% AND REQUESTING THE NEW  
14 MEXICO LEGISLATURE TO ADOPT THE 36% ANNUAL PERCENTAGE RATE

15  
16 **WHEREAS:**

17  
18 A. The Naabik'iyáti' Committee is a standing committee of the Navajo Nation  
19 Council. 2 N.N.C. § 700. The Committee is empowered to coordinate with all federal  
20 and state programs with the other standing committees for the purpose of providing the  
21 most efficient delivery of services to the Navajo Nation. 2 N.N.C. § 701(A)(4).

22 B. In 2017, the New Mexico legislature passed HB 347 that capped the interest rate on  
23 small loans to 175% APR (annual percentage rate). This was the first across-the-board  
24 interest rate cap in New Mexico in nearly three decades. While the reduction is  
25 commendable, there is tremendous work that still needs to be achieved because New  
26 Mexico has one the highest state APR caps in the United States. According to the  
27 National Consumer Law Center, based on data collected in February 2020, New Mexico  
28 has the third highest interest rate cap for a \$500 six-month loan and has the highest  
29 interest rate for a \$2,000 two-year loan.  
30

1 C. The data collected from the National Consumer Law Center showed for a \$500 six-  
2 month loan, the average interest rate among forty-five states is 38.5% APR. For a \$2,000  
3 two-year loan, the average interest rate among forty-two states is 31% APR. While 38.5%  
4 and 31% APR is still high for an average consumer, these rates are better than the current  
5 175% APR in New Mexico.

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

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

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

1 other dependents, it should be applied to everyone who borrows from a small loan lender  
2 in New Mexico.

3  
4 **NOW THEREFORE BE IT RESOLVED:**

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