

Reminder – Increase in Principal Balance Licensing Threshold to New Mexico Small Loan Act License is Effective January 1

McGlinchey Consumer Financial Services Alert

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Effective January 1, 2018, [New Mexico House Bill 347](#) ("HB 347") will raise the amount of regulated loans in New Mexico from \$2,500 to \$5,000. Under HB 347, loans of \$5,000 or less must have an APR of not greater than 175% and must be made pursuant to either the New Mexico Small Loan Act (the "SLA"), N.M. Stat. §§ 58-15-1, et seq., or the New Mexico Bank Installment Loan Act (the "BILA"), N.M. Stat. §§ 58-7-1, et seq. Please note that this means that non-bank lenders who did not previously hold a New Mexico license because they did not make loans of \$2,500 or less will now need to obtain an SLA license or not make loans of \$5,000 or less. Additionally, HB 347 requires that, for each loan made pursuant to the SLA on or after January 1, 2018, a lender must report to a consumer reporting agency the terms of the loan and the borrower's performance pursuant to those loans.

In addition to revising the licensing structure in New Mexico, HB 347 made several smaller changes to both the SLA and the BILA. First, HB 347 amends the SLA to provide for a minimum loan term of 120 days and require SLA loans to be repayable in a minimum of four substantially equal installments. Second, HB347 further limits loans made pursuant to the BILA to precomputed loans repayable in installments and provides for a processing fee of \$200 or 10% of the original loan amount. Third, under both the SLA and the BILA, HB 347 limits a lender to debiting a borrower's bank account with insufficient funds once, unless the consumer agrees in writing. Finally, HB 347 deems a violation of either the SLA or the BILA to constitute an unfair or deceptive trade practice under New Mexico law.

An overview of these changes can be found in the "Small Loan Reforms" Regulatory Alert published by the New Mexico Regulation and Licensing Department, Financial Institutions Division.

For more information about HB 347, and for licensing help, please reach out to the authors of this alert or another member of the firm's [Consumer Financial Services Compliance team](#).

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