



State of New Mexico

Office of the Governor

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Governor Richardson, Attorney General Madrid File Vow to Protect Consumers, Defend Payday Lending Regulations

SANTA FE - Governor Bill Richardson and Attorney General Patricia Madrid today issued the following statements reacting to lawsuits filed this week by payday lending companies attempting to block new regulations that would regulate the industry.

Governor Richardson and Attorney General Madrid jointly developed regulations, which are scheduled to go into effect Aug. 31, 2006, that are designed to protect consumers against predatory practices that take unfair advantage of New Mexicans.

“As expected, the payday lending industry is resisting our attempt to protect New Mexico consumers from predatory lending practices,” Governor Bill Richardson said. “We will continue to help New Mexicans who are struggling to make ends meet.”

Anticipating legal opposition from the industry, Attorney General Madrid previously had filed a lawsuit on July 31 asking the State District Court to affirm the authority of the State Regulation and Licensing Department to issue these important safeguards.

“We knew this industry would try to prevent these regulations from taking effect,” Attorney General Patricia Madrid said. “We are prepared to vigorously defend these regulations and do the right thing for New Mexico consumers.”

These regulations will do the following:

1. Require all payday loans in New Mexico to be **interest free**; lenders may not charge more than a \$15.50 fee per \$100 borrowed.
2. Stop the cycle of debt for consumers of payday loans by prohibiting unlimited loan renewals and giving consumers the sole discretion to renew and, if they choose to renew, they can renew only twice.

3. Consumers will have sole discretion to enter into a free and longer payment plan – a minimum of 130 days – with no additional fees – after a second renewal.
4. Limit the amount of all outstanding payday loans a consumer has throughout the state with all licensed lenders to 25 percent of the consumer's gross monthly income. The new database will monitor compliance with this rule.
5. Launch an aggressive consumer advocacy and financial literacy program to educate the public and inform consumers that they **do not** have to repay payday loans made by anyone who is not duly licensed to make such loans.

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