

New Mexicans Deserve Fair Loans

New Mexico's predatory lending industry unfairly targets Native American communities

Native American residents compose a large share of the population in New Mexico and the state's diversity of tribal nations is one of its greatest strengths. However, discriminatory policies have enabled businesses to extract resources from Native American communities whose wealth has already been stripped by a history of colonization. During the late 1980s, New Mexico rolled back consumer protections which allowed predatory small-loan companies that offer payday and other small loans at exorbitant rates and fees to spread across the state. Many of these lenders have established themselves in towns that border Native lands, profiting from providing predatory loans to these communities that lack mainstream financial services. These extractive practices trap families in a vicious cycle of debt and weaken the state's economy.

Small-loan lenders cluster around Native lands.

64%

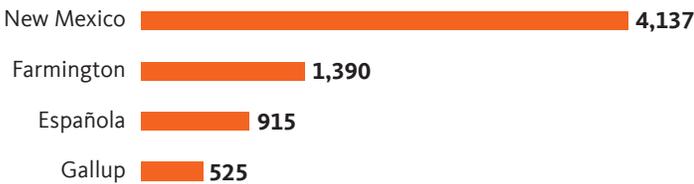
of New Mexico's small-loan lenders are located within **15 miles of Native lands**. And Native lands comprise less than 10% of the state.

Distance from Native lands*	Proportion of all small-loan storefronts
5 miles	32%
10 miles	59%
15 miles	64%

*Calculated as the shortest distance from edge of Native land boundary to lender location.

Towns near Native lands have higher proportions of small-loan lenders compared to New Mexico as a whole.

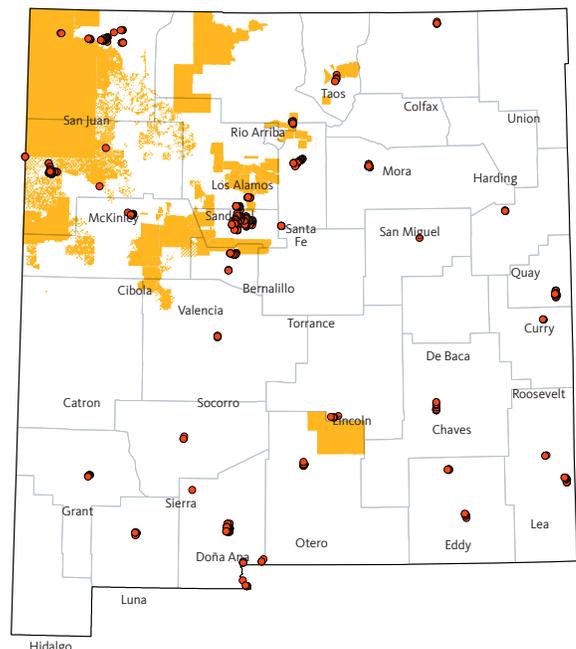
Population per small-loan lender statewide and for cities near Native lands: 2018



In Gallup, right outside of the Navajo Nation, there is one small-loan lender for every 525 people. Given that **27 percent of Native Americans live in communities where there is a high level of poverty**,¹ accessible small loans can be an attractive short-term solution. However, predatory loan terms lead to long-term debt that ultimately hurt borrowers.

Small-loan lenders and Native lands: New Mexico, 2018

● Small-loan storefronts ● Native lands



Predatory loan terms perpetuate a cycle of debt and poverty.



Source: New Mexico Center on Law and Poverty

Short on cash six years ago, Carlotta Chimoni drove from her home in Zuni Pueblo to a small-dollar lender in nearby Gallup and took out a several-hundred-dollar installment loan. “We had a family emergency and needed money,” said Chimoni, whose \$22,000 teacher’s assistant salary is the only predictable income in her 11-person family.

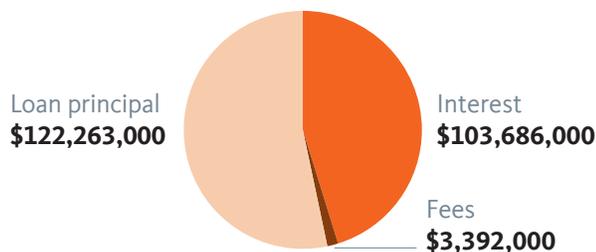
But when Chimoni, 42, was laid up with migraines, she missed consecutive days at work and fell behind on payments. To avoid defaulting, Chimoni rolled the first installment loan into another one—and then another. “I ended up using loans to cover loans,” she said. By early 2014, Chimoni was carrying nearly a dozen loans from seven lenders, most with interest rates over 100 percent.

“I felt cornered,” she said. “But I did it for my family.”

Source: NBC News

Interest and fees make up nearly half of small-loan debt and keep families from meeting basic needs.

Loan principal, interest, and fees paid on small, high-interest loans: New Mexico, 2017



In 2017, New Mexicans borrowed 203,612 small, high-interest loans² with a total principal amount of over \$180 million. But in the same year, **borrowers repaid over \$229 million in principal, interest, and fees.**

Three steps to end predatory lending in New Mexico

- 1) Protect borrowers** from predatory lending practices by lowering the 175% APR cap on small loans to 36% APR. A 36% APR cap is an evidence-based solution to ensure that borrowers have access to fair credit at an interest rate they can actually repay.
- 2) New Mexico’s Regulation and Licensing Department must consult and collaborate** with Native American governments in its enforcement of the law. Native American governments have a right to self-determination and are best suited to shape state policies that impact their communities.
- 3) Increase transparency in the lending process** by requiring lenders to explain the full cost of a loan to borrowers, and provide this information in the language the borrowers speak.

Data analysis from the [National Equity Atlas](#), a partnership between PolicyLink and the University of Southern California Program for Environmental and Regional Equity (PERE). **Sources:** National Equity Atlas; New Mexico Regulation and Licensing Department, Financial Institutions Division; U.S. Census Bureau TIGER Shapefiles.

¹High-poverty neighborhoods are defined as census tracts with a poverty rate of 40% or higher. ²Small, high-interest loans include all installment loan products with an APR greater than 175%.

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