

Title: **County Approves Loan Program**  
 Author: By Amanda Martinez SUN Staff Writer  
 Size: 55.95 column inches  
 Espanola, NM Circulation: 11626



# County Approves Loan Program

**By Amanda Martinez**

SUN Staff Writer

Rio Arriba County employees living paycheck-to-paycheck and those who have bad credit, or no credit, will soon have access to an emergency loan option meant to dissuade people from taking out high-interest payday loans.

The True Connect loan program allows County employees to take out short-term loans of \$1,000 to \$3,000, at a 24.99 annual percentage rate.

The money will be placed in the employee's bank account within 36 hours of applying for the loan. It is paid back over a 12-month period and the payments are automatically deducted from the employee's gross pay, each pay period.

Employees will apply for the loans through the County's Human Resources Department.

County Manager Tomas Campos recommended approval of the program during the regular County Commission meeting, Feb. 22. Commissioner Barney Trujillo did not attend the meeting, so Commissioners Danny Garcia and Alex Naranjo accepted his recommendation, but will require any employee who takes out a loan to go through a mandatory credit counseling and education program.

Campos did not say when the program will be available to County employees.

"We have a standard interest rate that is available to all employees regardless of their personal credit," Employee Loan Solutions founder Doug Farry said. "We do not do a credit check to anyone who is accessing True Connect with their employers."

He said the program is intended to help people with low credit scores or no credit history, since they usually cannot get a loan from a traditional lender, such as a bank or credit union.

Although the True Connect loans have a high interest rate, they are a cheaper alternative to a payday loan, he said.

In April 2017, Gov. Susanna Martinez signed

New Mexico House Bill 347, which capped payday loan interest rates at 175 percent of the loan total. The law went into affect Jan. 1, 2018.

During the Feb. 22 meeting, New Mexico Association of Counties Communications Director Susan Mayes said the all New Mexico counties can participate in the program free of charge and will not be liable for any unpaid employee debt.

If an employee quits and has not paid back the full amount of their loan, the issue is resolved by the lender. The County will have zero involvement in the resolution process.

"The risk is on the lender," she said. "Let's say that person disappears and there is no forwarding address. That's why it is 24.99 percent."

An employee cannot have more than 8 percent of their paycheck go toward the repayment of their loan.

"Our (application) system checks that it isn't going to be more than 8 percent of their gross pay," Farry said. "If it is more than 8 percent of their gross pay, then our system only shows them small loan sizes that are available to them."

Employees will be allowed to take out multiple loans, as long as the total does not exceed \$3,000 and they stay within the 8 percent limit.

He said employees often think they will pay about \$249 interest on a \$1,000 loan, but because they are paying that interest on a declining balance, it ends up being close to \$140.

About \$40 per pay period goes toward the principal loan balance, while about \$5.50 goes toward interest. The employee takes home about \$90 less each month.

An employee who makes \$18,000 a year and takes out a \$1,000 loan will instead take home \$16,920, before taxes.

Mayes said local banks and credit unions can choose to finance the loans, but if they choose not

Title: **County Approves Loan Program**  
Author: By Amanda Martinez SUN Staff Writer  
Size: 55.95 column inches  
Espanola, NM Circulation: 11626

to, the loans are offered through Minnesota-based Sunrise Bank.

Local banks and credit unions do provide the credit counseling and financial education. While the loans are meant to help employees in a financial emergency, there is no guarantee they will not use the money something else.

Mayes said the credit counseling and financial education is meant to deter people from using the loans for anything other than an emergency.

Albuquerque-based Rio Grande Credit Union is providing financial education in Bernalillo County, as the County also offers loans through the True Connect program.

Although Santa Fe County does not offer the loan program to their employees, Guadalupe Credit Union has agreed to finance the loans and provide credit counseling if County officials choose to offer the program in the future.

Besides Bernalillo County, Doña Ana, Socorro and Taos Counties also participate in the program.

“So far, Doña Ana County has been the most successful,” she said. “They haven’t lost anything. No one has defaulted and they started a year ago in February.”