F I S C A L   I M P A C T   R E P O R T

ORIGINAL DATE 1-26-09
SPONSOR Cote **LAST UPDATED** **HB** 43

SHORT TITLE Low-Income Homeowner Mortgage Loans **SB**

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	$5,000.0	Non-Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

House Bill 43 appropriates $5,000.0 from the general fund to Department of Finance and Administration to be used by MFA for the purpose of supplementing the partners' fund to purchase mortgage loans made to low-income homeowners in New Mexico.

FISCAL IMPLICATIONS

The appropriation of $5,000.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert.

The appropriation in HB 43 would supplement the partners' fund. In the New Mexico state treasury no such fund exists. However, MFA administers a program known as the "Partners Program".

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is $293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

SIGNIFICANT ISSUES

According to MFA, throughout New Mexico are non-profit organizations, tribal organizations and public housing agencies that typically rely on donations of cash, building materials, land and legal services and government funding to support their homeownership assistance efforts. Often, such as in the case of Habitat for Humanity affiliates, homes are constructed or rehabilitated by community volunteers and homebuyer sweat equity. In addition, such organizations counsel homebuyers prior to purchase, provide mortgage loans to finance the purchase, and maintain ongoing relationships with the homeowners by servicing the loans and providing continued counseling. However, because their efforts are supported through fund raising activities, the number of homes they can produce and sell to very low-income households is extremely limited.

In 1992, the MFA established the PARTNERS Program. Using specially restricted monies from the refunding of a single-family mortgage revenue bond issue and its own general fund, MFA served as a secondary market by purchasing mortgage loans made by program participants to very low-income homebuyers. This arrangement allowed participating organizations to recycle their funds and increase their production of affordable homeownership units.

PERFORMANCE IMPLICATIONS

Under the PARTNERS Program, MFA has purchased 224 loans totaling $11.3 million as of January 1, 2009, with an average loan amount of $55,625. $5 million in funding, with that average loan amount, would provide approximately 90 homes to low-income households.

ADMINISTRATIVE

HB 43 states no more than five percent of the cost of each loan purchased shall be retained by the authority for administrative expenses.

TECHNICAL ISSUES

As stated above in “Fiscal Issues”, the appropriation in HB 43 would supplement the partners’ fund. In the New Mexico state treasury no such fund exists. However, MFA administers a program known as the “Partners Program”.

JL/mc