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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/15  
 LAST UPDATED 2/9/15      HB \_\_\_\_\_

SPONSOR Padilla

SHORT TITLE Foreclosure Process Task Force      SB 27a

ANALYST Graeser/Dorbecker

### APPROPRIATION (dollars in thousands)

Appropriation					Recurring or Nonrecurring	Fund Affected
FY15	FY16	FY17	FY18	FY19		
	\$50.0				Nonrecurring	General Fund

Parenthesis ( ) indicate expenditure decreases

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		\$5.0		\$5.0	Nonrecurring	MFA Operating

Parenthesis ( ) indicate expenditure decreases

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

New Mexico Mortgage Finance Agency (MFA)

New Mexico Department of Finance and Administration (DFA)

### SUMMARY

#### Synopsis of SPAC Amendment

The Senate Public Affairs Committee Amendment provides that up to ten percent of the appropriation may be used by MFA for administrative purposes.

#### Synopsis of Original Bill

Senate Bill 27 appropriates \$50,000 from the general fund in FY 2016 to the Department of Finance and Administration (DFA) to support holding foreclosure process task force meetings around the state.

## **FISCAL IMPLICATIONS**

SB 28 appropriates \$50,000 from the general fund in FY 16 to DFA. The funds will be expended by the New Mexico Mortgage Finance Authority.

MFA estimates agency costs to supervise this program at 8 percent to 10 percent of the program cost. This administrative cost is not explicitly included in the appropriation. However, MFA may have to provide these administrative funds from other sources than the appropriation.

Unexpended and unencumbered balances at the end of FY 2016 will revert back to the general fund.

## **SIGNIFICANT ISSUES**

DFA provides the following insight:

“During the 2014 Legislative session, identical memorials passed both chambers, House Memorial 15 sponsored by Representative Chasey, and Senate Memorial 11 sponsored by Senator Padilla, to create the Foreclosure Process Task Force. This Task Force was designed to study the state's foreclosure process and to make recommendations that will protect neighborhood and community stability, prevent unnecessary and improper foreclosures and preserve the due process rights of financially strapped families.”

“The Legislature requested the United South Broadway Corporation, a non-profit organization, to convene the Task Force. The memorials did not include an appropriation. United South Broadway Corporation operated the Task Force through a grant from the Marguerite Casey Foundation.”

“To continue the work started, the Task Force, as well as Senator Padilla, recommended to request support from the state and that the Task Force needed to hold meetings around the state to collect input from geographically diverse homeowners and mortgage lenders.”

MFA notes that the Task Force met during 2014 and its work resulted in several pieces of legislation currently before the 2015 legislature (see list below).

DFA also notes that the bill does not define the duties and membership makeup of the Foreclosure Task Force or the number of meetings to be held. It also does not reflect what the input collected will be used for.

## **PERFORMANCE IMPLICATIONS**

DFA notes that “by gathering input and feedback from the foreclosure process stakeholders throughout the state, the Foreclosure Process Task Force plans to gather information with which to better understand the states foreclosure environment, formulate solution recommendations and changes to the mortgage process to reduce foreclosures.”

MFA does not have dedicated staff to support the proposed foreclosure process task force meetings and would need to hire staff or contract with a qualified entity to support the meetings.

While SM11 in 2014 clearly outlined the work of the original Foreclosure Process Task Force, SB 27 does not reference SM 11 nor does it specify work products or outcomes from the proposed meetings. MFA is unclear about the work it is expected to undertake as a result of this legislation.

### **ADMINISTRATIVE IMPLICATIONS**

This appropriation does not specifically address administrative costs. MFA would need to coordinate with the Foreclosure Process Task Force on meeting schedules and the required deliverables. DFA would need to provide program oversight on the funds expended.

### **RELATIONSHIP**

MFA notes the following:

SB 27 is related to SB 28, SB 29, SB 30, SB 141 and SB 142, all of which resulted from the work of the Foreclosure Process Task Force in 2014.

### **OTHER SUBSTANTIVE ISSUES**

MFA notes that it is a governmental instrumentality, but not a state executive agency. In the past few years, MFA has experienced difficulty obtaining funding from the Department of Finance and Administration in a timely manner. Therefore, appropriations that are limited to expenditure in a single fiscal year often cannot be fully expended. MFA respectfully requests that the appropriation be allowed to be expended in FY 2016 *and* FY 2017.

In addition, MFA respectfully requests that the bill explicitly allow the MFA to expend 10 percent should be allowed to spend up to 10 percent of the grant for administration.

LG/bb/je