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## FISCAL IMPACT REPORT

SPONSOR Martinez ORIGINAL DATE 01/18/18  
LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE Pre-Purchase Homebuyer Education Program SB 41

ANALYST Amacher

### APPROPRIATION (dollars in thousands)

| Appropriation |         | Recurring<br>or Nonrecurring | Fund<br>Affected |
|---------------|---------|------------------------------|------------------|
| FY18          | FY19    |                              |                  |
|               | \$500.0 | Nonrecurring                 | General Fund     |

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates SB 22

### SOURCES OF INFORMATION

LFC Files

Responses Received From

Mortgage Finance Authority (MFA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 41 appropriates \$500 thousand from the general fund to the Department of Finance and Administration (DFA) for expenditure in fiscal year 2019 to create and implement a pre-purchase homebuyer education program. Any unexpended or unencumbered balance remaining at the end of FY19 shall revert to the general fund. Up to ten percent of this appropriation may be used for administrative purposes.

This bill is endorsed by the Mortgage Finance Authority Act Oversight Committee.

### FISCAL IMPLICATIONS

The appropriation of \$500 thousand contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY19 shall revert to the general fund.

## **SIGNIFICANT ISSUES**

Senate Bill 41 appropriates \$500 thousand from the general fund as a nonrecurring expense to the DFA for expenditure in fiscal year 2019 to create and implement a pre-purchase homebuyer education program. Any unexpended or unencumbered balance remaining at the end of FY19 shall revert to the general fund. Up to ten percent of this appropriation may be used for administrative purposes.

## **ADMINISTRATIVE IMPLICATIONS**

MFA currently requires an on-line course for its homebuyers. To meet the intent of this bill, MFA would need to develop a housing counseling program to provide direct services to homebuyers. MFA notes because this legislation will require program design, a single fiscal year may not be sufficient to spend the full appropriation. Funding statewide pre-purchase education through a single, non-recurring appropriation will have limited impact.

## **OTHER SUBSTANTIVE ISSUES**

Since its creation in 1975, MFA has provided mortgage loans to low and moderate income first-time homebuyers. Pre-purchase homebuyer education is required for all MFA loans but is not required by other lenders unless they are using MFA mortgage products. Therefore, the majority of homebuyers in New Mexico currently do not receive pre-purchase homebuyer education.

As indicated in a recent study published by the US Department of Housing and Urban Development, it was determined that pre-purchase homebuyer counseling significantly reduces the rate of delinquencies and foreclosures; and is therefore an effective tool to promote community stability (Myhre, Marina L. Ph.D., et. al., *Housing Counseling Works*, September 2017).

MFA makes notes that pre-purchase homebuyer education is a recommendation of the Foreclosure Process Task Force which was established in 2014 by SM 11. The memorial requested the United South Broadway Corporation to convene a task force to study the foreclosure process in New Mexico and make recommendations to protect neighborhood and community stability, prevent unnecessary and improper foreclosures and preserve the due process rights of financially strapped families. The Foreclosure Process Task Force met during 2014 and its work resulted in several pieces of legislation considered by the 2015 New Mexico Legislature.

## **DUPLICATION**

SB 41 is identical to SB 22.

JMA/sb/jle