

**MINUTES  
of the  
THIRD MEETING  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**August 2, 2017  
Community Room, Sawmill Lofts  
1801 Bellemah Ave. NW  
Albuquerque**

The third meeting of the 2017 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Eliseo Lee Alcon, chair, on August 2, 2017 at 10:07 a.m. in the Community Room, Sawmill Lofts, which is part of the Sawmill Community Land Trust (SCLT), in Albuquerque.

**Present**

Rep. Eliseo Lee Alcon, Chair  
Sen. Nancy Rodriguez, Vice Chair  
Sen. Gregory A. Baca  
Rep. Kelly K. Fajardo  
Sen. Stuart Ingle  
Sen. Cisco McSorley  
Rep. Rod Montoya

**Absent**

Rep. Sheryl Williams Stapleton

**Advisory Members**

Rep. Alonzo Baldonado  
Rep. George Dodge, Jr.  
Rep. Bealquin Bill Gomez  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Richard C. Martinez  
Rep. Bill McCamley  
Sen. Gerald Ortiz y Pino  
Sen. Michael Padilla  
Rep. Nathan P. Small  
Sen. Jeff Steinborn

Rep. Dennis J. Roch  
Sen. Sander Rue

**Staff**

Mark Edwards, Drafter, Legislative Council Service (LCS)  
Sharon Ball, Drafter/Senior Researcher, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

## Wednesday, August 2

### **Call to Order and Introductions**

Representative Alcon called the meeting to order and welcomed members, staff and guests, and he asked committee members and staff to introduce themselves.

### **Welcome**

The chair recognized Jay Czar, executive director, New Mexico Mortgage Finance Authority (MFA), who explained that the committee was meeting at this location because of construction in the MFA board room. He thanked the SCLT for hosting the meeting and introduced Mona Angel, executive director, SCLT, to talk about the land trust project.

Discussing the SCLT history, Ms. Angel explained that this area, just northwest of Old Town, which was the city's center from its founding in 1706 until establishment of the Albuquerque railroad depot in the 1880s, is made up of a patchwork of neighborhoods influenced by several hundred years of cultural, industrial and generational history. Native Americans and Spanish, Mexican and other immigrants established homes along the irrigation ditches and farmed the land. In 1903, when the American Lumber Company located its operations on a 110-acre parcel of land in this area, it became known as the "Sawmill" area.

Ms. Angel said that by the 1960s, the farming land around the sawmill was replaced with a mix of industrial, commercial (including wood processing facilities) and residential uses and consisted mainly of Hispanic working-class residents. In the 1980s, the residents became concerned about air quality problems, soil and ground water contamination, noise and odors from particle board production, and they formed the Sawmill Advisory Council, which successfully lobbied the city to address these concerns. By the 1990s, Sawmill residents had become so successful in improving the quality of life in the area that property values increased significantly, and working-class families were in danger of not being able to afford to live on land that had been in their families for generations.

Sawmill residents, realizing the need to gain control over real estate development in the area, formed the Sawmill Community Development Corporation in June 1994 to implement real estate development projects in line with the community's needs, and together with the city's Southwest Neighborhood Housing Services, began to develop affordable homes on scattered sites within the Sawmill area. These organized neighbors lobbied the Albuquerque City Council to purchase the 27-acre brownfield site that had been home to Duke City Lumber, which had been vacant since the late 1980s. With help from a professional design firm, community stakeholders exchanged ideas, evaluated possibilities and put together their vision in several planning sessions, establishing the Abolera de Vida, or "orchard of life". Abolera de Vida's development plan focused on permanently affordable housing and economic needs as well as environmental and cultural preservation and called for community ownership through a community land trust (CLT) model.

Ms. Angel explained that a CLT is a membership-based, nonprofit organization that owns and holds land in trust for the benefit of the community and preserves the affordability of housing on the land permanently. A CLT separates the ownership of buildings from the ownership of the land underneath. Homeowners lease the land from the CLT for a nominal monthly fee through a renewable 99-year ground lease.

In response to committee discussion and questions, Ms. Angel said that, by separating the ownership of the land from the buildings, CLT homes are significantly more affordable than comparable homes on the open market. She added that CLTs can secure additional funding or long-term preservation of subsidies that allow for even lower home prices. In response to committee comments and questions about resale of homes, Ms. Angel said that CLT homes have resale pricing limits and, together with long-term preservation of subsidies, create homeownership opportunities that are permanently affordable.

Additional committee discussion included risks in today's housing market for working-class families as well as the community at large. Some families may be forced to choose homes from older, deteriorating housing stock and may be forced to get mortgages that put them at greater risk of foreclosure or be forced to move away from the neighborhoods of their childhoods because of gentrification, private development or real estate speculation. In conclusion, Ms. Angel said that offering homes at prices within reach of working-class families and assisting them to qualify for healthy mortgages promote civic responsibility and local control of development and support stable, vibrant neighborhoods.

### **Approval of Minutes**

On a motion duly made and seconded, without objection, the committee approved the minutes of the July 14 Mortgage Finance Authority Act Oversight Committee meeting.

### **NM EnergySmart Update**

Mr. Czar explained that the NM EnergySmart update would be provided in three sections and would address the program's history.

### **Program History and Overview**

Mr. Czar recognized Amy Gutierrez, program manager, MFA, and Troy Cucchiara, green initiatives manager, MFA, to provide an overview of the program and its history. Ms. Gutierrez explained that weatherization is a program funded by the U.S. Department of Energy (DOE) to reduce energy costs for low-income families and focuses on the elderly, people with disabilities and children by improving energy efficiency in their homes while continuing to ensure participants' health and safety. The program combines DOE funding with additional funding sources that include New Mexico Gas Company, Public Service Company of New Mexico, the Central Valley Electric Cooperative, Inc., the federal Low Income Home Energy Assistance Program (LIHEAP) and Xcel Energy.

In response to committee discussion and questions, Ms. Gutierrez explained that weatherization is beneficial because it reduces utility bills to households in need, helps to

improve health and safety conditions, lowers total energy usage and promotes less reliance on foreign energy sources. For example, she said a cost-benefit analysis shows that in Bernalillo County, an approximately \$120,000 investment has brought about savings of nearly \$300,000. A Rio Arriba County investment of \$50,000 allowed for savings of \$150,000, while in Doña Ana County, an investment of approximately \$48,000 resulted in savings of \$147,000.

In addition, she said that the program improves health and safety by eliminating hazards, such as carbon monoxide and unvented space heaters, and addressing moisture issues. Mr. Cucchiara added that lowering energy usage decreases pollution.

He said that keeping appliances in good working condition increases durability by keeping moisture on the warm side of a surface and eliminating air and vapor travel through openings. He said that participants in the program have a sense of dignity about the homes in which they reside.

Ms. Gutierrez and Mr. Cucchiara agreed that a constant problem is a lack of adequate funding. Ms. Gutierrez said that 1,859 households are currently on a waiting list, while the number of households that can be served with available funding is 369. In response to committee discussions and questions, Ms. Gutierrez said that in determining program eligibility, federal regulations allow participation from households with persons with disabilities, children or elderly persons and that demonstrate high energy usage. Ms. Gutierrez said that besides the federal regulation requirements, allocation formulas take into consideration a number of factors, including levels of poverty, heating days and total population in the county.

In response to a committee question, Mr. Cucchiara said that, currently, the per-unit average that eligible households receive is \$6,000. Available units may decrease if federal funding is not fully allocated to the program this year. The total number of units for July 2017 through June 2018 is estimated by using a percentage of last year's numbers and funding that has been released for the remainder of the fiscal year only.

In response to questions, Ms. Gutierrez explained that, for example, replacing a furnace or heating system depends on whether the replacement is cost-effective and whether the old unit is saveable or inoperable. She said that from July 2016 through June 2017, the NM EnergySmart Program replaced 455 furnace or heating systems. Mr. Cucchiara said he believes that the program continues to be successful in large part because of a high emphasis on energy education and multiple leveraging of funding sources.

### **NM EnergySmart Service Areas and Providers**

Mr. Czar invited Joseph Stevens, executive director, Central New Mexico Housing Corporation (CNMHC), and Veronika Molina, executive director, Southwestern Regional Housing and Community Development Corporation (SWRHDC), to continue the presentation on the NM EnergySmart Program by discussing service areas and providers.

Mr. Stevens said the CNMHC was established in January 2001 as a nonprofit organization and applied for and received its first weatherization grant in February 2004. He explained that the CNMHC's mission is to help low-income New Mexico families make their homes energy efficient by educating them about energy-saving measures and by performing all possible energy-saving measures in their homes to lower their monthly energy usage and, in turn, their energy bills.

Mr. Stevens said that part of the CNMHC philosophy is to work creatively and strategically, in a spirit of partnership, to provide quality service to clients and to ensure that all employees, clients and subcontractors are treated with the fairness and equality they deserve. He said that the CNMHC currently has a staff of 20, with several key staff members who have been with the organization since 2004. The CNMHC service area includes 18 counties and 20 pueblos. During fiscal year 2017, the CNMHC weatherized more than 1,000 multifamily and single-family units using funds from the DOE and LIHEAP and from local sources.

Ms. Molina said that the SWRHDC began weatherizing units in July 2012 and has completed its fourth year of administering the program. The agency has 13 full-time staff members and works with more than 20 subcontractors and more than 30 vendors. Its service area includes counties in the southern part of the state. In the past fiscal year, SWRHDC has weatherized 86 multifamily units and 89 single-family units with DOE and LIHEAP funding and 135 units with funds from local sources.

### **NM EnergySmart Academy**

Amanda Hatherly, director, Center of Excellence, NM EnergySmart Academy, explained that the academy was originally funded with temporary federal American Recovery and Reinvestment Act of 2009 funds. She said that even though that funding is no longer available, the academy not only continues to exist but is actually thriving by training other states. She said the academy is asked to give presentations at many national and regional conferences focusing on energy savings.

### **MFA Single-Family Mortgage Products**

The chair recognized Jeff Payne, senior director of homeownership, MFA, Rene Acuña, director of homeownership, MFA, and Theresa Laredo-Garcia, director of servicing, MFA, to provide the committee with information related to the MFA's single-family mortgage products.

Mr. Payne directed members' attention to the information behind Tab 2 in the meeting materials, addressing single-family homebuyer assistance. He explained that the "First Home" program is for people who have never bought a home before and who qualify with up to 115 percent of the area median income, depending upon family size. The home must be a single, owner-occupied unit, and eligible homebuyers must participate in pre-purchase homebuyer counseling.

The "First Down" program, used in conjunction with the "First Home" program, provides up to \$8,000 in assistance with down payment and closing costs. It is a second mortgage with six percent interest and an amortization of 30 years to provide affordable payments.

The "Next Home" loan program targets non-first-time homebuyers with favorable household income limits who wish to buy a single-unit, owner-occupied property. It requires a three percent down payment. The "Next Home" grant program, used in conjunction with the "Next Home" loan program, provides three percent of the sale price for down payment assistance. With no repayment of the grant required, this program provides instant equity to the homebuyer.

Ms. Laredo-Garcia described demographic characteristics of the MFA homebuyer, including the following:

- more than one-half (57 percent) are single-parent households;
- more than one-third (36 percent) are minority households;
- the homebuyer average age is 36;
- the first mortgage loan amount is \$144,608;
- the average purchase price is \$147,713; and
- the average credit score of the homebuyer is 685.

Over the past 16 years, New Mexico has shown a greater homeownership rate than the U.S. average. Ms. Acuña explained that, according to the Realtors Association of New Mexico, "Rising prices and limited supply, while good for sellers, make it tough for everyone looking to purchase a home. Student debt and economic conditions in general continue to hinder many potential buyers.". She indicated that recent changes to Fannie Mae rules easing debt-to-income requirements should open lending to more potential buyers.

Ms. Laredo-Garcia noted that, according to the June 2017 first-time homebuyer market report, first-time homebuyers are leading the housing recovery. For example:

- between 1994 and 2016, first-time homebuyers accounted for 45 percent of the "purchase mortgages originated", while in the past two years, first-time homebuyers are contributing 85 percent of growth;
- the increase in first-time homebuyers is draining housing inventory and the supply of homes for sale much faster than a similar increase in repeat homebuyers; and
- first-time homebuyers who purchased in 2015 and later will be likely to accumulate sufficient home equity over the next five to 10 years to fuel the next wave of repeat homebuyers.

In terms of serving the needs of younger homebuyers, Mr. Payne said that, according to the National Association of Realtors, as of June 30, 2017, millennials account for 14.2 percent of the total New Mexico population. Of the first-time homebuyer loans made by the MFA during the same time period, 57 percent were made to borrowers 33 years of age or younger.

In terms of foreclosure rates and delinquency trends, New Mexico tends to have higher rates than much of the rest of the country. He directed members' attention to slides 16 through 19 in the meeting materials.

Committee members discussed data provided in the meeting materials relating to household payment affordability in four metro areas: Santa Fe, Albuquerque, Farmington and Las Cruces.

**Adjournment**

There being no further business before the committee, the meeting adjourned at 12:51 p.m.