

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

**May 23, 2018  
New Mexico Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque**

The first meeting of the 2018 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, on May 23, 2018 at 10:06 a.m. at the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Eliseo Lee Alcon, 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. Bealquin Bill Gomez  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Richard C. Martinez  
Rep. Bill McCamley  
Sen. Gerald Ortiz y Pino  
Sen. Michael Padilla

Rep. Alonzo Baldonado  
Rep. George Dodge, Jr.  
Rep. Dennis J. Roch  
Sen. Sander Rue  
Rep. Nathan P. Small  
Sen. Jeff Steinborn

**Staff**

Mark Edwards, Drafter, Legislative Council Service (LCS)  
Anthony Montoya, Drafter, LCS  
Nancy Martinez, Staff, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

## Wednesday, May 23

Senator Rodriguez called the meeting to order and welcomed members, staff and guests and then asked the committee members and staff to introduce themselves.

### **Introduction of Lead Program Staff**

The chair recognized Jay Czar, executive director, MFA, to introduce lead program staff and provide the committee with information regarding MFA staff and programs. Mr. Czar thanked the members of the committee for their continued support of the MFA and its goals. Mr. Czar then highlighted some of the production numbers achieved by the MFA, which he noted have driven the MFA to a record year. These numbers include: providing more than \$552 million in low-interest financing and numerous grants for affordable housing and related services in New Mexico; supporting 2,500 new homebuyers with \$14.5 million in down payment assistance; and providing over \$370 million in MFA loans for homeowners.

Mr. Czar recognized Monica Abeita, director of policy and planning, MFA; Isidoro "Izzy" Hernandez, deputy director of programs, MFA; and Sandra Marez, senior administrative assistant, MFA. Mr. Czar then noted that the success of the MFA is directly attributable to the hard work of all the staff at the MFA. He then asked the members of the MFA staff sitting in the audience to stand and introduce themselves to the committee.

### **2018 MFA Reference Guide: Overview of Programs and Funding**

Mr. Czar noted that the committee has increased in membership over the last few years to 20 members. Mr. Czar then began a brief historical overview of the MFA. The creation of the MFA began with the Mortgage Finance Authority Act (Chapter 58, Article 18 NMSA 1978), which was first enacted in 1975 and amended in 1985, 1987, 1995 and 2003. In 1992, an executive order by the governor moved numerous departments and their responsibilities to the MFA. The MFA has succeeded in being self-supportive in performing its mandate. Although the MFA is made up of ex-officio members and members appointed by the governor, it is the committee that approves the rules and regulations that govern the MFA.

Mr. Czar discussed the goals of the MFA for the 2018 legislative session, along with the outcomes. During the 2018 session, several proposals were taken to the legislature. These proposals included \$300,000 in a recurring appropriation for regional housing authority oversight; \$250,000 in a recurring appropriation for Affordable Housing Act oversight; \$5 million for the New Mexico Housing Trust Fund; and \$1 million for low-income residential energy conservation programs. Additionally, a \$2 million appropriation request was made for veteran home rehabilitation, and a \$500,000 appropriation request was made for pre-purchase homebuyer education. No new funding was received in the 2018 session. A committee member pointed out that the legislature supported some of the funding discussed above; however, the funding was ultimately line-item vetoed. Mr. Czar said that the MFA is continuously working to pursue new funding sources, including opportunities with the U.S. Department of Housing and Urban Development (HUD) for \$1 million in veteran housing rehabilitation funds.

Mr. Czar discussed the current members of the MFA Board of Directors. These members include Dennis R. Burt, chair; Angel Reyes, vice chair; Lieutenant Governor John A. Sanchez; Randy McMillan; Attorney General Hector Balderas; State Treasurer Tim Eichenberg; and Steven J. Smith, board treasurer. The MFA board meets every month, and there are currently two subcommittees that report their findings on numerous issues to the board, which ultimately determines action.

Ms. Abeita then discussed the MFA strategic plan for fiscal years 2018 through 2022. The strategic plan is created to cover the next five years, and the comprehensive plan is updated every three years. Ms. Abeita said that the strategic plan consists of five individual goals: (1) responding to New Mexico's affordable housing needs, including assisting rural communities; (2) ensuring prudent stewardship of affordable housing resources, which includes stable management of resources and ongoing efforts to seek new sources of funding and grants; (3) strengthening affordable housing partners, as the partnerships are crucial to managing and distributing funding and programs across the state; (4) providing robust technology solutions internally to foster better organization of the MFA; and (5) fostering a dynamic work environment. The MFA generally reports to the board every quarter on progress, and the MFA is generally successful in meeting all benchmarks.

Mr. Czar stated that these goals are pursued by all individuals within the organization. The strategic plan is essential to ensuring that goals are actively achieved. The MFA understands that different areas of the state have different needs. Rural communities have different needs than urban communities; however, affordability is a problem statewide. The MFA is constantly seeking new sources of funding. Mr. Czar stated that there is always the need for donated land and infrastructure financing from government entities to assist with developing new communities. Mr. Czar provided a recent example in Hobbs, which has invested millions of dollars in affordable housing and has successfully brought developers to the area.

A question was raised by members of the committee about the donation of land by municipal governments. An amendment was made in 2002 to Article 9, Section 14 of the Constitution of New Mexico, which allows for donation of land by government entities. Legislation was then passed in 2005 to implement these changes. These changes have been successful for the development of housing on those lands. Members then raised a question regarding what is being done to reach out to veterans' programs. Panelists answered that they will be reaching out to veterans' organizations to assist with currently developed programs, including the veteran home rehabilitation program.

A member noted that building high-speed broadband infrastructure has been an issue before the committee in the past. Legislation has been passed in recent years providing for infrastructure and treating the development of high-speed broadband internet as meeting the goal of developing statewide infrastructure. The member would like to revisit these issues to ensure that the law promotes development as intended and that it may be incorporated through future development by the MFA.

Mr. Czar stated that the MFA is working hard to obtain private donations. An example of this is Habitat for Humanity's successful leverage of state tax credits, which can provide close to a 90% return for donations and contributions. The MFA has been working with certified public accountants across the state to increase awareness of these credits.

Mr. Hernandez then briefly discussed the more than 20 programs that are currently active, which cover a full spectrum of issues ranging from homelessness to weatherization. The MFA relies on more than 130 organizations to administer these programs across the state. The committee raised a question regarding Rio Arriba County and why the number of available Section 8 housing projects has gone down. This loss has created issues, as no rentals are available. MFA staff responded that they will review the numbers and provide more details at the next meeting.

Mr. Hernandez discussed the MFA's federal program fund summary, which can be found in item three located in the handout file. These programs are administered by HUD, the U.S. Department of Energy (DOE) and the Internal Revenue Service (IRS). HUD provides numerous programs and millions of dollars in funding. The programs administered by HUD include the HOME Investment Partnerships Program, the Emergency Solutions Grant Program, the Housing Opportunities for Persons with AIDS Program and the Housing Trust Fund. The DOE provides the Weatherization Assistance Program, and the IRS provides the earned income tax credit.

The figures provided, which can be found on page 60 of handout three located in the file, show the breakdown of low-income housing tax credit awards listed by congressional district for the years 2000 through 2017. The metropolitan areas of Albuquerque, Santa Fe, Las Cruces and Farmington received 45.2% of the awarded credits. Rural areas, which constitute nearly 43% of the population of New Mexico, received 54.8% of the awarded credits.

Mr. Hernandez then provided a summary of audits performed on the MFA. There are close to 20 audits completed annually, both internal and external. Mr. Czar reiterated that audits are constantly occurring and that the MFA is doing well. Mr. Czar also stated that the MFA regularly monitors housing trends across the state. Not long ago, homes for sale were on the market an average of 24 months. This number is now down to two months. However, building and development of housing are not occurring in the state at the rates seen in the pre-recession economy. The MFA has been meeting with developers and investigating this issue to determine the cause. To sustain MFA activity and benchmarks, home building rates need to rise. The median age for homebuyers in New Mexico is currently 37 years old. The need for housing and senior housing is increasing. The housing in New Mexico is, on average, older than 50 to 60 years, requiring weatherization and rehabilitation of homes. Monitoring these trends is important to ensure that money is used efficiently and for purposes that are crucial to New Mexico families.

## **Questions and Input by Members of the Committee**

The chair opened up the meeting to questions from members. The committee discussed a California policy that mandates certain solar energy requirements for new housing. There is increasing affordability of solar energy in addition to current federal and state tax credits. The MFA could assist in financing and implementing these project requirements. Additionally, solar energy can cut utility costs to one-sixth of the average price, which would increase the affordability of home ownership. The committee proposed passing legislation similar to California's and having the MFA assist in financing the development of these new homes. The committee also raised the possibility of expanding the MFA's current weatherization mandate to include the development of solar energy in housing. Additionally, solar development could generate jobs and help owners by lowering utilities, a committee member said.

A question was raised regarding further information of the current homeless population and what is being done to assist the homeless across the state. Mr. Hernandez said that funding is currently received from HUD, state solutions and emergency assistance programs. The MFA works with 30 organizations around the state to provide assistance, which varies by location and the availability of services and shelters. The current push at the MFA is to proactively prevent homelessness by increasing "at-risk funding". The problem currently is that there is no new construction of affordable housing or many affordable places available as rentals.

Members then discussed the emergence of public schools around the country that build and provide affordable housing to teachers and the feasibility of implementing similar programs. Mr. Czar answered that, while this is occurring, the models differ by school district and state and this is not a form of housing development that MFA members have historically funded. MFA members discussed how community housing, related to workforce housing, has occurred in the past, such as with URENCO, but it has occurred at the private level. These private corporations have built housing for their workers. The MFA has tried in the past to foster these projects, but it has been unsuccessful; corporations do not seem to want to participate. The MFA was requested to review what the state can do regarding this form of housing development and provide some recommendations.

Responding to a question regarding the number of available rentals in Albuquerque, Mr. Czar answered that there is a rise in the number of apartments in the area. Discussion with builders across the state indicates that the trend of home building is down. This is partly due to a decrease in the availability of lots, an increase in the price of lumber and a decrease in the availability of loans.

It was noted that, currently, there are places across the state where many lots are available and increasing the public's awareness of MFA programs in those areas could lead to increased development. The MFA was asked to provide to the public a list of local partners and lenders that work with the MFA.

## **2018 Interim Committee Procedures and Adoption of Proposed Work Plan**

Mr. Edwards took a moment to explain the tentative calendar and agenda for the interim, which was provided to committee members. One member brought up potential conflicts with the proposed meeting in July and asked the LCS to look into other potential dates.

Moving on to the work plan, Mr. Edwards discussed the statutory language that outlines the responsibilities of the Mortgage Finance Authority Act Oversight Committee. In addition to statutory responsibilities, the committee proposes to focus on a number of areas this interim, including:

- 1) regional housing;
- 2) changes to existing and proposed rules promulgated by the MFA;
- 3) MFA funding sources and program overview, including the MFA's single-family mortgage products and the MFA's NM EnergySmart Program;
- 4) the Affordable Housing Act and the affordable housing tax credit;
- 5) federal housing policy and budget trends;
- 6) the New Mexico Housing Trust Fund;
- 7) the MFA's budget and current strategic plan;
- 8) reports on bonds issued and financing strategies and a market update;
- 9) 2018 legislation and proposed legislation for the 2019 session; and
- 10) supportive housing.

Mr. Edwards explained that the only change to the proposed items from last year was the last item relating to supportive housing. This was added to provide a broad category to allow members to potentially cover many different issues as they arise.

### **Motions**

A motion was made, without objection, to add "including utility financing" to work item eight after "financing strategies". This motion was passed.

A motion was made to approve the proposed work plan, with the above amendment. This motion was passed.

### **Adjournment**

There being no further business before the committee, the meeting adjourned at 11:58 a.m.