

MORTGAGE FINANCE  
AUTHORITY  
ACT  
OVERSIGHT COMMITTEE



2011 INTERIM

Prepared by the Legislative Council Service  
Staff  
Claudia Armijo

MORTGAGE FINANCE AUTHORITY ACT  
OVERSIGHT COMMITTEE

2011 Interim

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**2011 APPROVED  
WORK PLAN AND MEETING SCHEDULE  
for the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**Members**

Rep. Joni Marie Gutierrez, Chair  
Sen. Nancy Rodriguez, Vice Chair  
Rep. Alonzo Baldonado  
Sen. Mark Boitano

Rep. Ernest H. Chavez  
Rep. Nate Gentry  
Sen. Cisco McSorley  
Sen. Gerald Ortiz y Pino

**Advisory Members**

Sen. Rod Adair  
Rep. Thomas A. Anderson  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Sandra D. Jeff  
Rep. Rick Little  
Sen. Lynda M. Lovejoy

Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Rep. Dennis J. Roch  
Sen. Sander Rue  
Sen. David Ulibarri

**Work Plan**

The Mortgage Finance Authority (MFA) Act Oversight Committee was created pursuant to the provisions of Section 58-18-5 NMSA 1978, which provides in part:

The [mortgage finance] authority shall have all the powers necessary or convenient to carry out and effectuate the purposes and provisions of the Mortgage Finance Authority Act, including but without limiting the generality of the foregoing, the power:

\* \* \*

- W. subject to any agreement with bondholders and noteholders, to make, alter or repeal, **subject to prior approval by the Mortgage Finance Authority Act oversight committee, hereby created, to be composed of four members appointed by the president pro tempore of the senate and four members appointed by the speaker of the house of representatives**, such rules and regulations with respect to its operations, properties and facilities as are necessary to carry out its functions and duties in the administration of the Mortgage Finance Authority Act; . . .

Pursuant to the provisions of Section 2-12-5 NMSA 1978, the committee is further authorized to:

- A. determine and monitor the actual distribution of funds derived by the [New Mexico mortgage finance] authority from bond issues and other activities of the authority under the provisions of the Mortgage Finance Authority Act, both on a geographical basis and

on the basis of the actual distribution to participants in its programs;

- B. monitor the authority in its control of the issuance of mortgage commitments;
- C. meet on a regular basis to receive and evaluate periodic reports from the authority as to its enforcement of the provisions of the Mortgage Finance Authority Act and the regulations adopted pursuant thereto; and
- D. require the authority to document the need to the oversight committee regarding the issuance of any bonds.

In addition to carrying out its statutory responsibilities, the committee proposes to focus on the following areas of legislative concern during the 2011 interim:

- (1) regional housing authority executive directors' presentation;
- (2) review of existing and proposed rules promulgated by the MFA;
- (3) neighborhood stabilization program update;
- (4) 2011 state of housing report overview;
- (5) MFA funding source and program overview;
- (6) federal budget and housing finance reform — impacts for the MFA and affordable housing;
- (7) veteran and tribal housing overview;
- (8) federal American Recovery and Reinvestment Act of 2009 (ARRA) funding update and post-ARRA projections;
- (9) weatherization program update;
- (10) a review of the MFA budget and 2012-2014 strategic plan;
- (11) Affordable Housing Act rule changes;
- (12) tour of MFA projects; and
- (13) proposed legislation for the 2012 session.

The committee will coordinate, as needed, with other committees regarding presentations of subject matter of common concern.

## **2011 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 6	Albuquerque
July 26	Albuquerque
August 24	Farmington
October 12	Albuquerque
November 9	Albuquerque

**MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**  
**Representative Joni Marie Gutierrez, Chair**

**2011 INTERIM SUMMARY**

The Mortgage Finance Authority (MFA) Act Oversight Committee held five meetings during the 2011 interim. The June, August, October and November meetings were held in Albuquerque at the MFA office, while the July meeting was held in Farmington.

At its first meeting, the committee was addressed by Raúl E. Burciaga, director of the Legislative Council Service (LCS). Mr. Burciaga explained that, in accordance with policies established by the New Mexico Legislative Council, and as was the case during the 2010 interim, the number of interim committee meetings and the travel associated with the meetings would be limited. He reminded members that budget concerns played a role in the committee meeting schedules. The current budget constraints impacting both the state of New Mexico, as well as its agencies and quasi-agencies, was a topic revisited by the MFA Act Oversight Committee several times during the interim. Additionally, at the committee's second meeting, the MFA staff reported on the topic as it was projected to impact the agency's work in the foreseeable future. Specifically, Jay Czar, executive director for the MFA, informed committee members that the MFA had lost its contract with the Section 8 Project-Based Housing Assistance Program, a contract administered through the United States Department of Housing and Urban Development. The committee members remained informed on the issue by Mr. Czar throughout the interim. Eventually, the loss of the contract was appealed by the MFA. Additionally, on November 15, 2011, Mr. Czar apprised the chair and co-chair of the committee of the MFA's request for an attorney general's opinion as to whether an out-of-state public housing authority, or its instrumentality, may act as a public housing authority in New Mexico. The MFA has not yet received the attorney general's opinion.

Periodically throughout the interim, the MFA staff advised the committee of the progress in the MFA's expenditure of the federal American Recovery and Reinvestment Act of 2009 (ARRA) funding. The ARRA money was used to help fund the MFA's weatherization, homeless prevention and tax credit assistance programs. Committee members frequently voiced positive opinions and approval for the work of the MFA, particularly the agency's bonding capacity, financial status and use of the federal ARRA funds. However, for comparison purposes, and to ensure proper oversight and efficiency of operations, committee members expressed a continued desire for information regarding similar housing agencies operating in other states.

The MFA staff reported throughout the interim on the use and status of the ARRA funds. In 2009, the MFA received \$27 million of ARRA funds for the Weatherization Assistance Program. Since then, the MFA staff has reported that the MFA's partners have successfully weatherized more than 4,000 New Mexico homes and that the MFA is on track to spend all of the awarded stimulus funds by March 31, 2012. The committee's August meeting in Farmington provided the opportunity for the committee members to see firsthand the work involved with the ARRA-funded Weatherization Assistance Program. Members toured a Farmington home that was in the process of receiving weatherization improvements, including an energy audit

designed to assess the energy usage and losses existing in the home. Members also met with the home's resident who, as a low-income homeowner, qualified for the weatherization assistance.

A frequent topic of interim committee discussions involved the federal Tax Credit Assistance Program (TCAP) administered through the MFA. The MFA staff reported that the ARRA provides \$2.25 billion of grant funding to cover gaps in financing for low-income housing construction. The MFA uses the TCAP funds for tax credit properties that received credit awards in 2007, 2008 and 2009. During the August meeting in Farmington, the committee members toured a low-income, multi-family TCAP property, La Terraza Apartments. Members were generally impressed by the property design and its centralized location. Additionally, through discussions with property managers and residents regarding the long waiting list for the apartments, members acknowledged the need for and value of similar properties.

At its fifth and final 2011 interim committee meeting, the MFA staff presented the agency's legislative proposals for the committee's consideration. Among the legislative initiatives was a bill that would transfer the oversight of the Regional Housing Authority from the MFA to the Department of Finance and Administration. A bill with the same provisions was proposed by the MFA and endorsed by the committee for the 2011 legislative session; however, that bill was not passed. The MFA proposed the bill again for the 2012 legislative session because the agency currently does not receive any funding to support its statutorily mandated oversight of the Regional Housing Authority. Additional legislative proposals included:

- 1) a \$250,000 appropriation for the oversight of the Regional Housing Authority;
- 2) a \$5 million appropriation to the New Mexico Housing Trust Fund;
- 3) a \$1 million appropriation to the NM Energy Smart Program;
- 4) a \$1 million appropriation for homebuyer education and foreclosure mitigation; and
- 5) a \$500,000 appropriation for an emergency repair fund.

# AGENDAS

Revised: May 26, 2011

**TENTATIVE AGENDA  
for the  
FIRST MEETING IN 2011  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**June 6, 2011  
New Mexico Mortgage Finance Authority Office  
344 Fourth Street SW  
Albuquerque, New Mexico**

**Monday, June 6**

10:00 a.m.    **Call to Order**  
—Representative Joni Marie Gutierrez, Chair

**Legislative Interim Committee Meeting Protocols**  
—Raúl E. Burciaga, Director, Legislative Council Service (LCS)

**Welcome and Introduction of the New Mexico Mortgage Finance Authority (MFA) Staff**  
—Jay Czar, Executive Director, MFA

**MFA 2011 Reference Guide — Overview**  
—Erin Quinn, Senior Policy and Program Advisor, MFA

**Review of 2011 Legislative Session**  
—Joseph Montoya, Deputy Director of Programs, MFA

**2011 Interim Work Plan and Meeting Schedule Development**  
—Jay Czar, Executive Director, MFA  
—Kim Bannerman, Staff Attorney, LCS

**Adjourn**

Revised: July 13, 2011

**TENTATIVE AGENDA  
for the  
SECOND MEETING  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**July 26, 2011  
New Mexico Mortgage Finance Authority Office  
344 Fourth Street SW  
Albuquerque, New Mexico**

**Tuesday, July 26**

- 10:00 a.m.     **Call to Order**
- 10:05 a.m.     **Approval of the Minutes**
- 10:10 a.m.     **Mortgage Finance Authority (MFA) Update**  
—Jay Czar, Executive Director, MFA
- 10:30 a.m.     **2011 State of Housing Report**  
—Erin Quinn, Senior Policy and Program Advisor, MFA
- 12:00 noon     **Other Business**
- 12:15 p.m.     **Adjourn**

**TENTATIVE AGENDA  
for the  
THIRD MEETING  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**August 24, 2011  
San Juan College  
4601 College Blvd., Room 9008  
Farmington**

**Wednesday, August 24**

- 9:00 a.m.     **Call to Order**
- 9:05 a.m.     **Welcome**  
—The Honorable Tommy Roberts, Mayor, City of Farmington
- 9:10 a.m.     **Approval of the Minutes**
- 9:15 a.m.     **New Mexico Mortgage Finance Authority (MFA) Update**  
—Jay Czar, Executive Director, MFA
- 9:25 a.m.     **Federal Housing and Economic Stimulus Update: American Reinvestment  
and Recovery Act of 2009 (ARRA) Update and Post-ARRA Projections;  
Neighborhood Stabilization Program Update**  
—Joseph Montoya, Deputy Director of Programs, MFA
- 9:45 a.m.     **Federal Housing Policy and Budget Trends**  
—Erin Quinn, Senior Policy and Program Advisor, MFA
- 10:15 a.m.    **Tour**  
  
—**Weatherized Home — Orla Fincher, Homeowner**  
—702 North Chaco Ave., Farmington  
  
—**Multifamily Development — La Terraza Apartments**  
—900 Cannery Court, Farmington
- 12:45 p.m.    **Adjourn**

**TENTATIVE AGENDA  
for the  
FOURTH MEETING  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**October 12, 2011  
New Mexico Mortgage Finance Authority Office  
344 Fourth Street SW  
Albuquerque, New Mexico**

**Wednesday, October 12**

- 10:00 a.m.    **Call to Order**  
                  —Representative Joni Marie Gutierrez, Chair
- 10:05 a.m.    **Approval of the Minutes**
- 10:10 a.m.    **New Mexico Mortgage Finance Authority (MFA) Update**  
                  —Jay Czar, Executive Director, MFA
- 10:20 a.m.    **MFA Strategic Plan for FY 2012-2014**  
                  —Erin Quinn, Senior Policy and Program Advisor, MFA
- 10:40 a.m.    **MFA Budget for FY 2011-2012**  
                  —Gina Hickman, Deputy Director of Finance and Administration, MFA
- 11:00 a.m.    **Regional Housing Authority Updates**  
                  —Cathy De Marco, Executive Director, Western Regional Housing Authority  
                  —Chris Herbert, Executive Director, Eastern Regional Housing Authority  
                  —Ed Romero, Executive Director, Northern Regional Housing Authority
- 11:45 a.m.    **Proposed Legislation**  
                  —Jay Czar, Executive Director, MFA  
                  —Joseph Montoya, Deputy Director of Programs, MFA
- 12:30 p.m.    **Adjourn**

Revised: November 7, 2011

**TENTATIVE AGENDA  
for the  
FOURTH MEETING  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**November 9, 2011  
New Mexico Mortgage Finance Authority Office  
344 Fourth Street SW  
Albuquerque, New Mexico**

**Wednesday, November 9**

- 10:00 a.m.     **Call to Order**  
—Representative Joni Marie Gutierrez, Chair
- 10:05 a.m.     **Approval of the Minutes**
- 10:10 a.m.     **New Mexico Mortgage Finance Authority (MFA) Update**  
—Jay Czar, Executive Director, MFA
- 10:20 a.m.     **Report on Residential Foreclosure Mitigation Strategies**  
—Gina Hickman, Deputy Director of Finance and Administration, MFA  
—Erik Nore, Director of Homeownership, MFA  
—Erin Quinn, Senior Policy and Program Advisor, MFA
- 10:40 a.m.     **Changes to MFA Rules and Regulations**  
—Marjorie Martin, Attorney, MFA
- 11:00 a.m.     **Final Review and Endorsement of Proposed Legislation**  
—Joseph Montoya, Deputy Director of Programs, MFA  
—Erin Quinn, Senior Policy and Program Advisor, MFA
- 12:00 noon     **Senate Memorial 2 Working Group Report**  
—Wayne Ciddio, Regulation and Licensing Department  
—Bill Brady, Chair, Senate Memorial 2 Working Group
- 12:30 p.m.     **Adjourn**

# MINUTES

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

**June 6, 2011  
Mortgage Finance Authority Office  
Albuquerque, New Mexico**

The first meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Representative Joni Marie Gutierrez, chair, at 10:10 a.m. on June 6, 2011 at the office of the MFA in Albuquerque, New Mexico.

**Present**

Rep. Joni Marie Gutierrez, Chair  
Sen. Nancy Rodriguez, Vice Chair  
Sen. Mark Boitano  
Rep. Ernest H. Chavez  
Sen. Gerald Ortiz y Pino

**Absent**

Rep. Cathrynn N. Brown  
Rep. Nate Gentry  
Sen. Cisco McSorley

**Advisory Members**

Rep. Sandra D. Jeff  
Rep. Rick Little  
Sen. Lynda M. Lovejoy  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Sander Rue  
Sen. David Ulibarri

Sen. Rod Adair  
Rep. Thomas A. Anderson  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Dennis J. Roch

**Staff**

Kim Bannerman, Legislative Council Service (LCS)  
Claudia Armijo, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and copies of written testimony are in the meeting file.

## **Monday, June 6**

### **Welcome**

Representative Gutierrez welcomed the members of the committee, the MFA staff and the guests to the meeting. She advised the members that the meeting would be video webcast and reminded them to keep sidebar conversations to a minimum to avoid noise interference with the webcast.

### **Legislative Interim Meeting Protocols**

Raúl E. Burciaga, director, LCS, addressed the committee members. After thanking the chair and the members for allowing him the opportunity to speak, Mr. Burciaga advised the committee regarding several key points related to their legislative interim committee work. He directed them to the copy of the tentative interim committee calendar for 2011, located in their meeting folders. He explained that the New Mexico Legislative Council had informed him that, as has been the case in the past several years, the goal for the 2011 interim is to develop an interim committee calendar with minimal conflicts for voting members. He noted that due to budget cuts, the legislative council reduced the number of 2010 interim committee meetings held and also spaced the meetings further apart than they had been scheduled in previous interims. He explained that this year, because of budget cuts and a partial veto of the funding for the Redistricting Committee, the legislative council directed the staff again to limit the number of interim committee meetings. As a consequence, the legislative council's intent is to keep the same number of meetings for the 2011 interim as were held in the 2010 interim. He noted that the MFA Act Oversight Committee's proposed meeting dates are reflected in the proposed work plan, which would be presented for discussion later in the meeting.

Mr. Burciaga reminded the members that the interim committees are to finish their work on or before December 1, 2011. He explained the "blocking provision", which states that no action shall be taken by the committee if a majority of the total membership from either house on the committee rejects the action. However, he noted that because the MFA Act Oversight Committee is statutorily created, the blocking provision does not apply to the committee.

Mr. Burciaga advised the members that the MFA Act Oversight Committee is composed of eight voting members, and he specified that a quorum for the committee requires that five voting members be present. He clarified that advisory members serve as nonvoting members of the committee. With regard to actions taken by the committee, Mr. Burciaga explained that, generally, some things can be done by consensus, such as drafting a letter on behalf of the committee requesting information from a state agency, drafting a letter by LCS staff for committee review and general requests for information. However, Mr. Burciaga emphasized that formal actions — i.e., voting on committee endorsement of bills; issuing a letter reflecting the committee's opinions, concerns or other statements; or creating a subcommittee — would require a majority vote by the voting members with a quorum present.

Mr. Burciaga further explained that functioning with a quorum allows the committee to take action, such as endorsing legislation. If there is no quorum, the committee can meet as a special subcommittee in one of two ways: 1) with one of the chairs, one house Republican, one house Democrat, one senate Republican and one senate Democrat present; or 2) with the number of legislators, voting or advisory, that constitutes the number needed for a quorum for this committee, albeit without the ability to take action.

Mr. Burciaga focused the members' attention on the topic of legislative interim committee travel, saying that the legislative council directed the LCS to develop cost-saving measures for the 2011 interim. One of the proposed cost-saving measures will likely be to allow travel outside the State Capitol only in July and August, meaning no travel in October or November. He noted that not allowing travel outside the State Capitol after September 30 is not new. Rather, there is a legislative council policy that states: "No council-created committee or any other committee whose work plan is subject to the approval of the council shall meet outside the state capitol after September 30 without the permission of the council." Mr. Burciaga further noted that the MFA Act Oversight Committee regularly meets in Albuquerque, and that would most likely continue. He said that he understands the desires of legislators to travel to other parts of the state, especially for legislators and their constituents who would like to host committees in their respective communities. However, there usually are increased travel expenses when committees meet outside the State Capitol. Consequently, if the MFA Act Oversight Committee requests a meeting outside the Roundhouse after September 30, 2011, legislative council approval will be required.

On a similar note, Mr. Burciaga reminded the members that legislators have been allowed to attend up to four interim meetings of committees for which they are not members. He advised members that, as a cost-saving measure, those four "extra" or "ad hoc" meetings might be reduced to two or three. Additionally, no interim committees will be meeting from the day after Labor Day through September 30, 2011 because of the special session on redistricting. However, he noted that the governor issues the proclamation for a special session, so she will decide the date the special session will start. He said he hopes that her decision will be made in coordination with legislative leadership.

There was a brief discussion regarding the issue of legislators who attend interim committee meetings for short periods of time, perhaps 10-15 minutes, and then leave the meetings after submitting completed payment vouchers for per diem compensation. Members questioned Mr. Burciaga as to whether the legislative council had taken or would take action to prevent such activities by legislators. Mr. Burciaga responded by telling members that no formal action has been taken. When asked how the legislature as a body could or should address the issue, Mr. Burciaga told the members that action would need to go through the legislative council. Some members requested that Mr. Burciaga mention their concerns about the issue to the legislative council and that the council consider granting interim committee chairs the authority to remove from committee membership legislators who continue appearing at meetings

only long enough to complete a payment voucher. Mr. Burciaga said he would mention the issue to the legislative council at its next meeting, scheduled for June 29. He added that the terms for legislator reimbursement for interim committee meeting attendance are in the Constitution of New Mexico and that he has no recollection of any legislative initiatives on the subject.

### **Welcome and Introduction of the MFA Staff**

Jay Czar, executive director of the MFA, provided a summary of background information on the MFA. He reminded members that the MFA is a quasi-governmental entity, and its staff members are not state employees. The entity runs state programs and handles federal dollars through federal programs associated with the U.S. Department of Housing and Urban Development and the federal Department of Energy. He noted that the composition of the MFA board is provided for in statute, and he added that the board has two new members: John Sanchez, New Mexico's lieutenant governor, and Dennis Burke, a certified public accountant, who were appointed by the governor. Mr. Czar noted that there remains one vacancy on the board and said he hopes that the governor will announce the candidate to fill that vacancy soon.

Mr. Czar discussed some of the information members can expect to hear about in upcoming MFA Act Oversight Committee meetings, including the 2011 State of Housing Report that will be released during the week of June 13. He said that the MFA began producing the annual report three years ago and that it includes pertinent housing information related to the entire state of New Mexico. He said members would receive information on the MFA FY 2012 budget and the American Recovery and Reinvestment Act of 2009 (ARRA) funds, which he reminded members are managed by the MFA. He added that most ARRA funds will expire in March 2012, but some will be in place until September 2012.

Mr. Czar told members that the MFA staff would appreciate any opportunity to show members some of the projects completed by the MFA, particularly projects located in Santa Fe and Albuquerque, and specifically, the Silver Gardens development located near the MFA offices, which Mr. Czar said is New Mexico's only one-room transition development designed to help people transition out of homelessness. Mr. Czar said that MFA staff members travel all over the state, and, as such, will likely see many of the legislators in their home districts.

Mr. Czar explained that a large percentage of New Mexico's housing is located in areas with existing infrastructure, but the housing is more than 50 years old. Accordingly, the MFA handles a lot of rehabilitation projects for older houses. He said the housing market shift toward renting is in large part due to credit becoming very tight.

Mr. Czar said that the MFA continues to experience a lot of activity with first-time homebuyer programs, but it was far more active before federal incentives for those buyers expired. He said that the MFA will be working with less money as the ARRA funds expire and budget cuts take place. The MFA is in the process of reviewing its strategic plan, which will be completed by September 2011 and presented to the committee. The previous plan was

completed prior to the housing market collapse. The new plan will be very different, making the update very important, he said. Mr. Czar thanked the members for their continued support of the MFA.

Members briefly discussed a number of the successful projects completed with the assistance of the MFA, particularly a low-income housing project in Santa Fe that some members recently visited. They noted that the project serves many special-needs people in the Santa Fe community, and it received \$9 million in ARRA funds.

Members discussed the possibility of the committee taking the lead on certain important legislative issues. They expressed an interest in discussing the need for economics education in New Mexico's high schools and hearing more about the credit and lending situation. Mr. Czar told members that the MFA, along with 54 similar entities, belongs to a national organization that educates its members and others regarding pertinent issues for the housing industry. Members attend meetings in Washington, D.C., annually, where staff members work alongside legislative analysts and others to recommend housing policies and share concerns.

Mr. Czar provided committee members with a memorandum outlining the MFA's 2011 work plan items for the committee's consideration. He noted the specific items that are nondiscretionary, including the MFA's FY 2012 budget; changes, if any, to the MFA's rules and regulations; and the MFA's prospective legislative agenda.

### **MFA 2011 Reference Guide**

Erin Quinn, senior policy and program advisor, MFA, directed the members' attention to the MFA 2011 Reference Guide contained in their meeting folders. A number of committee members expressed their appreciation for the guide and stated that they have found all of the previous guides extremely useful. Ms. Quinn walked the members through each section of the guide, highlighting specific sections, beginning with the MFA's priorities and legislative initiatives for the 2011 legislative session. Many committee members noted that most bills relating to the work of the MFA were not passed during the 2011 legislative session. Ms. Quinn explained where valuable information can be found in the guide, including descriptions of MFA programs and staff and board members' contact information.

### **2011 Interim Work Plan and Meeting Schedule Development**

Ms. Bannerman, staff attorney for the LCS, directed the members' attention to the proposed work plan and meeting schedule located in their meeting folders. She reminded them of the statutorily mandated duties of the committee, and she noted that the proposed meeting schedule provides for the MFA Act Oversight Committee to hold its meetings in Albuquerque at the MFA office. A discussion ensued regarding the possibility of travel to at least one other location in New Mexico. Members said that travel to various areas of the state is critical to the work of the committee because they learn about issues in areas other than their home districts or Albuquerque and Santa Fe. Mr. Czar advised that if the committee holds its August meeting in

Farmington, members would be afforded the opportunity to tour an MFA project in that area. The committee voted without objection to request travel to Farmington for the August 24, 2011 meeting. Ms. Bannerman said she would make the request on behalf of the committee. After that, a motion to amend the work plan and meeting schedule was made and seconded and passed without objection.

### **Adjournment**

There being no further business before the committee, the meeting adjourned at 12:25 p.m.

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

**July 26, 2011  
Mortgage Finance Authority Office  
Albuquerque, New Mexico**

The second meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Representative Joni Marie Gutierrez, chair, at 10:10 a.m. on July 26, 2011 at the office of the MFA in Albuquerque, New Mexico.

**Present**

Rep. Joni Marie Gutierrez, Chair  
Sen. Nancy Rodriguez, Vice Chair  
Rep. Alonzo Baldonado  
Sen. Mark Boitano  
Rep. Ernest H. Chavez  
Sen. Cisco McSorley  
Sen. Gerald Ortiz y Pino

**Absent**

Rep. Nate Gentry

**Advisory Members**

Rep. Thomas A. Anderson  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Sandra D. Jeff  
Rep. Rick Little  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Sander Rue  
Sen. David Ulibarri

Sen. Rod Adair  
Sen. Lynda M. Lovejoy  
Rep. Dennis J. Roch

**Staff**

Kim Bannerman, Legislative Council Service (LCS)  
Claudia Armijo, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts and written testimony are in the meeting file.

**Tuesday, July 26**

**Welcome**

Representative Gutierrez welcomed the committee members, MFA staff and guests to the meeting. She advised the members that the meeting would be video webcast and reminded them to keep sidebar conversations to a minimum to avoid noise interference with the webcast.

**Approval of the Minutes**

Representative Gutierrez asked for a motion to approve the minutes from the committee's June 6, 2011 meeting. A motion was made and seconded. The motion passed unanimously.

**MFA Update**

Jay Czar, executive director of the MFA, welcomed the members to the meeting. He began by congratulating Erin Quinn, senior policy and program advisor for the MFA, on her recent recognition from *Albuquerque Business Weekly*. Ms. Quinn explained that she received the award for the *40 Under Forty* annual publication and event recognizing New Mexico's most accomplished young professionals whose efforts are shaping the future of the state. More than 150 people were nominated for the 2011 top *40 Under Forty* awards. The judges, all *40 Under Forty* alumni, selected honorees based on their professional achievement, leadership and community involvement. An event celebrating the honorees was held on July 14, 2011 at the Albuquerque Hilton. Honorees were also featured in a special *Albuquerque Business Weekly* publication on July 15, 2011. Ms. Quinn was nominated by Mr. Czar, who told the committee members that Ms. Quinn deserves this high recognition for her continued excellence and dedication with her work for the MFA and the State of New Mexico.

Mr. Czar next informed the members that the MFA's contract with the Project-Based Section 8 Housing Assistance Program through the federal Department of Housing and Urban Development (HUD) was not renewed and will end in September 2011. The MFA has served as the contract administrator for this program in New Mexico for the past 11 years. The HUD rebid the administration contracts, and the MFA applied to continue administering the program in the state, but the HUD selected an entity from Austin, Texas, to administer the HUD's New Mexico contracts. The MFA lost that contract for reasons unknown to Mr. Czar. He told the members that the MFA is working diligently on the contract award issue and intends to file a protest in the matter. Additionally, he said that he and the MFA staff have been speaking with New Mexico's congressional delegation regarding the situation. He noted that a conference call with HUD representatives and with New Mexico's congressional delegation is scheduled for the afternoon following the MFA Oversight Committee meeting. Although he hopes the loss of the contract does not result in job losses at the MFA, he noted it is a possibility and specified that four jobs are in jeopardy. Mr. Czar told the members that he will continue to update them on this matter as information becomes available. Lastly, he mentioned that some states that similarly lost such HUD contracts are considering legal action in the matter.

Members discussed possible action the MFA Oversight Committee might take and their support of the MFA in its protest regarding the contract award. However, it was determined that additional information is needed before taking action. Mr. Czar told members that the transition from the MFA to the newly named entity is scheduled to be concluded by September 30, 2011 and that he will keep the committee informed of the status of the contract and the MFA protest.

Mr. Czar next informed the members that Governor Susana Martinez had announced a new appointment to the MFA board. The governor appointed Angel Reyes, president of Centinel Bank of Taos, New Mexico.

Mr. Czar then told members of the committee that the MFA had traveled to Las Cruces and Anthony during the previous week. One purpose of the travel was a ribbon-cutting ceremony for a rental unit project. He was pleased to note that several legislators and local government officials attended the ribbon-cutting ceremony. While in the Las Cruces and Anthony communities, MFA staff met with local officials regarding both communities' housing plans. Additionally, the MFA staff met with members of the League of Women Voters and local real estate professionals.

Mr. Czar next told the members that the Villa Alegre affordable housing project in Santa Fe also had a ribbon-cutting ceremony. He reminded the members that the new project replaced an old 1960s housing project. He added that Villa Alegre has received national awards and is unique in that it has multifamily units, as well as units designed especially for seniors.

Mr. Czar also shared the good news with the committee that the MFA's rating given by Standard & Poor's has gone up. He informed the committee that the MFA's rating is designated as stable at a time when similar entities' ratings are being downgraded.

### **2011 State of Housing Report**

Ms. Quinn spoke to the members regarding the 2011 State of Housing Report. Referring to the handout entitled *The Long Road to Recovery 2011 State of Housing Report*, Ms. Quinn began by telling members that the recession experienced by the entire country has been deep, wide and long. She noted that more than 52,000 jobs have been lost in New Mexico since 2008, adding that all 33 counties within the state and all industry sectors have experienced job losses. New Mexico has endured 31 consecutive months of negative job growth, which Ms. Quinn advised is longer than that experienced by the rest of the country. She opined that New Mexico will experience a very slow recovery with continued high unemployment rates. This slow recovery is related in part to the fact that 95% of New Mexico's businesses are small businesses and the tight credit market is even tighter for such businesses.

Ms. Quinn next spoke about economic trends, noting that constrained state and local budgets would likely continue. One reason for such tight budgets is lower gross receipts and income taxes collected by governments. She added that oil prices are expected to fall further, as

will natural gas prices, which will affect New Mexico's revenues as well. On top of these revenue shortfalls, the state is experiencing some increase in expenses. Notably, in New Mexico, the Income Support Division of the Human Services Department has seen a rise in its caseloads, with enrollment in New Mexico's Supplemental Nutrition Assistance Program up 22%, Temporary Assistance for Needy Families up 9% and general assistance up 28%. Lastly, she noted that most of the stimulus funds received by New Mexico and administered through state agencies like the MFA have been spent and all of the remaining funds must be spent by March 2012. In short, Ms. Quinn concluded that uncertainty remains regarding the national and state economies.

Next, Ms. Quinn told the members that the 2010 census showed New Mexico's population to be 2,059,179, an increase of 13.2%. The data show that most of the population growth was experienced in the metropolitan areas of the state. Fourteen of New Mexico's counties experienced a decline in their populations. Ms. Quinn added that immigration was down during the past decade, as was household growth and mobility. She noted that families are "doubling-up", meaning that multiple generations of a family are living in one household. She opined that this trend might continue as long as unemployment continues to rise.

Ms. Quinn informed committee members that the 2010 census indicates that the median age in New Mexico is 35.6 years, considered "old" for a population. She also said that one in four New Mexico homes has a household member at or older than age 65. This creates certain housing needs for older citizens. Also, Ms. Quinn noted that younger New Mexicans are seeking housing that fits their lifestyles. These citizens are renting longer, and when they purchase a home, they purchase more modest houses located in areas with an urban feel, with access to transit and in neighborhoods with "character". Again, this generational shift in housing choices will impact New Mexico's housing market in the future.

Regarding homeownership trends, Ms. Quinn said that the rate of homeownership peaked at 69.2% nationally in 2004 and has been on a steady decline since 2006. At the end of 2010, the national homeownership rate was 66.5%, while New Mexico's rate was 68.8%. Ms. Quinn further noted that the merits of homeownership have been called into question. She attributes this trend to increased home prices that spurred consumer activity, the recession associated with the house price busts that have been deeper and longer than other downturns and the \$6.8 trillion of homeowners' equity lost since 2005. Ms. Quinn also pointed out some commonly accepted benefits of homeownership, including the purchase and ownership of a home as an alternative savings vehicle, particularly for people without retirement plans or investments, have faded since the start of the recession. Ms. Quinn opined that in recent years, a combination of rapidly increasing housing prices coupled with speculative and risky lending practices combined to create an unsustainable housing market.

Ms. Quinn next reported on rental housing trends. She began by noting that nearly everyone rents a home at some point and, for many people, renting makes better economic sense

than purchasing. One-third of New Mexican households rent their homes. Among renters, 31% say they are more likely to rent as a result of the housing crisis, which is illustrated by a significant growth in renter households since 2006. Ms. Quinn pointed out that homeownership rates and unemployment rates positively correlate.

Ms. Quinn told the committee that predictions for multifamily rental housing development and investment are mixed. There is a demand from the young adult population, as well as a need from former homeowners. Apartments and townhomes located near stores and attractions have gained favor with the aging population and those downsizing their homes. There also continues to be a demand for senior housing, student housing and affordable housing.

Ms. Quinn spoke at length regarding the challenges of affordable housing. She said that in the decade leading up to the housing crisis, national median home prices increased 45%, while the median wage per worker increased only 10%. Although home prices have fallen in recent months, unless a homebuyer is employed, has strong credit, has plenty of cash for a down payment and is not burdened with an existing home mortgage on a house not yet sold, buying a new home is extremely challenging.

Ms. Quinn explained that the affordability of owning a home has become more challenging in recent years with homeowners becoming cost-burdened. For example, in 2000, homeowners paid an average of 20% of their income for housing costs. That cost increased to 25% in 2009. In 2009, 43% of homeowners earning less than \$50,000 per year were cost-burdened. Additionally, more renters are also cost-burdened. In 2000, renters paid 44% of their income in housing costs, versus 47% in 2009. In 2009, 72% of renters earning less than \$35,000 were deemed cost-burdened.

Ms. Quinn next talked about housing availability. She said that new construction has declined dramatically. In Albuquerque, Rio Rancho and Hobbs, single-family building permits have dropped nearly 85% from their peak. Rio Rancho did not issue any multifamily building permits in 2009 or 2010. Between 2006 and 2010, total construction employment in New Mexico fell by almost 26%, with a loss of 15,250 jobs.

Moreover, other housing challenges exist in New Mexico. Ms. Quinn told members that more than half of the state's housing stock was built prior to 1980. Consequently, there is a need and desire to improve housing efficiency and livability. Location of housing has become more important due to rising gas prices. Ms. Quinn advised that there is a trend at looking at housing affordability in a new light, which includes considering the cost of transportation when determining housing affordability.

In its efforts to address the housing affordability challenges, in 2010, the MFA provided almost \$152 million in mortgages and down payment assistance to approximately 1,200 first-time homebuyers in New Mexico. Also, the MFA processed \$23.6 million in Section 8 rental

assistance payments for 5,318 apartments. Lastly, the MFA processed \$5.1 million in funding to service providers who served 13,900 homeless and "precariously housed" individuals.

Ms. Quinn told members that the MFA is also addressing availability challenges. In 2010, the MFA provided approximately \$95 million in funding for the development of 1,245 affordable rental homes in New Mexico. The MFA financed \$8.5 million in loans for the construction, acquisition, rehabilitation and resale of 115 affordable single family for-sale homes, including 32 foreclosed properties. The MFA provided approximately \$2 million in funding for various affordable housing activities on tribal land and about \$10.5 million in the colonias. Lastly, the MFA provided \$168,000 in helping hand down payment assistance loans to 28 homeowners with disabilities.

Ms. Quinn said that the MFA continues to address sustainability challenges. In 2010, the MFA:

1. provided \$19.7 million in owner-occupied housing rehabilitation and weatherization funds to address the critical needs of more than 4,000 homeowners;
2. financed preservation of 300 affordable rental homes;
3. received a competitive award of \$920,000 from the federal Department of Energy to establish a Weatherization Training Center;
4. received the U.S. Green Building Council New Mexico Chapter's 2010 "Leadership in Green Building Award"; and
5. provided roughly \$300,000 in housing counseling funds to educate 1,523 prospective homebuyers and troubled homeowners.

According to Ms. Quinn, the MFA is addressing housing challenges through the federal American Recovery and Reinvestment Act of 2009 (ARRA) program implementation as well. The MFA received more than \$95 million in ARRA stimulus funds for housing and residential energy efficiency initiatives. As of June 30, 2011, 79% of those funds had been expended. Approximately 4,000 homes will be weatherized utilizing these funds (more than 2,500 households are already enjoying warmer, more energy-efficient homes). Also, more than 660 new affordable rental homes will be built (469 units are complete).

Lastly, Ms. Quinn concluded that these are challenging times for both the United States as a whole and for New Mexico. She opined that now is a good time to reassess how to plan for and use housing resources.

Members thanked Ms. Quinn for her thorough and informative report. A general discussion ensued about the cost of housing, including property taxes and insurance. Members noted that landlords cannot afford to absorb the rising costs of rental property ownership without passing those costs on to their renters. Many agreed that the population of people capable of affording to purchase a home in New Mexico is dwindling.

A number of members commented in agreement with the concept of calculating transportation costs into the equation for determining home purchase affordability. Ms. Quinn noted that although transportation costs are a real factor to be considered, it is extremely difficult to use it as a determining factor for qualification because people may change job locations, may use public transportation or car pool and the cost of transportation can fluctuate.

Members discussed the potential effects resulting from the end of the federal stimulus money that has flowed into New Mexico. Mr. Czar said that the MFA is contemplating that factor as it creates its three-year strategic plan. One of the things the MFA is considering is whether to expand its loan servicing. Additionally, the MFA is exploring other business avenues available.

Members inquired as to the MFA's relationship with the Federal National Mortgage Association, commonly known as Fannie Mae. Ms. Quinn replied that the MFA's mortgages are sold to either Fannie Mae or the Federal Housing Authority (FHA). Occasionally, Fannie Mae provides the MFA with money for special projects, and sometimes Fannie Mae has purchased tax credits. However, now that Fannie Mae is in receivership, the MFA is involved in very few conventional loans. Consequently, 96% of the MFA's loans are now sold to the FHA.

Lastly, there was a discussion about the weatherization program. Ms. Quinn noted that the MFA is partnering with Santa Fe Community College in a certificate program designed to develop weatherization service providers. The intent is to open up the area of expertise to more people throughout the state. The MFA sees the program as a means to create jobs in New Mexico while providing a much-needed service.

### **Adjournment**

There being no further business before the committee, the meeting adjourned at 12:30 p.m.

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

**August 24, 2011  
San Juan College  
4601 College Blvd., Room 9008  
Farmington, New Mexico**

The third meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Senator Nancy Rodriguez, vice chair, at 10:10 a.m. on August 24, 2011 at San Juan College in Farmington, New Mexico.

**Present**

Sen. Nancy Rodriguez, Vice Chair  
Rep. Alonzo Baldonado  
Rep. Ernest H. Chavez  
Sen. Cisco McSorley  
Sen. Gerald Ortiz y Pino  
Sen. Sander Rue

**Absent**

Rep. Joni Marie Gutierrez, Chair  
Sen. Mark Boitano  
Rep. Nate Gentry

**Advisory Members**

Rep. Thomas A. Anderson  
Rep. Rick Little

Sen. Rod Adair  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Sandra D. Jeff  
Sen. Lynda M. Lovejoy  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Rep. Dennis J. Roch

**Staff**

Claudia Armijo, Legislative Council Service (LCS)  
Kim Bannerman, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts and written testimony are in the meeting file.

**Wednesday, August 24**

**Welcome**

Senator Rodriguez welcomed the members and guests, and then asked Jay Czar, executive director for the MFA, to make his opening remarks. Mr. Czar greeted everyone and thanked them for traveling to Farmington.

Mr. Czar introduced several of the audience members, as well as Farmington's mayor, the Honorable Tommy Roberts. Mr. Czar asked the mayor to address the committee.

Mayor Roberts welcomed the committee members to Farmington, expressing his appreciation for the members' attendance and interest in the MFA projects and the surrounding communities. He apprised the members of the economic outlook for Farmington first by informing them that even though Farmington's population is only about 46,000 people, the city's retail businesses benefit from a retail sales population of approximately 250,000 people. This is because Farmington is centrally located close to Cortez and Durango in Colorado, as well as four Indian reservations. He explained that people from northern New Mexico and southern Colorado travel to Farmington to shop. As a consequence, Farmington businesses have not experienced the extreme economic downturn faced by many businesses located elsewhere in New Mexico and throughout the country. Mayor Roberts opined that the fact that Farmington businesses have been able to sustain their retail sales has substantially added to the stability of the Farmington economy. Additionally, although the area had seen a decline in gross receipts tax (GRT) payments during the past 11 to 15 months, the GRT has been steadily increasing.

Next, Mayor Roberts noted that 85% of the area's energy production comes from natural gas, with 11% coming from crude oil production. The low cost of natural gas, combined with burdensome regulatory measures, have impacted the area's energy production business. He noted that many businesses have relocated elsewhere, although he did not share specifics. He followed by telling members that Farmington is looking into the potential for diversification into other types of energy production and the health care and agriculture industries. Along with looking for diversification, Mayor Roberts said that the city is trying to recruit a variety of industries to the area. Mayor Roberts told members that Farmington had experienced significant growth in economic-based jobs before the national economic downturn. Now, he said, the area has lost 4,900 economic-based jobs. He noted that Farmington has a trainable work force, a city-owned utility and outstanding health care for its residents, all positive attributes emphasized in recruiting businesses. Before closing his remarks, Mayor Roberts expressed his appreciation for the MFA and its work in the Farmington area.

Members inquired about the housing market in Farmington. Mayor Roberts noted that, although slightly depressed like much of the country, the Farmington market is doing reasonably well. He added that the foreclosure rate is not as high as it is elsewhere, nor is unemployment, which is tied closely to foreclosure rates.

Prior to moving to the next agenda item, a motion to approve the minutes from the July 2011 meeting was made and seconded. The motion passed without objection.

Mr. Czar provided an update for the committee regarding the MFA's contract with the Project Based Section 8 Housing Assistance Program through the federal Department of Housing and Urban Development (HUD). He reminded members that the contract was not renewed and it was awarded to a Texas entity. The MFA filed a protest regarding the contract award decision. Mr. Czar said that since the protest was filed, the HUD has canceled the contract awarded to the Texas entity and extended the MFA's contract for six months, at which time the MFA will have the opportunity to re-bid for the contract. Mr. Czar seemed optimistic regarding the re-bid outcome and reminded members that the entity that administers the contract for the HUD is charged with oversight of 89 New Mexico projects. Consequently, he said, it should be a New Mexico entity.

Joseph Montoya, deputy director of programs, MFA, updated the members regarding the weatherization program, explaining that all of the federal American Recovery and Reinvestment Act of 2009 (ARRA) funds will be spent for weatherization projects before the funds expire. The program serves low-income New Mexicans and has helped create jobs throughout the state in the weatherizing and construction industries.

The committee next toured two MFA-administered projects in Farmington. The first was a home in the process of being weatherized. For the last 12 years, the MFA has administered about \$5 million a year for New Mexico EnergySmart, New Mexico's weatherization program. Under the ARRA, the MFA received an additional \$26.8 million for weatherization services throughout the state.

The federal dollars allow the MFA's subgrantees to perform up to \$6,500 in weatherization services in each home, up from the previous \$3,000 limit. In addition, families at or below 200% of the federal poverty level will be eligible to apply for assistance, up from 150%.

Whether a person owns or rents or lives in a single-family home or a mobile home, that person can apply for assistance. Preference is given to persons over 60 years of age, persons with disabilities and, in some cases, families with children. If a person in the household receives supplemental security income or Temporary Assistance for Needy Families Program benefits, the person is automatically eligible.

After performing an energy audit, a trained inspector will determine the best energy conservation measures for the home. The inspector will also make sure that the home meets safety codes. The inspector will then meet with the homeowner to explain how the weatherization crew will conduct the work. Throughout the weatherization process, the health

and safety of the household members remain a priority. After the weatherization work is completed, an inspector will return to the home to ensure that everything is working properly.

Some typical weatherization work that may be done to a home includes:

- 1) weather-stripping and caulking around doors and windows;
- 2) replacing broken glass panes or windows;
- 3) installing insulation, including on water heaters and in attics;
- 4) tuning up, repairing or replacing the furnace or heating unit;
- 5) installing carbon monoxide detectors;
- 6) replacing incandescent bulbs with compact fluorescent light bulbs; and
- 7) replacing a high-energy consuming refrigerator with an energy-efficient one.

Committee members met the homeowner of the house being weatherized in Farmington, as well as some of the weatherization workers. The workers explained the weatherization process that had taken place for the property so far, including the initial diagnostics, and a determination of how much and where the air was escaping from the home. So far, the property had received insulation, new energy-saving windows and weather stripping. The diagnostics determined the need for a new roof. However, roofing work is not included in the weatherization program.

Next, the members were provided a tour of La Terraza Apartments in Farmington, a low-income, new construction apartment complex developed using the federal Tax Credit Assistance Program (TCAP) administered through the MFA. The ARRA provides \$2.25 billion of grant funding to cover gaps in financing for low-income housing construction. The financing gaps these funds will cover came about because of difficulties in finding investors for credits, receiving lower than anticipated prices for credits and resulting delays in beginning construction. New Mexico will receive \$13,876,558 in TCAP money, which will be administered by the MFA.

The MFA uses the TCAP funds for tax credit properties that received credit awards in 2007, 2008 and 2009. The MFA intends to get the TCAP funds to eligible properties quickly through the systems that are already in place and anticipates that, when the funding is fully implemented, up to 12 affordable housing projects may be restarted. The construction of these projects could provide between 550 and 825 new rental homes for low-income households throughout New Mexico, create an estimated 600 full-time jobs and add an estimated \$46 million to local and state economies.

During the visit, a ribbon-cutting ceremony took place honoring the opening of the development. Members toured a one-bedroom unit and a three-bedroom unit. The apartments are centrally located near the hospital and public transportation. The development has common areas for residents, as well as playground areas for children. Members were advised that the development has a waiting list for low-income units. The committee was addressed by two

current residents of the apartments, both of whom relayed their appreciation for their respective low-income units.

After completing the tour of La Terraza and with no further committee business, the meeting adjourned at 1:00 p.m.

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

**October 12, 2011  
Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque, New Mexico**

The fourth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Representative Joni Marie Gutierrez, chair, at 10:05 a.m. on October 12, 2011 at the office of the New Mexico Mortgage Finance Authority in Albuquerque, New Mexico.

**Present**

Rep. Joni Marie Gutierrez, Chair  
Sen. Nancy Rodriguez, Vice Chair  
Rep. Alonzo Baldonado  
Sen. Mark Boitano  
Rep. Ernest H. Chavez  
Sen. Cisco McSorley

**Absent**

Rep. Nate Gentry  
Sen. Gerald Ortiz y Pino

**Advisory Members**

Rep. Thomas A. Anderson  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Sandra D. Jeff  
Rep. Rick Little  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Sander Rue  
Sen. David Ulibarri

Sen. Rod Adair  
Sen. Lynda M. Lovejoy  
Rep. Dennis J. Roch

**Guest Legislator**

Rep. Patricia A. Lundstrom

**Staff**

Claudia Armijo, Legislative Council Service (LCS)

**Guests**

The guest list is in the meeting file.

## **Handouts**

Copies of all handouts and written testimony are in the meeting file.

## **Minutes Approval**

These minutes have not been approved by the MFA Oversight Committee as the committee has finished its work for the interim.

## **Wednesday, October 12**

### **Welcome**

Representative Gutierrez called the meeting to order at 10:05 a.m. She welcomed the members and guests and reminded them that the meeting was being webcast. She then asked the committee members to introduce themselves, which they did. Next, the chair asked Jay Czar, executive director for the MFA to make his opening remarks. Mr. Czar greeted everyone and welcomed them to the meeting.

### **MFA Update**

Mr. Czar began by thanking the committee members that were able to attend the August meeting in Farmington, New Mexico, noting that holding the meeting in a city other than Albuquerque provides a great opportunity to get an overview of the MFA's activities at a local level.

Next, Mr. Czar advised the members that at the upcoming November 9, 2011 meeting, the MFA will be bringing forth its finalized legislative initiatives for the 2012 legislative session. He also noted that the MFA is involved in new training programs to assist entities around the state that do the work involved with many of the MFA's programs. The trainings will include executive workshops for the various entities' executives and chief financial officers. He added that New Mexico's state auditor will participate in the trainings, as well as representatives from the United Way. He added that the United Way has training programs to assist board members in both nonprofit entities and those for profit.

Mr. Czar told the members that the MFA will be hosting its open house on October 22, 2011. He noted that the open house is held every other year, and legislators are invited and encouraged to attend.

### **MFA Strategic Plan for FY 2011-2012**

Erin Quinn, senior program and policy adviser, MFA, presented the MFA strategic plan to the members. She noted that the pertinent information could be located behind tab 1 of the MFA Housing New Mexico handout, dated October 12, 2011, and provided for the members' reference.

Ms. Quinn advised members of the MFA's goals and objectives for fiscal years 2012 through 2014 as follows:

Goal 1. Develop Stronger Communities. Create, facilitate, promote and support planning and development of sustainable affordable housing strategies, programs and delivery systems that foster healthy living environments and livable communities.

Goal 1 Objectives:

- 1) incorporate sustainable, healthy and energy-efficient design in all applicable MFA products and programs;
- 2) increase the capacity of local governments, nonprofit developers, for-profit developers and housing authorities to deliver services and housing;
- 3) improve customer satisfaction, as measured by regular customer satisfaction surveys, by September 30, 2014;
- 4) research, design and develop responsive programs;
- 5) provide at least 50 educational and networking opportunities per year for MFA stakeholders;
- 6) develop a public awareness campaign strategy and implement the strategy by September 30, 2014; and
- 7) research and assess the feasibility of new sustainable revenue-generating activities by September 30, 2012.

Goal 2. Homeownership. Provide financial and educational resources to create and preserve affordable homeownership opportunities, with an emphasis on quality customer service, support for underserved markets and sustainable homeownership.

Goal 2 Objectives:

- 1) provide first mortgage financing to 3,180 first-time homebuyers, including assisting 105 new homebuyers to purchase and rehabilitate their homes;
- 2) increase assistance to rural households, which may include first mortgage loans, down payment assistance loans, pre-purchase counseling and loss mitigation counseling;
- 3) assist at-risk homeowners to obtain loss mitigation counseling;

4) assist 3,180 first-time homebuyers to obtain face-to-face or online pre-purchase homebuyer counseling;

5) rehabilitate 4,107 existing housing units in New Mexico to achieve MFA health and resource conservation standards;

6) provide funds to acquire and rehabilitate 30 units, for sale or rent, to reduce the inventory of foreclosed homes and to stabilize affected communities; and

7) research, analyze and develop an acquisition and rehabilitation program that is similar to the MFA's neighborhood stabilization program (NSP). If the board and staff determine it is in the MFA's best interests to implement an NSP-like program, establish unit targets for fiscal years 2013 and 2014.

Goal 3. Rental and Group Shelter. Provide and preserve quality affordable rental opportunities, including shelter for people experiencing homelessness. Educate, design programs and provide oversight to ensure availability, quality maintenance, operations and preservation.

Goal 3 Objectives:

1) create a net increase in affordable rental units in MFA's portfolio;

2) create and maintain long-term viable rental properties through strong underwriting and proactive oversight. Continue risk management and analysis efforts on the existing portfolio; and

3) program 100 of all homeless funds for full annual expenditure in accordance with continuum-of-care and federal Department of Housing and Urban Development (HUD) planning objectives.

Goal 4. Talent and Operations. Provide support in employment, technology, facilities management and operations.

Goal 4 Objectives:

1) monitor strategic plan progress at quarterly and annual intervals;

2) each department must implement a minimum of one internal policy, process or procedure that enhances and/or streamlines functions and practices, including elimination of unnecessary processes or procedures, aligned to accomplish its goals in FY 2012, and submit that policy, process or procedure by September 30, 2012;

3) continue to refine and implement policies and processes that attract and retain quality employees;

4) in FY 2012, research suggested or identified processes and programs and develop those that are found to be feasible to ensure employee satisfaction and staff development by September 30, 2012;

5) identify board, staff and management training needs and develop and implement training using internal resources, local universities, trade schools and/or consultants, where applicable;

6) provide maximum system availability through continued maintenance and upgrades, leveraging current technology. All production servers and applications will be available during business hours. Production servers cannot be unavailable for more than a total of 20 business hours during a 12-month period;

7) protect and secure the MFA's data and systems from unauthorized access. Perform vulnerability tests every six months and mitigate any vulnerabilities identified as high risk within one business week following notification;

8) research, implement and support technology solutions to improve operational efficiencies and data-tracking capabilities for the MFA and its partners;

9) research and evaluate the benefits and implications of implementing and maintaining a social media presence and present findings and recommendations to management by January 15, 2012; and

10) maintain and enhance the MFA facilities and grounds within an approved budget (within the MFA's control) and continue to utilize "green" measures where feasible.

Goal 5. Financial Stewardship. Provide sustainable financial support for programs and administration.

Goal 5 Objectives:

1) determine an optimal five-year rolling average consolidated rate of return on earning assets;

2) research, develop and implement a cost-benefit assessment tool for evaluating new and existing programs and projects in relation to the mission, the margin and risk tolerance;

3) maintain general fund cash reserves at a minimum level for support of program activities, operations and financial strength;

4) manage and distribute grant funds to ensure that no funding is lost as a result of failure to expend or commit the fund, within the contract term;

5) obtain an unqualified opinion on the MFA's financial statements and ensure that no material weaknesses are identified by the auditor in internal control over financial reporting or major programs, excluding first-time program audits, for the next three years;

6) maintain an average internal rate of return on single-family bond programs of at least 4.5 for FY 2012;

7) maintain loan defaults, workouts and foreclosures and grant non-compliance losses to the MFA below \$1,550,000 through FY 2014; and

8) add two income-generating loan servicing portfolios that utilize the current servicing model.

### **MFA Budget FY 2011-2012**

Gina Hickman, deputy director of finance and administration, MFA, presented the MFA's budget to the members. She noted that the budget information provided in the handout excludes the federal Section 8 Performance Based Contract Administration (PBCA) contract information and added that after the scope of work for next year's PBCA contract is finalized, the MFA staff will present a budget amendment for that activity.

Next, Ms. Hickman explained that revenues are projected at \$11,394,000, a decrease of \$1,225,000, or 10% under the projected revenues for September 30, 2011. The expense budget is projected at \$9,166,000, an increase of \$162,000, or 2% over September 30, 2011 projections. She added that the 2011-2012 budgeted excess revenue over expenses is \$2,228,000.

Next, Ms. Hickman provided an analysis of significant increases and decreases in the proposed budget compared to projected actual and prior year budgets. She noted that the decrease under the prior year's actual expenditures and budget is related to the loss of the Section 8 PBCA contract revenue. In addition, the decrease under the prior year's budget also reflects the loss of revenue related to the weatherization program training and technical assistance funds, which were budgeted but not realized.

Ms. Hickman next explained that the MFA's operating expenses have decreased. She noted that salaries decreased and explained that regular merit increases are budgeted at zero for the next year. The decrease in actual and budget salary expenditures is a result of changes in staff positions. There was an elimination of five positions related to the Section 8 PBCA contract, which included the layoff of one position and three term positions that will be eliminated with the termination of the federal American Recovery and Reinvestment Act (ARRA) of 2009 EnergySmart grant on March 31, 2012. The decrease is offset by the addition

of the director of program administration position, who returns from military leave for the last two months of the fiscal year. The decrease in actual expenditures is also offset by the capitalization of compensation related to software development. She added that there has been a decrease in payroll taxes primarily due to the changes reflected in salaries and incentives.

Ms. Hickman directed the members' attention to a chart behind tab 2 of the handout that provides in detail the MFA's fiscal year 2012-2013 budget. The chart is followed by a proposed organizational chart for the MFA, with 68.75 full-time-equivalent employees as of September 21, 2011. Still referring to the charts in the handout, Ms. Hickman advised the members of the funding received by the MFA.

Members engaged in a lengthy discussion regarding the current and impending wave of foreclosures of residential properties in New Mexico. Many members voiced serious concerns over the issues associated with mass foreclosures, including the impacts to individuals, families, neighborhoods, businesses and the economy as a whole. Members of the MFA staff offered knowledge and guidance regarding foreclosure statistics and trends for the state. After the detailed discussion, a motion was made, seconded and passed without objection as follows.

The MFA board was requested to amend its strategic plan to create a priority goal for the MFA staff to research and develop strategies to reduce foreclosures in New Mexico. The goal should provide detailed information, including but not limited to:

- 1) a report covering:
  - a) the scope and magnitude of the foreclosure issue in New Mexico with demographic details that include the number of foreclosures involving affordable housing in New Mexico;
  - b) a study of successful foreclosure mitigation strategies employed by other states and localities; and
  - c) an analysis of the potential for partnerships with other New Mexico state agencies to provide a coordinated effort to reduce the number of foreclosures in the state; and
- 2) a recommendation by MFA staff to the MFA board and the MFA Act Oversight Committee, as well as the legislature, for possible legislative actions designed to reduce the number of foreclosures in New Mexico.

Mr. Czar and the MFA staff agreed to convey the motion to the MFA board.

### **Regional Housing Authority Updates**

Ed Romero, executive director for the Northern Regional Housing Authority (NRHA),

spoke to the members. He started by explaining that the mission of the NRHA is to provide decent, safe and affordable housing to low-income families. The NRHA board of commissioners consists of the following members:

Sandoval County: Santiago Chavez;  
San Juan County: Ryan Downy;  
San Miguel County: Tim Gallegos;  
Cibola County: Andy Morrow;  
Taos County: Della Barrone;  
Rio Arriba County: Lauren Reichelt;  
Los Alamos County: Rick Bohn;  
McKinley County: Danny Garcia;  
Colfax County: Kathryn Parker; and  
Mora County: vacant.

According to Mr. Romero, the NRHA has no operational capacity at this time. The region currently has 15 housing authorities. Of those, eight have fewer than 100 combined public housing and voucher units, and seven are classified by the HUD as "Troubled Agencies". A capacity building assessment was conducted in 2010 outlining strengths, weaknesses and strategies for establishment of this regional authority.

Mr. Romero told the members about some of the NRHA programs, including the housing choice voucher program whereby 1,164 vouchers are allocated to authorities within the region. This Section 8 housing choice voucher program is a federally funded program managed by the NRHA. This program helps low-income households by subsidizing their rents. The subsidy payments are made directly to the landlords and are usually the difference between 30% and 40% of the tenant's monthly adjusted gross income and are used for rent and utilities. Families in the programs are allowed to choose their own rental homes as long as the landlord is willing to participate in the voucher program.

Mr. Romero next described the HUD low-rent public housing program. Under this program, the majority of the families that participate pay 30% of their monthly adjusted gross income as rent. To qualify for the program, the family's gross income must be within the set income limits established by the HUD and other criteria established by the NRHA.

Mr. Romero advised members that the NRHA faces many challenges and constraints. The most pressing concern is the lack of available funding. He noted that at least eight of the authorities have operational budgets of less than \$60,000.

Cathy De Marco, executive director for the Western Regional Housing Authority (WRHA), next spoke to the members. She began by explaining that the mission of the WRHA is to provide decent, safe and affordable housing to low-income families, as well as to promote

economic opportunity and a suitable living environment free from discrimination. She added that the WRHA is committed to maintaining a high level of standards and professionalism in the day-to-day management of all programs administered.

The WRHA board of commissioners includes the following members:

Luna County: Beverly Kostelnik;  
Grant County: Awish Baechtle (resident commissioner);  
Catron County: Vera Turner;  
Valencia County: Carol Anaya;  
Sierra County: G. Vincent Barrett;  
Socorro County: Leo Cordova;  
Torrance County: Patricia Lincoln; and  
Hidalgo County: vacant.

Next, Ms. De Marco told the committee that the WRHA is currently ranked as a "high-performer" by the HUD. The authority's 2010 audit revealed no negative audit findings and the WRHA was given an unqualified audit opinion. Ms. De Marco said that the WRHA anticipates the same result with the 2011 audit, which has not yet been released by the state auditor. The WRHA has achieved high-performer status through the HUD for the last nine years as well as unqualified audits for more than 13 years. One of the authority's biggest accomplishments this past year was the progress made on the Montana Vista Housing Project, located in Silver City, New Mexico. The project will consist of 21 rental units, providing a mix of one-, two- and three-bedroom units. The project targets families at or below 30% to 50% of adjusted gross monthly income. In addition, five units will be set aside for supportive housing for special needs households. The architectural firm Integrated Design is currently working through the final design development and construction documents phase. Ms. De Marco noted that the MFA recently approved \$1.4 million in funding commitments for the project through the 2011 HOME and the New Mexico Housing Trust Fund, as well as the previously awarded MFA primero supportive housing pre-development grant of \$74,000.

Another accomplishment for the WRHA was the achievement this past year of closing on its first voucher homeownership family in Catron County. The program has been in operation since 2009 and there have been several families that were not able to qualify because of credit issues, lack of resources or an inability to find affordable housing.

Ms. De Marco explained that the WRHA serves Grant, Catron, Hidalgo, Luna, Sierra, Socorro, Valencia and Torrance counties. After describing some of the programs administered by the WRHA, Ms. De Marco explained that the greatest concern for the WRHA is the lack of decent, safe and affordable housing in the area, particularly in the more rural areas, such as Hidalgo County. One way to address this problem is to start a rental rehab program. The WRHA administered this type of program through the HUD about 15 years ago and it was

beneficial to both landlords and tenants. One of the major constraints for the WRHA is the lack of funding available to properly administer the programs throughout the region. The WRHA has only 12 staff members between two offices and does not have the resources to hire additional staff.

Chris Herbert, executive director for the Eastern Regional Housing Authority (ERHA), explained that the mission of the ERHA is to provide decent, safe and affordable housing to low-income families. The ERHA board of commissioners is composed of the following members:

Curry County: Waymon Dowdy, (chair);  
De Baca County: Alan Sparks, (vice chair);  
Otero County: Michael O'Hara, (treasurer);  
Lincoln County: Mary Beth Fowler, (secretary);  
Lea County: Ella Turner;  
Chaves County: Dr. Fundador Adajar; and  
Union County: William Birdwell.

Mr. Herbert told the committee that the ERHA serves Chaves, De Baca, Eddy, Guadalupe, Harding, Lea, Lincoln, Otero, Quay, Roosevelt, Union and Curry counties. He added that the ERHA is currently ranked as a "high-performer" through the HUD for both the housing choice voucher program and the low-rent public housing program. The ERHA's 2010 audit resulted in an unqualified audit opinion, and Mr. Herbert anticipates the same results for the 2011 audit, which has not yet been released by the state auditor. The ERHA has had high performer status through the HUD for the last six years, as well as unqualified audits for more than six years. One of the ERHA's biggest accomplishments is the successful merger of the Vaughn Housing Authority's assets into the ERHA public housing portfolio. Control over the Vaughn Housing Authority was assumed by the ERHA on July 1, 2010. He added that the ERHA was able to bring the Vaughn Housing Authority's performance level up to the same level as the ERHA's public housing stock, and, as a consequence, the ERHA was awarded high performer status by the HUD. Additionally, when the ERHA assumed the assets for the former Vaughn Housing Authority, it was steadily at a 50% occupancy rate. That rate has been increased to 90%.

Mr. Herbert explained the programs administered by the ERHA and then turned his attention to the authority's concerns and challenges, citing that the greatest concern is the lack of decent, safe and affordable housing in the area served by the ERHA, particularly in Curry, Roosevelt, Chaves, Lincoln, Eddy and Lea counties. He added that all of the housing authorities are limited by the HUD fair market rents (FMR). FMRs for the above-mentioned counties fall short of what actual comparable rents are for the area. This produces a situation in which Section 8 voucher holders are unable to find units that will pass the housing quality standards inspection and have rents that are less than 110% of the counties' FMR.

Another major constraint for the ERHA is the lack of funding available to properly administer programs throughout the entire region. The HUD has reduced the housing choice voucher program administrative fees by 22% for the current year's budget. The ERHA anticipates the same level of reduction in administrative fees for the upcoming year starting in November 2011. Basically, the housing authorities will have to do more with less. Mr. Herbert continued, saying that the ERHA is in current negotiations with one of the counties to fund homebuilding for 26 units for approximately \$3,250,000. Additionally, the ERHA hopes to locate other sources of funding to hire additional staff and expand outreach and additional housing programs.

### **MFA's Proposed Legislation**

Mr. Czar addressed the members concerning the MFA's proposed legislative initiatives for the 2012 session. He advised that the MFA would seek a \$5 million appropriation for the New Mexico Housing Trust Fund. He explained that the New Mexico Housing Trust Fund was created in 2005 and capitalized with an initial appropriation of \$10 million. The fund has received an additional \$5 million since 2006: \$1 million during the 2006 legislative session, \$2 million during the 2007 session and \$2 million during the 2008 session. An additional \$9 million in loan repayments and interest earnings gives the New Mexico Housing Trust Fund \$24 million in total award capacity.

Mr. Czar continued by reminding the members that the MFA serves as the fund's trustee and has awarded approximately \$22 million for affordable housing development. This amount has leveraged approximately \$237 million in other housing funding and will result in the new construction and preservation of 2,382 affordable homes throughout New Mexico.

In light of the mortgage market credit crunch and dwindling federal resources available for housing and economic development initiatives, the MFA requests a \$5 million appropriation to further capitalize the New Mexico Housing Trust Fund to create homes and hundreds of construction jobs throughout the state.

The next legislative initiative Mr. Czar spoke about is a request for an appropriation of \$1 million for the New Mexico EnergySmart program. He explained that in 2009, the MFA received \$27 million for the weatherization assistance program under the ARRA. Since then, the MFA's partners have successfully weatherized more than 4,000 homes, and they are on track to spend all stimulus funds by March 31, 2012. This ramped-up production has saved New Mexicans millions of dollars and put hundreds of contractors back to work, but the MFA estimates that more than 85,000 homes are eligible for weatherization services through the New Mexico EnergySmart program and stimulus funds will soon be gone. The MFA leverages state funds with federal Department of Energy weatherization assistance program funding and low income home energy assistance program funding. The state's financial participation supplements the program and increases the number of assisted households. The state has consistently provided financial support to this program in the past.

According to Mr. Czar, the EnergySmart program plays a crucial role in reducing energy costs for low- to moderate-income families. Low-income homeowners can spend up to 25% of their monthly budgets on utility costs compared to about 5% of homeowners with higher incomes.

Next, Mr. Czar explained that the MFA would be seeking a \$500,000 appropriation for an emergency repair fund. Currently, no resource exists to assist low-income homeowners when disaster strikes, as it did for thousands of homeowners during the gas shut-off last winter and the numerous fires last summer. This appropriation will enable the MFA to provide disaster relief to low-income households throughout the state. This fund will also enable the MFA to help pay for minor repairs, including roof repair and replacement as well as accessibility modifications for households in which one or more family members have a disability. When possible, funds will be leveraged with other programs to address major rehabilitation or energy efficiency improvement needs.

Mr. Czar advised members that the MFA would also seek a \$1 million appropriation for the homebuyer education program. Just as the housing market was crashing in October 2008, the Governor's Task Force on Mortgage Lending emphasized the need for funding for basic consumer financial literacy and pre-purchase counseling in its report and recommendations. Fast-forward to 2011: the federal government has eliminated traditional pre-purchase housing counseling funds, and yet foreclosures have increased dramatically and continue to trend upward, both nationally and in New Mexico.

Mr. Czar noted that foreclosures hurt New Mexico's real estate markets and weaken communities; consistent, quality education could prevent future foreclosures. The MFA will identify best practices and develop a basic curriculum standard for statewide use.

The last legislative proposal that Mr. Czar presented to the committee is an appropriation in the amount of \$250,000 for the MFA's oversight of the regional housing authorities. He noted that New Mexico's regional housing authorities have undergone substantial changes in the last five years. As part of the regional housing authorities reform process, the state appropriated funds for regional housing authority board members to travel to board meetings, training expenses for regional housing authority staff members and other essential organizational governance and capacity-building expenses. The state also appropriated funds to pay for oversight expenses. In order to ensure appropriate oversight and continued success in the authorities' transition, the MFA requests \$250,000 to offset costs associated with responsible oversight, governance and capacity building of the regional housing authorities as the legislature intended.

The members discussed the proposed legislation, and some members inquired as to specifics regarding homebuyer education programs. With no further business, the meeting adjourned at 2:00 p.m.

**MINUTES**  
**of the**  
**FIFTH MEETING**  
**of the**  
**MORTGAGE FINANCE AUTHORITY ACT**  
**OVERSIGHT COMMITTEE**  
**November 9, 2011**  
**Mortgage Finance Authority Office**  
**344 Fourth St. SW**  
**Albuquerque, New Mexico**

The fifth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Representative Joni Marie Gutierrez, chair, at 10:05 a.m. on November 9, 2011 at the office of the MFA in Albuquerque, New Mexico.

**Present**

Rep. Joni Marie Gutierrez, Chair  
Sen. Nancy Rodriguez, Vice Chair  
Rep. Alonzo Baldonado  
Sen. Mark Boitano  
Rep. Ernest H. Chavez  
Sen. Gerald Ortiz y Pino

**Absent**

Rep. Nate Gentry  
Sen. Cisco McSorley

**Advisory Members**

Rep. Thomas A. Anderson  
Rep. Roberto "Bobby" J. Gonzales  
Rep. Sandra Jeff  
Sen. Lynda M. Lovejoy  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Sander Rue  
Sen. David Ulibarri

Sen. Rod Adair  
Rep. Rick Little  
Rep. Dennis J. Roch

**Staff**

Claudia Armijo, Legislative Council Service (LCS)

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts and written testimony are in the meeting file.

## **Approval of Minutes**

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

## **November 9**

### **Welcome**

Representative Gutierrez welcomed the members and guests and reminded them that the meeting was being web cast. She then asked the committee members to introduce themselves, which they did. Next, the chair asked Jay Czar, executive director for the MFA, to make his opening remarks.

### **MFA Update**

Mr. Czar began by welcoming the members and guests. Next, Mr. Czar advised the members that the MFA staff presented the MFA's proposed budget to the Legislative Finance Committee at a meeting on October 21, 2011. He noted that the information was well received, but the MFA received no guarantees for funding.

Mr. Czar next told the members that the MFA staff would be meeting with officials from the Gallup School District and with the Gallup City Housing Authority on November 10, 2011 in Gallup. He also noted that some of the MFA's staff would be participating in the qualified allocation training for low-income tax credit subsidies on November 17, 2011.

### **Report on Residential Foreclosure Mitigation Strategies**

Gina Hickman, deputy director of finance and administration for the MFA, presented to the members a report on residential foreclosure trends in New Mexico and nationally. She advised that although trending upward, New Mexico has still not been as hard hit by foreclosures as many other states, particularly in Nevada, Arizona and California. Ms. Hickman directed the members' attention to the MFA's handout dated November 9, 2011 for additional and detailed information, including a copy of the *National Delinquency Survey* for the second quarter of 2011.

Erin Quinn, MFA senior policy and program advisor, also spoke to the members on the topic of residential foreclosures. Ms. Quinn provided an overview of some of the foreclosure mitigation programs implemented by various state housing agencies. The details of the overview are found in the handout behind Tab 1. Ms. Quinn noted that foreclosure mitigation programs range from counseling for at-risk homeowners to actual loans. She noted that the various programs show mixed outcomes. Programs such as those involving payments to homeowners can be extremely costly, so few states have those types of programs in operation. She also noted that the federal government has provided direct dollars to certain states suffering extremely high residential foreclosure rates, but advised that, since New Mexico's foreclosure

rate has been below that of most other states, New Mexico has not received those targeted federal dollars.

Members requested that the MFA staff provide a presentation for the committee during the 2012 interim on foreclosures on Indian lands. The MFA staff agreed to review the matter and provide the presentation.

### **Changes to MFA Rules and Regulations**

Marjorie Martin, in-house counsel for the MFA, spoke to the members regarding proposed rule changes being considered by the MFA board. She noted that the changes are provided in the handout behind Tab 2. Ms. Martin noted that the changes are primarily ones for clarification purposes or to update language. Members of the committee made a motion to accept the proposed changes. The motion passed without objection.

### **Final Review and Endorsement of Proposed Legislation**

Mr. Czar led the discussion regarding the MFA's proposals for the upcoming legislative session by reminding the members that in 2009, the federal government awarded more than \$95 million in stimulus funds to the MFA. Using every dollar effectively, the MFA restarted 18 stalled affordable housing construction projects, weatherized 4,000 homes and helped more than 7,000 families avoid homelessness.

Mr. Czar then explained that next year, all of the stimulus money will be spent. However, New Mexico's need for quality affordable housing is greater than ever. He continued saying that, except for small appropriations, the MFA has refrained from asking the legislature for funding since 2009. This year, the MFA intends to request \$7,750,000 to ensure the viability of some crucial programs. He followed by assuring committee members that state funds will be leveraged many times over to fully maximize the investment.

Mr. Czar then told the committee that the MFA would be seeking:

- 1) an appropriation of \$5 million for the New Mexico Housing Trust Fund;
- 2) an appropriation of \$1 million for the NM EnergySmart Program;
- 3) an appropriation of \$1 million for homebuyer education and foreclosure mitigation;
- 4) an appropriation of \$500,000 for disaster relief and emergency repairs for low-income residents;
- 5) \$250,000 recurring funding for the oversight of the Regional Housing Authority; and
- 6) in lieu of the requested appropriation for the oversight of the Regional Housing Authority, legislation that would transfer Regional Housing Authority oversight to the Department of Finance and Administration (DFA).

### **Senate Memorial Working Group Report**

Wayne Ciddio, from the Regulation and Licensing Department (RLD), along with Bill Brady, the chair of the Senate Memorial 2 working group, addressed the members regarding the

recommendations of the working group and its subsequent legislative proposal for the licensure of home inspectors.

Mr. Brady began by reminding the committee that the working group was formed as a result of Senate Memorial 2, sponsored by Senator Tim Eichenberg during the 2011 legislative session. The memorial called for the establishment of a working group to study and make recommendations to the legislature about state licensing of home inspectors.

Mr. Brady continued explaining that Senate Memorial 2 was the result of discussions that began in August 2010 among the RLD, the New Mexico Real Estate Commission and the Realtors Association of New Mexico about the need for licensing. The focus of those discussions was how minimum education, training and experience standards for home inspectors could be put in place so that consumers and home inspectors could be protected without imposing undue regulatory burdens.

Mr. Brady told the committee that efforts to license home inspectors date to 2003, when former Senator Joseph Fidel introduced a bill in the state senate very similar to the draft legislation being considered. Mr. Brady said he lacks any institutional memory to help understand why that bill did not pass and why the issue lay dormant until now. However, the issues that were important in 2003 are equally important today. A home inspection is an important part of a residential real estate purchase. An inspection provides a consumer with important information about the condition of a home that the consumer is considering purchasing and helps the consumer make informed decisions. He further opined that consumers deserve the same degree of protection for home inspections that exist for virtually every other component of a real estate purchase.

Mr. Brady told members that New Mexico is one of only 16 states that does not license home inspectors. As a result, there are no minimum training, experience or continuing education requirements for a person to represent as a home inspector or to engage in the home inspection business. This also means there are no objective criteria for consumers to rely upon in hiring a home inspector. According to Mr. Brady, although the New Mexico Real Estate Commission does not investigate complaints against home inspectors, it does receive and investigate complaints relating to property condition issues to the extent that real estate brokers might have been aware of and failed to disclose to prospective buyers. He continued saying that a good, thorough inspection by a qualified inspector helps consumers make informed decisions and enhances the credibility and reputation of the home inspection profession. A thorough inspection by a qualified inspector allows a real estate broker to do a better job for the broker's customers by helping them identify and deal with property condition issues before a sale is finalized instead of afterwards when costly litigation is often the only recourse a consumer has.

Mr. Brady told members that recognizing the licensing of home inspectors will become a reality only if there is broad-based support from home inspectors and professionals in related

fields. The working group, which consists of six home inspectors and a real estate broker, has been meeting regularly since April and has conducted public meetings in Las Cruces, Santa Fe and Albuquerque. The purpose of the meetings was to hear the concerns and gather input from home inspectors and real estate brokers in order to present the committee with findings and recommendations for proposed legislation.

Mr. Brady explained that the draft legislation before the committee is modeled after other New Mexico licensing laws and laws from some of the 34 states that currently license home inspectors. The draft legislation provides for a five-member home inspector licensing committee administratively attached to the RLD, and the members would be appointed by the governor. The committee would have the authority to promulgate rules, collect licensing fees, establish prelicensing and continuing education requirements, perform criminal background checks and discipline licensees pursuant to the Uniform Licensing Act.

The draft legislation defines "home inspection" as a noninvasive, nondestructive inspection for the purpose of providing a professional written opinion of the condition of a building and its carports and garages and reasonably accessible installed components and building systems. Mr. Brady noted that the definition he gave is an abbreviated one, but the detailed definition can be found in the draft legislation.

An applicant for licensure as a home inspector would be required to have reached the age of majority, be a legal resident of the United States, submit to a criminal background check, have completed 40 hours of field training and 80 hours of classroom instruction, pass a proctored national examination and maintain an errors and omissions insurance policy. Licenses would be issued for three years, and a licensee would be required to complete 30 hours of continuing education every three years as a condition of license renewal.

The licensing committee would have the authority to waive prelicensing training requirements if an applicant has been active as a home inspector for at least three years prior to the effective date of the act, has passed a proctored national exam or is currently licensed as a home inspector in another state.

Mr. Brady continued by saying that in the interest of not stepping into the territories of other professionals whose work might involve the structural or functional aspects of homes, the draft legislation would exempt from home inspector licensing a variety of other professionals, including contractors, engineers, architects, electricians, plumbers, air conditioning technicians, appraisers, code enforcement officials, energy auditors and others acting within the scope of their professional licenses.

The findings of the working group that went into drafting this legislation include the following.

\*Although the approximately 45 home inspectors who attended the public meetings have concerns about how licensing might increase the cost of doing business, there has been general support for licensing, provided that licensing costs can be contained and bureaucratic requirements can be minimized.

\*In response to concerns about the potential for increasing the costs of doing business, specifically, the cost of insurance, the working group amended the draft legislation to provide that licensees would only have to carry errors and omissions insurance, and not both errors and omissions and general liability insurance as originally proposed.

\*Although there was concern among home inspectors attending the meetings that being attached to another board would overshadow or even consume the home inspector licensing committee, the working group believes that concern was somewhat alleviated by the fact that the committee, as proposed in the draft legislation, would be independently appointed by the governor, and that attachment to another board would be a way of keeping administrative overhead costs and licensing fees down.

\*Another concern was that the requirement for fingerprinting of home inspector licensees is overkill. That concern was offset by the acknowledgement that home inspectors sometimes have unsupervised access to people's homes, and it is important for consumers to have some level of assurance that inspectors have been subject to a background check.

\*Some working group members were of the opinion that a self-regulating registration act would be less costly and easier to administer than a licensing act and would still provide consumer protection by setting standards for registration, provide consumer access to registration information via a public web site, require minimum general liability insurance and a surety bond and provide for a criminal penalty for violation of the act. The registration act proposal did not provide for any governmental agency oversight of home inspectors.

\*At the last meeting of the working group on October 14, members voted unanimously to bring to the committee the proposed draft legislation.

\*It has been difficult to determine the exact number of potential home inspector licensees. The number is somewhere between 110 and 160.

\*Given the relatively small number of licensees, a home inspector licensing committee cannot generate enough revenue through licensing fees to be entirely self-supporting.

\*The committee would have to be administratively attached to another licensing board within the RLD, such as the New Mexico Real Estate Commission, in order to be able to share administrative overhead costs so that licensing costs would not be prohibitive to potential home inspector licensees.

\*The working group recommends that the act have a delayed implementation date of at least one year to allow for rulemaking, budget planning, committee appointments and other administrative details necessary to get the committee functioning.

At the conclusion of his prepared presentation, Mr. Brady introduced and thanked the members of the working group that were present for the oversight committee's meeting. He introduced home inspectors Paul Norris, Charles Smith, William Richardson, Doug Ramsey and Ron Givens, as well as real estate broker Duane Jokinen.

After a brief discussion and some questions from committee members, the chair thanked the presenters and directed a discussion regarding the MFA's proposed legislation.

Members voted upon motions and seconds. All of the MFA'S legislative proposals were endorsed without objection except the proposal to transfer the oversight authority for the Regional Housing Authority to the DFA and the proposal for an appropriation for homebuyers' education and foreclosure mitigation counseling. Those two proposals were endorsed by the committee. However, some members voiced concerns that such counseling and education has little effect on the outcomes in foreclosure cases.

With no further business, the meeting adjourned at 12:45 p.m.

# ENDORSED LEGISLATION

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SENATE BILL

**50TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2012**

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY  
ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE NEW MEXICO HOUSING TRUST FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1. APPROPRIATION.**--Five million dollars (\$5,000,000) is appropriated from the general fund to the New Mexico housing trust fund for expenditure in fiscal year 2013 and subsequent fiscal years for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

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SENATE BILL

**50TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2012**

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY

ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO EXPAND A RESIDENTIAL ENERGY  
CONSERVATION PROGRAM FOR LOW-INCOME PERSONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1. APPROPRIATION.**--One million dollars

(\$1,000,000) is appropriated from the general fund to the  
department of finance and administration for expenditure in  
fiscal years 2013 and 2014 for the New Mexico mortgage finance  
authority to provide for a residential energy conservation  
program to increase the energy efficiency and reduce energy  
expenditures of homes occupied by low-income persons in New  
Mexico. No more than five percent of this appropriation shall  
be used by the New Mexico mortgage finance authority for  
administrative expenses. Any unexpended or unencumbered  
balance remaining at the end of fiscal year 2014 shall revert

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SENATE BILL

**50TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2012**

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY  
ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION FOR EMERGENCY AND MINOR REPAIRS OF  
HOMES OCCUPIED BY LOW-INCOME PERSONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Five hundred thousand dollars (\$500,000) is appropriated from the general fund to the department of finance and administration for expenditure in fiscal year 2013 for the New Mexico mortgage finance authority to provide for emergency and minor repairs of homes occupied by low-income persons in New Mexico. Emergency and minor repairs include repairs necessitated by natural disasters, repair and replacement of roofs and accessibility modifications for physically impaired persons. No more than five percent of this appropriation shall be used by the New Mexico mortgage finance authority for administrative expenses. Any unexpended or

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1 unencumbered balance remaining at the end of fiscal year 2013  
2 shall revert to the general fund.

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SENATE BILL

**50TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2012**

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY  
ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION FOR FORECLOSURE MITIGATION COUNSELING  
FOR AT-RISK HOMEOWNERS AND TO CREATE AND IMPLEMENT A HOME BUYER  
EDUCATION PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1. APPROPRIATION.**--One million dollars  
(\$1,000,000) is appropriated from the general fund to the  
department of finance and administration for expenditure in  
fiscal year 2013 for the New Mexico mortgage finance authority  
to provide foreclosure mitigation counseling for at-risk  
homeowners and to create and implement a home buyer education  
program. Any unexpended or unencumbered balance remaining at  
the end of fiscal year 2013 shall revert to the general fund.

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BILL

**50TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2012**

INTRODUCED BY

DISCUSSION DRAFT

ENDORSED BY THE MORTGAGE FINANCE  
AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO FUND THE OVERSIGHT OF THE REGIONAL  
HOUSING AUTHORITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

**SECTION 1. APPROPRIATION.**--Two hundred fifty thousand  
dollars (\$250,000) is appropriated from the general fund to the  
department of finance and administration for expenditure in  
fiscal years 2013 and 2014 for the purpose of funding the  
oversight of the regional housing authorities by the New Mexico  
mortgage finance authority. Any unexpended or unencumbered  
balance remaining at the end of fiscal year 2014 shall revert  
to the general fund.

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BILL

**50TH LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2012**

INTRODUCED BY

DISCUSSION DRAFT

ENDORSED BY THE MORTGAGE FINANCE  
AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

RELATING TO HOUSING; TRANSFERRING OVERSIGHT OF THE REGIONAL  
HOUSING AUTHORITIES TO THE DEPARTMENT OF FINANCE AND  
ADMINISTRATION; AMENDING SECTIONS OF THE REGIONAL HOUSING LAW.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 11-3A-6 NMSA 1978 (being Laws 1994,  
Chapter 132, Section 6, as amended) is amended to read:

"11-3A-6. POWERS OF REGIONAL HOUSING AUTHORITY IN BOARD  
OF COMMISSIONERS--APPOINTMENT OF BOARD OF REGIONAL HOUSING  
AUTHORITIES--TERMS.--

A. The powers of each regional housing authority  
shall be vested in its board of commissioners as the board may  
be constituted, from time to time. The board of commissioners  
of the regional housing authority for each of the three regions  
shall consist of one person from each county within the

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1 designated area of the regional housing authority, which person  
2 shall be a resident of that county and shall be appointed by  
3 the governor. Appointments shall be for terms of four years  
4 and shall be made so that the terms of not more than four  
5 commissioners on each board of commissioners expire on July 1  
6 of each year. Vacancies shall be filled for the unexpired  
7 term. Commissioners shall serve until their successors have  
8 been appointed.

9 B. Members of [~~a~~] the board of commissioners of a  
10 regional housing authority shall elect an executive committee  
11 consisting of a chair, vice chair, treasurer, secretary and one  
12 other member of the board to function and meet on a monthly  
13 basis as an executive committee. The executive committee shall  
14 have the authority to act on behalf of the board of  
15 commissioners of the regional housing authority as needed. The  
16 executive committee shall submit a report of actions to the  
17 full board of commissioners, which shall meet on a quarterly  
18 basis.

19 C. [~~The~~] Members of the [~~boards~~] board of  
20 commissioners of a regional housing authority may receive per  
21 diem and mileage as provided in the Per Diem and Mileage Act  
22 but shall receive no other compensation, perquisite or  
23 allowance. A majority of the appointed commissioners of a  
24 board of commissioners shall constitute a quorum of [~~a~~] the  
25 board [~~of commissioners~~] for the purpose of conducting its

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1 business and exercising its powers and for all other purposes.  
2 Action may be taken by a regional housing authority upon a vote  
3 of a majority of the commissioners present. Each board of  
4 commissioners shall organize itself at its annual meeting each  
5 year. A board of commissioners may employ an executive  
6 director, subject to approval by the [~~New Mexico mortgage~~  
7 ~~finance authority~~] department of finance and administration.

8 With delegated authority from the board of commissioners, the  
9 executive director may hire or terminate, according to the  
10 procurement and personnel policies and procedures of the  
11 regional housing authority, any technical experts, officers,  
12 attorneys, agents or employees, permanent or temporary, as the  
13 regional housing authority may require.

14 D. The threshold requirements for commissioners of  
15 boards of regional housing authorities are that commissioners  
16 have expertise and experience in housing construction, real  
17 estate, architecture, law, banking, housing finance, business,  
18 property management, accounting, residential development,  
19 public housing programs, community development, social services  
20 or health care. The requirements set forth in this section  
21 shall not apply to commissioners serving pursuant to  
22 requirements of the federal department of housing and urban  
23 development.

24 E. Commissioners are expected to attend all  
25 meetings of the board of commissioners of the regional housing

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1 authority, and more than three unexcused absences may be  
2 grounds for dismissal from the board. All recommendations for  
3 ~~[appointment as]~~ appointments of commissioners shall be  
4 forwarded to and reviewed by the ~~[New Mexico mortgage finance~~  
5 ~~authority]~~ department of finance and administration prior to  
6 recommendation to the governor."

7 SECTION 2. Section 11-3A-9 NMSA 1978 (being Laws 1994,  
8 Chapter 132, Section 9, as amended) is amended to read:

9 "11-3A-9. NONPROFIT CORPORATIONS.--Every regional housing  
10 authority, in addition to other powers conferred by the  
11 Regional Housing Law, shall have, if authorized by resolution  
12 of its board of commissioners and approved by the state board  
13 of finance, the power to create nonprofit corporations to carry  
14 out the powers and duties set forth in Section 11-3A-7 NMSA  
15 1978. The articles of incorporation and bylaws, and any  
16 subsequent changes, shall be recommended for approval by the  
17 state board of finance and the ~~[New Mexico mortgage finance~~  
18 ~~authority]~~ department of finance and administration. Such  
19 nonprofit corporations shall be subject to all of the duties  
20 and limitations imposed on the regional housing authority and  
21 its board of commissioners."

22 SECTION 3. Section 11-3A-30 NMSA 1978 (being Laws 2007,  
23 Chapter 50, Section 6, as amended) is amended to read:

24 "11-3A-30. FINANCIAL AND OPERATIONAL OVERSIGHT.--

25 A. Without the prior approval of the ~~[New Mexico~~

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1 ~~mortgage finance authority]~~ department of finance and  
2 administration, no regional housing authority shall:

3 (1) enter into any contract, memorandum of  
4 understanding or other agreement with a value greater than one  
5 hundred thousand dollars (\$100,000); or

6 (2) transfer, sell or liquidate any real or  
7 personal property with a value greater than one hundred  
8 thousand dollars (\$100,000).

9 B. Not less than thirty days prior to the beginning  
10 of its fiscal year, each regional housing authority and each  
11 nonprofit corporation established pursuant to Section 11-3A-9  
12 NMSA 1978 shall submit a final operating budget for the  
13 subsequent fiscal year to the [~~New Mexico mortgage finance~~  
14 ~~authority]~~ department of finance and administration for review.

15 C. The financial affairs of every regional housing  
16 authority and any nonprofit corporation created by a regional  
17 housing authority shall be thoroughly examined and audited  
18 annually by the state auditor, by personnel of the state  
19 auditor's office designated by the state auditor or by auditors  
20 approved by the state auditor. The audits shall be conducted  
21 in accordance with generally accepted auditing standards. Each  
22 regional housing authority shall submit to the state auditor,  
23 the department of finance and administration [~~the New Mexico~~  
24 ~~mortgage finance authority, the Mortgage Finance Authority Act~~  
25 ~~oversight committee]~~ and the legislative finance committee,

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1 within thirty days following the receipt of the annual audit of  
2 the regional housing authority, a copy of that audit.

3 D. Every regional housing authority shall submit an  
4 annual report of its financial and operational activities to  
5 the ~~[New Mexico mortgage finance authority]~~ department of  
6 finance and administration for review and analysis and for  
7 dissemination to the ~~[department of finance and administration,~~  
8 ~~the Mortgage Finance Authority Act oversight committee and the]~~  
9 legislative finance committee. Each report shall set forth a  
10 complete operating and financial statement covering its  
11 operations since the previous report was presented.

12 E. Failure on the part of a regional housing  
13 authority to correct any qualified audit within one year of the  
14 release of the audit shall result in the abatement of any state  
15 funds until such corrective actions are taken. If a regional  
16 housing authority should receive a qualified audit opinion for  
17 more than two consecutive years, the oversight agency shall  
18 recommend corrective action to be taken."