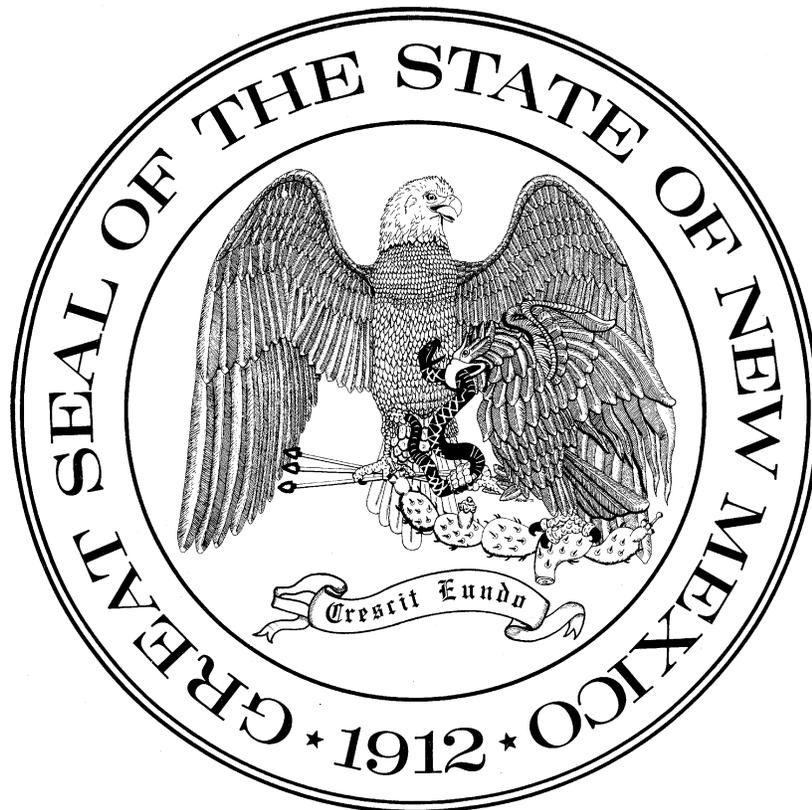


**MORTGAGE FINANCE AUTHORITY ACT  
OVERSIGHT COMMITTEE**

**2014 INTERIM FINAL REPORT**



**New Mexico Legislative Council Service  
Santa Fe, New Mexico  
January 2015**

# **MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

## **2014 Interim Final Report**

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# **WORK PLAN AND MEETING SCHEDULE**

**2014 APPROVED  
WORK PLAN AND MEETING SCHEDULE  
for the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**Members**

Sen. Nancy Rodriguez, Chair  
Rep. Ernest H. Chavez, Vice Chair  
Rep. Thomas A. Anderson  
Rep. Alonzo Baldonado

Sen. Lee S. Cotter  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Sen. Cisco McSorley

**Advisory Members**

Rep. Nathan "Nate" Cote  
Rep. George Dodge, Jr.  
Rep. Sandra D. Jeff  
Rep. James Roger Madalena  
Sen. Richard C. Martinez

Sen. Bill B. O'Neill  
Sen. Gerald Ortiz y Pino  
Sen. Michael Padilla  
Sen. Sander Rue

**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 that the MFA shall have the powers to "carry out and effectuate the purposes and provisions of the Mortgage Finance Authority Act". Subsection W of Section 58-18-5 NMSA 1978 creates the MFA Act Oversight Committee. Further, this subsection states that the MFA powers include, subject to approval by the MFA Act Oversight Committee and subject to any agreement with bondholders and noteholders, to make, alter or repeal "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 2014 interim:

- (1) regional housing policy and budget trends;
- (2) changes to existing and proposed rules promulgated by the MFA;
- (3) MFA funding source and program overview, including the MFA's single-family mortgage products, and the NM EnergySmart program;
- (4) supportive housing;
- (5) federal housing policy and budget trends;
- (6) review of the MFA budget, current strategic plan and new 2015-2017 strategic plan;
- (7) New Mexico Housing Trust Fund report and funding source overview;
- (8) foreclosure prevention efforts, including a report from the Foreclosure Process Task Force;
- (9) report on bonds issued, financing strategies and market update; and
- (10) review of 2014 legislation and proposed legislation for the 2015 session.

**Mortgage Finance Authority Act Oversight Committee  
2014 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 6	Albuquerque
July 3	Albuquerque
August 1	Albuquerque
October 8	Albuquerque
November 13	Albuquerque

## **SUMMARY**

## **Mortgage Finance Authority Act Oversight Committee 2014 Interim Summary**

The Mortgage Finance Authority (MFA) Act Oversight Committee held five meetings in Albuquerque during the 2014 interim, all at the MFA office in downtown Albuquerque. In addition to its statutory oversight duties, the MFA Act Oversight Committee focused on topics delineated in its work plan, which included: a look at regional housing authorities; MFA rules and programs; supportive housing; MFA's budget and strategic plans; the New Mexico Housing Trust Fund and other funding sources for the MFA; reports on bonds issued, financing strategies and market updates; and reports from the Foreclosure Process Task Force. In addition, committee members expressed concern about the decline in the number of first-time homebuyers since the recession began in 2008, especially regarding how young people (the millennial generation) seem to be left out of the dream of homeownership. The committee also requested monthly updates on the work of the Foreclosure Process Task Force.

At the initial meeting, Jay Czar, the MFA's executive director, emphasized that the MFA's mission is to provide innovative products and services in collaboration with strategic partners to finance the purchase, construction and preservation of quality affordable housing to strengthen the social and economic development of the state. In summarizing the MFA's work in 2013, Mr. Czar indicated that the MFA provided \$222 million in low-interest financing and grants for affordable housing and related services throughout New Mexico. This financing included loans and pre-purchase counseling, down payment assistance, rental assistance, constructing and rehabilitating rental homes, improving energy efficiency in low-income residences and providing transitional housing and prevention measures for those experiencing homelessness.

In terms of action taken on the MFA's 2014 legislation, the following measures were passed by the legislature and signed into law: amendments to the Municipal Housing Law to clarify the authority, responsibility and liability of local housing authorities and to allow flexibility on the number of commissioners appointed to each board; appropriations to fund the MFA's oversight of the regional housing authorities and the Affordable Housing Act; an appropriation to the New Mexico Housing Trust Fund; and appropriations in the 2014 Work New Mexico Act for affordable housing projects in Gallup and Santa Fe.

During the July, August and October meetings, the MFA Act Oversight Committee heard testimony mainly related to the work plan topics, which included: updates on the challenges facing regional housing authorities in working successfully with public housing authorities to provide services to rural communities and to obtain necessary funding for the administration of its programs; a review of the MFA's single-family mortgage products, which include down payment assistance, pre-purchase home buyer counseling and the MFA acting as a secondary market to participating mortgage lenders; and an update on the New Mexico Housing Trust Fund, which has grown from \$18.2 million in appropriations to nearly \$24 million as a result of interest earned over the years, from which the MFA has been able to leverage approximately \$320 million in other funding sources for a 17-to-one return on the state's initial investment (up from 14-to-one in the past). Also covered during these months was supportive housing as an effective model of private, subsidized rental housing for adults in need, which provides housing first and

other supportive services later and costs less than other living arrangements such as shelters, institutions and group homes and reduces public health expenses. Also discussed was the New Mexico EnergySmart Program, which this year will fund approximately \$5.1 million for work on an estimated 626 housing units and is funded from a combination of federal and private sources.

Details were also given to the MFA Act Oversight Committee on: the MFA's budget, which places MFA total revenues at \$478 million; financing strategies and a general market update; and the MFA's strategic plan, which emphasizes the solidity of the MFA as an organization that successfully administers more than 30 affordable housing programs, despite the changing fiscal climate, which is characterized by flat or decreasing federal funding, demographic changes and the state's sluggish recovery from the recession.

Committee members expressed concern about the devaluing of property and pride of ownership in areas where there are a lot of foreclosures, as well as a concern over inappropriate bank lending policies. Among the recommendations provided to the MFA Act Oversight Committee on the work of the Foreclosure Process Task Force are the following: reaffirming that New Mexico is a judicial foreclosure state with filing and notice of sale requirements; reducing the time of enforceability of deficiency judgments to four years; enacting New Mexico mortgage servicing standards; extending the mediation program currently operating in the Second Judicial District and the Thirteenth Judicial District; appropriating money for a statewide pre-purchase homebuyer education program; reducing the number of homes that become vacant and abandoned because of foreclosure; and providing state support for the task force to continue its work.

At the final meeting, the following legislative proposals were endorsed:

- a recurring general fund appropriation to the Department of Finance and Administration (DFA) of \$250,000 to fund MFA oversight of the regional housing authorities;
- an amendment to the Regional Housing Law that would transfer oversight of the regional housing authorities from the MFA to the DFA (which would be for the legislature's consideration if recurring funding is not provided);
- a recurring general fund appropriation of \$250,000 to the DFA for the MFA's oversight of the Affordable Housing Act;
- an amendment to the Affordable Housing Act that would transfer oversight of the Affordable Housing Act from the MFA to the DFA (which would be for the legislature's consideration if recurring funding is not provided);
- a general fund appropriation of \$5 million to the New Mexico Housing Trust Fund for the MFA to carry out the provisions of the New Mexico Housing Trust Fund Act;
- a recurring general fund appropriation of \$1 million to the DFA for the MFA's New Mexico EnergySmart Program, which provides weatherization to the homes of low-income New Mexicans;
- a general fund appropriation of \$2 million to the DFA for the MFA to provide for emergency and minor repairs of homes occupied by low-income New Mexicans;

- amendments to the Affordable Housing Act to provide terms for the timely sale of foreclosed or failed affordable housing projects without retaining the long-term affordability restrictions and to provide for enforcement of provisions of the act and penalties for violations of the act;
- an amendment to the Affordable Housing Tax Credit Act to eliminate the current conflict with the Affordable Housing Act by removing local and tribal governments from eligibility for the affordable housing tax credit; and
- a general fund appropriation of \$2 million to the DFA for the MFA to rehabilitate homes occupied by low-income veterans.

# **AGENDAS**

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

**June 6, 2014  
New Mexico Mortgage Finance Authority Office  
344 Fourth Street SW  
Albuquerque**

**Friday, June 6**

- 10:00 a.m.           **Call to Order**  
—Senator Nancy Rodriguez, Chair
- 10:05 a.m.           **Welcome and Introductions**  
—Jay Czar, Executive Director, New Mexico Mortgage Finance Authority  
(MFA)
- 10:20 a.m.       (1)    [MFA 2014 Reference Guide Overview](#)  
—Jay Czar, Executive Director, MFA
- 11:00 a.m.       (2)    [Introduction of Key Staff and Programs](#)  
—Jay Czar, Executive Director, MFA  
    Maggie Raznick, Director of Human Resources  
    Leann Kemp, Communications Manager  
    Marjorie Martin, Attorney  
    Sandra Marez, Executive Assistant
- Joseph Montoya, Deputy Director of Programs, MFA  
    Felipe Rael, Director of Housing Development  
    Izzy Hernandez, Director of Community Development  
    Jacqueline Boudreaux, Director of Asset Management  
    Monica Abeita, Senior Policy and Program Advisor
- Gina Hickman, Deputy Director of Finance and Administration  
    Yvonne Segovia, Controller  
    Kathy Keeler, Finance Manager  
    Erik Nore, Director of Homeownership  
    Theresa Garcia, Special Projects Director

11:15 a.m. (3) [2014 Interim Committee Procedures Discussion and Adoption of Proposed Work Plan](#)  
—Jay Czar, Executive Director, MFA  
—Renée Gregorio, Legislative Council Service

12:00 noon **Adjourn**





Revised: October 3, 2014

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

**October 8, 2014  
New Mexico Mortgage Finance Authority (MFA) Office  
344 Fourth Street SW  
Albuquerque**

**Wednesday, October 8**

- 10:00 a.m.        **Call to Order**  
                      —Senator Nancy Rodriguez, Chair
- 10:05 a.m.        **Approval of August 1 Meeting Minutes**
- 10:10 a.m.        **Welcome**  
                      —Jay Czar, Executive Director, MFA
- 10:15 a.m.        (1) **MFA 2015 Budget**  
                      —Gina Hickman, Deputy Director of Finance and Administration, MFA
- 10:35 a.m.        (2) **Report on Bonds Issued, Financing Strategies and Market Update**  
                      —David Jones, CSG Advisors
- 11:00 a.m.        (3) **Foreclosure Process Task Force Update**  
                      —Senator Michael Padilla
- 11:30 a.m.        (4) **MFA 2015 Legislative Agenda — Amendment and Discussion of  
Legislation Suggested by the MFA Act Oversight Committee**  
                      —Joseph Montoya, Deputy Director of Programs, MFA  
                      —Renée Gregorio, Legislative Council Service
- 11:45 a.m.        (5) **MFA Strategic Plan**  
                      —Monica Abeita, Senior Policy and Program Advisor, MFA
- 11:55 a.m.        (6) **Federal Housing Policy and Budget Trends**  
                      —Monica Abeita, Senior Policy and Program Advisor, MFA
- 12:00 noon        **Adjourn**

Revised: November 4, 2014

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

**November 13, 2014  
New Mexico Mortgage Finance Authority Office  
344 Fourth Street SW  
Albuquerque**

**Thursday, November 13**

- 10:00 a.m.           **Call to Order**
- 10:05 a.m.           **Approval of October 8, 2014 Meeting Minutes**
- 10:10 a.m.           **Welcome**  
—Jay Czar, Executive Director, New Mexico Mortgage Finance Authority  
(MFA)
- 10:15 a.m.       (1)   **[Changes to Existing and Proposed Rules Promulgated by the MFA](#)**  
—Marjorie Martin, Attorney, MFA
- 10:30 a.m.       (2)   **[2012-2014 MFA Strategic Plan](#)**  
—Gina Hickman, Deputy Director of Finance and Administration, MFA  
—Joseph Montoya, Deputy Director of Programs, MFA
- 10:45 a.m.       (3)   **[Foreclosure Process Task Force Update](#)**  
—Senator Michael Padilla
- 11:15 a.m.       (4)   **[MFA 2015 Legislative Agenda — Final Review and Endorsement of Bills](#)**  
—Joseph Montoya, Deputy Director of Programs, MFA  
—Celia Ludi, Staff Attorney, LCS
- 12:00 noon           **Adjourn**

# **MINUTES**

**MINUTES**  
**of the**  
**FIRST MEETING OF THE 2014 INTERIM**  
**of the**  
**MORTGAGE FINANCE AUTHORITY ACT**  
**OVERSIGHT COMMITTEE**

**June 6, 2014**  
**Mortgage Finance Authority Office**  
**344 Fourth St. SW**  
**Albuquerque, New Mexico**

The first meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee of the 2014 interim was called to order by Senator Nancy Rodriguez, chair, at 10:07 a.m. on June 6, 2014 at the office of the MFA in Albuquerque, New Mexico.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Ernest H. Chavez, Vice Chair  
Rep. Thomas A. Anderson  
Rep. Alonzo Baldonado  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Cisco McSorley

**Absent**

Sen. Lee S. Cotter  
Sen. Stuart Ingle

**Advisory Members**

Rep. Nathan "Nate" Cote  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Bill B. O'Neill  
Sen. Gerald Ortiz y Pino  
Sen. Michael Padilla  
Sen. Sander Rue

Rep. George Dodge, Jr.  
Rep. Sandra D. Jeff

**Staff**

Renée Gregorio, Researcher, Legislative Council Service (LCS)  
Sharon Ball, Senior Researcher, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

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

## **Friday, June 6**

### **Call to Order**

Senator Rodriguez welcomed members of the committee, staff and guests to the meeting. She requested that members of the committee introduce themselves, after which she introduced LCS staff members. Senator Rodriguez then recognized Jay Czar, executive director, MFA, for a welcome and introductions.

### **Welcome and Introductions of Key Staff and Programs**

Mr. Czar first recognized two guests: Vince Torres of the lieutenant governor's staff and Hector Dorbecker, economist, Legislative Finance Committee. He indicated that both individuals have been regularly attending MFA board of directors meetings and said he hopes that they will be present for MFA Act Oversight Committee meetings during the coming interim.

Mr. Czar introduced the MFA executive team staff, including the following:

- Gina Hickman, deputy director, finance and administration, who, he said, has been with the MFA for five years, is a certified public accountant and brings considerable experience as a chief financial officer. He explained that her job involves coordination and oversight of the MFA's asset and liability mix, debt issuance, financial reporting, cash-flow projections and the investment and disbursement of the MFA's funds;
- Joseph Montoya, deputy director of programs, who will work closely with the oversight committee;
- Monica Abeita, senior policy and program advisor, a native New Mexican who is in her second year with the MFA and who has a broad background in public housing, particularly in the area of community planning;
- Marjorie Martin, staff attorney;
- Leann Kemp, communications manager;
- Maggie Raznick, director, human resources; and
- Sandra Mares, executive assistant, who, Mr. Czar noted, serves as a point of contact for committee members and staff.

Providing historical background, Mr. Czar explained that the legislature created the MFA in 1975 as a government instrumentality, which, he said, means that the MFA does not rely on appropriations from the state for either operations or programs. He explained that the MFA does have the power to raise funds from private investors and to make those funds available to finance the acquisition, construction, rehabilitation and improvement of residential housing for low- to moderate-income families and individuals in the state, which supports the MFA's vision that all New Mexicans will have quality affordable housing opportunities. He said that the MFA's mission is to provide innovative products and services in collaboration with strategic partners to finance the purchase, construction and preservation of quality affordable housing to strengthen the social and economic development of the state.

Mr. Czar also introduced the following additional MFA staff members who will work with the committee through the 2014 interim:

- Jacqueline Boudreaux, director, asset management, who oversees the MFA's affordable housing portfolio;
- Felipe Rael, a Taos native, who is director of housing development;
- Izzy Hernandez, director, community development, who oversees relationships with MFA partners, weatherization, homeless programs and colonias infrastructure. Mr. Czar noted that Mr. Hernandez is a native of Dexter and is also a full colonel in the New Mexico National Guard;
- Erik Nore, director, home ownership department;
- Doug Flint, manager, information services;
- Kathy Keeler, finance manager, who is a one-person department;
- Yvonne Segovia, controller; and
- Theresa Garcia, director, special projects, servicing expansion.

Mr. Czar directed committee members' attention to the meeting materials, pointing out an invitation to the 2014 Housing Summit, scheduled for August 20-22 at the Albuquerque Convention Center. He explained that this biennial meeting provides a chance for Realtors, lenders, developers, managers, financiers, maintenance experts, affordable housing experts and other interested persons to have unlimited access to the people who develop, construct, sell and manage single-family and multifamily housing in New Mexico. He invited committee members to attend as guests of the MFA. Committee members expressed an interest in attending the conference and voiced a few concerns, including scheduling conflicts and the need for New Mexico Legislative Council approval to attend.

Mr. Czar directed members' attention to the *MFA 2013 Annual Report: Building Stability*, which was included in the meeting materials. Summarizing the MFA's work, Mr. Czar noted that in 2013, the MFA provided \$222 million in low-interest financing and grants for affordable housing and related services throughout New Mexico, including the following:

- \$133 million in loans and pre-purchase counseling to 1,075 homebuyers;
- \$6 million in down payment assistance loans and grants to 1,111 homeowners;
- \$27 million in project-based Section 8 rental-assistance payments for 5,297 apartments occupied by low-income households throughout New Mexico;
- \$43 million in financing to construct or rehabilitate 744 rental homes, including 191 units already in the pipeline;
- more than \$2 million in loans to construct or acquire, rehabilitate and resell 119 affordable for-sale homes, including 40 units already in the pipeline;
- more than \$9 million to rehabilitate homes and improve energy efficiency for 861 low-income homeowners;
- nearly \$1 million in shelter, transitional housing and operating costs for 8,249 individuals experiencing homelessness; and
- \$860,000 in homelessness prevention measures for 394 households at risk of becoming homeless.

Mr. Czar also noted that, last December, the governor appointed Steven J. Smith, president, R.O.G. Enterprises, to serve on the MFA board of directors. He said that the board now has its full complement of members, including the state treasurer, the attorney general and the lieutenant governor and four members appointed on a rotating basis by the governor with the advice and consent of the senate. He told the committee that the board meets quarterly and that all members take an active interest in the work of the MFA.

Noting inclusion of the *2013-2014 NM Housing Services Directory* in members' meeting materials, Mr. Czar said that this directory is the most comprehensive listing of housing services in the state and is a resource that he and his staff use nearly every day.

### **MFA 2014 Reference Guide Overview**

Senator Rodriguez recognized Mr. Montoya to go over the *2014 NMFA Legislative Oversight Committee Reference Manual*. Directing committee members' attention to the information behind Tab 2, Mr. Montoya went over the legislature's action on the committee's 2014 endorsed legislation. He noted that the legislature passed, and the governor signed into law, the following measures:

- Senate Bill 71, which amends the Municipal Housing Law to clarify the authority, responsibility and liability of local housing authorities and to allow flexibility on the number of commissioners required to be appointed to each board;
- appropriations in the General Appropriation Act of 2014 of \$200,000 to fund the MFA's oversight of the regional housing authorities; \$500,000 to the New Mexico Housing Trust Fund, which, Mr. Montoya said, will leverage approximately \$70 million to build more than 500 quality, affordable homes for low-income New Mexicans; and \$250,000 to fund the MFA's Affordable Housing Act oversight duties; and
- appropriations in the 2014 Work New Mexico Act for projects in Gallup and Santa Fe.

Mr. Montoya pointed out relevant statutes and rules behind Tabs 3 and 4, respectively, and Mr. Czar noted behind Tab 6 a condensed version of the MFA's mandate, vision, mission and core values. Among the MFA's additional core values are the following:

- hiring well-qualified employees representing the diversity of the state, paying them competitively, treating them fairly and providing them with opportunities for advancement;
- providing prompt, courteous and quality service;
- fostering a professional environment that supports a high level of integrity, transparency, collaboration and commitment to its mission;
- allocating resources to serve those with the greatest need while promoting partnerships to maximize housing opportunities;
- practicing cost-effective operations and prudent fiscal management; and

- promoting sustainable growth, innovation and environmentally conscious practices.

Mr. Czar thanked committee members for their service to the state and particularly for being so helpful in getting the word out about the effectiveness and importance of MFA programs.

He said that the MFA is subject to considerable oversight, not only from the MFA Act Oversight Committee, but also by a seven-member board of directors, four of whom are appointed by the governor. Three are stipulated in statute: the attorney general, the lieutenant governor and the state treasurer. He said the board meets the third Wednesday of each month in the MFA office at 9:30 a.m., and he invited all members to attend meetings at their convenience.

Directing members' attention to Tab 7, "Top Ten MFA Myths...Debunked!", Mr. Czar acknowledged that he has discussed most of these, such as the myth that the MFA is a state agency; it is an instrumentality of the state. He also noted two other popular myths. The first is the that MFA lends money. He said that the MFA itself does not lend money; it works with a number of partners to provide financing through established lenders. A second myth is that the MFA develops and builds homes. He said that the MFA helps find financing for developers to build homes and said that it is kind of like a bank providing financing in the form of loans and sometimes tax credits and a few grants. He went on to explain that the MFA has very little grant funding available. The MFA borrows most of its funding and therefore must, in turn, make that funding available as loans, not grants. The MFA also "recycles" some of its resources. For example, when certain loans are repaid to the MFA, those dollars can be recycled to help more people.

Mr. Czar said that he would like to add another myth to be debunked: that the MFA does not work with small communities. He said that the MFA will work to debunk that myth because it does work with small communities under 25,000 people.

Ms. Abeita pointed out the MFA organizational chart, which includes two divisions: one headed by Mr. Montoya that deals with asset, community and housing development programs; and the second headed by Ms. Hickman that deals with accounting and finance. She added that the committee would be meeting several of these managers and directors as the meeting progresses.

Directing members' attention to the document behind Tab 9, Mr. Czar pointed out the inclusion of the MFA's brochure of programs and noted that the programs are constantly evolving because of changes in policies and priorities at the federal level.

Ms. Abeita directed members to the information behind Tab 10, which depicts low-income housing tax credit awards by congressional district and county from 2000 through 2014. The awards for Congressional District 1, which is made up of approximately 32 percent of the state population, received 26 percent, or \$13.4 million; Congressional District 2, with

approximately 33 percent of the state's population, received 34 percent, or \$18 million; and Congressional District 3, with approximately 33 percent of the state's population, received 40 percent, or \$21 million. Pointing out the matrix behind Tab 11, Ms. Abeita said that the federal Department of Housing and Urban Development has reduced its current allocation to 54 percent below the allocation in 2010. She noted, however, that the federal Department of Energy's allocation has increased slightly over the amount allocated in 2013. In response to committee questions and discussion, Ms. Abeita directed members to the pie chart behind Tab 12. She discussed MFA estimated funding sources of \$470.5 million for 2013, including \$98.5 million from federal housing programs, \$336 million from MFA bond issues and \$35.9 million from state appropriations, tax credits and other sources. In response to committee discussion and questions about the level of continued funding for the MFA, Ms. Abeita noted that the chart depicts resources rather than revenues, and she pointed out that approximately 70 percent of its funding sources comes from bond issues. Members discussed the issue and expressed concern that the MFA should continue to maximize all sources of its resources, noting that the state, in general, has an excess of taxing authority.

After the staff updated the MFA's progress on implementing its strategic plan, which is in its final year of a three-year cycle, committee members engaged in an extensive discussion about the fact that the number of first-time homebuyers is declining. The members' discussion centered on the fact that, since the beginning of the recession in 2008, young people seem to be left out of the American dream of homeownership, and they indicated that this should be an issue that the committee considers during the 2014 interim; i.e., how to get young "millenials" to "get on board the home equity gravy train"; that for the past century, young people could count on the fact that the value of the homes they bought would automatically increase with time; and that the concept of an "underwater" mortgage was unimaginable 20 years ago.

Directing committee members' attention to the information behind Tab 14, Mr. Czar explained that the MFA staff had updated the already extensive listing of housing and finance acronyms and abbreviations. Some committee members expressed their sincere gratitude for the helpful inclusion in the 2014 the MFA reference manual.

Members engaged in a brief discussion about an article in the June 6, 2014 *Albuquerque Journal* featuring "Albuquerque Heading Home", a City of Albuquerque program providing stable, long-term housing for the most medically vulnerable of the city's chronically homeless. Committee members pointed out that, according to the article, in the three years since the program began, it has provided housing for about 359 people, and the city estimates the three-year savings to be about \$3.2 million over and above the cost of the program's operation, including savings from fewer hospital emergency room visits, inpatient medical and mental health services, outpatient medical and behavioral health services, ambulance and fire department response services, jail bookings and homeless shelter expenses.

#### **2014 Interim Work Plan and Meeting Schedule Development**

Mr. Czar and Ms. Gregorio went over the proposed work plan and meeting dates. After

some discussion relating to possible conflicts with MFA staff and board obligations, committee members agreed without objection to meeting dates of July 3, August 1, October 8 and November 13, requesting a change from the October 20 meeting date to October 8. Also without objection, committee members approved adoption of the work plan's listing of its statutory and regulatory duties.

Members engaged in an extensive discussion about consideration of additional issues to be included in the work plan and agreed by consensus to the following issues of legislative concern during the 2014 interim:

1. regional housing policy and budget trends;
2. changes to existing and proposed rules promulgated by the MFA;
3. the MFA funding sources and programs overview, including the MFA's single-family mortgage products and the NM EnergySmart Program;
4. supportive housing;
5. federal housing policy and budget trends;
6. review of the MFA budget, current strategic plan and new 2015-2017 strategic plan;
7. New Mexico Housing Trust Fund report and funding source overview;
8. foreclosure prevention efforts, including a report from the Foreclosure Process Task Force;
9. report on bonds issued, financing strategies and market update; and
10. review of 2014 legislation and proposed legislation for the 2015 session.

Senator Rodriguez thanked committee members and the MFA and LCS staff members for their hard work in putting together the interim work plan. Without objection, the meeting adjourned at 12:59 p.m.

**MINUTES**  
**of the**  
**SECOND MEETING OF THE 2014 INTERIM**  
**of the**  
**MORTGAGE FINANCE AUTHORITY ACT**  
**OVERSIGHT COMMITTEE**

**July 3, 2014**  
**Mortgage Finance Authority Office**  
**344 Fourth St. SW**  
**Albuquerque, New Mexico**

The second meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee of the 2014 interim was called to order by Senator Nancy Rodriguez, chair, at 10:08 a.m. on July 3, 2014 at the office of the MFA in Albuquerque, New Mexico.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Ernest H. Chavez, Vice Chair  
Rep. Thomas A. Anderson  
Rep. Alonzo Baldonado  
Sen. Lee S. Cotter  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Cisco McSorley

**Absent**

Sen. Stuart Ingle

**Advisory Members**

Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Bill B. O'Neill  
Sen. Gerald Ortiz y Pino  
Sen. Michael Padilla  
Sen. Sander Rue

Rep. Nathan "Nate" Cote  
Rep. George Dodge, Jr.  
Rep. Sandra D. Jeff

**Guest Legislator**

Rep. Dennis J. Roch

**Staff**

Renée Gregorio, Senior Researcher, Legislative Council Service (LCS)  
Sharon Ball, Senior Researcher, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

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

**Thursday, July 3**

**Call to Order**

Senator Rodriguez welcomed members of the committee, staff and guests to the meeting. She then recognized Jay Czar, executive director, MFA, who advised members that the meeting was being video webcast and reminded members to keep sidebar conversations to a minimum to avoid noise interference with the webcast.

**Adoption of June 6 Meeting Minutes**

Without objection, on a motion by Representative Gonzales, seconded by Senator McSorley, the minutes of the June 6, 2014 meeting minutes were approved.

**Welcome**

Mr. Czar thanked Representative Gonzales for getting New Mexico Legislative Council approval for committee members to attend the MFA 2014 Summit on August 20-22 at the Albuquerque Convention Center. He reminded members that this biennial meeting provides a chance for realtors, lenders, developers, managers, financiers, maintenance experts, affordable housing experts and other interested persons to have unlimited access to the people who develop, construct, sell and manage single-family housing in New Mexico. He also noted that Senator Padilla's home foreclosure task force is accomplishing good work. Committee members requested that the MFA Act Oversight Committee be kept apprised of the work of the home foreclosure task force, and Senator Padilla said he would be happy to present monthly updates on the task force's work as the interim progresses.

Mr. Czar said that MFA staff is currently working hard on the agency's budget and the agency's new three-year strategic plan. He noted that the MFA operates on the federal fiscal year, which goes from October 1 to September 30 of the following year. He reported that the MFA board and staff will be meeting in a two-day retreat on July 23 and 24. He said that he expects that the MFA will report to the Legislative Finance Committee (LFC) in September or October. He noted that the MFA has several opportunities to explain its legislative priorities, including reporting at the LFC meeting in September and other legislative outreach activities. In terms of outreach to the executive branch of government, Mr. Czar said that MFA staff and board members will initiate outreach activities to the Department of Finance and Administration (DFA) and to staff at the Office of the Governor.

**MFA 2015 Legislative Agenda: Introduction**

Joseph Montoya, deputy director of programs, MFA, directed committee members' attention to the information behind Tab 1 in the committee notebooks, which includes the following proposals:

1. ***Regional Housing Oversight:*** The MFA is requesting a recurring appropriation of \$250,000 to support the statutory mandate for oversight of the state's regional housing authorities. In 2006, the MFA was mandated to restructure and oversee the regional housing authorities, and, since that time, the agency has received no financial support

from the state. If a recurring appropriation to the MFA is not approved, the MFA is requesting that oversight of the regional housing authorities be transferred to the DFA.

2. ***Affordable Housing Oversight:*** The MFA is requesting \$200,000 in a recurring appropriation to support the statutory mandate to oversee implementation of the Affordable Housing Act, which permits state and local governments to contribute public funds, buildings and other resources for affordable housing. The MFA is requesting the funding to provide technical assistance to local communities for development and implementation of affordable housing plans and ordinances. If recurring funding is not approved, the MFA is requesting that oversight of the Affordable Housing Act be transferred to the DFA.
3. ***New Mexico Housing Trust Fund:*** Created by the legislature in 2005, the New Mexico Housing Trust Fund began with an initial appropriation of \$10 million and has received additional appropriations of \$8.7 million over the years since its creation. Mr. Montoya explained that an appropriation to the New Mexico Housing Trust Fund allows the MFA to leverage those dollars at a current rate of 14 to one. The MFA is requesting a \$5 million appropriation, which could be leveraged to \$70 million to build more than 500 quality affordable homes for low-income New Mexicans.
4. ***Low-Income Residential Energy Conservation:*** The MFA is requesting a \$1 million appropriation for the NM Energy Smart Program, which weatherizes the homes of approximately 1,000 low-income families each year. State funding is leveraged on a five-to-one basis with two federal programs. An estimated 85,000 low-income New Mexicans are eligible for weatherization services, and a \$1 million appropriation will provide weatherization for approximately 200 additional homes statewide, creating jobs and saving low-income families hundreds of dollars on energy bills each year.
5. ***Emergency Home Repair:*** The MFA is requesting a \$2 million appropriation to enable the MFA to fund emergency home repairs for low-income households throughout the state. Measures include health and safety repairs; repairs to the dwelling's envelope, interior walls and roof; and accessibility modifications for disabled persons. When possible, funds will be leveraged with other programs to address major rehabilitation or weatherization needs. Mr. Montoya noted that the MFA has requested appropriations for emergency home repair in 2007, 2008 and 2009.
6. ***Affordable Housing Act Amendment:*** The Affordable Housing Act allows state and local governments to contribute public funds, buildings and other resources for affordable housing. In the 10 years since the measure was signed into law, two issues have emerged that the proposed amendment would resolve: (1) an exemption from the long-term affordability requirement so that foreclosed properties can be resold; and (2) the provision of a penalty so that the act can be enforced.
7. ***Affordable Housing Tax Credit Act Amendment:*** Enacted in 2005, the intent of the Affordable Housing Tax Credit Act was to encourage investment in affordable housing by issuing tax credits in exchange for donations of land, buildings, materials, services or cash. The proposed amendment would clarify that local government

contributions are not eligible for state tax credits, a provision that will preserve state tax credits for intended recipients — individuals, private entities and nonprofits.

After an extensive discussion of the proposed legislative issues and additional issues, committee members requested staff to research several other topics for possible MFA legislative endorsement, including:

- housing incentives and support for New Mexicans in the "millennial" population category — those born between roughly the early 1980s and 2000;
- halfway houses for existing prisoners rather than spending millions on prison renovations; and
- foreclosure prevention and responses.

### **Regional Housing Authorities**

Mr. Montoya requested that the chair allow him to deviate somewhat from the order on the agenda and, instead, begin with an update on the Northern Regional Housing Authority (NRHA). With the chair's permission, he introduced Leandro Cordova, chief financial officer, Taos County, and Santiago Chavez, chair, NRHA, to provide an update on efforts to reestablish the NRHA. Mr. Montoya also introduced Rose Baca-Quesada, community development senior lead, MFA, to provide information on the eastern and western housing authorities.

By way of background, Mr. Montoya directed committee members' attention to information behind Tab 2 in the meeting notebooks and provided the committee with background on New Mexico's regional housing authorities; handouts depicting regional housing authority regions; and a matrix summarizing information about all three housing authorities.

Mr. Montoya explained that housing authorities that encouraged regionalization became prevalent in the United States in the 1960s and 1970s. New Mexico's regional housing authority laws date back to the mid-1970s, when seven regional housing authorities were established to serve the state's rural areas. He explained that, as federal funding dried up in the subsequent decades, New Mexico's seven regional housing authorities relied on bonding capacity and other revenue streams to stay solvent.

In the wake of a state-commissioned assessment to examine the causes of and solutions to alleged corruption among regional housing authorities, Mr. Montoya said, the state's Regional Housing Authority Law (Sections 11-3A-1 through 11-3A-31 NMSA 1978) was amended in 2008 and 2009 to: (1) consolidate the state's regional housing authorities from seven to three; (2) establish regional housing authority oversight by the MFA; (3) require minimum qualifications for regional housing authority commissioners and have commissioners appointed by the governor; and (4) clarify the way in which public and regional housing authorities should operate when their respective service areas overlap. As currently written, the Regional Housing Authority Law does not allow regional housing authorities to provide services within municipalities or counties that have established public housing authorities (PHAs) unless the local government passes a resolution allowing them to do so. Mr. Montoya also noted that a

local government can limit a regional housing authority to avoid duplication of services already offered by the PHA. Today, regional housing authorities continue to operate side by side with PHAs established by counties and municipalities under the provisions of the Municipal Housing Law (Sections 3-45-1 through 3-45-25 NMSA 1978).

Mr. Cordova explained that Taos County, recognizing the need, has begun the process of consolidation of PHAs in the northern region, which, in addition to Taos County, includes Rio Arriba, San Juan and San Miguel counties; and the municipalities of Chama, Cimarron, Cuba, Gallup, Grants, Las Vegas, Maxwell, Pecos, Raton, Springer and Wagon Mound. He noted that, of the 14 PHAs in the northern region, 10 are considered by the federal Department of Housing and Urban Development (HUD) to be troubled or substandard. Mr. Cordova said that, working in partnership with the MFA, the volunteer board has issued a request for proposals to solicit professionals in the housing business. He said that an organization, Smart, Inc., from Louisiana offered the proposals that was selected to start the regionalization process to achieve economies and efficiencies of scale. He said that Smart, Inc., has been helping to develop staff and programs. He acknowledged that the northern region has been "in trouble" for a few years but is now "cleaning things up" at the county level to make the transition as smooth as possible.

Mr. Chavez explained that he currently serves as full-time director of finance for the New Mexico Association of Counties (NMAC). He said that the NMAC has agreed to allow him to volunteer with the northern board while working to turn the NRHA around. In response to a committee member's question, Mr. Chavez said that Smart, Inc., services are paid with available federal funds through this transition process.

In response to committee members' discussion and questions, Mr. Montoya noted that, of the 31 PHAs in New Mexico, many are categorized as "troubled" or having "substandard management" by the HUD. He said that all of them either manage low-rent units or issue Section 8 housing vouchers, or both. He said that none provide a full spectrum of housing services, such as rehabilitation and weatherization services, which are vital to rural communities, and all could clearly benefit from significant capacity building to better serve their communities.

After passage of amendments to the Regional Housing Authority Law in 2008 and 2009, the governor appointed boards of directors for all three regional housing authorities: eastern, western and northern. Directing committee members' attention to the handout, "New Regional Housing Authority Regions" map, Mr. Montoya pointed out that urban areas in Santa Fe, Bernalillo and Doña Ana counties have no regional housing authority representation. He also directed committee members' attention to the "Public Housing Authorities in New Mexico by Region" handout and noted the listing of PHAs by region. In response to a committee member's question, Mr. Montoya noted that Taos County is in the process of consolidation and has 448 Section 8 housing units and 170 low-rent units. He explained that different programs grow differently at different times, and not all programs are slated to be regionalized. He suggested that a PHA should have about 200 housing units available to be successfully regionalized.

Mr. Chavez expressed the hope that, with the help of the contractor, Smart, Inc., the NRHA would be able to revitalize its operations to take advantage of available HUD funding. Mr. Cordova noted that sometimes it takes an outsider to turn around a difficult situation such as the one that the NRHA faced. In response to a committee member's question, Mr. Montoya said that Smart, Inc., has a one-year contract with two one-year renewals possible. He added that some troubled PHAs in the region have indicated that they would like to turn over their vouchers and units to a qualified entity, if it existed. He said that the limited capacity of many PHAs, as verified by the HUD, and rapidly shrinking federal funding indicate that the trend toward regionalization will accelerate. He emphasized the importance of establishing a viable NRHA so that communities in the north will have access to affordable housing services.

Next, Ms. Baca-Quesada provided a brief overview of the work of the Eastern Regional Housing Authority (ERHA). She said that Chris Herbert is the ERHA executive director and that the agency is committed to serving the housing needs of low-to-moderate-income families in Chaves, Curry, De Baca, Eddy, Guadalupe, Harding, Lea, Lincoln, Otero, Quay, Roosevelt and Union counties by using all available resources to provide decent, safe and quality affordable housing. She explained that the authority is overseen by a seven-member board of commissioners appointed by the governor and is operated by three administrators: an executive director, a deputy director and a finance director.

She went on to explain that the ERHA is currently ranked as a "High Performer" by the HUD and that it received an "unqualified" audit opinion on its 2013 audit. She said that the ERHA has achieved "High Performer" status from the HUD, as well as "unqualified" audits, for the past nine years.

Ms. Baca-Quesada reported that one of the ERHA's biggest accomplishments has been the successful merger of the Vaughn Housing Authority's assets into the ERHA public housing portfolio. Before the Vaughn Housing Authority came under the control of the ERHA in 2010, it had been rated as a "troubled authority" for more than five years. The ERHA has also increased the occupancy rate from 50 to 100 percent over the same time period.

Committee members' comments and discussion centered on the ERHA's challenges and concerns. A major concern is the agency's lack of funding to administer programs appropriately.

Ms. Baca-Quesada provided a brief update on the Western Regional Housing Authority (WRHA). She noted that the WRHA includes Grant, Catron, Hidalgo, Luna, Sierra, Socorro, Valencia and Torrance counties. This agency has an eight-member board of commissioners, appointed by the governor. She noted that the WRHA is also a HUD "High Performer" and has had clean audits for the past 14 years.

Among the agency's challenges and constraints, Ms. Baca-Quesada indicated that the greatest concern is a lack of decent, safe and affordable housing, particularly in highly rural areas such as Hidalgo County and a lack of funding for administration of programs. She explained that

the WRHA has a total of 11 staff between its two offices located in Silver City and Deming. She said that she has not had the resources to hire additional staff since the addition of four counties to the region.

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

Mr. Montoya directed committee members' attention to the information behind Tab 3 in the committee notebooks and introduced Erik Nore, director of homeownership, MFA, and Theresa Garcia-Laredo, special projects director, MFA, to provide a presentation on MFA single-family mortgage products. In the interest of saving time, Mr. Nore explained the three factors that make the MFA unique in the service it provides: (1) the MFA provides down payment assistance; (2) the MFA acts as a secondary market to participating mortgage lenders; and (3) the MFA requires pre-purchase homebuyer counseling.

He continued, describing the following MFA single-family mortgage products:

- ***MortgageSaver Program***: Provides 30-year fixed-rate mortgage loans for first-time homebuyers with three different interest rates and various types of down payment assistance; can be used with Federal Housing Administration (FHA), federal Department of Veterans Affairs, United States Department of Agriculture and conventional loan products and requires a \$500 borrower contribution.
- ***HERO Program***: Targeted to first-time homebuyers in low- or moderate-income households in which at least one member is a public safety worker, health care worker, educational worker or an active or reserve member of the armed forces; provides a 3.5 percent down payment assistance grant; provides a 30-year fixed-rate FHA-insured mortgage loan.
- ***Mortgage Booster***: Provides a fixed-rate second mortgage to be used in conjunction with either a MortgageSaver Zero first mortgage; features a 30-year term and a maximum loan amount of \$8,000; and has a 6 percent interest rate.
- ***PaymentSaver***: For low-income borrowers, provides a down payment assistance loan at 0 percent amortizing second mortgage repayment on sale, transfer or refinancing.
- ***Helping Hand***: Provides \$8,000 for down payment and closing cost assistance to low-income families in which one family member has a disability; and a 0 percent loan due on sale, transfer or refinancing of the home.
- ***Smart Choice***: Provides a down payment assistance loan up to \$15,000 used in conjunction with a HUD Section 8 homeownership program for low-income borrowers; and a 0 percent amortizing second mortgage repayable on sale, transfer or refinancing of the home.

Mr. Nore also discussed opportunities to increase lending to millennials, noting that younger buyers make up a large target market. Mr. Nore said that current MFA mortgage products are available to millennials who otherwise qualify. He also noted that MFA staff is researching other housing financing agency marketing initiatives targeted to younger buyers, and this marketing focus will be a part of the MFA 2015-2017 marketing plan.

Mr. Nore pointed out several other issues, including foreclosure trends in the United States and in New Mexico; a Mortgage Bankers Association national delinquency survey for 2014; a Federal Reserve Board May 2014 scorecard showing further signs of recovery; and a Harvard University study, "The State of the Nation's Housing 2014".

### **Housing Trust Fund Update**

Directing committee members' attention to information behind Tab 4 in the committee meeting notebooks, Mr. Montoya reported that, since it was established in 2005 by the legislature, the New Mexico Housing Trust Fund has grown from \$18.2 million in appropriations to nearly \$24 million as a result of interest earned over the years. Through a competitive application process, the MFA has awarded more than \$33 million, including the state's \$18.2 million investment, interest income and loan repayments, to 42 housing projects for nearly 1,800 housing units. He said that these impressive developments have leveraged approximately \$320 million in other funding sources for a 17-to-one return on the state's initial investment — up from 14 to one in the past. Mr. Montoya also expressed concern that the MFA has not yet received its \$500,000 appropriation from the 2012 legislature for the New Mexico Housing Trust Fund. Committee members congratulated the MFA staff for their fine work on behalf of low- to medium-income New Mexicans.

### **Adjourn**

Some committee members expressed concern that the meeting agenda did not allow enough time for discussion of the items near the end of the agenda. Senator Rodriguez suggested the possibility of requesting an extra meeting date from the New Mexico Legislative Council.

There being no further business to come before the committee, the meeting adjourned at 12:28 p.m.

**MINUTES  
of the  
THIRD MEETING OF THE 2014 INTERIM  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**August 1, 2014  
Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque, New Mexico**

The third meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee of the 2014 interim was called to order by Senator Nancy Rodriguez, chair, at 10:08 a.m. on August 1, 2014 at the office of the MFA in Albuquerque, New Mexico.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Ernest H. Chavez, Vice Chair  
Rep. Thomas A. Anderson  
Rep. Alonzo Baldonado  
Sen. Lee S. Cotter  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Cisco McSorley

**Absent**

Sen. Stuart Ingle

**Advisory Members**

Rep. Sandra D. Jeff  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Bill B. O'Neill  
Sen. Michael Padilla  
Sen. Sander Rue

Rep. Nathan "Nate" Cote  
Rep. George Dodge, Jr.  
Sen. Gerald Ortiz y Pino

**Guest Legislator**

Rep. Miguel P. Garcia

**Staff**

Renée Gregorio, Senior Researcher, Legislative Council Service (LCS)  
Celia Ludi, Staff Attorney, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

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

## **Friday, August 1**

### **Call to Order**

Senator Rodriguez called the meeting to order at 10:08 a.m. and welcomed members of the committee, staff and guests to the meeting.

### **Minutes**

The minutes for the July 3, 2014 meeting were approved without amendment, upon a motion duly made and seconded.

### **Welcome**

The chair recognized Joseph Montoya, deputy director of programs, MFA, who reminded members of the annual summit to be held August 20-22, 2014 at the Albuquerque Convention Center. He noted that Jay Czar, executive director, MFA, is out of town and then introduced Wayne Lindstrom, chief executive officer, Interagency Behavioral Health Purchasing Collaborative, and Jeff Hunt, director of New Mexico outreach services, Oxford House, Inc.

### **Foreclosure Process Task Force Update**

Senator Padilla introduced Debbie Norman, outreach coordinator, United South Broadway Corporation (USB); Vicki Plevin, staff, USB Foreclosure Process Task Force; Tim Karpoff, facilitator, USB Foreclosure Process Task Force; and Theresa Laredo-Garcia, special projects director, MFA, and member, USB Foreclosure Process Task Force.

Senator Padilla expressed concern about the New Mexico home foreclosure issue, explaining that zip code 87121, which is in the area he represents, has the highest home foreclosure rate in the United States. It also has the highest percentage of federal Title I schools and students who qualify for free or reduced-fee lunches. He stated that foreclosures affect schools and children because when children keep moving around and do not know where they will be sleeping, it is hard for children to do well in school. Senator Padilla said that home foreclosure is only part of the larger picture of social concerns but that addressing it has the potential to positively affect other issues. To address all of these issues, Senator Padilla said, he has focused on early childhood education and home intervention and job creation, as well as foreclosure.

Pursuant to Senate Memorial 11 and House Memorial 15 from the 2014 legislative session, USB convened a foreclosure task force of diverse stakeholders charged with: (1) recommending improvements to the foreclosure process to prevent unnecessary foreclosures; and (2) developing a plan to educate homeowners, lenders, loan servicers and the judiciary on meaningful loss mitigation. USB is funding and providing staff to the task force. Ms. Plevin informed the committee that the task force is composed of 21 members, each of whom has an alternate member. Only the member or the member's alternate can vote. There has been between 90 and 100 percent attendance by members at the four meetings held to date. Ms. Plevin said that total meeting attendance has numbered 35 to 40 people, including Realtors, title company

employees, mortgage lenders, lender and borrower attorneys and members of the judicial branch in addition to task force members. The goal of the task force is to get everyone around the table. The task force has met four times and will continue to meet every third Friday until November, when it will submit five recommendations to the memorials' sponsors, Senator Padilla and Representative Gail Chasey, and to the committee.

Senator Padilla requested time on the agenda to present the foreclosure task force's recommendations at the committee's November 13 meeting. Senator Padilla invited committee members to the next task force meeting on August 8, 2014.

Ms. Plevin said that the foreclosure task force has identified four general areas of focus to develop recommendations: (1) loss mitigation and loan servicing; (2) improving the judicial process for foreclosure; (3) the negative social and economic impact of foreclosures, especially the problem of vacant and abandoned properties; and (4) stakeholder education, homeowner engagement in the foreclosure process and lender-homeowner communication.

Committee members expressed concern that homeowners are experiencing difficulties when working with lenders to mitigate impending losses. Several committee members have heard from constituents who are frustrated with lenders' processes. Constituents have consistently said that there is no continuity among lender employees and that no single employee has decision-making authority when working with them. John W. Anderson, executive vice president, New Mexico Bankers Association, offered to assist legislators who have constituents with those issues. Mr. Anderson said that there is nothing the banks want less than to foreclose on a property because, at that point, the bank stops receiving loan payments and takes on the maintenance and insurance responsibilities of ownership until the foreclosed property can be sold. Committee members thanked Mr. Anderson for his offer of assistance but stressed that the banks' processes need to be more transparent so that constituents do not need to contact their legislators, who then contact a lobbyist to deal with the bank. Committee members expressed that homeowners should be able to pick up a phone and be channeled to the proper resources. Mr. Anderson explained that part of the problem is that there are two types of loans: portfolio loans, which the banks retain and service; and loans that are sold to other organizations for servicing.

Mr. Anderson raised the issue of abandoned properties and suggested that an expedited foreclosure process for banks could move properties to the market faster.

An extensive discussion of the impact of foreclosure on communities ensued. A committee member stated that in zip code 87121, 30 percent to 35 percent of homes for sale are bank-owned. Another committee member stated that in Valencia County, 389 homes closed this year, and 160, nearly half, were bank-owned. Several committee members observed that in areas where there is a high percentage of foreclosed homes, property values decrease and pride of ownership suffers, leading to a downward economic spiral in the community. Several committee members noted that in many instances, inappropriate bank lending policies led to approval of

loans to people who did not have the ability to make loan repayments over the long term. Members also noted that some homeowners were financially naive or irresponsible, which contributed to the current foreclosure problem. Other causes of foreclosures may include tax lightning and unpaid covenant or homeowner association fees.

Discussion of possible solutions included:

- use of deeds of trust instead of mortgages to secure loans, which would shorten the foreclosure process by bypassing the courts. Mr. Anderson said that in New Mexico foreclosures must follow a judicial procedure and is why title insurers will not write policies for deeds of trust. Mr. Anderson added that legislation to allow deeds of trust has failed in previous legislative sessions;
- mediation, which is required or offered by some courts now; and
- allowing a third party to assume the mortgage.

In response to queries from committee members regarding the disposition of litigation against the largest banks, Mr. Montoya introduced Gina Hickman, deputy director of finance and administration, MFA. Ms. Hickman described the organization and functions of the federal Consumer Financial Protection Bureau. Ms. Hickman then explained the settlement of the lawsuit filed by the federal government and 49 state attorneys general against Bank of America Corporation, JP Morgan Chase & Company, Wells Fargo & Company, Citigroup Incorporated and Ally Financial Inc. regarding violations of federal and state laws in mortgage lending. Among other things, the settlement included \$2 billion in first-lien principal reductions and a total of more than \$125 million in cash payments to certain homeowners who lost their homes to foreclosure. New Mexico's share of these payments is approximately \$8 million in relief and direct payments and another \$3 million to fund activities such as housing counseling and homeowner education. The New Mexico attorney general is administering the payouts, for which eligible New Mexicans must apply by September 15, 2014.

### **Supportive Housing**

Mr. Montoya directed the committee's attention to the material behind Tab 1 in the committee notebooks (Item 2 on the web site). Mr. Montoya noted that supportive housing is private, subsidized rental housing for adults, in which the tenant holds an individual apartment lease; it is not group housing. Supportive housing is provided for people coming out of incarceration; for people with disabilities, including substance abuse and mental illness; and for people who are homeless. Mr. Montoya explained that supportive housing is linked to services, but tenants are not required to make behavioral changes before housing is provided; rather, people are housed first and then other supportive services are provided.

Mr. Montoya explained that when a person has affordable, safe housing, it becomes much easier for the person to tackle other issues, including health issues, lack of employment and lack of education. Mr. Montoya observed that supportive housing is a very effective model that costs less than other living arrangements such as shelters, institutions and group homes and reduces public health expenses and other expenses such as homeless services and jail systems.

Mr. Montoya introduced Lisa Huval, policy and advocacy director, New Mexico Coalition to End Homelessness. Ms. Huval described the Albuquerque Heading Home (AHH) program for medically vulnerable, chronically homeless people. Ms. Huval informed the committee that the AHH program has an 81 percent retention rate, and it costs 31 percent less to house people than it costs to keep people homeless.

Mr. Montoya introduced Jane McGuigan, supportive housing coordinator, Behavioral Health Services Division, Human Services Department (HSD). Ms. McGuigan said that supportive housing requires multisector partnerships as detailed on pages 14 through 16 of the first document in Tab 1 in the committee notebooks. Currently, several different supportive housing programs exist in New Mexico.

Linkages, New Mexico's first supportive housing program, created in 2007, targets extremely low-income homeless or precariously housed adults with mental, behavioral or emotional disorders that cause functional impairment, Ms. McGuigan said. Linkages now operates in Albuquerque, Silver City/Deming, Santa Fe, Roswell and Las Cruces.

Ms. McGuigan next addressed the special needs housing created in 2009 as a collaboration between the HSD and the MFA. As part of the state's low-income housing tax credit program, developers agree to set aside some housing units as special-needs-designated apartments and maintain rent and income level qualifications for a minimum of 30 years. Tenants in these units have incomes at or below 60 percent of the area median income for that county; have a household member with serious mental illness, in addiction treatment with demonstrated recovery or with various disabilities; and have a designated services provider. Between 2009 and 2014, 304 special-needs-designated units benefiting 768 people have been developed. There are more applicants than there are units available, so a lottery is held to ensure equal access.

Referring to a 2012 Legislative Finance Committee report on the Corrections Department (NMCD), Mr. Montoya provided some background on adult offender reintegration into communities. The report, "Reducing Recidivism, Cutting Costs and Improving Public Safety in the Incarceration and Supervision of Adult Offenders", is included in the documents behind Tab 1 of the committee notebook (Item 2 on the web site). Mr. Montoya highlighted the report's findings that are relevant to the MFA's and the committee's work. The report found that reducing recidivism through strategic budget development can save millions of dollars and improve public safety. More community-based resources are needed, and existing resources could be better used. The report recommended that the NMCD should explore expanding existing resources for halfway houses and residential treatment facilities to lower the numbers and reduce the costs of in-house parole and to increase the likelihood of successful offender reentry into society.

Next, Mr. Hunt described Oxford House's activities in New Mexico. Mr. Hunt informed the committee that Oxford House is a nationally recognized transitional housing model for recovering alcoholics and drug addicts. It offers self-supported, peer-run and -governed housing

in good houses in good neighborhoods. Mr. Hunt told the committee that Oxford House began in 1975 when 13 male residents took over a county-run halfway house that was being closed. The residents developed written democratic policies of operation in which all members of the house were accountable to the other members and contributed to the operation and maintenance of the house. A study by DePaul University found that Oxford House is the most successful drug and alcohol rehabilitation organization in the United States and that members have a 65 percent to 87 percent recovery rate without relapse. Oxford House now operates houses in 43 states. Mr. Hunt stated that in New Mexico, there are currently 10 men's houses and five women's houses in Albuquerque; a men's house in Santa Fe is opening next week; and there are plans to open a house in Las Cruces. Mr. Hunt said that peer support and a structured living environment enable members to stay clean and sober and avoid relapsing. Many Oxford House residents have recently been released from incarceration.

Mr. Hunt informed the committee that 26 states provide some funding for Oxford House residences, primarily for staff expenses. House expenses, including rent, utilities and upkeep, are paid by the residents. Mr. Montoya added that in New Mexico, the NMCD and the HSD each provide some funding for Oxford House operations. Mr. Hunt said that Oxford House in New Mexico has only two paid staff members — his position is funded by the Interagency Behavioral Health Purchasing Collaborative, and the NMCD contributes funding for his associate's position. Priscilla Torres, Adult Probation and Parole Division, NMCD, added that the NMCD also provides funding for the first two months' rent for newly released inmates who make the transition to Oxford House.

Ms. Torres stated that with 17,000 probationers and parolees in New Mexico and only 44 halfway houses statewide, the NMCD would like to see more halfway houses outside of Albuquerque. Mr. Hunt agreed that more houses outside of Albuquerque are needed, but he noted that more than 50 percent of New Mexico Oxford House residents in Albuquerque originate from other communities in the state. He said that sometimes, the opportunity to get comfortable with an abstinent lifestyle outside of the resident's home community is what keeps the member from relapsing upon return to the home community.

In response to a question from a committee member, Mr. Hunt said that no special zoning is necessary for Oxford Houses residences because federal law requires municipalities to give reasonable accommodation to such places. He stressed that each house is a family unit; there are no on-site managers or counselors; and residents of each house are responsible for operating and maintaining the house in accordance with the Oxford House manual. There is also a community service requirement of three hours per week, and often that is met by residents helping neighbors with routine home and yard maintenance.

In response to questions from a committee member, Mr. Hunt explained that houses are usually larger homes, with four to six bedrooms, because each house's residents operate as a family unit, with residents having their own bedrooms but sharing the rest of the space, such as kitchens, living rooms and bathrooms, with other residents. Individual apartments and repurposed motels do not fit the Oxford House model as well as houses do. Mr. Hunt invited the

committee members and members of the public to visit any of the houses to witness the operations first-hand.

Mr. Montoya clarified that the MFA does not provide direct services in supportive housing but rather provides assistance in the building side of things.

Committee members briefly discussed the possibility of partnering with other state agencies to pay residents to create new halfway houses by the residents doing rehabilitative construction work on houses that might otherwise be demolished. This would help residents get jobs doing something useful in the community and also give them marketable job skills.

The chair recognized Jeff Holland, executive director of The Endorphin Power Company (TEPC). Mr. Holland described TEPC as an organization that provides single-occupancy transitional living for people experiencing homelessness as a result of substance abuse and that uses the "four pillars" of exercise, education, community and service as guiding principles. Mr. Holland said that TEPC operates a 19-studio single-occupancy residence and a community center open to the public that offers a variety of 12-step meetings; free yoga and spin classes; case management; and acupuncture and other health modalities. Residents are self-supporting, but many receive temporary initial funding from Eagles Unlimited. TEPC actively raises funds for its operation and also serves as a substation for Albuquerque Ambulance Service. Mr. Holland said that residents are expected to spend a minimum of 30 minutes each day on exercise and education and three hours each week on community service. Mr. Holland stressed that a community-based approach to addiction recovery is highly effective and is evidence-based. For that reason, TEPC works closely with many nonprofit service providers as well as the NMCD, relies on volunteers in many areas and is open to the public.

#### **MFA 2015 Legislative Agenda — Endorsement**

Mr. Montoya directed the committee's attention to the material behind Tab 2 in the committee notebooks (Item 3 on the web site). Senator Martinez noted that all of the items had been discussed in previous meetings and moved to endorse all the proposed legislation. The motion was seconded and passed without objection.

#### **New Mexico EnergySmart Program**

Mr. Montoya directed the committee's attention to the material behind Tab 3 (Item 4 on the web site) in the committee notebooks. Mr. Montoya introduced Isidoro "Izzy" Hernandez, director of community development, MFA, who in turn introduced Joseph Stevens, Central New Mexico Housing Corporation (CNMHC), and Ben Thomas and Michael Cabral, Rocky Mountain Youth Corps (RMYC).

Mr. Hernandez explained that since 1997, the MFA has administered the New Mexico EnergySmart Program, which is sometimes referred to as the weatherization program, for low-income households. On average, low-income households spend 14 percent of their income to pay utility bills, while middle-income households spend four percent of their income on utility

bills. New Mexico EnergySmart services are targeted toward very low-income households with high utility bills relative to income and include the elderly, children and/or disabled persons. Mr. Hernandez stated that the MFA partners with three other agencies to provide services in all 33 New Mexico counties and includes assessment and audits of houses and repair or rehabilitation work on houses that ranges from weatherstripping to replacing windows or roofs and adding insulation. The federal Department of Energy (DOE) requires that standard work specifications be followed on every project and that all work be inspected.

Mr. Hernandez reported that this year, funding of approximately \$5.1 million for work on an estimated 626 housing units through the New Mexico EnergySmart Program will come from a combination of sources, including federal funds from the DOE; the Low Income Home Energy Assistance Program, which is referred to in the handouts as LIHEAP, managed by the federal Department of Health and Human Services; and private utility and energy companies. He pointed out that funds for weatherization have declined steeply from a high of approximately \$14 million in 2010-2011. He attributed the decline to a reduction in the amount of money provided through the federal American Recovery and Reinvestment Act (ARRA) of 2009. Referring to a chart in the materials behind Tab 3 of the committee notebooks, he showed that money from ARRA from 2009 through 2012 provided the majority of weatherization funds in those years. The State of New Mexico has not contributed to weatherization funding since 2010, Mr. Hernandez noted.

Mr. Stevens described the marketing and outreach efforts of the CNMHC, including advertisements in local newspapers and distribution of flyers. When potential clients apply for services, an assessor audits the clients' homes to determine expected energy savings as expressed by a savings-to-investment ratio, and applicants are then placed on a waiting list. Mr. Stevens said that CNMHC crews do most of the work, but the CNMHC subcontracts mechanical work. There are waiting lists in all 12 counties that the CNMHC serves. The CNMHC tries to save money on each project so it can do more projects. For instance, in Rio Arriba County, the CNMHC was allocated money for 23 projects, but it was able to complete 26 projects because of careful planning and use of the allocated money. Mr. Stevens related a success story involving a woman in Espanola who is now saving \$55.00 per month on her utility bills as a result of the work performed by the CNMHC.

Mr. Thomas and Mr. Cabral explained the RMYC's unique organizational model, which is based on the Civilian Conservation Corps. The RMYC hires 120 to 150 young men and women each year from the communities in northern New Mexico counties that the RMYC serves; trains and educates the youth members; and provides members with mentorship and leadership experience through the projects undertaken by the RMYC. The presenters said that youth members get real credentials, such as GEDs, certificates or diplomas, that help them transition into self-sustaining careers. Mr. Thomas said that the projects undertaken by the RMYC vary depending on the needs of the community and have included trail and forestry work, construction projects and weatherization projects. Mr. Thomas related the story of an RMYC member, Tyrell, who had not completed high school. He started at the RMYC by working in a conservation program and later applied for work in a construction crew. Tyrell earned his GED,

went on to earn various credentials through Santa Fe Community College's (SFCC's) New Mexico EnergySmart Academy and is now a full-time crew supervisor leading youth crews for the RMYC.

Mr. Cabral told the committee that the rural communities that the RMYC serves in northern New Mexico have unique construction challenges, including encountering a variety of building materials used over years of ownership. As an example, he described a home that started out as a few adobe rooms with other frame rooms that were added on later, and, finally, a mobile home was attached to the home. Mr. Cabral told committee members about helping a homeowner from the Pueblo of Taos who had been on other waiting lists for years before the RMYC was able to improve his home.

The committee, Mr. Hernandez, Mr. Stevens and Mr. Thomas discussed possible expansion of services and new funding sources. Some possible sources of new funding are grants from energy or utility companies and state funds. Another source of funding to explore is state energy tax credits, which are currently available for new construction but not for rehabilitation. Another possible source of funding involves agreements to pay for installation of solar panels on residential units, with payments by the utility company for any excess electricity generated by the panels going back to the installing agency instead of the homeowner. It was agreed that more research is necessary. The New Mexico EnergySmart Program put people to work in construction during the depths of the recession, when many people were out of work, and continues to provide tangible benefits and cost savings.

Mr. Hernandez spoke about the New Mexico EnergySmart Training Academy at SFCC, which is a joint venture among the MFA, SFCC and DOE. The curriculum customizes national best practices for New Mexico's climate zones and housing stock. The academy trains students in the use of specialized equipment and is accredited by the Interstate Renewable Energy Council.

Mr. Montoya introduced Troy Cucchiara, green initiative manager, MFA, who introduced academy staff members Jeffrey Granger and Bill Eckman, who then presented an energy efficiency demonstration in the MFA parking lot, using the MFA's mobile van.

### **Adjourn**

There being no further business to come before the committee, the meeting adjourned at 3:00 p.m.

**MINUTES**  
**of the**  
**FOURTH MEETING OF THE 2014 INTERIM**  
**of the**  
**MORTGAGE FINANCE AUTHORITY ACT**  
**OVERSIGHT COMMITTEE**

**October 8, 2014**  
**Mortgage Finance Authority Office**  
**344 Fourth St. SW**  
**Albuquerque, New Mexico**

The fourth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee of the 2014 interim was called to order by Senator Nancy Rodriguez, chair, at 10:09 a.m. on October 8, 2014 at the office of the MFA in Albuquerque, New Mexico.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Ernest H. Chavez, Vice Chair  
Rep. Alonzo Baldonado  
Sen. Lee S. Cotter  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Cisco McSorley

**Absent**

Rep. Thomas A. Anderson  
Sen. Stuart Ingle

**Advisory Members**

Rep. Nathan "Nate" Cote  
Rep. Sandra D. Jeff  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Michael Padilla  
Sen. Sander Rue

Rep. George Dodge, Jr.  
Sen. Bill B. O'Neill  
Sen. Gerald Ortiz y Pino

**Staff**

Renée Gregorio, Senior Researcher, Legislative Council Service (LCS)  
Sharon Ball, Senior Researcher, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

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

## **Wednesday, October 8**

### **Call to Order**

Senator Rodriguez welcomed members of the committee, staff and guests to the meeting. She recognized Jay Czar, executive director, MFA, who advised members that the meeting is being video webcast and reminded them to keep sidebar conversations to a minimum to avoid noise interference with the webcast.

### **Adoption of July 3 Meeting Minutes**

On a motion duly seconded, the minutes of the July 3 meeting were adopted without objection.

### **Welcome**

Mr. Czar, newly elected vice president of the Albuquerque Balloon Fiesta board, told committee members that he would be happy to take credit for the beautiful display of balloons in the Albuquerque-area sky this morning but acknowledged the work of the entire community in supporting this internationally known event.

Mr. Czar told the committee that the MFA staff presented the agency budget and strategic plan to the Legislative Finance Committee (LFC) on September 25. He said the presentation "went very, very well". He also reported that the MFA-sponsored August Housing Summit, with more than 660 attendees, more than 150 speakers and presenters and 75 different sessions, included all of "the players" in the business of providing affordable housing. He noted that the MFA had partnered with eight different groups, including mortgage lenders, Habitat for Humanity and the New Mexico Coalition to End Homelessness, to make this biennial conference the definitive affordable housing conference in the state. He thanked Senators Rodriguez, Padilla and Ortiz y Pino and Representative Baldonado for attending the conference. Senator Padilla said he was overwhelmed with the sheer size of the conference and the quality of the materials. Senator Rodriguez thanked Mr. Czar and his staff for the invitation and noted that not all members who wished to attend were able to. She suggested that Mr. Czar work with the LCS to schedule the conference without other legislative conflicts for members for the 2016 summit.

### **MFA 2015 Budget Overview**

Gina Hickman, deputy director, Finance and Administration, MFA, told the committee that her report would focus on resources available for affordable housing for fiscal year (FY) 2014, a review of production and financial highlights and the MFA operating fund revenue analysis and fund expenditure summary, FY 2009 through projected FY 2016.

*Resources Available to the MFA, FY 2014:* Ms. Hickman noted that total MFA revenues were approximately \$478 million. She said that MFA bond issues of \$336.1 million are the largest source of revenue at 70 percent and represent the bonding limit for tax-exempt bonds. Federal housing programs, such as low-income tax credits and funds from the federal Department of Housing and Urban Development, at \$108.4 million, or 22.7 percent, represent the second-largest source of revenues. She explained that the MFA operating fund comes through the

internal revolving loan fund that MFA funds through profits generated through reserves. This revenue source amounts to \$22.8 million, or 4.8 percent, of MFA resources. State tax credits, such as the low-income housing tax credit (LIHTC), represent \$4.8 million and, together with \$4.1 million in appropriations, represent 1.9 percent of MFA resources. The final category — "Private/Other" — amounts to \$1.9 million, or 0.4 percent, of resources and includes weatherization funds from MFA partners such as PNM and New Mexico Gas Company.

*Production and Financial Highlights, FY 2005 through FY 2016 (Projected):* Ms. Hickman directed committee members' attention to graphic representations of assets managed and noted the decline in assets under management in FY 2010 from approximately \$3 million to average financial assets of approximately \$1.5 million to projected FY 2015 assets under management of approximately \$1.9 million versus average financial assets of approximately \$1.05 million. In response to committee discussion and questions, Ms. Hickman noted that, even with a rather dramatic decline in assets under management in the past 10 years, the MFA's level of profitability is strong. Regarding production data on multifamily loans and subsidies versus single-family first mortgage loans purchased from FY 2005 through FY 2015 (projected), the data show lower levels of homeownership since the Great Recession of 2008. She pointed out that FY 2014 is projected to show approximately \$152 million in multifamily loans and subsidies versus approximately \$75 million in single-family first mortgage loans purchased. Again directing committee members' attention to the chart on Slide 9 of her presentation in committee members' notebooks, Ms. Hickman pointed out the projected MFA total housing dollars produced in FY 2014 of approximately \$301 million compared to approximately \$500 million in housing dollars produced in FY 2007. In response to committee discussion and questions, Ms. Hickman indicated that for the last few years, issuing bonds has not been feasible. She explained that the MFA is now selling loans into the market, so assets do not become part of the balance sheet. She noted that, even though the MFA is not bonding for mortgage loans, the MFA continues to fund these loans. After additional discussion, Ms. Hickman indicated that, in her opinion, stocks are currently overvalued.

*MFA Operating Fund Revenue Analysis and Fund Expenditure Summary, FY 2009 Through Projected FY 2016:* Ms. Hickman explained that the MFA is mandated by statute to generate its own funding. Directing members' attention to Slide 8 of her presentation, Ms. Hickman said that 42 percent of the MFA's revenue base is related to administrative fees earned on bond issuance, transaction fees and administration of federal and state program dollars. She said that 31 percent of MFA revenues are generated by interest on loans through an internal revolving loan fund, 11 percent through housing program income, 11 percent from interest on investments invested through a local government investment pool, three percent from servicing income and two percent from other income. Ms. Hickman noted that the MFA operates on federal fiscal years of October 1 through September 30.

Ms. Hickman said that the MFA operating fund expenditure summary for FY 2015 includes 81 percent for administrative expenses, 10 percent for bond contributions, six percent for loan loss provision and three percent for other expenses. She reported that the expense

breakout (projected FY 2014) includes the following expenditure categories with the percentage of total expenses:

Compensation	57 percent
Travel and Public Information	3 percent
Office Expenses	6 percent
Other Operating Expenses (contract services)	13 percent
Non-Operating Expenses, including training and technical assistance, program development and capacity-building	21 percent

*FY 2012-FY 2015 General Fund Budget:* Ms. Hickman went over the MFA's general fund budget for FY 2014-FY 2015, which was approved by the MFA board on September 17. She said that revenue is projected at \$12.6 million (a decrease of \$1.7 million, or 12 percent), under projected September 30, 2014 revenue and an increase of nearly \$700,000 (five percent) over the prior year budget. The expense budget is projected to be \$11.2 million, an increase of 21 percent over September 30, 2014 actual and a decrease of \$406,000 (three percent) under the prior year budget. Excess revenue over expenses is projected at \$1.4 million. She said that the decrease under prior year actual is a result of \$2 million in State Investment Council (SIC) fair market value adjustments included in FY 2014 actuals. She said that the increase in operating expenses is due, in part, to regular merit increases, budgeted at 2.75 percent, and incentive increases, which were increased from five percent to 7.5 percent.

In response to committee discussion and questions about MFA personnel policies, Ms. Hickman explained that each employee sets personal goals at all applicable levels of the MFA strategic plan, and, at the end of every year, the management team evaluates each employee's goals and accomplishments to determine if the goals further the overall strategic plan goals. One committee member pointed out that he expected incentive pay to be higher. Another member pointed out that MFA employees seldom leave their jobs, which is indicative of the high quality of leadership in the agency.

In response to committee discussion and questions, Ms. Hickman said that any year-to-year carry-over becomes part of retained earnings and can be designated by the board for a special purpose. In response to a question about revenue from selling loans, she said that the revenue is considered one-time revenue and becomes part of the budget. She said that bonds provide long-term annuity.

### **Report on Bonds Issued, Financing Strategies and Market Update**

David Jones, CSG Advisors, directed committee members' attention to information behind Tab 2 in the meeting notebooks. He explained that, in terms of market conditions, since January 2014, the 10-year treasury rate has declined from three percent to approximately 2.4 percent despite almost all forecasts to the contrary and the Federal Reserve's tapering. He noted that the rate is improving despite the slow economic recovery, quality of new job creation, global

growth slowdown and geopolitical forces, which are contributing to lower rates. He indicated that short-term interest rates are forecast to increase beginning in the second quarter of 2015.

Mr. Jones said that municipal bonds have improved significantly, although they are not yet back to normal relationships. He said that year over year, the municipal bond yield fell from 4.72 percent in September 2013 to 3.16 percent currently, while 10-year treasuries have remained flat. He added that the municipal market has outperformed taxable rates, possibly because of positive fund flows, coupled with limited supply and a strong treasury market. He also noted that overall municipal issuance is down 15 percent, year to date.

Pointing out the chart on Slide 5, he explained that CSG Advisors helps the MFA with crucial active monitoring of interest rates.

In terms of housing financial agency (HFA) trends for single-family financing, Mr. Jones noted the following.

1. *The Increased Use of Securitization:* The great majority of HFAs have transitioned from whole loans to mortgage-backed securities (MBS). He said that the MFA has done this for many years, removing loan loss risk on first mortgage production.
2. *Increased MBS sales with or without "to be announced" (TBA) market hedges, as opposed to financing with long-term bonds:* MFA sales via the TBA market have become standard execution for almost all HFAs. MBS future delivery prices have become the method by which HFAs set interest rates, as opposed to tax-exempt bond yields. He noted that the MFA has been using this execution since 2013.
3. *Various Approaches to TBA and hedging interest rate risk:* He explained that direct MBS sales work without a TBA hedge because the excess spread and balance sheet together serve as a hedge.
4. *Uses of Bonds:* Bonds can be issued selectively for new production, as economic refundings, through traditional bond structures, such as serials, term and planned amortization class (PAC) bonds and varying techniques to make bond issues effective, including overcollateralization and front-loading of the maturity schedule, excess interest spread from a prior issue, high-net-worth indentures and monthly pass-through bonds.
  - (a) The MFA has been a frontrunner among HFAs in the monthly pass-through bond market, with five sub-series issued totaling \$104 million since January 2013. The MFA has also refunded existing bonds with 2013 and 2014 series generating more than \$2.5 million in significant present-value savings. Benefits of monthly pass-through bonds include lower rates than traditional bonds, with 25 to 40 basis point savings and no negative arbitrage for no negative reinvestment of funds.
  - (b) A recent financing approach has involved combining TBA hedges with bonds, to mitigate interest rate risk prior to pricing bonds.

Mr. Jones noted the following single-family financing opportunities for the MFA.

1. Continue to evaluate selling MBS via TBA compared to financing with bonds, including the impact on managing pipeline interest rate risk, current profitability, generation of ongoing future revenue streams and rebuilding assets and the balance sheet.
2. Finance new production by overcollateralizing a traditional bond issue to lower the bond rates; for example, the MFA's use of general fund and indenture assets to redeem 2004 bonds created \$8.7 million in excess MBS; and the MFA's use of zero participation loans to subsidize bond issues.
3. Evaluate the ability to hedge a pipeline via TBA while delivering such MBS to bond issues, including termination cost in bond yield, could significantly reduce the interest risk to the MFA of accumulation of MBS for a future bond issue.
4. Refund bonds issued in 2005 to generate additional future ongoing revenue.

In terms of HFA trends in single-family products, Mr. Jones noted the availability of a greater range of products to borrowers, including point options, more productions via down payment assistance, increased conventional lending in response to increased FHA mortgage insurance premiums and offering mortgage credit certificates. He noted that production volumes have generally been stale or slightly downward. He said that, in terms of lender compensation, HFAs must be competitive and that some HFAs have had to increase compensation. In terms of loan servicing, he noted that the MFA was an early adopter of using a fellow HFA (Idaho) as a servicer, reducing reliance on the U.S. Bank. He said that some HFAs are discussing regional or joint servicing ventures while others have found servicing unprofitable and exited the business.

In term of financing multifamily housing, Mr. Jones said that the MFA could use Federal Housing Administration risk-share pass-through bonds to fund new loans from the Housing Opportunity Fund. He said that the CSG has worked with the U.S. Treasury Department to provide input on terms for a risk-share program to ensure usefulness for HFAs and developers, a situation that could prove very useful if it provides a reasonable forward rate approach for permanent risk-share loans. He also suggested partnering with banks so that a bank provides construction financing and a tax credit bridge loan and providing risk-share take-out permanent financing with the agency's own funds.

In conclusion, Mr. Jones advised that the MFA:

1. continue evaluating the best execution for single-family new production;
2. continue taking advantage of current low interest rates;
3. continue evaluating multifamily financing opportunities;
4. continue evaluating cumulative impacts of any approach; and
5. remain nimble in responding to opportunities.

In response to committee discussion and questions about housing for millennials, Ms. Hickman noted that the MFA is looking at different kinds of marketing strategies to appeal to people in this age group. She said that the MFA already provides down payment assistance and first-time home buyer loans to younger borrowers. She noted that in 2013, 61 percent of loans

made were to people age 33 and younger. She said that legislation for millennials would most likely take the form of an appropriation for pre-purchase and financial literacy counseling. She added that the issue is part of the MFA's strategic plan moving forward. Mr. Jones noted that the U.S. Department of the Interior has done television commercials to further its branding.

Discussion continued with concerns about the difficulty of getting loans. One committee member quipped that former Federal Reserve Chairman Ben Bernacke would not qualify for a loan these days since he is now unemployed. Ms. Hickman opined that an overcorrection in response to the housing crisis has led to restrictive regulatory requirements at the federal level.

Senator McSorley made the following requests. How many millennials applied for and were rejected for MFA loans? What are the top five reasons millennials are being rejected for loans from the MFA or for any home loans? What percent of millennials are applying for these loans? How has that percentage changed over the past 20 years? He requested a chart illustrating single-family home prices over the last 10 years by zip code and asked how many specific zip codes are being hit by collapsing housing prices. He also requested articles about banks getting back into more risky, questionable behavior and about exposure of the bond market to hedge funds.

#### **Foreclosure Process Task Force Update**

Senator Padilla thanked the chair for the opportunity to provide the committee with an update on the Foreclosure Process Task Force, which was convened during this interim as a result of passage of his Senate Memorial 11, which affirmed the senate's commitment to preserving due process rights for New Mexicans threatened with the loss of their homes through foreclosure and established a task force to study the foreclosure process in New Mexico and recommend the means and methods to improve the foreclosure process to promote community stability and to develop a plan for the education and training of homeowners, lenders, loan servicers and the judiciary on methods of removing impediments to meaningful loss mitigation and preventing improper or unnecessary foreclosures.

Senator Padilla complimented the MFA staff on the excellent Housing Summit and stressed the importance of having all of the players in one venue at the same time.

Senator Padilla said that representatives of more than 15 organizations and individuals who are interested in the issues around foreclosure make up membership of the task force, and 30 to 40 people participate in the monthly meetings, which began last summer. He reported that the task force has established four committees: the Judicial Process for Foreclosure Committee, chaired by former Second Judicial District Chief Judge Ted Baca; the Social and Economic Impact Committee, chaired by Paul Wilson, Realtor; the Veteran Loss Mitigation Committee, chaired by Matt Testkey, Weststar Mortgage; and the Education Committee, chaired by Theresa Laredo-Garcia, MFA. He said the task force is working on the following issues and recommendations:

- reaffirmation and clarification that New Mexico is a judicial foreclosure state in maintenance of due process rights of all New Mexico homeowners to have their "day in court" before losing their homes to foreclosure;
- expansion of statewide mediation programs currently operating in the Second and Thirteenth Judicial Districts to include expanded occupancy programs and fast-track judicial foreclosure programs;
- enactment of New Mexico Mortgage Servicing Standards aimed at improving lender-borrower communication;
- establishment of a first-time homebuyer pre-purchase education program; and
- reduction of effective deficiency judgments times from 14 years; and
- provision of support to continue the task force work.

Senator Padilla introduced Diana Dorn-Jones, executive director, and Vicki Plevin, staff attorney, both of the United South Broadway Corporation, which is staffing the subcommittee. All three agreed about the importance of continuing the work of the task force during the 2015 interim. Ms. Dorn-Jones opined that foreclosure is a multi-tiered, complex issue, and even though the task force has had a number of productive discussions, members need to continue the work and take it statewide.

### **MFA 2015 Legislative Agenda — Amendment and Discussion of Legislation Suggested by the MFA Act Oversight Committee**

Mr. Montoya and Ms. Gregorio briefly discussed the MFA's proposed legislative agenda. The proposals include appropriation requests for MFA's oversight duties of regional housing and the Affordable Housing Act, as well as a recommended \$5 million appropriation for the New Mexico Housing Trust Fund, which was created by the 2005 legislature with an initial appropriation of \$10 million and has received an additional \$8.7 million since that time. They also noted a request for a new \$1 million appropriation for the MFA's low-income residential energy-conservation program, NM EnergySmart. Another new appropriation request, \$2 million for emergency home repairs, will enable the MFA to fund home repairs for low-income households throughout the state. The MFA is also requesting amendments to the Affordable Housing Act and the Affordable Housing Tax Credit Act that will assist in implementation of these two statutory provisions.

### **MFA Strategic Plan**

Monica Abeita, senior policy and program advisor, MFA, explained that during its 40 years of existence, the MFA has grown into a reputable organization recognized for its prudent fiscal management, strong regulatory compliance, professional staff and dedication to customer service. This solid foundation is the MFA's undisputed strength and allows the organization to administer successfully more than 30 affordable housing programs that benefit all New Mexicans. She said that the MFA's 2015-2017 strategic plan is designed to respond to the unique and changing environment in which the organization will operate for the next three years. She said this new environment is characterized by flat or decreasing federal funding, the state's sluggish recovery from the Great Recession and demographic changes — all of which result in fewer housing services and providers. She said that the MFA needs to be nimble and innovative

and will focus on the following five priorities to align its work strategically in the environment in which the agency must operate: (1) operational excellence; (2) new resources; (3) effective partnerships; (4) expanded homeownership opportunities; and (5) expanded rental opportunities.

### **Federal Housing Policy and Budget Trends**

Ms. Abeita said that Congress finally approved a continuing resolution (CR) on September 18, 2014, just in time to avoid a government shutdown, since FY 2015 began on October 1 and Congress has yet to enact any of its FY 2015 appropriations bills. The CR continues funding for all federally funded programs through December 11, 2014 at slightly below FY 2014 levels, on an annualized basis. Since this CR will expire on December 11, Congress will need to approve another CR or other FY 2015 funding legislation during its lame-duck session to ensure that federally funded programs continue operating after that date. She said that it remains unclear whether Congress will be able to approve a package of new FY 2015 bills in an omnibus bill, similar to the way FY 2014 appropriations were finalized, or if it will need to pass another funding extension and then continue consideration of FY 2015 appropriations in the new Congress. She reported that U.S. Senate and House of Representatives appropriations committee leadership have expressed their desire to pass an omnibus appropriations bill during the lame-duck session. She added that U.S. House and Senate subcommittees have approved different funding levels for the HOME Investment Partnerships Program for FY 2015: \$700 million in the house and \$950 million in the U.S. Senate, a decrease in funding in either case. She said that the MFA's HOME funding allocation has decreased by 54 percent since FY 2010. She directed members to the information behind Tab 4 in members' notebooks for additional updates on funding for additional federal programs.

The chair thanked the staff of both the LCS and the MFA for their hard work throughout this interim.

### **Adjourn**

There being no further business to come before the committee, the meeting adjourned at 12:28 p.m.

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

**November 13, 2014  
Mortgage Finance Authority Office  
344 Fourth Street SW  
Albuquerque**

The fifth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, at 10:07 a.m. on November 13, 2014 at the office of the MFA in Albuquerque.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Ernest H. Chavez, Vice Chair  
Rep. Alonzo Baldonado  
Sen. Lee S. Cotter  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Cisco McSorley

**Absent**

Rep. Thomas A. Anderson  
Sen. Stuart Ingle

**Advisory Members**

Rep. Nathan "Nate" Cote  
Rep. Sandra D. Jeff  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Sen. Michael Padilla  
Sen. Sander Rue

Rep. George Dodge, Jr.  
Sen. Bill B. O'Neill  
Sen. Gerald Ortiz y Pino

**Staff**

Renée Gregorio, Legislative Council Service (LCS)  
Sharon Ball, LCS  
Celia Ludi, LCS

**Minutes Approval**

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

**Guests**

The guest list is in the meeting file.

## **Handouts**

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

## **Thursday, November 13**

### **Adoption of October Meeting Minutes**

On a motion duly seconded, the minutes of the October 8 meeting were adopted without objection.

### **Welcome**

Jay Czar, executive director of the MFA, handed out a news article about the opening of the Silver Moon apartment complex in downtown Albuquerque and said that the apartments are for young workers and that New Mexico Housing Trust Fund money helped to accomplish this project. Mr. Czar highlighted several projects that the MFA is working on, which include communication with the State Board of Finance on a community living project in Santa Fe as well as working with Lea County, Eunice and Jal on housing in those areas. He also mentioned attending a national association meeting recently, in which all 50 states' housing finance agencies were represented, and said that two sessions were led by MFA staff members.

In response to questions from committee members, the following points were addressed.

- The Silver Moon project cost was \$13.5 million for 151 units, of which 60 are currently rented. At the current rental rate, all units should be full by spring. These apartments are targeted for low-income residents.
- For a project such as the Silver Moon apartments to be successful, subsidies need to amount to at least 15% to 20% of the cost.

### **Changes to Existing and Proposed Rules Promulgated by the MFA**

Marjorie Martin, attorney for the MFA, directed committee members to page 16 of the rules and regulations for the MFA, where the only proposed change occurred. The change is in Section 7, the Housing Opportunity Fund (HOF), under Section 7.3, "Use of Funds", which delineates how money and other assets from the HOF are disbursed. The change to this section comes under Subsection D, which states that the HOF shall be disbursed "to pay costs of acquisition, rehabilitation and/or construction of Affordable housing projects" and adds the language: "as well as single family mortgages". Committee members had no questions on this addition, and on a motion duly seconded, the change to the rules was adopted.

### **2012-2014 MFA Strategic Plan**

Gina Hickman, deputy director of finance and administration, MFA, and Joseph Montoya, deputy director of programs, MFA, reviewed the MFA's stated objectives and the strategies behind those objectives. They emphasized that the strategic planning process ties into all of the MFA's goals and that the MFA is at the end of a three-year cycle. Ms. Hickman and Mr. Montoya described the MFA's five goals and the objectives that fall under each.

Mr. Montoya spoke of Goal 1, "development of stronger communities", as having a focus of increasing the MFA's capacity, getting the word out on its programs and finding ways to focus externally. Within the objectives under that first goal are helping cities and municipalities to provide affordable housing plans, keeping customers satisfied and providing a dynamic environment in terms of federal regulations and markets. He reiterated the importance of this focus and said that the MFA is always looking for new ways of getting funding.

Ms. Hickman spoke about Goal 2, which is to encourage home ownership. She stated that the MFA did not meet its three-year production goal for home ownership (the three-year goal was to provide mortgage financing to 3,180 first-time homebuyers; the MFA made 2,980 loans). She said that the mortgage market has been down in general and that lenders indicate that poor credit and excess debt are the major obstacles. Ms. Hickman said that as the MFA enters the new year, the board has directed it to look at a more comprehensive marketing initiative for mortgage products. In reviewing the MFA's other objectives under this goal, Ms. Hickman said that the MFA has provided increased assistance to rural areas; has assisted in the attorney general's Homeownership Preservation Initiative by providing technical assistance for the counseling component of the program and fiscal agent services; has met its three-year objective as well as its annual objective to assist 950 homebuyers through pre-purchase counseling; has exceeded its goal of rehabilitating and weatherizing existing housing units; is winding down its Neighborhood Stabilization Program and has met all projected activities; has defined and maintained the MFA's single-family mortgage market share at 35%; and has diversified its revenue base, updated its economic feasibility models and concluded that sub-servicing appears to be a viable revenue-generating activity. The MFA gained knowledge about operating efficiently, Ms. Hickman added.

In discussing Goal 3, which is related to rentals and group shelters, Mr. Montoya said that there is an increasing demand for rental housing throughout the state and metro area and that the MFA far exceeded its benchmarks for the amount of rental housing it assisted in financing. In reviewing other objectives under this goal, he added that the MFA has created and maintained long-term viable rental properties; has increased the number of people served and quality of that service in its homeless program; and developed services to preserve quality rental housing. He also said that the Asset Management Department performed all of its required long-term compliance monitoring of all affordable housing programs in its purview.

Ms. Hickman then reviewed Goal 4, which is related to talent and operations. Included in its objectives, which were all met, are monitoring the strategic planning process; ensuring that each department explores training alongside continuous improvement, making operations more efficient, retaining quality employees and ensuring staff satisfaction; evaluating and managing risk; reviewing its disaster recovery plan and corporate insurance coverages; evaluating its servicing and home ownership departments; identifying changes needed to ensure compliance with all new regulations; ensuring data security; and looking at ways to incorporate sustainable "green" measures where feasible at the MFA's facilities and grounds.

Mr. Montoya completed the review of the MFA's strategic plan with Goal 5, related to financial stewardship. Within this goal, the MFA met several financial benchmarks, such as a five-year rolling average rate of return of .51%, general fund excess revenues over expenses of over \$6 million and maintaining general fund cash reserves. Other objectives met include researching, developing and implementing a program evaluation tool for assessing new and existing programs and operations; approval of the MFA's financial statements by the state auditor; and diversifying the MFA's revenue base to sustain the agency over time. Objectives not met include maintaining loan defaults, workouts, foreclosures and grant noncompliance losses below a three-year goal of \$1,550,000 and losing \$400,000 in grant funds.

In response to questions from committee members, the following points were addressed.

- The MFA took legislative suggestions to be more engaged with communities in discussing its programs, increasing outreach via its web site, hosting large events such as the Housing Summit and increasing marketing initiatives, all of which have led to an increase in mortgages in rural areas.
- The MFA has been engaged in less bonding and more selling of loans in the secondary market, which requires it to review mortgage rates daily, with the intent of driving demand and giving first-time homebuyers the opportunity to take advantage of low mortgage rates.
- The MFA has a vision of providing rental housing, especially for the younger renter, and especially within cities.
- All objectives that the MFA did not meet in its strategic plan will be reevaluated as goals, with incentives based on the new goals.

### **Foreclosure Process Task Force Update**

Senator Padilla, accompanied by Vicki Plevin, attorney, and Diana Dorn-Jones, executive director of the United South Broadway Corporation, and members of the Foreclosure Process Task Force, gave an update on the task force's charge of recommending improvements on the foreclosure process to the legislature. Other members of the task force were also in the audience and were introduced by Senator Padilla. They presented a final report and recommendations as well as a summary report. Senator Padilla also said that the task force was in the process of drafting legislation based on recommendations that surfaced from the task force's work.

The recommendations reviewed by the task force members include the following:

1. reaffirm that New Mexico is a judicial foreclosure state with filing and notice of sale requirements, which would remove ambiguity about the rights of all homeowners in the state to have court oversight of foreclosures with due process protections for homeowners, whether the loan is a traditional mortgage or a deed of trust;
2. reduce the enforcement time of deficiency judgments to four years; deficiency judgments result from a home sale following foreclosure that is at a price less than the amount of the judgment debt;

3. enact mortgage servicing standards so that borrower-lender communication is improved and homeowners are provided with better information about options other than foreclosure; state standards would fill any gaps in federal protections and provide local oversight and help homeowners in their chances of avoiding foreclosure;

4. extend the mediation program currently operating in judicial districts 2 and 13, which would mandate settlement facilitation conferences for new residential foreclosure actions involving owner-occupants, and would be based on the models currently in place in those judicial districts; this would require funding;

5. appropriate money for a statewide pre-purchase homebuyer education program, since such programs are known to significantly lower delinquency and foreclosure rates;

6. reduce the number of homes that become vacant and abandoned because of foreclosure; and

7. appropriate money to provide state support for the task force to continue its work.

In response to questions from committee members, the following points were addressed.

- Often, abandoned homes are vandalized and in some districts, such as zip code 87121, 25% of homes are in foreclosure or abandoned, and the length of time these homes are in this state varies from about 400 days to two or three years. Working with municipalities so that they know where foreclosed properties are located and who owns them is critical.
- Getting bankers, governmental entities such as the federal Department of Housing and Urban Development and municipalities at the same table is crucial.
- Accomplishing short sales or deeds in lieu of foreclosure is not a simple matter, and there are many cases in which homeowners want the bank to take the property and the banks will not do so.
- The ideal situation is to use court mediation to keep families in their homes and to negotiate a payment that they can afford, rather than displacing families.
- The two solutions seem to be centered around either keeping people in their homes, if possible, or if there has been a determination that homeowners no longer want their property, to speed up the process of selling the home or having the bank take the property.

### **MFA 2015 Legislative Agenda — Final Review and Endorsement of Bills**

Mr. Montoya and Ms. Ludi presented proposed legislation to the committee. Mr. Montoya briefly described each piece of legislation, many of which the MFA had brought before the committee in prior years. The following shows the endorsed legislation by LCS 202 file number, the proposed sponsors for each bill and a brief description of each piece of legislation. (It should be noted that although every piece of legislation presented was endorsed by a majority vote, in three cases there were two dissenting votes for: (1) .197848; (2) .197932; and (3) .197851. Bill .197850 had one opposing vote.)

.197845.1

Sponsor: Senator Mary Kay Papen

Appropriates \$250,000 for the MFA's oversight of the regional housing authorities. In 2006, the MFA was mandated by the state to oversee these authorities, but the MFA has received no state funding to do so.

.197848.1

Sponsor: Senator Papen

Amends the Regional Housing Law to transfer oversight of the regional housing authorities from the MFA to the Department of Finance and Administration (DFA). This piece of legislation is paired with .197845.1 and would be brought forth if recurring funding for the MFA's oversight of regional housing authorities is not successful. (Representative Baldonado and Senator Cotter opposed the bill.)

.197847.1

Sponsor: Senator Ingle

Appropriates \$250,000 for the MFA's oversight of the Affordable Housing Act. The MFA is mandated by the state to oversee that act, but the MFA receives no state funds to do so. In addition to funding oversight, this funding would allow the MFA to provide technical assistance to local communities for development and implementation of affordable housing plans and ordinances.

.197932.1

Sponsor: Senator Ingle

Amends the Affordable Housing Act to transfer oversight of the Affordable Housing Act duties and responsibilities from the MFA to the DFA. Again, this piece of legislation is paired with the appropriation in .197847 and would be brought forth if recurring funding for the MFA's oversight of the Affordable Housing Act is unsuccessful. (Representative Baldonado and Senator Cotter opposed the bill.)

.197849.1

Sponsor: Senator Rodriguez

Appropriates \$5 million to the New Mexico Housing Trust Fund to carry out the provisions of the New Mexico Housing Trust Fund Act. It is noteworthy that for every dollar appropriated, at least an additional \$14.00 are leveraged to finance affordable housing; thus, this appropriation would leverage \$70 million to build more than 500 affordable homes for low-income New Mexicans.

.197850.1

Sponsor: Senator Martinez

Appropriates \$1 million for a residential energy conservation program to increase energy efficiency and reduce energy expenditures in homes occupied by low-income New Mexicans. This appropriation would provide weatherization for approximately 200 additional homes statewide. (Representative Baldonado opposed the bill.)

.197851.1

Sponsor: Representative Luciano "Lucky" Varela

Appropriates \$2 million for the MFA to provide emergency and minor home repairs for low-income New Mexicans. (Representative Baldonado and Senator Cotter opposed the bill.)

.197956.3

Sponsor: Senator Rue

Amends the Affordable Housing Act to provide an exemption to the long-term affordability requirement to resell foreclosed properties, to provide penalties for enforcement of that act and to clean up language to clarify definitions and rules.

.197853.1

Sponsor: Senator Rue

Amends the Affordable Housing Tax Credit Act to clarify that local government contributions are not eligible for state tax credits.

.197572.3

Sponsor: Senator Martinez

Appropriates \$2 million for the MFA to provide rehabilitation of homes occupied by low-income, honorably discharged veterans in New Mexico.

### **Adjournment**

There being no further business before the committee, the meeting adjourned at 12:19 p.m.

## **ENDORSED LEGISLATION**

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SENATE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

INTRODUCED BY

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 year 2016 and subsequent fiscal years 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 a fiscal year  
shall not revert to the general fund.

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SENATE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

INTRODUCED BY

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."

19 **SECTION 4. EFFECTIVE DATE.**--The effective date of the  
20 provisions of this act is July 1, 2015.

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SENATE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE  
AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO FUND THE OVERSIGHT DUTIES RELATED TO  
THE AFFORDABLE HOUSING ACT.

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 by the  
New Mexico mortgage finance authority in fiscal year 2016 and  
subsequent fiscal years for the purpose of funding the  
oversight of the Affordable Housing 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

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE  
AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

RELATING TO HOUSING; TRANSFERRING THE OVERSIGHT OF THE  
AFFORDABLE HOUSING ACT DUTIES AND RESPONSIBILITIES FROM THE NEW  
MEXICO MORTGAGE FINANCE AUTHORITY TO THE DEPARTMENT OF FINANCE  
AND ADMINISTRATION.

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

SECTION 1. Section 6-27-3 NMSA 1978 (being Laws 2004,  
Chapter 104, Section 3, as amended) is amended to read:

"6-27-3. DEFINITIONS.--As used in the Affordable Housing  
Act:

A. "affordable housing" means residential housing  
primarily for persons or households of low or moderate income;

~~[B. "authority" means the New Mexico mortgage  
finance authority;~~

~~G.]~~ B. "building" means a structure capable of

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1 being renovated or converted into affordable housing or a  
2 structure that is to be demolished and is located on land that  
3 is donated and upon which affordable housing will be  
4 constructed;

5 C. "department" means the department of finance and  
6 administration;

7 D. "governmental entity" means [a] the state, a  
8 county or a municipality [~~or the authority~~];

9 E. "household" means one or more persons occupying  
10 a housing unit;

11 F. "housing assistance grant" means the donation,  
12 provision or payment by a governmental entity of:

13 (1) land upon which affordable housing will be  
14 constructed;

15 (2) an existing building that will be  
16 renovated, converted or demolished and reconstructed as  
17 affordable housing;

18 (3) the costs of acquisition, development,  
19 construction, financing and operating or owning affordable  
20 housing; or

21 (4) the costs of financing or infrastructure  
22 necessary to support affordable housing;

23 G. "infrastructure" includes infrastructure  
24 improvements and infrastructure purposes;

25 H. "infrastructure improvement" includes, but is

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1 not limited to:

2 (1) sanitary sewage systems, including  
3 collection, transport, storage, treatment, dispersal, effluent  
4 use and discharge;

5 (2) drainage and flood control systems,  
6 including collection, transport, diversion, storage, detention,  
7 retention, dispersal, use and discharge;

8 (3) water systems for domestic purposes,  
9 including production, collection, storage, treatment,  
10 transport, delivery, connection and dispersal;

11 (4) areas for motor vehicle use for road  
12 access, ingress, egress and parking;

13 (5) trails and areas for pedestrian,  
14 equestrian, bicycle or other nonmotor vehicle use for access,  
15 ingress, egress and parking;

16 (6) parks, recreational facilities and open  
17 space areas to be used by residents for entertainment, assembly  
18 and recreation;

19 (7) landscaping, including earthworks,  
20 structures, plants, trees and related water delivery systems;

21 (8) electrical transmission and distribution  
22 facilities;

23 (9) natural gas distribution facilities;

24 (10) lighting systems;

25 (11) cable or other telecommunications lines

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1 and related equipment;

2 (12) traffic control systems and devices,  
3 including signals, controls, markings and signs;

4 (13) inspection, construction management and  
5 related costs in connection with the furnishing of the items  
6 listed in this subsection; and

7 (14) heating, air conditioning and  
8 weatherization facilities, systems or services, and energy  
9 efficiency improvements that are affixed to real property;

10 I. "infrastructure purpose" means:

11 (1) planning, design, engineering,  
12 construction, acquisition or installation of infrastructure,  
13 including the costs of applications, impact fees and other  
14 fees, permits and approvals related to the construction,  
15 acquisition or installation of the infrastructure;

16 (2) acquiring, converting, renovating or  
17 improving existing facilities for infrastructure, including  
18 facilities owned, leased or installed by the owner;

19 (3) acquiring interests in real property or  
20 water rights for infrastructure, including interests of the  
21 owner; and

22 (4) incurring expenses incident to and  
23 reasonably necessary to carry out the purposes specified in  
24 this subsection;

25 J. "municipality" means an incorporated city, town

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1 or village, whether incorporated under general act, special act  
2 or special charter, incorporated counties and H class counties;

3 K. "qualifying grantee" means:

4 (1) an individual who is qualified to receive  
5 assistance pursuant to the Affordable Housing Act and is  
6 approved by the governmental entity; and

7 (2) a governmental housing agency, regional  
8 housing authority, tribal housing agency, corporation, limited  
9 liability company, partnership, joint venture, syndicate,  
10 association or nonprofit organization that:

11 (a) is organized under state, local or  
12 tribal laws and can provide proof of such organization;

13 (b) if a nonprofit organization, has no  
14 part of its net earnings inuring to the benefit of any member,  
15 founder, contributor or individual; and

16 (c) is approved by the governmental  
17 entity; and

18 L. "residential housing" means any building,  
19 structure or portion thereof that is primarily occupied, or  
20 designed or intended primarily for occupancy, as a residence by  
21 one or more households and any real property that is offered  
22 for sale or lease for the construction or location thereon of  
23 such a building, structure or portion thereof. "Residential  
24 housing" includes congregate housing, manufactured homes,  
25 housing intended to provide or providing transitional or

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1 temporary housing for homeless persons and common health care,  
2 kitchen, dining, recreational and other facilities primarily  
3 for use by residents of a residential housing project."

4 SECTION 2. Section 6-27-4 NMSA 1978 (being Laws 2004,  
5 Chapter 104, Section 4) is amended to read:

6 "6-27-4. ELIGIBILITY REQUIREMENTS--NON-INDIVIDUAL AND  
7 INDIVIDUAL QUALIFYING GRANTEEES.--

8 A. To be eligible to receive lands, buildings and  
9 infrastructure pursuant to [~~Section 14 of~~] Article 9, Section  
10 14 of the constitution of New Mexico, a non-individual  
11 qualifying grantee shall:

12 (1) have a functioning accounting system that  
13 is operated in accordance with generally accepted accounting  
14 principles or [~~has designated~~] shall designate an entity that  
15 will maintain such an accounting system consistent with  
16 generally accepted accounting principles;

17 (2) have among its purposes significant  
18 activities related to providing housing or services to low- or  
19 moderate-income persons or households; and

20 (3) if it has significant outstanding or  
21 unresolved monitoring findings from either the [~~authority~~]  
22 department or its most recent independent financial audit, have  
23 a certified letter from the [~~authority~~] department or auditor  
24 stating that the findings are in the process of being resolved.

25 B. To be eligible to receive lands, buildings and

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1 infrastructure pursuant to [~~Section 14 of~~] Article 9, Section  
2 14 of the constitution of New Mexico, an individual qualifying  
3 grantee shall meet the requirements established by the  
4 [~~authority~~] department pursuant to the Affordable Housing Act."

5 SECTION 3. Section 6-27-5 NMSA 1978 (being Laws 2004,  
6 Chapter 104, Section 5, as amended) is amended to read:

7 "6-27-5. STATE, COUNTY AND MUNICIPALITIES [~~AND THE~~  
8 ~~AUTHORITY~~]-AUTHORIZATION FOR AFFORDABLE HOUSING.--The state, a  
9 county or a municipality [~~or the authority~~] may:

10 A. donate, provide or pay all or a portion of the  
11 costs of land for the construction on the land of affordable  
12 housing;

13 B. donate, provide or pay all or a portion of the  
14 costs of conversion or renovation of existing buildings into  
15 affordable housing;

16 C. provide or pay the costs of financing or  
17 infrastructure necessary to support affordable housing  
18 projects; or

19 D. provide or pay all or a portion of the costs of  
20 acquisition, development, construction, financing, operating or  
21 owning affordable housing."

22 SECTION 4. Section 6-27-6 NMSA 1978 (being Laws 2004,  
23 Chapter 104, Section 6) is amended to read:

24 "6-27-6. REQUIREMENT FOR SPECIFIC LAW AUTHORIZING A  
25 HOUSING ASSISTANCE GRANT FROM THE STATE.--

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1           A. The specific grant of authority created in the  
2 Affordable Housing Act is the prior approval required pursuant  
3 to Article [4] 9, Section 14 of the constitution of New Mexico  
4 to allow the state to provide affordable housing assistance.

5           B. Funding pursuant to this grant of authority  
6 shall be appropriated to the department [~~of finance and~~  
7 ~~administration~~] for disbursement [~~by the authority~~] to a  
8 qualifying grantee in accordance with rules promulgated by the  
9 [~~authority~~] department.

10           C. Rules adopted by the [~~authority~~] department may  
11 include provisions for matching or using local, private or  
12 federal funds in connection with a specific grant, but matching  
13 or using federal funds shall not be prohibited.

14           ~~[D. The authority shall seek comment from the~~  
15 ~~Mortgage Finance Authority Act oversight committee prior to its~~  
16 ~~adoption of rules pursuant to this section.]"~~

17           SECTION 5. Section 6-27-7 NMSA 1978 (being Laws 2004,  
18 Chapter 104, Section 7, as amended) is amended to read:

19           "6-27-7. REQUIREMENT FOR ENACTMENT OF AN ORDINANCE BY A  
20 COUNTY OR A MUNICIPALITY AND REVIEW BY THE [~~AUTHORITY~~]  
21 DEPARTMENT AUTHORIZING HOUSING ASSISTANCE GRANTS [~~REQUIREMENT~~  
22 ~~FOR ADOPTION OF A RESOLUTION BY THE GOVERNING BODY OF THE~~  
23 ~~AUTHORITY AUTHORIZING HOUSING ASSISTANCE GRANTS] .--~~

24           A. A county or municipality may provide housing  
25 assistance grants pursuant to Article 9, Section 14 of the

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1 constitution of New Mexico after enactment by its governing  
2 body of an ordinance authorizing grants, stating the  
3 requirements of and purposes of the grants and authorizing  
4 transfer or disbursement to a qualifying grantee only after a  
5 budget is submitted to and approved by the governing body. The  
6 ordinance may provide for matching or using local, private or  
7 federal funds either through direct participation with a  
8 federal agency pursuant to federal law or through indirect  
9 participation through applicable programs [~~of the authority~~].  
10 No less than forty-five days prior to enactment, the county or  
11 municipality shall submit a proposed ordinance to the  
12 [~~authority~~] department, which shall review the proposed  
13 ordinance to ensure compliance with rules promulgated by the  
14 [~~authority~~] department pursuant to Section 6-27-8 NMSA 1978.  
15 Within fifteen days after enactment of the ordinance, the  
16 county or municipality shall submit a certified true copy of  
17 the ordinance to the [~~authority~~] department.

18 B. A school district may transfer land or buildings  
19 owned by the school district to a county or municipality to be  
20 further granted as part or all of an affordable housing grant  
21 if the school district and the governing body of the county or  
22 municipality enter into a contract that provides the school  
23 district with a negotiated number of affordable housing units  
24 that will be reserved for employees of the school district.

25 C. The governing board of a public post-secondary

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1 educational institution may transfer land or buildings owned by  
2 that institution to a county or municipality; provided that:

3 (1) the property transferred shall be granted  
4 by the county or municipality as part or all of an affordable  
5 housing grant; and

6 (2) the governing board of the public  
7 post-secondary educational institution and the governing body  
8 of the county or municipality enter into a contract that  
9 provides the public post-secondary educational institution with  
10 affordable housing units.

11 D. The ~~[authority]~~ department may provide housing  
12 assistance grants pursuant to Article 9, Section 14 of the  
13 constitution of New Mexico ~~[after enactment by its governing~~  
14 ~~body of a resolution authorizing grants, stating the~~  
15 ~~requirements and purposes of the grants and authorizing~~  
16 ~~disbursement to a qualifying grantee after a budget is~~  
17 ~~submitted to and approved by the governing body. The~~  
18 ~~resolution may provide for matching or for using local, private~~  
19 ~~or federal funds either through direct participation with a~~  
20 ~~federal agency pursuant to federal law or through indirect~~  
21 ~~participation through programs of the authority. The~~  
22 ~~resolution shall comply with rules promulgated by the authority~~  
23 ~~pursuant to Section 6-27-8 NMSA 1978].~~

24 E. As used in this section, "public post-secondary  
25 educational institution" means a state university or a public

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1 community college."

2 SECTION 6. Section 6-27-8 NMSA 1978 (being Laws 2004,  
3 Chapter 104, Section 8, as amended) is amended to read:

4 "6-27-8. PROVISIONS TO ENSURE SUCCESSFUL COMPLETION OF  
5 AFFORDABLE HOUSING PROJECTS--INVESTIGATION.--

6 A. State, county and municipal housing assistance  
7 grants pursuant to the Affordable Housing Act shall be applied  
8 for and awarded to qualifying grantees pursuant to the rules  
9 promulgated by the [authority] department subject to the  
10 requirements of that act.

11 B. The [authority] department shall adopt rules  
12 covering:

13 (1) procedures to ensure that qualifying  
14 grantees meet the requirements of the Affordable Housing Act  
15 and rules promulgated pursuant to that act both at the time of  
16 the award and through the term of the grant;

17 (2) establishment of an application and award  
18 timetable for housing assistance grants to permit the selection  
19 of the potential qualifying grantees prior to January of the  
20 year in which the grants would be made;

21 (3) contents of the application, including an  
22 independent evaluation of the:

23 (a) financial and management stability  
24 of the applicant;

25 (b) demonstrated commitment of the

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1 applicant to the community;

2 (c) cost-benefit analysis of the project  
3 proposed by the applicant;

4 (d) benefits to the community of a  
5 proposed project;

6 (e) type or amount of assistance to be  
7 provided;

8 (f) scope of the affordable housing  
9 project;

10 (g) substantive or matching contribution  
11 by the applicant to the proposed project; and

12 (h) performance schedule for the  
13 qualifying grantee with performance criteria;

14 (4) a requirement for long-term affordability  
15 of a state, county or municipal project so that a project  
16 cannot be sold shortly after completion and taken out of the  
17 affordable housing market to ensure a quick profit for the  
18 qualifying grantee;

19 (5) a requirement that a grant for a state or  
20 local project must impose a contractual obligation on the  
21 qualifying grantee that the housing units in a state or local  
22 project pursuant to the Affordable Housing Act be occupied by  
23 low- or moderate-income households;

24 (6) provisions for adequate security against  
25 the loss of public funds or property in the event that a

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1 qualifying grantee abandons or otherwise fails to complete a  
2 project;

3 (7) a requirement for review and approval of a  
4 housing grant project budget by the grantor before any  
5 expenditure of grant funds or transfer of granted property;

6 (8) a requirement that, unless the period is  
7 extended for good cause shown, the ~~[authority]~~ department shall  
8 act on an application within forty-five days of the date of  
9 receipt of an application that the ~~[authority]~~ department deems  
10 to be complete and, if not acted upon, the application shall be  
11 deemed approved;

12 (9) a requirement that a condition of grant  
13 approval be proof of compliance with all applicable state and  
14 local laws, rules and ordinances;

15 (10) provisions defining "low- and moderate-  
16 income" and setting out requirements for verification of income  
17 levels;

18 (11) a requirement that a county or  
19 municipality that makes a housing assistance grant shall have  
20 an existing valid affordable housing plan or housing elements  
21 contained in its general plan; and

22 (12) a requirement that the governmental  
23 entity enter into a contract with a qualifying grantee  
24 consistent with the Affordable Housing Act, which contract  
25 shall include remedies and default provisions in the event of

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1 the unsatisfactory performance by the qualifying grantee.

2 C. In addition to the rulemaking mandated in  
3 Subsection B of this section, the [~~authority~~] department may  
4 adopt additional rules to carry out the purposes of the  
5 Affordable Housing Act. Rulemaking procedures pursuant to the  
6 Affordable Housing Act shall:

7 (1) provide a public hearing in accordance  
8 with the state Administrative Procedures Act; and

9 (2) require concurrence in a rule having  
10 application to local government by both the New Mexico  
11 municipal league and the New Mexico association of counties.

12 D. The attorney general shall investigate any  
13 alleged violation of the Affordable Housing Act as reported  
14 by the [~~authority~~] department."

15 SECTION 7. EFFECTIVE DATE.--The effective date of the  
16 provisions of this act is July 1, 2015.

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SENATE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

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 2016 and subsequent fiscal years by the New Mexico mortgage finance authority 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

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

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 2016 and 2017 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 2017 shall revert

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to the general fund.

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HOUSE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

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.--Two million dollars  
(\$2,000,000) is appropriated from the general fund to the  
department of finance and administration for expenditure in  
fiscal year 2016 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 2016  
2 shall revert to the general fund.

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SENATE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE  
AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

RELATING TO HOUSING; AMENDING AND ENACTING SECTIONS OF THE  
AFFORDABLE HOUSING ACT; ADDING AND CLARIFYING DEFINITIONS;  
CHANGING LONG-TERM AFFORDABILITY REQUIREMENTS FOR CERTAIN  
PROJECTS; PROVIDING FOR RULES FOR HOUSING ASSISTANCE GRANTS BY  
THE NEW MEXICO MORTGAGE FINANCE AUTHORITY AND OTHER STATE  
AGENCIES AND INSTRUMENTALITIES; PROVIDING FOR RULES FOR THE  
TIMELY SALE OF CERTAIN PROJECTS; PROVIDING FOR ENFORCEMENT OF  
THE AFFORDABLE HOUSING ACT; PROVIDING PENALTIES.

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

SECTION 1. Section 6-27-1 NMSA 1978 (being Laws 2004,  
Chapter 104, Section 1) is amended to read:

"6-27-1. SHORT TITLE.--~~[This act]~~ Chapter 6, Article 27  
NMSA 1978 may be cited as the "Affordable Housing Act"."

SECTION 2. Section 6-27-2 NMSA 1978 (being Laws 2004,  
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1 Chapter 104, Section 2) is amended to read:

2 "6-27-2. PURPOSE.--The purpose of the Affordable Housing  
3 Act is to implement the provisions of Subsections E and F of  
4 [~~Section 14 of~~] Article 9, Section 14 of the constitution of  
5 New Mexico."

6 SECTION 3. Section 6-27-3 NMSA 1978 (being Laws 2004,  
7 Chapter 104, Section 3, as amended) is amended to read:

8 "6-27-3. DEFINITIONS.--As used in the Affordable Housing  
9 Act:

10 A. "affordable housing" means residential housing  
11 primarily for persons or households of low or moderate income;

12 B. "authority" means the New Mexico mortgage  
13 finance authority;

14 C. "building" means a structure capable of being  
15 renovated or converted into affordable housing or a structure  
16 that is to be demolished and is located on land that is donated  
17 and upon which affordable housing will be constructed;

18 D. "governmental entity" means [a] the state,  
19 including any agency or instrumentality of the state, a county,  
20 a municipality or the authority;

21 E. "household" means one or more persons occupying  
22 a housing unit;

23 F. "housing assistance grant" means the donation,  
24 provision or payment by a governmental entity of:

25 (1) land upon which affordable housing will be

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1 constructed;

2 (2) an existing building that will be  
3 renovated, converted or demolished and reconstructed as  
4 affordable housing;

5 (3) the costs of acquisition, development,  
6 construction, financing and operating or owning affordable  
7 housing; or

8 (4) the costs of financing or infrastructure  
9 necessary to support affordable housing;

10 G. "infrastructure" includes infrastructure  
11 improvements and infrastructure purposes;

12 H. "infrastructure improvement" includes, but is  
13 not limited to:

14 (1) sanitary sewage systems, including  
15 collection, transport, storage, treatment, dispersal, effluent  
16 use and discharge;

17 (2) drainage and flood control systems,  
18 including collection, transport, diversion, storage, detention,  
19 retention, dispersal, use and discharge;

20 (3) water systems for domestic purposes,  
21 including production, collection, storage, treatment,  
22 transport, delivery, connection and dispersal;

23 (4) areas for motor vehicle use for road  
24 access, ingress, egress and parking;

25 (5) trails and areas for pedestrian,

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underscored material = new  
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1 equestrian, bicycle or other nonmotor vehicle use for access,  
2 ingress, egress and parking;

3 (6) parks, recreational facilities and open  
4 space areas to be used by residents for entertainment, assembly  
5 and recreation;

6 (7) landscaping, including earthworks,  
7 structures, plants, trees and related water delivery systems;

8 (8) electrical transmission and distribution  
9 facilities;

10 (9) natural gas distribution facilities;

11 (10) lighting systems;

12 (11) cable or other telecommunications lines  
13 and related equipment;

14 (12) traffic control systems and devices,  
15 including signals, controls, markings and signs;

16 (13) inspection, construction management and  
17 related costs in connection with the furnishing of the items  
18 listed in this subsection; and

19 (14) heating, air conditioning and  
20 weatherization facilities, systems or services, and energy  
21 efficiency improvements that are affixed to real property;

22 I. "infrastructure purpose" means:

23 (1) planning, design, engineering,  
24 construction, acquisition or installation of infrastructure,  
25 including the costs of applications, impact fees and other

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underscored material = new  
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1 fees, permits and approvals related to the construction,  
2 acquisition or installation of the infrastructure;

3 (2) acquiring, converting, renovating or  
4 improving existing facilities for infrastructure, including  
5 facilities owned, leased or installed by the owner;

6 (3) acquiring interests in real property or  
7 water rights for infrastructure, including interests of the  
8 owner; and

9 (4) incurring expenses incident to and  
10 reasonably necessary to carry out the purposes specified in  
11 this subsection;

12 J. "municipality" means an incorporated city, town  
13 or village, whether incorporated under general act, special act  
14 or special charter, incorporated counties and H class counties;

15 K. "public post-secondary educational institution"  
16 means a state university or a public community college;

17 [~~K.~~] L. "qualifying grantee" means:

18 (1) an individual who is qualified to receive  
19 assistance pursuant to the Affordable Housing Act and is  
20 approved by the governmental entity; and

21 (2) a governmental housing agency, regional  
22 housing authority, tribal housing agency, corporation, limited  
23 liability company, partnership, joint venture, syndicate,  
24 association or nonprofit organization that:

25 (a) is organized under state, local or

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1 tribal laws and can provide proof of such organization;

2 (b) if a nonprofit organization, has no  
3 part of its net earnings inuring to the benefit of any member,  
4 founder, contributor or individual; and

5 (c) is approved by the governmental  
6 entity; and

7 ~~[E.]~~ M. "residential housing" means any building,  
8 structure or portion thereof that is primarily occupied, or  
9 designed or intended primarily for occupancy, as a residence by  
10 one or more households and any real property that is offered  
11 for sale or lease for the construction or location thereon of  
12 such a building, structure or portion thereof. "Residential  
13 housing" includes congregate housing, manufactured homes,  
14 housing intended to provide or providing transitional or  
15 temporary housing for homeless persons and common health care,  
16 kitchen, dining, recreational and other facilities primarily  
17 for use by residents of a residential housing project."

18 SECTION 4. Section 6-27-4 NMSA 1978 (being Laws 2004,  
19 Chapter 104, Section 4) is amended to read:

20 "6-27-4. ELIGIBILITY REQUIREMENTS--NON-INDIVIDUAL AND  
21 INDIVIDUAL QUALIFYING GRANTEES.--

22 A. To be eligible to receive lands, buildings and  
23 infrastructure pursuant to [~~Section 14 of~~] Article 9, Section  
24 14 of the constitution of New Mexico, a nonindividual  
25 qualifying grantee shall:

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1 (1) have a functioning accounting system that  
2 is operated in accordance with generally accepted accounting  
3 principles or [~~has designated~~] shall designate an entity that  
4 will maintain such an accounting system consistent with  
5 generally accepted accounting principles;

6 (2) have among its purposes significant  
7 activities related to providing housing or services to low- or  
8 moderate-income persons or households; and

9 (3) if it has significant outstanding or  
10 unresolved monitoring findings from either the authority or its  
11 most recent independent financial audit, have a certified  
12 letter from the authority or auditor stating that the findings  
13 are in the process of being resolved.

14 B. To be eligible to receive lands, buildings and  
15 infrastructure pursuant to [~~Section 14 of~~] Article 9, Section  
16 14 of the constitution of New Mexico, an individual qualifying  
17 grantee shall meet the requirements established by the  
18 authority pursuant to the Affordable Housing Act."

19 SECTION 5. Section 6-27-5 NMSA 1978 (being Laws 2004,  
20 Chapter 104, Section 5, as amended) is amended to read:

21 "6-27-5. STATE, COUNTY, MUNICIPALITIES, INSTRUMENTALITIES  
22 OF THE STATE AND THE AUTHORITY--AUTHORIZATION FOR AFFORDABLE  
23 HOUSING.--The state, including any agency or instrumentality of  
24 the state, or a county, a municipality or the authority may:

25 A. donate, provide or pay all, or a portion, of the

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underscored material = new  
[bracketed material] = delete

1 costs of land for the construction on the land of affordable  
2 housing;

3 B. donate, provide or pay all or a portion of the  
4 costs of conversion or renovation of existing buildings into  
5 affordable housing;

6 C. provide or pay the costs of financing or  
7 infrastructure necessary to support affordable housing  
8 projects; or

9 D. provide or pay all or a portion of the costs of  
10 acquisition, development, construction, financing, operating or  
11 owning affordable housing."

12 SECTION 6. Section 6-27-6 NMSA 1978 (being Laws 2004,  
13 Chapter 104, Section 6) is amended to read:

14 "6-27-6. REQUIREMENT FOR SPECIFIC LAW AUTHORIZING A  
15 HOUSING ASSISTANCE GRANT FROM STATE.--

16 A. The specific grant of authority created in the  
17 Affordable Housing Act is the prior approval required pursuant  
18 to Article [4] 9, Section 14 of the constitution of New Mexico  
19 to allow the state to provide affordable housing assistance.

20 B. Funding pursuant to this grant of authority  
21 shall be appropriated to the department of finance and  
22 administration for disbursement by the authority to a  
23 qualifying grantee in accordance with rules promulgated by the  
24 authority.

25 C. Rules adopted by the authority may include

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underscored material = new  
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1 provisions for matching or using local, private or federal  
2 funds in connection with a specific grant, but matching or  
3 using federal funds shall not be prohibited.

4 D. The authority shall seek comment from the  
5 Mortgage Finance Authority Act oversight committee prior to its  
6 adoption of rules pursuant to this section."

7 SECTION 7. Section 6-27-7 NMSA 1978 (being Laws 2004,  
8 Chapter 104, Section 7, as amended) is amended to read:

9 "6-27-7. REQUIREMENT FOR ENACTMENT OF AN ORDINANCE BY A  
10 COUNTY OR A MUNICIPALITY AND REVIEW BY THE AUTHORITY  
11 AUTHORIZING HOUSING ASSISTANCE GRANTS [~~REQUIREMENT FOR ADOPTION~~  
12 ~~OF A RESOLUTION BY THE GOVERNING BODY OF THE AUTHORITY~~  
13 ~~AUTHORIZING HOUSING ASSISTANCE GRANTS]~~.--

14 A. A county or municipality may provide housing  
15 assistance grants pursuant to Article 9, Section 14 of the  
16 constitution of New Mexico after enactment by its governing  
17 body of an ordinance authorizing grants stating the  
18 requirements of and purposes of the grants [~~and authorizing~~  
19 ~~transfer or disbursement to a qualifying grantee only after a~~  
20 ~~budget is submitted to and approved by the governing body]~~.  
21 The ordinance may provide for matching or using local, private  
22 or federal funds either through direct participation with a  
23 federal agency pursuant to federal law or through indirect  
24 participation through programs of the authority. No less than  
25 forty-five days prior to enactment, the county or municipality

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1 shall submit a proposed ordinance to the authority, which shall  
2 review the proposed ordinance to ensure compliance with rules  
3 promulgated by the authority pursuant to Section 6-27-8 NMSA  
4 1978. Within fifteen days after enactment of the ordinance,  
5 the county or municipality shall submit a certified true copy  
6 of the ordinance to the authority. The governing body of the  
7 county or municipality shall authorize the transfer or  
8 disbursement of housing assistance grant funds only after the  
9 qualifying grantee has submitted a budget to the governing body  
10 and the governing body has approved the budget.

11 B. A school district may transfer land or buildings  
12 owned by the school district to a county or municipality to be  
13 further granted as part or all of an affordable housing grant  
14 if the school district and the governing body of the county or  
15 municipality enter into a contract that provides the school  
16 district with a negotiated number of affordable housing units  
17 that will be reserved for employees of the school district.

18 C. The governing board of a public post-secondary  
19 educational institution may transfer land or buildings owned by  
20 that institution to a county or municipality; provided that:

21 (1) the property transferred shall be granted  
22 by the county or municipality as part or all of an affordable  
23 housing grant; and

24 (2) the governing board of the public  
25 post-secondary educational institution and the governing body

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1 of the county or municipality enter into a contract that  
2 provides the public post-secondary educational institution with  
3 affordable housing units.

4 D. Agencies or instrumentalities of the state may  
5 provide housing assistance grants pursuant to Article 9,  
6 Section 14 of the constitution of New Mexico in accordance with  
7 rules promulgated by the authority.

8 ~~[D.] E. The authority may provide housing~~  
9 ~~assistance grants pursuant to Article 9, Section 14 of the~~  
10 ~~constitution of New Mexico [after enactment by its governing~~  
11 ~~body of a resolution authorizing grants, stating the~~  
12 ~~requirements and purposes of the grants and authorizing~~  
13 ~~disbursement to a qualifying grantee after a budget is~~  
14 ~~submitted to and approved by the governing body. The~~  
15 ~~resolution may provide for matching or for using local, private~~  
16 ~~or federal funds either through direct participation with a~~  
17 ~~federal agency pursuant to federal law or through indirect~~  
18 ~~participation through programs of the authority. The~~  
19 ~~resolution shall comply with rules promulgated by the authority~~  
20 ~~pursuant to Section 6-27-8 NMSA 1978.~~

21 ~~E. As used in this section, "public post-secondary~~  
22 ~~educational institution" means a state university or a public~~  
23 ~~community college] in accordance with rules promulgated by the~~  
24 ~~authority."~~

25 SECTION 8. Section 6-27-8 NMSA 1978 (being Laws 2004,  
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1 Chapter 104, Section 8, as amended) is amended to read:

2 "6-27-8. PROVISIONS TO ENSURE SUCCESSFUL COMPLETION OF  
3 AFFORDABLE HOUSING PROJECTS--~~[INVESTIGATION]~~ SALE AFTER  
4 FORECLOSURE.--

5 A. State, county and municipal housing assistance  
6 grants awarded pursuant to the Affordable Housing Act shall be  
7 applied for and awarded to qualifying grantees pursuant to the  
8 rules promulgated by the authority subject to the requirements  
9 of that act.

10 B. The authority shall adopt rules ~~[covering]~~ in  
11 accordance with the Administrative Procedures Act to carry out  
12 the purposes of the Affordable Housing Act. Concurrence by  
13 the New Mexico municipal league is required for rules  
14 applicable to municipalities. Concurrence by the New Mexico  
15 association of counties is required for rules applicable to  
16 counties.

17 C. The authority shall adopt rules covering:

18 (1) procedures to ensure that qualifying  
19 grantees meet the requirements of the Affordable Housing Act  
20 and rules promulgated pursuant to that act both at the time of  
21 the award and through the term of the grant;

22 (2) establishment of an application and award  
23 timetable for housing assistance grants to permit the selection  
24 of the potential qualifying grantees prior to January of the  
25 year in which the grants would be made;

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1 (3) contents of the application, including an  
2 independent evaluation of the:

3 (a) financial and management stability  
4 of the applicant;

5 (b) demonstrated commitment of the  
6 applicant to the community;

7 (c) cost-benefit analysis of the project  
8 proposed by the applicant;

9 (d) benefits to the community of a  
10 proposed project;

11 (e) type or amount of assistance to be  
12 provided;

13 (f) scope of the affordable housing  
14 project;

15 (g) substantive or matching contribution  
16 by the applicant to the proposed project; and

17 (h) performance schedule for the  
18 qualifying grantee with performance criteria;

19 (4) a requirement for long-term affordability  
20 of a state, county or municipal project so that a project  
21 cannot be sold shortly after completion and taken out of the  
22 affordable housing market [~~to ensure a quick profit for the~~  
23 ~~qualifying grantee~~];

24 (5) a requirement that a grant for a state or  
25 local project must impose a contractual obligation on the

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1 qualifying grantee that the housing units in a state or local  
2 project developed pursuant to the Affordable Housing Act be  
3 occupied by low- or moderate-income households;

4 (6) provisions for adequate security [~~against~~]  
5 to minimize the loss of public funds or property in the event  
6 that a qualifying grantee defaults on a contractual obligation  
7 for the project or abandons or otherwise fails to complete a  
8 project;

9 (7) a requirement for review and approval of a  
10 housing grant project budget by the grantor before any  
11 expenditure of grant funds or transfer of granted property;

12 (8) a requirement that, unless the period is  
13 extended for good cause shown, the authority shall act on an  
14 application within forty-five days of the date of receipt of an  
15 application that the authority deems to be complete and, if not  
16 acted upon, the application shall be deemed approved;

17 (9) a requirement that a condition of grant  
18 approval be proof of compliance with all applicable state and  
19 local laws, rules and ordinances;

20 (10) provisions defining "low- and moderate-  
21 income" and setting out requirements for verification of income  
22 levels;

23 (11) a requirement that a county or  
24 municipality that makes a housing assistance grant shall have  
25 an existing valid affordable housing plan or housing elements

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1 contained in its general plan; ~~and]~~

2 (12) a requirement that the governmental  
3 entity enter into a contract with a qualifying grantee  
4 consistent with the Affordable Housing Act, which contract  
5 shall include remedies and default provisions in the event of  
6 the unsatisfactory performance by the qualifying grantee;

7 ~~[G. In addition to the rulemaking mandated in~~  
8 ~~Subsection B of this section, the authority may adopt~~  
9 ~~additional rules to carry out the purposes of the Affordable~~  
10 ~~Housing Act. Rulemaking procedures pursuant to the Affordable~~  
11 ~~Housing Act shall:~~

12 ~~(1) provide a public hearing in accordance~~  
13 ~~with the state Administrative Procedures Act; and~~

14 ~~(2) require concurrence in a rule having~~  
15 ~~application to local government by both the New Mexico~~  
16 ~~municipal league and the New Mexico association of counties.~~

17 ~~D. The attorney general shall investigate any~~  
18 ~~alleged violation of the Affordable Housing Act as reported~~  
19 ~~by the authority] and~~

20 (13) provisions necessary to ensure the timely  
21 sale of an affordable housing project on which a qualifying  
22 grantee has defaulted on a contractual obligation or abandoned  
23 or otherwise failed to complete.

24 D. The rules adopted by the authority pursuant to  
25 Paragraph (13) of Subsection C of this section shall require a

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1 governmental entity to:

2 (1) make a determination that the property is  
3 not marketable for a price that would sufficiently recover the  
4 public funds invested in the project;

5 (2) ascertain that the property has a title  
6 that has been transferred to the contracting governmental  
7 entity through a foreclosure sale, a transfer of title by deed  
8 in lieu of foreclosure or any other manner;

9 (3) exercise reasonable efforts to ensure that  
10 all proceeds from the sale of a property pursuant to Paragraph  
11 (13) of Subsection C of this section are used solely for  
12 purposes pursuant to the Affordable Housing Act and that the  
13 qualifying grantee that held title to the property shall not  
14 benefit from the sale of the property or from the transfer of  
15 the affordable housing project; and

16 (4) provide the terms for:

17 (a) the sale of the property at fair  
18 market value; and

19 (b) the removal of the contractual  
20 obligation requiring long-term occupancy of the property by  
21 low- or moderate-income households."

22 SECTION 9. A new section of the Affordable Housing Act is  
23 enacted to read:

24 "[NEW MATERIAL] INVESTIGATION OF AFFORDABLE HOUSING ACT  
25 VIOLATIONS--PENALTIES--REMEDIES.--

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1           A. The attorney general shall investigate an  
2 alleged violation of the Affordable Housing Act reported by the  
3 authority. If the attorney general has reasonable belief  
4 that a person is in possession, custody or control of an  
5 original or copy of a document or recording, including a  
6 record, report, memorandum, paper, communication, tabulation,  
7 map, chart, photograph, mechanical transcription or other  
8 tangible document or recording that the attorney general  
9 believes to be relevant to the subject matter of an  
10 investigation of a probable violation of the Affordable Housing  
11 Act, the attorney general may, prior to the institution of a  
12 civil proceeding, execute in writing and cause to be served  
13 upon the person a civil investigative demand requiring the  
14 person to produce for inspection or copying the document or  
15 recording. The demand by the attorney general shall not be a  
16 matter of public record and shall not be published by the  
17 attorney general except by order of the court.

18           B. If the attorney general has reasonable belief  
19 that a person has violated a provision of the Affordable  
20 Housing Act and that instituting a proceeding against that  
21 person would be in the public interest, the attorney general  
22 may bring a civil action on behalf of the state alleging a  
23 violation of the Affordable Housing Act. The action may be  
24 brought in the district court of the county in which the person  
25 alleged to have violated that act resides or in which the

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1 person's principal place of business is located. The attorney  
2 general shall not be required to post bond when seeking a  
3 temporary or permanent injunction in the civil action.

4 C. The attorney general may, in addition to or as  
5 an alternative to pursuing a civil action, as provided in this  
6 section, pursue criminal charges against a person for an  
7 alleged violation of the Affordable Housing Act under the  
8 applicable provisions of the Criminal Code. Venue for any  
9 criminal action shall be in the judicial district where  
10 the violation occurred.

11 D. In a civil action brought under this section for  
12 an alleged violation of the Affordable Housing Act, if a court  
13 finds that a person willfully committed an act in violation of  
14 the Affordable Housing Act, the attorney general may seek to  
15 recover a civil penalty not exceeding the amount of five  
16 thousand dollars (\$5,000) per violation, in addition to any  
17 equitable relief imposed by the court.

18 E. As used in this section, "person" means an  
19 individual, including a municipal or county government employee  
20 or elected official, or a corporate entity, including any  
21 organization formed under state law to carry out business or  
22 other activities."

23 **SECTION 10. EFFECTIVE DATE.**--The effective date of the  
24 provisions of this act is July 1, 2015.

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SENATE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE  
AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

RELATING TO TAX CREDITS; AMENDING THE AFFORDABLE HOUSING TAX  
CREDIT ACT BY CHANGING THE DEFINITION OF "PERSON".

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

SECTION 1. Section 7-9I-2 NMSA 1978 (being Laws 2005,  
Chapter 104, Section 18, as amended) is amended to read:

"7-9I-2. DEFINITIONS.--As used in the Affordable Housing  
Tax Credit Act:

A. "affordable housing project" means land  
acquisition, construction, building acquisition, remodeling,  
improvement, rehabilitation, conversion or weatherization for  
residential housing that is approved by the authority and that  
includes single-family housing or multifamily housing;

B. "authority" means the New Mexico mortgage  
finance authority;

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1 C. "department" means the taxation and revenue  
2 department;

3 D. "modified combined tax liability" means the  
4 total liability for the reporting period for the gross receipts  
5 tax imposed by Section 7-9-4 NMSA 1978 together with any tax  
6 collected at the same time and in the same manner as the gross  
7 receipts tax, such as the compensating tax, the withholding  
8 tax, the interstate telecommunications gross receipts tax, the  
9 surcharges imposed by Section 63-9D-5 NMSA 1978 and the  
10 surcharge imposed by Section 63-9F-11 NMSA 1978, minus the  
11 amount of any credit other than the affordable housing tax  
12 credit applied against any or all of these taxes or surcharges;  
13 but "modified combined tax liability" excludes all amounts  
14 collected with respect to local option gross receipts taxes and  
15 governmental gross receipts taxes; and

16 E. "person" means an individual, ~~[county,~~  
17 ~~municipality]~~ tribal government, housing authority,  
18 corporation, limited liability company, partnership, joint  
19 venture, syndicate, association or nonprofit organization."

20 SECTION 2. EFFECTIVE DATE.--The effective date of the  
21 provisions of this act is July 1, 2015.

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SENATE BILL

**52ND LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2015**

INTRODUCED BY

FOR THE MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE  
AND THE MILITARY AND VETERANS' AFFAIRS COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE DEPARTMENT OF FINANCE AND  
ADMINISTRATION FOR THE NEW MEXICO MORTGAGE FINANCE AUTHORITY TO  
REHABILITATE HOMES OCCUPIED BY LOW-INCOME HONORABLY DISCHARGED  
VETERANS.

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

**SECTION 1. APPROPRIATION.**--Two million dollars  
(\$2,000,000) is appropriated from the general fund to the  
department of finance and administration for expenditure in  
fiscal year 2016 for the New Mexico mortgage finance authority  
to provide necessary rehabilitation for homes occupied by low-  
income honorably discharged veterans in New Mexico whose income  
does not exceed sixty percent of the area median income. All  
expenditures shall be made in accordance with the Affordable  
Housing Act. Rehabilitation includes repairs necessitated by

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1 structural damage due to natural decay or disasters,  
2 replacement of utility appliances and repairs necessary to  
3 comply with housing health and safety code requirements and  
4 accessibility modifications for physically impaired veterans.  
5 No more than ten percent of this appropriation shall be used  
6 for administrative expenses. Any unexpended or unencumbered  
7 balance remaining at the end of fiscal year 2016 shall revert  
8 to the general fund.

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