



NEW MEXICO LEGISLATURE

**MORTGAGE FINANCE  
AUTHORITY ACT  
OVERSIGHT COMMITTEE**

2016 INTERIM FINAL REPORT

LEGISLATIVE COUNCIL SERVICE  
411 STATE CAPITOL  
SANTA FE, NEW MEXICO 87501  
(505) 986-4600  
[WWW.NMLEGIS.GOV](http://WWW.NMLEGIS.GOV)

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## INTERIM SUMMARY



## **Mortgage Finance Authority Act Oversight Committee 2016 Interim Summary**

The Mortgage Finance Authority (MFA) Act Oversight Committee held five meetings in Albuquerque during the 2016 interim, all at the MFA office in downtown Albuquerque. In addition to its statutory oversight duties, the committee heard presentations regarding various sources of MFA program funding, including: the New Mexico Housing Trust Fund; the MFA's single-family mortgage products; trends in federal housing budgets and policy; the EnergySmart program; supportive housing; the regional housing authorities; and reports on the MFA's financing strategy and bonds issued.

At the committee's first meeting, Jay Czar, MFA executive director, said that the MFA had provided over \$317 million in low-interest financing and grants for affordable housing and related services over the previous year. Highlights included \$189.2 million in low-interest mortgage loans to 1,456 homebuyers and \$82.4 million in financing to construct or rehabilitate 900 affordable rental or for-sale homes.

Committee members expressed concern about the need for intervention programs designed to prevent acute, short-term homelessness from developing into chronic, long-term homelessness. In August, Lisa Huval, associate director, New Mexico Coalition to End Homelessness, outlined two parallel national programs that New Mexico communities are participating in: the Mayor's Challenge to End Veteran Homelessness (Mayor's Challenge); and the Zero: 2016 initiative. Ms. Huval defined "zero homelessness" as "more people are housed each month than become homeless". In practice, she explained that, functionally, zero homelessness would mean that no one remains homeless for longer than 30 days. The Zero: 2016 initiative is a national program funded by the U.S. Department of Veterans Affairs and the U.S. Department of Housing and Urban Development that dovetails with the state's Linkages program, which is funded by the Human Services Department and administered by the MFA, and with Albuquerque's Housing First program.

In November, the committee had a conversation with Isidoro "Izzy" Hernandez, deputy director of programs, MFA, Jacobo Martinez, director of asset management, MFA, and Chris Herbert, executive director of the Eastern Regional Housing Authority, about the obstacles to providing affordable housing for people with criminal histories.

The MFA reported that, in 2015, its computer system had been infiltrated by ransomware. Accordingly, in October, as part of its oversight function, the committee received a presentation from the MFA's information systems manager on the MFA's cybersecurity assessments and mechanisms.

### **Endorsed Legislation**

The committee endorsed legislative proposals to appropriate \$250,000 to fund oversight of the Affordable Housing Act and \$300,000 to fund oversight of the regional housing authorities.





## WORK PLAN AND MEETING SCHEDULE



**2016 APPROVED**  
**WORK PLAN AND MEETING SCHEDULE**  
**for the**  
**MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**Members**

Sen. Nancy Rodriguez, Chair  
Rep. Alonzo Baldonado, Vice Chair  
Sen. Lee S. Cotter  
Rep. Kelly K. Fajardo

Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. James Roger Madalena  
Sen. Cisco McSorley

**Advisory Members**

Rep. George Dodge, Jr.  
Rep. Bealquin Bill Gomez  
Rep. Jimmie C. Hall  
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 has the power, 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 2016 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; and
- (6) New Mexico Housing Trust Fund report and funding source overview.

The MFA Act Oversight Committee proposes to also:

- (1) review the MFA budget and current strategic plan;
- (2) receive reports on bonds issued, financing strategies and market updates;
- (3) review 2016 legislation and proposed legislation for the 2017 session;
- (4) receive an update on foreclosures in New Mexico; and
- (5) examine the tradeoff between housing costs and transportation costs for low-income family budgets.

**Mortgage Finance Authority Act Oversight Committee  
2016 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 13	Albuquerque
July 28	Albuquerque
August 24	Albuquerque
October 31	Albuquerque
November 10	Albuquerque



# AGENDAS AND MINUTES









**MINUTES  
of the  
FIRST MEETING OF 2016  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**June 13, 2016  
New Mexico Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque**

The first meeting of the 2016 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, on June 13, 2016 at 10:14 a.m. in the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Alonzo Baldonado, Vice Chair  
Sen. Lee S. Cotter  
Rep. Kelly K. Fajardo  
Rep. Roberto "Bobby" J. Gonzales  
Rep. James Roger Madalena  
Sen. Cisco McSorley

**Absent**

Sen. Stuart Ingle

**Advisory Members**

Rep. George Dodge, Jr.  
Rep. Jimmie C. Hall  
Sen. Gerald Ortiz y Pino  
Sen. Michael Padilla

Rep. Bealquin Bill Gomez  
Sen. Richard C. Martinez  
Sen. Bill B. O'Neill  
Sen. Sander Rue

**Staff**

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

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Monday, June 13**

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

**Introduction of Lead Program Staff**

The chair recognized Jay Czar, executive director, MFA, to introduce and provide the committee with information about MFA staff and programs. Mr. Czar advised members that the

meeting is being webcast. He noted that the microphones are extremely sensitive and suggested that members keep sidebar conversations to a minimum to avoid interference with the webcast.

Mr. Czar explained that Izzy Hernandez, deputy director of programs, is a colonel in the New Mexico National Guard and is currently on active duty. He noted that Mr. Hernandez started his career at the MFA nearly 25 years ago as a management intern and that he is proud of Mr. Hernandez's accomplishments and contributions to the agency. He then recognized and provided brief background information on the following lead program staff members:

- Gina Hickman, deputy director of finance and administration;
- Dolores Deer, human resources manager;
- Leann Kemp, communications manager;
- Marjorie Martin, attorney;
- Jacqueline Boudreaux, director of asset management;
- Rose Baca-Quesada, director of community development;
- Dan Puccetti, director of housing development;
- Monica Abeita, senior policy adviser; and
- Sandra Marez, executive assistant.

Mr. Czar noted that Ms. Marez has been with the agency for 30 years and is the agency "go-to" person.

Ms. Hickman recognized and provided brief background information on the following staff members:

- Yvonne Segovia, controller;
- Kathy Keeler, finance manager;
- Erik Nore, director of homeownership;
- Theresa Garcia, director of servicing; and
- Joseph Navarette, information systems manager.

Ms. Hickman noted that Mr. Navarette has been with the MFA for five months but came to the agency after 19 years with Intel Corporation in Rio Rancho.

### **2016 MFA Reference Guide: Overview of Programs and Funding**

Mr. Czar and Ms. Hickman went through the "Legislative Oversight Committee, 2016 Reference Manual" with committee members. Mr. Czar pointed out the inclusion of the current version of the statutory authorization for establishment of the MFA more than 40 years ago (behind Tab 2) and the "New Mexico Mortgage Finance Authority Rules and Regulations" (Tab 3), and he noted that the MFA Oversight Committee must approve the current rules each year.

Asserting that the MFA is "all about production", Mr. Czar directed committee members' attention to the information behind Tab 4. He said that in 2015, the MFA provided more than \$317 million in low-interest financing and grants for affordable housing and related services throughout New Mexico, including:

- \$189.2 million in low-interest-rate mortgage loans to 1,456 homebuyers;

- \$82.4 million in financing to construct or rehabilitate 900 affordable rental or for-sale homes;
- \$28.1 million in project-based Section 8 rental assistance payments for 5,297 apartments occupied by low-income families;
- \$7.4 million in down-payment and closing-cost assistance to 1,365 homebuyers;
- \$6.9 million to rehabilitate or install energy-efficiency upgrades in 1,191 homes occupied by low-income families;
- \$1.3 million in funding for shelter, transitional housing and operating costs for 78,747 individuals experiencing homelessness;
- \$1.3 million in rental assistance and related services for 429 individuals with special needs; and
- \$577,000 in rental assistance to prevent homelessness for 549 individuals.

Mr. Czar told the committee that the MFA has current assets under management of \$2.5 billion. He said that the MFA's products are better than others in the field. He said that, for example, house payments are generally less than rent payments, but because many clients have good credit ratings but no savings, they have difficulty in securing traditional bank or mortgage loans.

Regarding 2016 successful legislation, Mr. Czar said that the agency supported five pieces of legislation for the 2016 session, most of which were appropriation requests for various MFA programs. The MFA was successful in acquiring a \$191,000 appropriation for the statutorily required oversight of state regional housing authorities.

Behind Tab 5, Mr. Czar pointed out the listing of the members of the MFA Board of Directors. He noted that the MFA board consists of seven members, three of whom are members by virtue of their respective elected positions: Lieutenant Governor John A. Sanchez, Attorney General Hector Balderas and State Treasurer Tim Eichenberg. The other four members are governor appointees: Dennis R. Burt, chair, Burt & Company CPAs; Angel Reyes, president, Centinel Bank, Taos; Randy McMillan, president, NAI First Valley Realty, Inc.; and Steven J. Smith, president, R.O.G. Enterprises.

He said that the MFA board is very active in its oversight role and told committee members they would be welcome to sit in on any of the board meetings or the board retreat.

Pointing out the organizational chart behind Tab 6 and the MFA Strategic Plan behind Tab 7, Mr. Czar said that, during the 40 years the MFA has been in existence, it has built a solid foundation as a reputable organization recognized for its prudent fiscal management, strong regulatory compliance, professional staff and dedication to customer service, thus allowing it to administer successfully more than 30 affordable housing programs for the benefit of low-income residents of New Mexico. He said the MFA focuses on the following priorities for strategic alignment of its work: (1) operational excellence; (2) cultivation of new resources; (3) effective partnerships; (4) expanding homeownership opportunities; and (5) expanding rental opportunities.

Behind Tab 8, Mr. Czar briefly discussed "Top Ten Myths. . . Debunked", noting that the MFA is often confused with the New Mexico Finance Authority (NMFA). He explained that the

MFA, unlike the NMFA, provides funding for housing for qualifying low-income persons. He said that the MFA does not develop or build homes. Like a bank, the MFA provides financing to developers whose projects qualify for loans, tax credits or sometimes grants. He explained that the MFA actually has very little grant funding available because the MFA borrows most of its funding, requiring it to lend, rather than grant, funding. He said that the MFA is not a state agency but rather an "instrumentality of the state". Also, he noted that people sometimes think the MFA is part of the federal Department of Housing and Urban Development (HUD), which is a federal agency that provides various financial resources for housing and community development. The MFA administers HUD funding and contracts on behalf of the state.

Ms. Hickman directed members' attention to information behind Tabs 9, 10 and 11, all of which relate to MFA funding sources, federal program fund sources and nine percent low income housing tax credits (LIHTCs). She explained that the pie chart, "MFA Estimated Funding Sources — 2015", demonstrates that the MFA is self-funding. Of the estimated total of \$502.1 million, she said that 72.9 percent, or \$365.8 million, of estimated funding sources come from MFA bond issues. Federal funding for housing programs makes up 20.3 percent of funding services, or \$101.8 million, with 2.9 percent (\$14.6 million) from the MFA general fund, 2.0 percent (\$10.0 million) from state tax credits and appropriations and 1.9 percent (\$9.9 million) from private and other sources. In response to a committee question, Ms. Hickman indicated that the State Board of Finance determines the MFA's bonding capacity, which is backed by revenues from mortgage loans. In response to additional questions and some discussion, Ms. Hickman explained that the MFA generally operates on the MFA's "profits". Mr. Czar added that, if the MFA were a mortgage company in the private sector, it would be considered to be very successful and noted once again that the MFA does not receive state appropriations for its operation. Ms. Hickman continued, noting that "private and other sources" include weatherization funds from the Low Income Home Energy Assistance Program, usually called LIHEAP.

Continuing to Tab 11, Ms. Hickman discussed the MFA's 2016 federal program fund summary, noting that HUD programs include the HOME Investment Partnerships Program (which has been lowered by 57 percent since fiscal year 2010), the state and City of Albuquerque housing opportunities for persons with AIDS grants and a HUD emergency solutions formula grant of just over \$1 million to assist homeless individuals and families and those at risk of becoming homeless, as well as victims of domestic violence, youth, people with mental illness, families with children and veterans. She also described a federal Department of Energy formula grant of over \$1.6 million (also called EnergySmart) to provide weatherization assistance to households with incomes at or below 200 percent of the federal poverty level. She explained that this program gives priority to the elderly, households in which one or more members have a disability and households with young children.

Moving to the information behind Tab 12, Ms. Hickman discussed the spreadsheets showing the distribution of nine percent LIHTC awards by congressional district and county from 2000 to 2016. In response to committee questions and discussion, Ms. Hickman agreed that Congressional District 1 (all of Bernalillo County and parts of Sandoval County) received less than its per capita share of awards. Specifically, Congressional District 1 residents received 25.7 percent of LIHTCs, while Congressional District 2 (including Chaves, Cibola, Doña Ana, Eddy, Grant, Lea, Lincoln, Luna, Otero and Valencia counties) residents received 37.7 percent of

LIHTCs and Congressional District 3 (including Curry, Los Alamos, McKinley, Rio Arriba, San Juan, San Miguel, Santa Fe, Taos and Union counties and part of Sandoval County) residents received 36.5 percent of awards. Looking from a different perspective, 44.7 percent of the awards were made in the metropolitan areas of Albuquerque, Farmington, Las Cruces and Santa Fe while 55.3 percent of awards were made in rural areas. In terms of large and small cities, 63.9 percent of the awards were made in municipalities with populations greater than 25,000, while 36.1 percent of LIHTCs were made in municipalities with populations less than 25,000.

Ms. Hickman also discussed the estimated economic impact of LIHTC projects in New Mexico, including the number of jobs by congressional district, as well as the annual effect in generation of taxes, user fees and charges.

Mr. Czar ended the presentation by directing members' attention to the information behind Tab 13, which includes a comprehensive glossary of terms that includes acronyms, key words and phrases frequently used in connection with the financing of housing by state and local housing and finance agencies. Members thanked the MFA staff for such a helpful, comprehensive lexicon of bond and mortgage terms.

### **2016 Interim Committee Procedures and Adoption of Proposed Work Plan**

Mr. Edwards explained that the committee's responsibilities are statutory, so the work plan includes items that generally do not vary much from year to year. He pointed out Item 5 under non-statutory requirements in the proposed work plan relating to a tradeoff between housing costs and transportation costs for low-income family budgets. He also noted that, with more than 20 different interim committees, meeting dates are set up by the New Mexico Legislative Council with the aim of avoiding conflicts among committee meeting dates for voting members of committees. After some discussion, some committee members suggested additional topics to be covered during the interim, including the following:

- a presentation that quantifies the housing program in New Mexico;
- a presentation on data on the number of homeless (included in a presentation on supportive housing);
- the economic benefit of housing projects using the National Association of Home Builders economic model; and
- a presentation and discussion on federal program costs and administrative costs.

Committee members agreed that these topics could be included as part of topics already included in the proposed work plan. On a motion duly made and seconded, the committee agreed to accept the proposed work plan as presented. Mr. Czar said that his staff and LCS staff would get together before the July 28 meeting to organize tentative agendas for the remainder of the interim.

Mr. Czar invited committee members to be the MFA's guests at the upcoming eleventh biannual "Housing Summit" to be held in Albuquerque on September 19-21 at the Hotel Albuquerque in partnership with the REALTORS® Association of New Mexico, the New Mexico Coalition to End Homelessness and Habitat for Humanity of New Mexico. He said that the summit is a one-of-a-kind event that housing professionals, over the years, have come to value for its educational and networking opportunities. He said that the program will include

outstanding speakers who will provide valuable information on up-to-the-minute housing topics. Committee members discussed the possibility of getting permission from the New Mexico Legislative Council to attend the summit.

**Adjournment**

There being no further business to come before the committee, the meeting adjourned at 12:10 p.m.



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

**July 28, 2016  
New Mexico Mortgage Finance Authority Office  
344 4th Street SW  
Albuquerque**

**Thursday, July 28**

- 10:00 a.m.        **Call to Order**  
—Senator Nancy Rodriguez, Chair
- 10:05 a.m.        **Approval of Minutes**
- 10:10 a.m.        **Welcome**  
—Jay Czar, Executive Director, New Mexico Mortgage Finance Authority  
(MFA)
- 10:20 a.m.        (1) [MFA 2017 Legislative Agenda — Introduction](#)  
—Monica Abeita, Senior Policy and Program Advisor, MFA
- 10:45 a.m.        (2) [MFA Single-Family Mortgage Products](#)  
—Erik Nore, Director of Homeownership, MFA
- 11:15 a.m.        (3) [New Mexico Housing Trust Fund Update](#)  
—Sabrina Su, Program Manager, MFA
- 11:35 a.m.        (4) [Federal Housing Policy and Budget Trends](#)  
—Monica Abeita, Senior Policy and Program Advisor, MFA
- 12:00 noon        **Adjourn**



**MINUTES  
of the  
SECOND MEETING OF THE 2016 INTERIM  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**July 28, 2016  
New Mexico Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque**

The second meeting of the 2016 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, on July 28, 2016 at 10:16 a.m. in the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Alonzo Baldonado, Vice Chair  
Sen. Lee S. Cotter  
Rep. Kelly K. Fajardo  
Sen. Stuart Ingle  
Rep. James Roger Madalena  
Sen. Cisco McSorley

**Absent**

Rep. Roberto "Bobby" J. Gonzales

**Advisory Members**

Rep. Bealquin Bill Gomez  
Sen. Michael Padilla

Rep. George Dodge, Jr.  
Rep. Jimmie C. Hall  
Sen. Richard C. Martinez  
Sen. Bill B. O'Neill  
Sen. Gerald Ortiz y Pino  
Sen. Sander Rue

**Staff**

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

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

## **Thursday, July 28**

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

### **Welcome**

Jay Czar, executive director, MFA, welcomed members, staff and guests. He had several announcements for members and other interested persons as follows.

- Imperial Building — The grand opening for this new multifamily, mixed-income, affordable rental development, which is located just a block from the MFA building, has been changed from August 4 to August 24 at 11:00 a.m. Committee members will be able to participate in a special tour of the development, including the ground-floor grocery store, immediately after presentations at the August 24, 2016 MFA Act Oversight Committee Meeting. Mr. Czar noted that Chris Baca, president and chief executive officer of YES Housing, Inc., will lead the tour.
- MFA Board of Directors June Meeting — The MFA Board of Directors held its June meeting in Gallup. Board members and staff toured Sunset Hills, an affordable senior rental property, and Hooghan Hozho, a new multifamily development in downtown Gallup. Mr. Czar noted that board meeting guests attending the meeting included the Gallup mayor, city manager and city councilors; McKinley County officials; Navajo Nation officials; local business leaders; and housing service providers.
- Regional Meetings — MFA leadership staff will conduct five regional meetings around the state in an effort to better understand affordable housing needs and priorities throughout the state. Mr. Czar said that service providers, local officials, housing authorities, developers, mortgage lenders and Realtors have been invited to these regional meetings. He said that successful regional meetings have already taken place in Las Vegas on July 14 and Farmington on July 27. Future regional meetings are scheduled in Roswell on August 3, in Las Cruces on August 11 and in Albuquerque during the biennial New Mexico Housing Summit on September 20.
- MFA Board Retreat — Mr. Czar announced that the MFA Board of Directors and staff will participate in a planning retreat on August 17 and 18. The retreat agenda will focus on strategic planning, program reviews, "hot topics" and legislation.
- New Mexico Housing Summit — Mr. Czar reminded committee members, staff and guests that the MFA biennial New Mexico Housing Summit will take place September 19 through 21 at the Hotel Albuquerque. He predicted attendance of about 500 housing professionals with outstanding speakers, a wide range of up-to-the-minute topics and lots of networking opportunities in all aspects of affordable housing.

Regarding committee requests for information, Mr. Czar noted the following:

- data on homelessness will be provided by the New Mexico Coalition to End Homelessness at the August 24 meeting;
- a presentation on the MFA budget will be provided at the October 31 meeting and will include a review of the "federal pull-through rate" and fund balances;
- a presentation of the MFA's statewide housing assessment will be provided at the November meeting; and
- foreclosure and delinquency information will be provided as part of that day's presentation on the MFA's single-family mortgage products.

### **MFA 2017 Legislative Agenda — Introduction**

Mr. Czar directed committee members' attention to information behind Tab 1 in the meeting notebooks on the MFA 2017 legislative agenda. Acknowledging that funding available for special appropriations will be difficult to achieve in the 2017 session, Mr. Czar and Monica Abeita, senior policy and program adviser, MFA, briefly discussed committee-endorsed bills from the 2016 session, including appropriations bills that would have supported MFA oversight duties of the Affordable Housing Act and regional housing authorities (Senate Bill (SB) 73 and SB 75); would have increased the corpus of the New Mexico Housing Trust Fund (SB 63), which leverages \$19.00 for every \$1.00 appropriated; would have provided weatherization services for low-income homeowners (House Bill (HB) 132) and would have provided jobs and allow low-income families to save hundreds of dollars on energy bills; and would have provided down-payment assistance to homebuyers receiving MFA mortgage loans (HB 32).

While none of the five appropriation bills were successfully enacted, Ms. Abeita noted that the MFA was successful in acquiring a \$191,000 appropriation to support statutorily required oversight of state regional housing authorities. Mr. Czar noted the importance of keeping this appropriation in the 2017 general appropriation act or similar legislation.

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

Erik Nore, director of homeownership, MFA, pointed out information behind Tab 2 in committee members' meeting materials. The information details two of the MFA's single-family programs: the "First Down" program and the "Next Home" grant program.

He explained that the "First Down" program requires that prospective homebuyers be first-time homebuyers with an income of up to 115 percent of the area median income, based on family size, and the program allows these homebuyers to purchase single-unit, owner-occupied properties. In terms of a down payment, the "First Down" program provides up to \$8,000 in the form of a second mortgage loan at six percent interest with a 30-year amortization in order to provide affordable payments at around \$30.00 per month, for example. The "Next Home" program provides an opportunity for non-first-time homebuyers with up to 140 percent of the area median income to purchase single-unit, owner-occupied properties. Addressing the need for money for a down payment, "Next Home" program grants — which do not have to be repaid —

are available for up to three percent of the sale price of the home. He pointed out that this grant provides instant equity to the homebuyer.

Mr. Nore emphasized that these programs owe their successes to the fact that potential participants must participate in one of two pre-purchase homebuyer counseling programs, including an online, self-paced course or face-to-face counseling by a federal Department of Housing and Urban Development (HUD)-approved counseling agency. He pointed out that the latter face-to-face program is free and seems to be more effective than the online course.

Mr. Nore explained that the characteristics of MFA homebuyers include the following:

- 55 percent are single-parent households;
- 43 percent are minority households;
- the average age is 35, which is an increase of three to four years from the past few years;
- the average MFA first mortgage loan is \$133,371, with an average purchase price at \$137,023; and
- the average credit score is 682, which is a fairly low credit score.

Mr. Nore noted that, according to the Realtors Association of New Mexico June 2016 Housing Statistics Report, "There are still many areas of the state suffering from lower-than-usual inventory of homes for sale", which is good news for sellers, but "it limits the options available for buyers". According to a comparison between New Mexico and U.S. homeownership rates from 1992 through 2015, according to the Federal Reserve Bank of St. Louis, the New Mexico average continually ranks higher than the U.S. average by anywhere from 6.3 percent (in 2000) to 1.7 percent (in 2009). The committee vice chair noted that, in his experience as a Realtor, single-family homes in the 1,200- to 1,500-square-foot range are moving quickly on the market while houses with more square footage are not moving so easily.

In response to committee members' previous questions and comments, Mr. Nore discussed the ways in which the MFA provides services to first-time millennial homebuyers. He explained that millennials, who are generally age 24 to 34, account for 14.2 percent of the state's population, according to a July 2016 National Association of Realtors report. Of all 1,323 first-time homebuyer loans made by the MFA in 2015, 60 percent were made to borrowers 33 years of age or younger. Of all MFA loans to millennials in 2015, 24 percent were made to millennial borrowers age 18 through 24; 30 percent were made to those age 25 through 29; and 24 percent were made to those age 30 through 33. Committee members thanked Mr. Nore for providing the millennial homebuyer data and indicated an intention to continue to look at this issue.

Directing members' attention to the graph in their meeting notebooks, Mr. Nore pointed out that homebuying has tended to peak in July 2014, 2015 and 2016. In response to committee discussion and questions, Mr. Nore indicated that this trend will continue as long as homes are cheaper to buy than to rent.

Responding to committee members' previous comments and questions about foreclosure trends, Mr. Nore reported that, according to the CoreLogic National Foreclosure Report of May 2016, completed foreclosures were down nationally from 41,000 in May 2015 to 38,000. He said that New Mexico ranks seventh in the nation for the percentage of homes in foreclosure inventory, at 1.8 percent, with the national foreclosure inventory rate at one percent. He pointed out, however, that the foreclosure inventory in New Mexico declined 17.7 percent from May 2015 to May 2016.

### **New Mexico Housing Trust Fund Update**

Sabrina Su, program manager, MFA, directed members to information behind Tab 3 in the meeting notebooks. She reminded committee members that the New Mexico Housing Trust Fund was created in 2005, and since that time, New Mexico taxpayers have realized a tremendous return on their investment in affordable housing. Most importantly, she said, investment in housing is investment in New Mexico's economy, education and health.

The purpose of the fund, she explained, is to provide flexible funding for housing initiatives that will provide affordable housing primarily for low- or moderate-income persons or households. Eligible borrowers include nonprofit organizations, for-profit organizations, governmental housing agencies, regional housing authorities, governmental entities, governmental instrumentalities, tribal governments and tribal housing agencies.

Ms. Su explained that the trust fund has grown from \$18.7 million in legislative appropriations to \$25.2 million as a result of interest earned over the years. She said that, through a competitive application process, the MFA has awarded more than \$37 million, including the state's \$18.7 million investment, interest income and loan repayments, to 48 housing projects for 2,600 housing units. She said that these developments have leveraged approximately \$387 million in other funding sources, providing a 20-to-1 return on the state's initial investment. For example, on single-family new construction projects, a trust fund investment of approximately \$7.9 million has leveraged more than \$52 million; on multifamily new construction projects, a trust fund investment of approximately \$18 million leveraged an additional \$211.6 million; and a trust fund investment of \$11.3 million in multifamily rehabilitation projects has leveraged nearly \$123.5 million.

Committee members discussed the importance of having established the New Mexico Housing Trust Fund during times when more money was available to the legislature to appropriate than is available now, and they noted the impressive 20-to-1 return on the investment.

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

Ms. Abeita explained that the MFA has serious concerns related to federal housing policies because federal funding consistently comprises 20 percent of the MFA's resource — a substantial amount. The current context for federal housing policies includes a number of predictable and unpredictable variables, such as the current presidential election race and the new

U.S. House of Representatives speaker's efforts to restore regular order to the budget process and unify Republicans around a policy agenda. She said that Congress has made major progress on housing policies, including a nine percent housing tax credit rate fixed in the fiscal year (FY) 2016 omnibus funding bill, stable funding for the HUD's HOME Investments Partnership Program (HOME) in FY 2016 and possibly, in FY 2017, unanimous passage in both houses of the bipartisan Housing Opportunity Through Modernization Act (HOTMA) and introduction of a housing tax credit.

Ms. Abeita explained that the MFA's federal priorities include the following:

1. protecting housing bonds and housing credit in any type of tax reform proposals;
2. expanding the federal low-income housing tax credit program by increasing the program by 50 percent, fixing the nine percent and four percent credit rates and giving states the option to convert private activity bonds authority into tax credits;
3. sustaining funding levels for affordable housing programs, including restoring funding for the HOME program and supporting weatherization programs; and
4. allowing Ginnie Mae securitization of multifamily risk-sharing loans.

Ms. Abeita also provided the committee with issues relevant to these priorities. She noted that there is no expectation of any type of tax reform occurring during the current Congress, but no matter what the results of the coming election will be, she predicted a focus on tax reform in the new administration and in Congress. In terms of enacting a budget for FY 2017, she said that both the proposed house and senate appropriations bills are considered favorable, but the 2016 presidential election means that lawmakers will be in recess from July 18 until after Labor Day, leaving very little time to negotiate and pass a budget. She predicted that the most likely outcome is passage of a continuing resolution to extend current spending levels until after the election.

Ms. Abeita pointed out one program that the MFA would like to see restored: the federal HOME funding, which has been cut 56 percent (from \$8.2 million in 2010 to \$3.5 million in 2016) since 2010. She said that these dollars are used for MFA rehabilitation projects, down-payment assistance and development. Another bill that MFA is tracking is the HOTMA, H.R. 3700, which simplifies and streamlines rental assistance and single-family programs and is expected to save the federal government \$311 million over five years. Supported by the National Council of State Housing Agencies (of which the MFA is a member), the bill passed the house on February 2 and passed the senate on July 14 unanimously. She indicated that it may make it through this Congress in the "lame duck" session after the election. She mentioned several other pieces of federal legislation addressing low- and affordable-income housing, including the:

- First-Time Homebuyer Credit Act of 2016, which would provide a refundable tax credit for first-time homebuyers;
- Rural Housing Preservation Act of 2016, which would make permanent the Multi-Family Preservation and Revitalization Restructuring Program, which acquires and



- renovates Section 515 properties;
- Ending Homelessness Act of 2016, which would provide \$13.27 billion over five years to housing and services programs, with the goal of ending homelessness in America;
- Financial CHOICE Act, which repeals and replaces the Dodd-Frank Wall Street Reform and Consumer Protection Act and reduces the authority of financial regulators to oversee financial institutions; and
- Welfare Reform and Upward Mobility Act, which replaces means-tested housing programs (rental assistance programs, the HOME program and all Rural Housing Service assistance programs) with a single state block grant for housing activities.

Ms. Abeita also discussed U.S. House Speaker Paul Ryan's Republican Task Force on Poverty, Opportunity, and Upward Mobility, which focuses on reforming the federal welfare system by expanding work requirements, increasing state flexibility, consolidating programs, improving accountability through metrics and fraud reduction and encouraging public-private partnerships.

Ms. Abeita also discussed the National Housing Trust Fund, which was established through the Housing and Economic Recovery Act of 2008 to produce, preserve and rehabilitate affordable housing for extremely low-income families earning not greater than 30 percent of the area median income. Initial funding sources were revenue contributions from the government sponsored entities (GSEs), Freddie Mac and Fannie Mae. These contributions were suspended, however, when the GSEs went into receivership. She said that the HUD announced guidelines for the program in early 2015 after the GSEs began generating revenue again. According to allocations published in May 2016, New Mexico will receive \$3 million. Ms. Abeita said that the MFA's allocation plan is due to the HUD by August 16, 2016 and must be approved by the HUD within 45 days. After approvals the MFA will develop a more detailed notice of funding availability in the fall of 2016, with awards to follow.

Ms. Abeita addressed issues related to housing opportunities. She said that, with the current rental crisis in the country, poverty and housing insecurity have become more concentrated. She said that in the Equality of Opportunity Project, Harvard economists, led by Raj Chetty, found that living in good neighborhoods contributes to upward mobility later in life. In terms of enforcing the federal Fair Housing Act, the U.S. Supreme Court has determined that disparate impact claims may be used to support plaintiffs' claims of alleged Fair Housing Act violations. She said the new HUD affirmatively furthering fair housing rule significantly explains the factors that must be considered when identifying impediments to fair housing choices. She said that new guidance from the HUD on housing persons with criminal backgrounds is expected.

Ms. Abeita told members that she had included a budget chart of select HUD and United States Department of Agriculture housing after her presentation slides. She also suggested that members may be interested in several MFA-produced position papers:

- "The Importance of the Housing Credit to New Mexico";
- "The Importance of Housing Bonds to New Mexico";
- "MFA Supports Ginnie Mae Securitization of Risk-Sharing Loans"; and
- "The Impact of Ginnie Mae Securitization on a Typical MFA Risk-Share Project".

The chair and committee members thanked Ms. Abeita for such a thorough report on federal housing policy and budget trends.

**Adjournment**

There being no further business to come before the committee, the meeting was adjourned at 12:02 p.m.

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

**August 24, 2016  
New Mexico Mortgage Finance Authority Office  
344 4th St. SW  
Albuquerque**

**Wednesday, August 24**

- 10:00 a.m.        **Call to Order and Introductions**  
—Senator Nancy Rodriguez, Chair
- 10:05 a.m.        **Approval of Minutes**
- 10:10 a.m.        **Introductory Remarks**  
—Isidoro "Izzy" Hernandez, Deputy Director of Programs, New Mexico  
Mortgage Finance Authority (MFA)
- 10:20 a.m.        (1)    **Regional Housing Authority Update**  
—Rose Baca-Quesada, Director of Community Development, MFA
- 10:40 a.m.        (2)    **New Mexico EnergySmart Program Update**  
—Amy Gutierrez, New Mexico EnergySmart Program Manager, MFA  
—Troy Cucchiara, Green Initiatives Manager, MFA
- 11:00 a.m.        (3)    **Supportive Housing Update**
- A. Progress on Ending Homelessness**  
—Lisa Huval, Associate Director, New Mexico Coalition to End  
Homelessness
- B. Changing Lives through Linkages**  
—Gina Bell, Senior Lead, Community Development, MFA
- 11:20 a.m.        (4)    **Preview of New Mexico Housing Summit**  
—Leann Kemp, Communications Manager, MFA
- 11:30 a.m.        **Recess**

11:35 a.m.      **Tour of Imperial Building Project**  
—YES Housing, Inc.

12:00 noon      **Adjourn**

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

**August 24, 2016  
New Mexico Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque**

The third meeting of the 2016 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, at 10:05 a.m. on August 24, 2016 in the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Alonzo Baldonado, Vice Chair  
Sen. Lee S. Cotter  
Rep. Kelly K. Fajardo  
Rep. James Roger Madalena  
Sen. Cisco McSorley

**Absent**

Rep. Roberto "Bobby" Gonzales  
Sen. Stuart Ingle

**Advisory Members**

Rep. Bealquin Bill Gomez  
Sen. Richard C. Martinez  
Sen. Michael Padilla

**Absent**

Rep. George Dodge, Jr.  
Rep. Jimmie C. Hall  
Sen. Bill B. O'Neill  
Sen. Gerald Ortiz y Pino  
Sen. Sander Rue

**Staff**

Mark Edwards, Drafter, Legislative Council Service (LCS)  
Sharon Ball, Senior Researcher, LCS  
Anna Martin, Intern, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

**Wednesday, August 24**

**Approval of Minutes**

Upon a motion made by Representative Baldonado and seconded by Representative Madalena, the minutes of the MFA Act Oversight Committee meeting on July 28, 2016 were approved without objection.

**Introductory Remarks**

Isidoro "Izzy" Hernandez, deputy director of programs, MFA, welcomed the committee and briefly commented on activities by MFA's administrative staff. He said that the MFA had conducted regional meetings around the state and met with good participation from private lenders, advocates for the homeless, housing providers and others. Mr. Hernandez said that the meetings identified two critical needs within the population challenged by homelessness: 1) expanded transitional housing capacity; and 2) development of financial literacy.

Mr. Hernandez said that the annual MFA Board of Directors retreat also focused on these issues. The board received a presentation from Mesilla Valley Community of Hope Executive Director Nicole Martinez on helping the homeless transition to permanent housing. Mr. Hernandez said that the MFA has also contracted with the University of New Mexico Bureau of Business and Economic Research to conduct a statewide survey of apartments, including, numbers of units, vacancy rates, age of the apartment structures and other rental data. Mr. Hernandez then introduced Shawn Culver as the MFA's new director of housing development.

**Regional Housing Authority Update**

Rose Baca-Quesada, director of community development, MFA, presented an overview of the MFA's history with regional housing authorities (RHAs) and the current status of RHAs. In 1970, the legislature created seven RHAs to develop affordable housing. These RHAs had bonding capacity and eminent domain authority and were autonomous entities with no state oversight. The actual ability of these original RHAs to obtain federal funding and provide affordable housing was very uneven, Ms. Baca-Quesada said. In 2006, a default on a \$5 million state bond by the RHA that covered Sandoval, Bernalillo, Valencia and Torrance counties placed that RHA in receivership, and the Mid-Region Council of Governments took over administration of that housing program. The incident led to a reexamination of the entire RHA system by the MFA, the MFA Act Oversight Committee and the Legislative Finance Committee, which culminated in legislation that restructured the RHAs in 2009, Ms. Baca-Quesada said.

RHAs are now consolidated into three regions (Northern, Eastern and Western) that cover the entire state, excluding the urbanized counties of Santa Fe, Bernalillo and Dona Ana, Ms. Baca-Quesada said. She said that local housing programs within the urban areas are large enough that they would not benefit from consolidation into a region. RHAs no longer have bonding capacity or the power of eminent domain, and the MFA has a strong oversight role in their management. The MFA:

- provides training and technical assistance to the RHAs;
- reviews annual RHA audits and operational reports;
- approves RHA financial and asset transactions over \$100,000; and
- approves RHA board commissioners and executive directors.

Ms. Baca-Quesada then turned to the work conducted by the RHAs. She indicated that the RHAs run their own programs to develop low-rent housing and manage regional systems for the U.S. Department of Housing and Urban Development's (HUD's) "Section 8" housing assistance vouchers (Section 8 vouchers). She said that each of the RHAs assists with the Linkages program, a voucher program for homeless people with severe mental illness. The RHAs also help leverage resources for local public housing authorities and act as a safety net if a local housing authority is struggling. The RHA safety net helps ensure that an area does not lose federal affordable housing funding due to a shortfall in local capacity.

Ms. Baca-Quesada then reported on the status of each RHA as follows.

*Eastern RHA:* The Eastern RHA has consolidated with local housing authorities in Eunice, Vaughn and Lovington and provides assistance to six other public housing authorities. It maintains 155 low-rent units and manages 1,892 Section 8 vouchers. It recently concluded a contract for 16 low-rent units in Eunice and has an application through the MFA's Governor's Innovation in Housing — Revolving Loan Fund for 16 units in Jal.

*Western RHA:* The Western RHA provides assistance to five local housing authorities. None of the local housing authorities has merged with the Western RHA, but the Western RHA does have a skill-sharing memorandum of understanding with the El Camino Real Housing Authority. The Western RHA maintains 54 low-rent units and manages 911 Section 8 vouchers.

*Northern RHA:* The Northern RHA has consolidated with the local housing authority in Cimarron and is in consolidation negotiations with housing authorities in Cuba and Grants. It maintains 169 low-rent units and manages 448 Section 8 vouchers.

In responding to questions by committee members, Ms. Baca-Quesada stated that each county within a region is represented on an RHA board by one of the county's commissioners. She said that the regional locations were chosen by the HUD and by the local housing authorities. She also noted that local housing authorities have some flexibility as to their regional affiliation. For example, both Rio Arriba County and the City of Espanola had originally been included in the Santa Fe urban area. Rio Arriba County requested to be moved into the northern RHA, but the City of Espanola elected to remain with Santa Fe.

Regarding Native American housing authorities, Ms. Baca-Quesada stated that they are stand-alone entities with HUD oversight. Mr. Hernandez added that the MFA has dedicated a staff position to Native American assistance, although the position is currently open. He said that the MFA has worked on rehabilitation of housing and housing assistance for Native Americans

in urban areas outside tribal lands. A committee member remarked that getting new affordable housing units on tribal lands is nearly impossible. Using the Pueblo of Jemez as an example, the member said that despite a growing need, no new housing units have been added in the last 25 to 30 years. Asked about who has the responsibility to maintain units on tribal lands, Mr. Hernandez said that it is up to each tribal housing authority and that the HUD has oversight responsibility.

Ms. Baca-Quesada was asked about the dramatic decline in Section 8 vouchers in Espanola. She indicated that the decline might not have been because of a lack of need, but because of a lack of local administration. She said that the HUD reviews the number of voucher requests each year, and vouchers get swept back if they are not re-allocated. She noted that the loss of vouchers may speak to the importance of the RHAs. The MFA keeps an "at risk" list of local housing authorities that are in danger of going into HUD receivership, and the RHAs may assist in the administration of Section 8 vouchers.

Responding to questions about the MFA's weatherization and housing rehabilitation programs, Mr. Hernandez said that the budget is about \$5 million for weatherization and \$2.5 million for rehabilitation annually. He said that the rehabilitation funding comes from the HUD and funding for weatherization comes from multiple sources, including the state's Low Income Home Energy Assistance Program (LIHEAP), the New Mexico Gas Company and Public Service Company of New Mexico (PNM), as well as other entities. Mr. Hernandez said that the number of home rehabilitations per year runs between 40 and 45; however, the number of weatherizations varies widely.

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

Amy Gutierrez, New Mexico EnergySmart program manager, MFA, and Troy Cucchiara, green initiatives manager, MFA, gave the committee an overview of the MFA's home energy efficiency program. Ms. Gutierrez said that, on average, low-income households spend about 14% of their income on heating compared to a 3% average for middle-income households. In the 1970s, the U.S. Department of Energy (DOE) started funding home insulation and weatherizing programs. In New Mexico, that initial effort has since grown into a more comprehensive energy and water efficiency approach with multiple funding sources; the DOE, PNM and New Mexico Gas Company are the largest contributors. The program, New Mexico EnergySmart, has twin goals of enhancing cost-savings and safety. However, the waiting list for program assistance greatly exceeds current capacity. DOE regulations allow applicant households to be ranked according to whether they have disabled, children or elderly members. Households with high energy use are also prioritized.

Mr. Cucchiara said that while the program continues to assist with insulation and duct sealing, it also assists in replacing appliances and fixtures. He cited replacement of refrigerators, home heating systems and showerheads as examples. In particular, he noted that many low-income households use space heaters and gas ovens to provide heat. The danger these practices



present requires extra attention to the proper installation and venting of heating systems. He noted that proper venting is also important to reduce the buildup of radon gas.

Ms. Gutierrez said that the New Mexico EnergySmart program has gained a national reputation. Twenty-three other states now use the "Deck of Cards" field guide created by the program, and people are coming from out-of-state to be trained at the New Mexico EnergySmart academy.

Responding to committee questions, the presenters said that while some applicants do request materials for do-it-yourself weatherization and installation, it is not a large part of the program. A significant restriction for this type of assistance is the need for training. Some of the funding sources have strict technical certification requirements. However, applicants can help "buy-down" the costs of repairs such as replacement windows. The buy-down program is not advertised because the waiting lists are so long, and priority is based on the greatest need.

Asked why the waiting lists vary among counties, Ms. Gutierrez said that the two factors that drive funding allocations per county are the number of "cold days" per year and the percentage of people living in poverty.

### **Supportive Housing Update**

Lisa Huval, associate director, New Mexico Coalition to End Homelessness (NMCEH), said her organization includes 70 member entities from around the state. Ms. Huval spoke about New Mexico's participation in the national Zero: 2016 initiative. She said that in 2014 New Mexico was chosen as one of five states to participate in the initiative. The goals of the initiative are to end homelessness of veterans by the end of 2016 and to end chronic homelessness by the end of 2017. Zero: 2016 uses a functional definition of "zero", which means more people are housed each month than become newly homeless. In practice, that means that no one should remain homeless for longer than 30 days. She said the mayors of Albuquerque, Las Cruces and Santa Fe have committed their cities to a parallel "Mayors Challenge to End Veteran Homelessness".

To achieve the goals of Zero: 2016, Ms. Huval cited several transitional housing, rapid re-housing and permanent supportive housing programs currently funded by the U.S. Department of Veterans Affairs (VA) and the HUD. She also noted the permanent supportive housing assistance provided by New Mexico's Linkages program and Albuquerque's Housing First program. She said that a key element required by the HUD for the Zero: 2016 initiative has been the creation of a coordinated assessment system (CAS). The CAS is a database designed to identify households experiencing homelessness, the degree of vulnerability and appropriate available housing resources. Since October 1, 2014, 4,308 households have completed a common assessment and have been entered into the CAS.

At the end of July 2016, 124 homeless veterans are identified in the CAS statewide. Ms. Huval pointed out that the number of newly identified homeless veterans in July was 37, and the

number housed was 34, so the state is approaching the Zero: 2016 functional goal for veterans. She said that the VA is putting more funding into its supportive housing program (known as VASH) to help achieve the Zero: 2016 veteran goal. However, she said that federal funding to achieve the goal to end chronic homelessness has not been at the same level as federal funding for veterans when compared to need. At the end of July, 837 chronically homeless households were in the CAS. In July alone, 104 new homeless households were identified, and 15 were housed.

To meet the challenge posed by chronic homelessness, Ms. Huval said that the NMCEH is seeking \$4.5 million in new funding to expand permanent supportive housing and rapid re-housing programs statewide.

**Recess**

The presentation on the Linkages program was postponed to a future meeting, and the committee recessed at 11:30 a.m. to take a tour of the YES Housing Imperial Building project.

**Adjournment**

Following a tour of the YES Housing Imperial Building project, the committee adjourned at 12:45 p.m. without objection.

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

**October 31, 2016  
New Mexico Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque**

**Monday, October 31**

- 10:00 a.m.           **Call to Order/Introductions**  
—Senator Nancy Rodriguez, Chair
- 10:05 a.m.           **Approval of Minutes**
- 10:10 a.m.       (1)   **[New Mexico Mortgage Finance Authority \(MFA\) 2017 Budget](#)**  
—Gina Hickman, Deputy Director of Finance and Administration, MFA
- 10:45 a.m.       (2)   **[Reports on Bonds Issued, Financing Strategy and Market Update](#)**  
—David Jones, CSG Advisors
- 11:25 a.m.       (3)   **[MFA Strategic Plan: 2016 Accomplishments and 2017 Benchmarks](#)**  
—Gina Hickman, Deputy Director of Finance and Administration, MFA  
—Isidoro "Izzy" Hernandez, Deputy Director of Programs, MFA
- 11:45 a.m.       (4)   **[Cybersecurity](#)**  
—Joseph Navarrete, Information Systems Manager, MFA
- 12:00 noon           **Adjourn**



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

**October 31, 2016  
New Mexico Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque**

The fourth meeting of the 2016 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, at 10:11 a.m. on October 31, 2016 in the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Alonzo Baldonado, Vice Chair  
Sen. Lee S. Cotter  
Rep. Kelly K. Fajardo  
Rep. Roberto "Bobby" J. Gonzales  
Rep. James Roger Madalena  
Sen. Cisco McSorley

**Absent**

Sen. Stuart Ingle

**Advisory Members**

Rep. Bealquin Bill Gomez  
Rep. Jimmie C. Hall  
Sen. Richard C. Martinez  
Sen. Gerald Ortiz y Pino  
Sen. Michael Padilla

Rep. George Dodge, Jr.  
Sen. Bill B. O'Neill  
Sen. Sander Rue

**Staff**

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

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

## **Monday, October 31**

### **Introductory Remarks.**

Jay Czar, executive director, MFA, provided a brief update on housing activities during the past two months. He said that the biannual Housing Summit was attended by approximately 420 participants representing affordable housing providers and lenders and housing advocates around the state. He reported that the Imperial building project in Albuquerque is now fully operational and has a grocery store, restaurant and tap room along with its rental units. The Imperial building project complements the Cuatro project for senior housing that also opened this year in Albuquerque. He also reported that the State Board of Finance has recently approved \$11 million for rehabilitation of the Pasatiempo Senior Center in Santa Fe. This will be the first major reconstruction work at Pasatiempo since it was built in 1973.

A committee member asked about which agencies promulgate and implement the rules for housing eligibility and evictions, particularly with regard to people with criminal records. Isidoro "Izzy" Hernandez, deputy director of programs, MFA, answered that those rules are an amalgamation of the Section 8 housing assistance rules promulgated by the United States Department of Housing and Urban Development (HUD) and the requirements for housing assistance tax credits. The member commented about a need for transitional housing to prevent recidivism and asked if convicted felons are ineligible for housing assistance. After some committee discussion, the MFA was requested to provide some further information about housing policies for people with criminal records at the next meeting.

Mr. Czar also announced that Mr. Hernandez had just retired from the New Mexico National Guard as a colonel after 32 years, and the committee gave him a standing ovation for his service.

### **Approval of Minutes**

Upon a motion by a committee member, and without objection, the minutes of the August 24, 2016 committee meeting were approved.

### **MFA Budget**

Gina Hickman, deputy director of finance and administration, MFA, provided an overview of the MFA budget. As an initial matter, she reminded the committee that the MFA budgets for the federal fiscal year from October 1 through September 30, in contrast to the state fiscal year that runs from July 1 through June 30. Because the MFA fiscal year recently ended, the figures for 2016 are still estimates. She said that the private activity bond cap (PABC) accounts for approximately 72.2% of the estimated \$508 million total budget. Other portions of the MFA budget derive from: federal housing programs (21.1%); MFA Revolving Loan Fund (3.4%); private funding (2.2%); and state funding (1.2%). She said that most of the private funding is provided by Public Service Company of New Mexico, the New Mexico Gas Company and other utilities for the MFA's weatherization program. She said that so far, propane distributors are not part of the weatherization program, but some local electric cooperatives are.

Ms. Hickman said that the MFA annually updates a 10-year snapshot of the affordable housing environment in the state (see the "Production and Financial Highlights" of handout 1a in the committee file). She said that the MFA theme for 2016 had been "program expansion". She indicated that this theme was adopted to take advantage of the unused PABC and historically low interest rates.

Outlining major revenue sources and expenditures for the MFA's operating budget, Ms. Hickman said that 44% of operations are paid for by administrative fees, 28% by interest on loans, 9% from investments, 8% from servicing income and 7% from housing programs. The total operating MFA fund for 2016 was approximately \$16.5 million. Administration costs accounted for just under 90% of the MFA's operating expenditures, with approximately two-thirds of the operating budget being used for salaries and contract services. She noted that the MFA also dedicates 5% of its operating fund to manage the risk of "loan-loss".

Ms. Hickman noted two other aspects of the MFA's 2016 budget: a 2.75% merit pay increase for employees and developing in-house capacity to service loans. Responding to questions from the committee, Ms. Hickman said that the pay increase was based on an analysis of the market but that it is hard to find comparable salary figures given the specialization of the MFA's work. Regarding the new servicing capacity, she said that it would initially save contracting costs and might provide future new revenue if the MFA can contract loan servicing to other agencies. She said that servicing fees are incorporated into loans provided by Fannie Mae or Ginnie Mae for single-family homes. Mr. Czar added that the variability of servicing fees limits the market for service providers. Noting the experience of the North Dakota state bank, Mr. Czar projected that building an in-house MFA loan servicing capability would reduce costs.

A committee member asked about the potential to reduce the servicing fee costs on mortgage payments. Mr. Hernandez said that there is always a cost to servicing a loan, and the question facing the MFA is whether to keep paying that cost to contractors or to develop its own capacity. He projected that the MFA could use future servicing fee costs to expand its services. He also said that the MFA would provide more information to the committee on the cost of loan servicing as part of mortgage payments.

A committee member asked about employee benefits. Ms. Hickman said that most of the MFA's employee benefits involve medical insurance, but that the MFA does match employment retirement account contributions up to 5%. The committee member requested that the MFA provide more detailed information on its employee benefit package.

Committee members asked about the MFA's bond rating and whether it is affected by changes in the state's rating. Ms. Hickman responded that the MFA's bond rating is based on the housing market and not on the state budget. Further, each lender transaction gets a separate rating. She said that because MFA bonds are backed by mortgages, the MFA always gets the highest rating.

A member asked for an explanation of the "negative growth" in asset management depicted in the 10-year snapshot page. Mr. Hernandez acknowledged the problem and said that federal housing assistance programs allow developers to opt out after 15 years. The federal programs receive low interest loans and tax credits on rental facilities if a certain portion of the units is for affordable housing. He said that many developers have chosen to opt out after 15 years and have removed those units from the affordable housing market. However, he said that the MFA and similar agencies in most of the other states started requiring developers to waive the opt-out provision several years ago. He said that since 2002, the MFA has required a 30-year commitment from developers to participate in the housing assistance programs. He said that there are still units that are covered by the old rule, so losses of some affordable housing units could be expected over the next few years.

The committee then turned to questions about the MFA's reserves and financial accountability. Ms. Hickman said that the MFA's audit from 2015 had one minor finding and that the audit for 2016 is in process. She said the audit would be provided to the MFA board in mid-January. She acknowledged that the Office of the State Auditor believes that the MFA keeps a high reserve, and she said that the MFA operates as a private entity, which may account for some of the difference between the MFA and a state agency in this regard. She directed the committee's attention to pages 10 and 11 of her handout regarding the benefits of a reserve and MFA fund balances. Ms. Hickman noted a \$43.2 million Governmental Accounting Standards Board fair market value adjustment listed on page 11. She indicated that this figure is to meet accounting standards but that the adjustment does not represent a liquid asset. Ms. Hickman spoke about a HUD requirement to keep a "loan risk" reserve and the value of a reserve to maintain high bond ratings. A committee member then requested that the MFA provide a summary of its loan loss history.

Asked to compare the MFA's bond rates to its counterparts in other states, Ms. Hickman said that the MFA's rates are equal to other states when using a mortgage-backed method. She said that some states use a "whole loan" method that usually receives a lower rating.

### **Reports on Bonds Issued, Financing Strategy and Market Update**

David Jones, CSG Advisors, provided an overview of national and state market trends for housing finance authorities (HFAs), mortgage rates and bonds (see handout for item 3, "Financing Trends Among HFAs; Implications for MFA" in the committee file).

Mr. Jones said that the MFA creates a weekly comparison of the national and state bond and mortgage rates as a basis to determine bond issuance and asset sales. He also said that the MFA compares 30-year fixed-rate mortgages, 15-year fixed-rate mortgages and 30-year adjustable-rate mortgages in its weekly updates and that the MFA's current "first home" 3.5% loan rate is very competitive. He showed a comparison between municipal rate bonds (MRBs) and treasury bonds and said that MRBs had been less expensive for HFAs, but that trend had reversed. Now, the cost of MRBs is always higher than for 10-year treasury bonds.



Turning to single-family home financing, Mr. Jones noted a trend for HFAs to move from traditional mortgage-backed securities to "to be announced" (TBA) mortgage-backed security futures markets. He showed how the MFA's new loan production had grown from approximately \$100 million in 2013 to approximately \$200 million in 2016. In that time frame, the percentage of funding from TBAs and traditional bond funding has flipped. In 2013, TBA funding accounted for just under one-fourth of the MFA's loan funding, but in 2016, TBAs accounted for approximately three-fourths of new loan funding for single-family homes (see graph on page 7 of Mr. Jones' handout). He said that the MFA is now refinancing bonds to lock in lower rates and it is having success with monthly pass-through bond sales to generate revenue. Maintaining a mixture of these bond structures, Mr. Jones said that the MFA is receiving strong bond ratings with an AA- rating from Standard and Poor's and an Aaa rating from Moody's.

Concluding his remarks, Mr. Jones said that servicing loans is hard for HFAs. He noted that some state HFAs, like Tennessee's, service their own loans and that Idaho's HFA sells services to others.

Asked to expand on the use of TBAs versus traditional bonds, Mr. Jones said that TBAs are used to hedge interest rate risks. He said that there is a three-month lag between when a loan is made and the bond sales to support the loan. A TBA is used to lock in the interest rate on the bond.

Asked about how MFA programs leverage other funding, Mr. Czar said that the MFA would be seeking \$5 million through the state's infrastructure capital improvement plan process for its housing trust fund. He said that this program leverages \$20.00 in other funding for every \$1.00 in state funding. He also said that the MFA does have a down-payment assistance program for purchasing a second home but that it has a higher interest rate.

### **MFA Strategic Plan: 2016 Accomplishments and 2017 Benchmarks**

Ms. Hickman and Mr. Hernandez told the committee that the MFA develops a strategic plan every three years (see handout item 3a "2015-2017 Strategic Plan") with a yearly benchmark analysis (for 2016, see handout item 3b "MFA Strategic Plan Dashboard — Q4"). The MFA's mission is to assist New Mexico residents in acquiring quality affordable housing by expanding rental and homeownership opportunities.

Mr. Hernandez walked the committee through some of the benchmarks that the MFA uses to examine its performance, including measures to maintain its financial stability, employee satisfaction and improvement; the development of new resources; and the creation of effective partnerships. He highlighted the hiring of a compliance officer to keep track of the requirements for different funding sources; development of new relationships with El Paso Electric Company and rural electric cooperatives for the MFA's weatherization program; and outreach efforts with the regional housing authorities to hold five regional meetings around the state.

Mr. Hernandez said that 2016 was a banner year for housing loans. The MFA's target was to issue 1,250 loans, but it actually issued 2,000. Further, he said the state added 480 rental units in 2016.

The committee then entered into a discussion about pre-foreclosure counseling and assistance for communities that suddenly lose a large employer. Mr. Hernandez said that he does not know whether a counseling program run by the Office of the Attorney General had an outreach component or if it required individuals to seek it out. He said that he would find out and provide that information to the committee.

### **Cybersecurity**

Joseph Navarette, information systems manager, MFA, presented on the trends in cybersecurity. He noted that major companies will regularly alert customers to known vulnerabilities in their software, and he highlighted the following four areas of growing security concern.

1) More and more information is stored in the cloud. Mr. Navarette said that is critical for organizations to ensure that they have oversight and control the information that they store in this fashion.

2) Ransomware is a growing threat. In a ransomware case, someone gets into a system and encrypts the information stored there. When the user accesses that system, a page pops up demanding payment or the information will be locked down. Mr. Navarette said that typically the ransom is for limited amounts, and the Federal Bureau of Investigation is recommending that victims pay the ransom. However, there is no way to determine if that information is secure afterward. He cited an example where a hospital did pay the ransom because the information was time-critical for its patients. He also said that the MFA was hit with ransomware in 2015. The MFA was able to avoid paying ransom because it had its information backed up every night.

3) Spear-phishing requests. Mr. Navarette said that these can come in the form of announcements such as "You Have Won \$1 Million!" or messages with titles such as "Dear Client". He said that a typical spear-phishing attack tries to get the user to send back specific information or to get the user to click on an embedded link. While a link can be designed to look like a link to anywhere, he said that a telltale sign is to hover the user's mouse over the link and see if it shows a different address with "redirect" included in it.

4) The internet of things (IOT). The IOT references the growing use of cars and appliances that have accessible computers in them. Many companies have not realized the need for proper security for these devices, so many are vulnerable to being hacked.

To address these potential threats, Mr. Navarette said that the MFA had completed a vulnerability scan and a penetration test in August, is implementing disk and email encryption and is updating its virus scanning software.

**Adjournment**

Without objection, the meeting adjourned at 12:18 p.m.



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

**November 10, 2016  
New Mexico Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque**

**Thursday, November 10**

- 10:00 a.m.        **Call to Order and Introductions**  
—Senator Nancy Rodriguez, Chair
- 10:05 a.m.        **Approval of Minutes**
- 10:10 a.m.        **Introductory Remarks**  
—Jay Czar, Executive Director, New Mexico Mortgage Finance Authority  
(MFA)
- 10:15 a.m.        (1) **[MFA 2017 Legislative Agenda: Special Presentations](#)**  
—Monica Abeita, Senior Policy and Programs Advisor, MFA
- **Regional Housing Authorities**  
—Isidoro "Izzy" Hernandez, Deputy Director of Programs, MFA  
—Chris Herbert, Executive Director, Eastern Regional Housing  
  Authority
  - **Affordable Housing Act**  
—Isidoro "Izzy" Hernandez, Deputy Director of Programs, MFA  
—Debi Lee, Village Manager, Village of Ruidoso
- 10:55 a.m.        (2) **[Final Review of Bills](#)**  
—Jay Czar, Executive Director, MFA  
—Mark Edwards, Drafter, Legislative Council Service
- 11:15 a.m.        (3) **[Statewide Housing Needs](#)**  
—Monica Abeita, Senior Policy and Program Advisor, MFA
- 11:45 a.m.        (4) **[Housing Persons with Criminal Histories](#)**  
—Isidoro "Izzy" Hernandez, Deputy Director of Programs, MFA  
—Jacob Martinez, Director of Asset Management, MFA
- 12:00 noon        **Adjourn**



**UNAPPROVED MINUTES  
of the  
FIFTH MEETING OF THE 2016 INTERIM  
of the  
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**November 10, 2016  
New Mexico Mortgage Finance Authority Office  
344 Fourth St. SW  
Albuquerque**

The fifth and final meeting of the 2016 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, on Thursday, November 10, 2016, at 10:16 a.m. in the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

**Present**

Sen. Nancy Rodriguez, Chair  
Rep. Alonzo Baldonado, Vice Chair  
Sen. Lee S. Cotter  
Rep. Kelly K. Fajardo  
Rep. Roberto "Bobby" J. Gonzales  
Sen. Stuart Ingle  
Rep. James Roger Madalena  
Sen. Cisco McSorley

**Absent**

**Advisory Members**

Rep. Bealquin Bill Gomez  
Sen. Richard C. Martinez  
Sen. Gerald Ortiz y Pino  
Sen. Michael Padilla

Rep. George Dodge, Jr.  
Rep. Jimmie C. Hall  
Sen. Bill B. O'Neill  
Sen. Sander Rue

**Staff**

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

**Minutes Approval**

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

**Guests**

The guest list is in the meeting file.

**Handouts**

Handouts and other written testimony are in the meeting file.

## **Thursday, November 10**

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

### **Approval of Minutes**

Upon a motion duly made and seconded, the minutes of the October 16, 2016 meeting were approved as submitted.

### **Welcome**

Jay Czar, executive director, MFA, welcomed members, staff and guests. He reminded committee members that the meeting was being streamed live and that the microphones were extremely sensitive and to be careful about side conversations while the microphones were on.

### **MFA 2017 Legislative Agenda: Special Presentations**

#### ***Regional Housing Authorities (RHAs)***

Monica Abeita, senior policy and programs advisor, MFA, introduced Isidoro "Izzy" Hernandez, deputy director of programs, MFA, and Chris Herbert, executive director, Eastern RHA, to provide the committee with information about the RHAs. Mr. Hernandez directed committee members' attention to the maps on page 2 of the handouts accompanying the presentation. He pointed out that, currently, New Mexico has three RHAs, including the northern region, which covers San Juan, Rio Arriba, Taos, Colfax, Mora, San Miguel, McKinley, Cibola, Sandoval and Los Alamos counties; the eastern region, which includes Union, Harding, Quay, Curry, Roosevelt, Lea, Chaves, Otero, Eddy, Lincoln, DeBaca and Guadalupe counties; and the western region, which includes Catron, Grant, Hidalgo, Luna, Sierra, Socorro, Valencia and Torrance counties. He explained that Santa Fe, Bernalillo and Doña Ana counties, all with highly populated urban areas, have their own RHAs.

Mr. Hernandez explained the MFA's oversight responsibilities according to the Mortgage Finance Authority Act, Section 58-18-1 NMSA 1978, et seq., related to RHAs include the following:

- reviewing annual authority audits;
- reviewing both operational and financial authorities' annual reports;
- approving contracts of more than \$100,000;
- approving all transfers, sales or liquidation of assets of more than \$100,000; and
- approving RHA boards of commissioners, executive directors and bylaws.

Mr. Hernandez also noted that the MFA provides RHAs with substantial training, technical assistance and capacity building, including:

- assisting with transfers;
- conducting peer exchange meetings;



- conducting on-site monitoring visits;
- providing access to the biennial MFA Housing Summit in Albuquerque;
- providing and helping to fund training; and
- assisting with product development.

Mr. Herbert explained to the committee the importance of RHAs, noting that they help fill gaps in housing services in rural areas. He said that RHAs also traditionally administer public housing programs, as well as Section 8 vouchers. He noted that RHAs are currently expanding their activities to offer other affordable housing programs, many in conjunction with the MFA. In addition, RHAs are able to achieve economies of scale by actively consolidating with small public housing authorities that may be experiencing decreased funding or troubled or substandard status.

Mr. Herbert provided the committee with some summary data and recent accomplishments relating to the three New Mexico RHAs and local public housing authorities. Regarding the Eastern RHA, he noted that the authority includes a consolidation of the former Eunice, Vaughn and Covington authorities and the public housing authorities in Alamogordo, Artesia, Clayton, Clovis, Fort Sumner and Tucumcari, and it administers low-rent units and Section 8 vouchers. He noted that the Eastern RHA reports no public housing authorities that are labeled "troubled" or "substandard". The Eastern RHA's accomplishments include a commitment for the Eunice 16 Governor's Innovation in Housing Revolving Loan Fund. He also noted that the region has been cited for high performance in its Section 8 management system and its "Linkages" program.

Mr. Herbert noted that the Western RHA includes Bayard, El Camino Real, Lordsburg, Santa Clara and Truth or Consequences. In terms of accomplishments, he noted the execution of a memorandum of understanding between the Western RHA and the El Camino Real authority on skill-sharing. The Western RHA has also been recognized as a high performer in its Section 8 management system and its Linkages and rental assistance programs. The Western RHA has had no consolidations to date.

The Northern RHA includes the public housing authorities of Chama, Gallup, Las Vegas, Maxwell, Pecos, Raton, San Juan, San Miguel, Springer and Wagon Mound. The Northern RHA has recently consolidated with Cimarron and is negotiating with three troubled housing authorities in the region: Cuba, Grants and Rio Arriba. The Northern RHA has recently hired an executive director and other new staff, established new procedures and effected the successful transfer of the Cimarron housing authority to the Northern RHA.

### ***Affordable Housing Act***

Mr. Hernandez explained that Constitutional Amendment 4, approved by voters in 2006, amended Article 2, Section 20 of the Constitution of New Mexico to exempt affordable housing from the Anti-Donation Clause of the constitution. After passage of this amendment, the legislature enacted the Affordable Housing Act (Chapter 6, Article 27 NMSA 1978). The act requires that the MFA oversee the program and makes the State of New Mexico and New Mexico

counties, municipalities and school districts eligible donors. Eligible donations include the following:

- land for affordable housing construction;
- an existing building or conversion or renovation into affordable housing;
- the costs of infrastructure necessary to support affordable housing projects; and
- the cost of acquisition, development, construction, financing, operating or owning affordable housing.

Directing members' attention to the tables behind Tab 1 in the meeting booklets, Mr. Hernandez pointed out that as of June 2016, a total of 38 eligible entities (municipalities and counties) have established 32 ordinances and 37 plans to meet requirements of the Affordable Housing Act. He also pointed out that 11 communities have provided more than \$43 million in contributions.

Mr. Hernandez introduced Debi Lee, village manager, Village of Ruidoso, to provide information on the establishment of an affordable housing program in the Ruidoso community. Ms. Lee stressed the importance of leadership in establishing and implementing any type of community program. Ruidoso community leaders recognized a need for affordable housing in the village because Ruidoso is a resort. With 89 percent of persons employed in the village unable to afford housing, she said, a group of community leaders recognized the need for affordable housing for people such as teachers, principals, police, firefighters, village employees and retail workers.

Ms. Lee said that the group's first step was to get in touch with the MFA to identify procedures for participation in affordable housing programs. She explained that both the Mortgage Finance Authority Act and the Affordable Housing Act identify procedures required for local government participation, including development of an affordable housing plan. The MFA provided a \$20,000 grant, matched by \$20,000 in village general fund dollars to pay for development of the housing plan. Using a request-for-proposals process, the village hired Sites Southwest, a community planning firm, to develop the plan, which the village council approved in July 2015 after eight months of collaboration with the village internal housing review team. Ms. Lee noted that the community is grateful to the MFA for providing technical assistance, for participating in the planning meetings and for providing a review of the draft version of the plan.

Ms. Lee explained that the 10-year goals of the approved affordable housing plan include 220 units owned by individual residents, 305 rental units, 25 units for senior independent living, 15 units for senior assisted living, 20 to 50 housing rehabilitation units, 25 transitional housing units and emergency services for 20 families annually. She said that some policy and program recommendations for implementing the affordable housing program include:

- amending existing village ordinances, for example, to reduce minimum lot sizes for family houses and allow accessory units on single-family lots;

- making code enforcement more flexible by adopting a building maintenance code to improve long-term rental conditions and revising the short-term rental ordinance;
- streamlining certain processes by allowing administrative approval of small projects and shortening the time between planning and zoning approval and hearings for council approval;
- providing village support for development projects that meet affordable housing goals, such as providing village assistance with infrastructure costs, reducing certain fees or providing waivers and acquiring a land bank of attractively priced lots for scattered site housing; and
- leveraging resource opportunities through the MFA and the U.S. Department of Agriculture.

Ms. Lee said that the village has faced and continues to face a number of challenges in establishing and implementing its affordable housing plan. She noted that because Ruidoso is a resort community, 69 percent of existing housing is not occupied full time, and affordable housing is used for vacation housing, making available housing and apartments scarce. She said the village allows property owners to have short-term rentals in residential districts, which, she added, is "great for tourism and great for the property owner but not so great for people trying to find long-term rental housing". In addition, she noted, because of the steep topography, land is difficult and expensive to develop, making site-development costs out of the range for affordable housing.

She explained that the village has established a housing trust fund to make funds available for affordable housing. She explained that the trust was established with the proceeds from the sale of a large, village-owned tract of land to a housing developer that has agreed to build a certain number of affordable houses with a price tag of \$200,000 or less. She also noted the benefits of collaboration among local Realtors and contractors, the village council, the local school district, the chamber of commerce and the Lincoln County Medical Center.

Ms. Lee summed up her presentation by explaining that affordable housing makes economic sense. Among the benefits, she said, is that affordable housing:

- strengthens local workforce availability;
- supports teachers, nurses, law enforcement and firefighters;
- increases receipts from property taxes and gross receipts taxes;
- stimulates the residential construction industry;
- uses and leverages available federal and state grants and programs;
- helps increase enrollment in public schools; and
- improves the community's quality of life.

She concluded by thanking committee members for their continued legislative funding of the MFA.

Senator Rodriguez and committee members complimented Ms. Lee and the other presenters and expressed concern about the lack of funding for the upcoming session, the budget and appropriations for fiscal year 2018.

### **Final Review of Bills**

Senator Rodriguez called on Mr. Czar and Mr. Edwards to present bill drafts for potential committee endorsement for the 2017 legislative session. Mr. Czar explained that because of the state's dire financial straits, the agency was asking for only two appropriations to provide funding for statutorily required oversight.

The first, a \$300,000 General Fund, nonreverting appropriation, would provide funding for the MFA's oversight of the RHAs. He noted that in 2009, the MFA was statutorily mandated to restructure and oversee the state's RHAs because of evidence of fraud and waste within seven RHAs. After enactment of the legislation, the MFA consolidated the seven RHAs into three and began providing training, technical assistance and auditing on a consistent, sustained basis. Committee members discussed that the RHAs are the primary housing service providers in rural areas and will become increasingly important as smaller local authorities close because of budget cuts.

Mr. Czar explained that as a self-supporting entity, the MFA is requesting that funding for oversight of RHAs be recurring. He said that if funding is not approved, the MFA will propose amending the Regional Housing Authority Act so that these responsibilities are transferred to the Department of Finance and Administration (DFA) because the DFA receives annual operating funds in the general appropriation act. On a motion by Representative Gonzales, seconded by Representative Fajardo, the committee agreed to endorse this appropriation bill without objection. Also without objection, the committee agreed that Senate President Pro Tempore Mary Kay Papen will sponsor the bill.

The second bill, a \$250,000 General Fund, nonreverting appropriation, would provide funding for the MFA's oversight of Affordable Housing Act implementation. Mr. Czar noted that the Affordable Housing Act, enacted in 2004, charged the MFA with adopting rules to oversee the act, as well as overseeing implementation of the act.

Committee members discussed the fact that the previous presentation on the Ruidoso affordable housing program was a good example of the importance of the act. Mr. Czar added that the MFA has never received an appropriation to accomplish its oversight duties, and he is requesting that an appropriation become a recurring appropriation. Again, he noted that he would request that the DFA be tasked with Affordable Housing Act oversight. On a motion by Representative Baldonado, seconded by Representative Fajardo, the committee agreed to endorse this bill without objection. Also without objection, the committee designated Senator Ingle as the bill's sponsor.

## **Statewide Housing Needs**

Ms. Abeita directed committee members' attention to information behind Tab 3 in the meeting notebooks. She reminded members that the MFA and its partners, including Realtors, lenders, developers, property owners and various service providers, provide financing for affordable housing for low-to-moderate-income people. She explained that the federal Department of Housing and Urban Development (HUD) sets income limits for the use of its funding based on the area median income (AMI). She said that HUD income limits can vary by program, county and family size. Using data from Bernalillo County, she noted that at 100 percent, the county's residents would have an AMI of \$48,390. She explained that households with AMIs of 30 percent to 60 percent would be considered "extremely to very low income" households, and those with AMIs of 70 percent to 120 percent would be considered "market rate" renters, first-time homebuyers or step-up homebuyers. She said that HUD defines housing as affordable if a household pays 30 percent or less of its income for rent and utilities.

Ms. Abeita explained that the MFA is beginning a new three-year strategic planning process in 2017 that will cover fiscal years 2018 through 2020. To guide the strategic plan, she said that the MFA is working to synthesize various data types and sources into a meaningful set of indicators for the state and each of the state's 33 counties.

In response to committee members' comments and questions, Ms. Abeita explained that relevant data for affordable housing would include demographics, income, employment, economic trends, homeownership rates, growth rates, building permits, home sales and home sales prices, rents, foreclosures, age and type of housing stock, housing vacancy rates and social services. In terms of existing data sources, she said that national studies estimate affordable housing needs in states or metropolitan areas and include such examples as the "2016 Gap Report" from the National Low-Income Housing Coalition, which indicates that New Mexico needs nearly 45,000 units priced under 30 percent AMI, and a 2016 Center for Supportive Housing analysis, which indicates that New Mexico needs nearly 10,000 supportive housing units for various populations. Also, she said, a number of local governments have affordable housing plans that quantify their respective housing needs, as well as market studies for specific housing projects.

Specifically, Ms. Abeita said that New Mexico's urban centers, including Albuquerque, Rio Rancho, Las Cruces, Santa Fe, the Farmington area and Valencia County, need to and can absorb new housing to deal with low employment and low vacancy rates. She said that regional hubs, such as Hobbs, Roswell, Carlsbad, Clovis, Gallup and Alamogordo, are mostly growing cities that serve as the economic base for a large region. She said that these regional hubs need affordable housing to address growth and to repair and replace older housing stock.

Ms. Abeita said that rural hubs, such as Los Alamos, Española, Deming, Taos, Las Vegas, Grants, Socorro, Ruidoso and Silver City, are growing slowly or losing population but provide an economic base to stabilize and revitalize rural areas. As a result, they have varying degrees of new housing and rehabilitation needs. Rural communities, such as the Truth or Consequences-

Elephant Butte area, are also losing population but are generally well-located along the state's two interstate highways. She said their primary needs include aging housing rehabilitation and housing for aging seniors. She said that extremely rural counties, such as Mora, Union, Hidalgo, Catron, DeBaca and Harding, have populations under 5,000, and they are losing population and have limited potential for growth. She said that the housing stock in these areas is really old and needs the most assistance. These rural counties need funding for rehabilitation of housing stock and seniors.

In addition to population growth, she explained, old and poor housing stock, growing senior needs, affordability issues and unique market conditions create demand for new affordable housing. She said that the MFA will include gap analyses in its next three-year strategic plan. The MFA has already identified gaps in resources for transitional housing for families earning less than 30 percent of the AMI; rental financing that is geared toward small, mixed-income and mixed-use developments, rehabilitation funding for service providers in some parts of the state and down-payment assistance for single-family housing starts.

Committee members discussed the importance and economic impact of 2015 MFA affordable housing production, including an economic impact of \$33.5 million through nearly 1,500 single-family mortgages; 112 jobs generating \$7.5 million in local income and \$706,543 in government revenue as a result of the direct and indirect impact of construction activity for 100 affordable housing units; 678 jobs, with \$45 million in local income and \$4.3 million in governmental revenue as a result of the direct and indirect impact of construction activity for 100 multifamily units; and 30 jobs as a result of \$10 million spent on residential remodeling for rehabilitation and weatherization, resulting in \$3.3 million in local income and \$206,000 in government revenue.

### **Housing Persons with Criminal Histories**

Mr. Hernandez introduced Jacobo Martinez, director of asset management, MFA, to discuss the ability of people with criminal histories to use available affordable housing. Mr. Martinez reminded committee members that the federal Fair Housing Act established protection against discrimination in housing based on race, color, religion, sex, national origin, disability or family status (42 U.S.C. 3631). While persons with criminal records are not a protected class under that act, the HUD determined that criminal history-based barriers to housing have a statistically disproportionate impact on minorities, which are a protected class under the act. As such, creating arbitrary or blanket criminal history-based policies or restrictions could violate the act's provisions. In other words, the HUD's guidance does not preclude housing providers from crafting criminal history-based policies or practices, but it does make evident that housing providers should create thoughtful policies regarding, for example, resident safety or protection of property.

Mr. Martinez directed committee members' attention to information behind Tab 3 in the meeting notebooks that provides a listing of "dos" and "dont's" relating to establishing criteria for screening potential renters or buyers of properties. In terms of tenant selection for Section 8

programs, he said, owners may establish tenant selection plans that prohibit admission if the owner determines that any household member is currently engaging in, or has engaged in, drug-related criminal activity, violent criminal activity or other criminal activity that threatens the health, safety and right to peaceful enjoyment of the property by other residents or that threatens the health and safety of the owners, employees, contractors, subcontractors or agents of the owners.

**Adjournment**

There being no further business, the committee adjourned at 12:02 p.m.





## ENDORSED LEGISLATION



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SENATE BILL

**53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017**

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 2018 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

**53RD LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2017**

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.--Three hundred thousand dollars (\$300,000) is appropriated from the general fund to the department of finance and administration for expenditure in fiscal year 2018 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.

.205084.1SA







LEGISLATIVE COUNCIL SERVICE  
SANTA FE, NEW MEXICO