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FISCAL IMPACT REPORT



SPONSOR: Romero DATE TYPED: 02/04/02 HB _____

SHORT TITLE: MFA Study of State Housing Trust Fund SB SJM 15/aSRC

ANALYST: Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY02	FY03	FY02	FY03		
	NFI				

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Relates to Appropriation in The General Appropriation Act

Relates to HJM 42

SOURCES OF INFORMATION

New Mexico Mortgage Finance Authority (MFA)
LFC Files

SUMMARY

Synopsis of SRC Amendment

Senate Rules Committee amendment Items 1 and 2 clarify that MFA administers federal and state grants on behalf of the state and makes loans from various funding sources.

Synopsis of Original Bill

Senate Joint Memorial 15 requests the New Mexico Mortgage Finance Authority (MFA) to study the feasibility of establishing a state housing trust fund.

Significant Issues

Senate Joint Memorial 15 states a concern of the limited revenue stream into the Land Title Trust Fund and the restrictions on the use of the fund reducing its flexibility. Senate Joint Memorial 15 requests that the MFA study the feasibility of creating a state housing trust fund to include the following: 1) potential sources of revenue for the fund; 2) administration for the fund; and 3) eligible

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uses of the fund. The Joint Memorial requests that the MFA report its findings and recommendations to the First Session of the Forty-Sixth Legislature.

The 1999 Legislature consolidated the Low-Income Housing Trust Fund Act and the Land Title Trust Fund Act currently administered by the New Mexico Mortgage Finance Authority (MFA). Previous to consolidation, the Low-income Housing Trust Fund Act mandated that real estate brokers participate, but the act did not provide a vehicle for allocating the funds. The Land Title Trust Fund Act allowed for voluntary participation by title companies and had an advisory committee recommend projects for funding by the MFA. Both acts provided funding for low income housing in New Mexico by pooling the interest on escrow accounts and passing it on to the respective funds. The consolidation of the two acts allows real estate brokers' participation to be voluntary rather than mandatory and joined the two funds under the Land Title Trust Fund Act. However, the legislation has had a disappointing effect—only Albuquerque, Santa Fe and Las Cruces title companies are participating at meaningful levels. As of January 8, 2002, the fund held a total of \$418.0 available for awards for low-income housing projects.

The Land Title Trust Fund Act (Chapter 58, Article 28, NMSA 1978) restricts the use of funds and eligible activities to the following: “Money from the fund and other sources may be used to finance in whole or in part any loans or grant project that will provide housing for low-income persons and for other uses specified in this section. Money deposited into the fund may be used annually as follows:

1. No more than seven percent of the fund shall be used for expenses of administering the fund;
2. No less than twenty percent of the fund shall be invested in a permanent capital fund, the interest on which may be used for purposes specified in this section;
3. No less than fifty percent of the fund shall be allocated to eligible organizations to make housing more accessible to low-income persons; and
4. The remaining balance may be allocated to eligible organizations for other housing-related programs for the benefit of the public as specifically approved by the trustee from time to time.”

FISCAL IMPLICATIONS

Senate Joint Memorial 15 does not impact the General Fund. However, there may be a minimal impact to the MFA in carrying out the request of the Joint Memorial.

ADMINISTRATIVE IMPLICATIONS

Senate Joint Memorial 15 would have short-term administrative implications on MFA. According to MFA, no additional FTE's would be hired to assist in conducting the study.

RELATIONSHIP

House Joint Memorial 42 requests that the Local Government Division of the Department of Finance and Administration, the New Mexico Finance Authority (NMFA) and the Economic Development Department create an infrastructure group to develop a plan for affordable housing in New Mexico.

TECHNICAL ISSUES

The MFA administers federal and state funding grants on behalf of the state, and makes loans from various funding sources, including: mortgage revenue bonds, federal programs dollars and the Land Title Trust Fund. The MFA cannot make grants using its own funds. The MFA suggests the

following amendment: “On page 1, line 21, delete the word “make” and insert the word “administer”; on page 1, line 21, delete the word “or” and insert the words “and make”.”

OTHER SUBSTANTIVE ISSUES

According to MFA, any housing trust fund must designate a portion of the fund for investment and growth purposes, as well as to pay for administrative costs. Since the Land Title Trust Fund’s inception, MFA has utilized less than half of the allowable seven percent on administrative expenses, thereby enabling the fund to grow at a greater rate. The MFA does not advocate a less restrictive housing funding source, but supports a funding source with a larger dedicated income stream.

LMK/ar/njw