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## FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 02/24/03 HB 222/aHCPAC

SHORT TITLE: Statewide Housing Rehabilitation Loans SB \_\_\_\_\_

ANALYST: Gilbert

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
	\$2,500.0			Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Response Received From

New Mexico Mortgage Finance Authority (NMMFA)

### SUMMARY

Synopsis of HCPAC Amendment

The House Consumer and Public Affairs Committee amendment to House Bill 222 makes a technical correction to clarify that the appropriation in this bill is to be used to contract with the New Mexico Mortgage Finance Authority for a housing rehabilitation loan program.

Synopsis of Original Bill

House Bill 222 appropriates \$2.5 million to the Department of Finance and Administration to implement a housing rehabilitation loan program for persons of low or moderate income. The New Mexico Mortgage Finance Authority (NMMFA) will administer this program on a contractual basis.

Significant Issues

According to this bill, the NMMFA is responsible for establishing a housing rehabilitation loan program to rehabilitate substandard housing, creating of a revolving loan fund to make loans to eligible persons, and to receiving repayment of those loans. The NMMFA shall also promulgate

rules for the implementation and administration of this program.

### **FISCAL IMPLICATIONS**

The appropriation of \$2,500.0 contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of fiscal year 2004 shall revert to the general fund.

According to the NMMFA, a substantial amount of the loan fund (excluding allocations for administrative costs and estimated loan defaults of 10%) would be permanent.

### **ADMINISTRATIVE IMPLICATIONS**

The NMMFA will combine the administrative details of this program with current rehabilitation loan programs to minimize the administrative overhead associated with implementing HB 222.

### **OTHER SUBSTANTIVE ISSUES**

The NMMFA states that there is a great need for assistance to eligible persons in need of housing rehabilitation funds. A grant program would be inefficient, as it would not assign responsibility to the recipients and would cause a permanent financial burden to the state.

According to the NMMFA, the housing stock available to many low and moderate-income persons is continuing to deteriorate. This development will devalue the affected properties, thus causing a negative effect on property taxes and, in certain cases, cause property to become un-repairable.

RLG/njw:yr