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FISCAL IMPACT REPORT

SPONSOR Robinson DATE TYPED 02/18/05 HB _____

SHORT TITLE Home Loan Protection Act Exemptions SB 913

ANALYST Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
NFI				NFI	NFI

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

Senate Bill 913 proposes to enact a new section of the Home Loan Protection Act to exempt certain types of home mortgage loans from provisions of the Act.

Significant Issues

Senate Bill 913 exempts the following types of home loans from the Home Loan Protection Act:

- loans acquired by a national or state-chartered bank, savings association or credit union;
- loans that can be purchased by the federal national mortgage association, the federal home loan mortgage association or the federal home loan bank;
- loans insured by the United States Department of Housing and Urban Development;
- loans guaranteed by the United States Department of Veterans Affairs;
- loans made or guaranteed by the United States Department of Agriculture Rural Housing Service; or

- loans with a principal that exceeds the conforming loan size limit for a single-family dwelling as established by the Federal National Mortgage Association.

The proposed exemptions proposed in Senate Bill 913 represent the majority of mortgage loans originated in New Mexico every year. If enacted, it appears the provisions of the Home Loan Protection Act would apply only to non-conforming loans that do not exceed the conforming loan limit, commonly known as “jumbo” loans, and are not acquired by a national or state-chartered bank, savings association, or credit union.

OTHER SUBSTANTIVE ISSUES

According to the New Mexico Mortgage Finance authority, “supporters of the Home Loan Protection Act (HLP) contend it provides comprehensive consumer protection that controls sub-prime lending practices that victimize low-income, minority and elderly borrowers. While sub-prime loans have a legitimate place in the lending market, HLP supporters argue that too often these loans contain abusive loan products and exorbitant fees financed into the loan that already has higher interest rates. HLP opponents point to research similar to that conducted by Robert E. Litan, Director of the Brookings Institution’s Economic Studies Program. Litan states that while the motivation behind added legislation aimed at predatory lending is understandable and commendable, virtually all of the practices complained of are already against federal law. Furthermore, federal law contains numerous disclosure requirements relating to mortgage loans generally, and especially high-cost loans. Litan warns that additional statutory measures at the state and local level at this point run a significant risk of unintentionally cutting off the flow of funds to creditworthy borrowers.”

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