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FISCAL IMPACT REPORT

SPONSOR Cervantes DATE TYPED 3/4/05 HB 994

SHORT TITLE Home Loan Protection Act Definitions SB _____

ANALYST Kehoe

APPROPRIATION

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

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

House Bill 994 revises certain definitions and amends certain provisions within the Home Loan Protection Act.

Significant Issues

House Bill 994 revises the definition of “bridge loan” to mean: 1) a loan with a term not exceeding eighteen months made to a borrower pending the sale of the borrower’s principal dwelling; or 2) a temporary loan made to a borrower and secured by the borrower’s principal dwelling pending the borrower’s obtaining permanent financing for that principal dwelling. Current law defines a “bridge loan” to mean a loan for the initial construction of a borrower’s principal dwelling on land owned by the borrower with a maturity of less than eighteen months that only requires the payment of interest until the entire unpaid balance is due and payable. The revision merely clarifies the distinction between a “bridge loan” and a “construction loan.”

It appears all the proposed revisions are technical clean-up and are consistent with the definitions and terms of the federal Truth in Lending Act.

OTHER SUBSTANTIVE ISSUES

According to the New Mexico Mortgage Finance Authority, the lending community would look favorable upon this bill because the revised definitions give clarity to the terms “bridge loan” and “construction loan.”

LMK/yr