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FISCAL IMPACT REPORT

ORIGINAL DATE 2/7/07

SPONSOR Griego LAST UPDATED _____ HB _____

SHORT TITLE Residential Home Loan Programs SB 810

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	\$2,000.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

Senate Bill 810 appropriates \$2 million from the general fund to Department of Finance and Administration (DFA) for disbursement to MFA for expenditure in FY08 to offer home loans at below-market interest rates and down-payment assistance to teachers, public safety workers, health care workers and active members of the military.

FISCAL IMPLICATIONS

The appropriation of \$2 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY08 shall revert to the general fund.

SIGNIFICANT ISSUES

The appropriation in SB 810 would be spent in conjunction with MFA's existing HERO program; Home Equity with Required Occupation. According to MFA the HERO program is designed exclusively for households in which at least one member is a police officer, nurse,

teacher, firefighter, or active member of the armed services. HERO combines below-market rate first and second mortgage products for the purchase of a home including down payment and closing costs.

According to MFA a study published by the Center for Housing Policy the average income in 2006 which is needed to qualify for a median priced home (\$205,000) in Albuquerque is \$70,226. The same study shows that individuals eligible for the HERO program earn less than \$70,226.

Elementary school teacher	\$45,933
Secondary school teacher	\$47,894
Police officer	\$44,641
Fire fighter	\$36,877
Nursing aide	\$24,130
Nurse (LPN)	\$36,204
Nurse (Registered)	\$57,183

Although the study is based on information pertaining to the Albuquerque area, MFA points out that through its experience - housing is unaffordable to essential workers in communities throughout the state.

Should the state appropriate \$2 million it will leverage \$30 million in mortgage loans and provide down payment assistance for 200 families, reports MFA. The reduced interest rate and down payment assistance HERO provides will enable the average HERO borrower to save approximately \$100 a month on his/her mortgage payment.

PERFORMANCE IMPLICATIONS

MFA depends on a timely disbursement from DFA to have the ability to buy down interest rates. According to SB 810 unexpended or unencumbered funds will revert at the end of FY08; in the best interests of the program funds should be disbursed to MFA in one lump sum.

JL/nt