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FISCAL IMPACT REPORT

ORIGINAL DATE 1/23/08

SPONSOR Lundstrom LAST UPDATED _____ HB 21

SHORT TITLE Home Loan Protection Act SB _____

ANALYST C. Sanchez

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Amends the Home Loan Protection Act – Chapter 58, Article 21A-2 NMSA 1978

SOURCES OF INFORMATION

LFC Files

Responses Received From

Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of Bill

This bill amends and updates the Home Loan Protection Act. The Bill recognizes several new forms of abusive home lending practices that have recently emerged both locally and nationally. These new forms of abusive lending practices have resulted in unacceptable rates of home mortgage delinquencies and foreclosures that displace borrowers and their families. The bill adds new definitions for “adjustable rate home loan” and “variable interest rate”. The bill identifies and includes new abusive and predatory lending practices in section 58-21A-4 of the Home Loan Protection Act to include the following: (1) making loans without proper documentation; (2) making a home loan without documentation and considering the borrower’s income, credit history and assessed ability to repay the home loan according to its terms over the entire term of the loan; (3) making a home loan primarily based upon the foreclosure or liquidation value of the borrowers collateral home; (4) making a home loan where the monthly payment amount including principal, interest, taxes and insurance along with all other borrower scheduled monthly debt payments exceeds fifty (50) percent of the borrowers gross income; (5) making a loan where the borrower is required to pay only interest in the outstanding principle of the home loan or where the required payments over the stated term of the loan are not sufficient to completely amortize the loan within it’s term; (6) making an adjustable rate home Loan where the interest rate and payment may change more frequently than annually during the term of the

loan, making a adjustable rate home loan where the interest rate for the initial or subsequent periods may be increased for the next period so that the payments of principal and interest will increase by more than one and one half (1.5%); and (7) making an adjustable rate home loan where the caps on payment increases are different from the caps on interest rates so that the required payments may be less than that is necessary to reduce principal and amortize the loan within its term regardless of interest rate adjustment and making a home loan requiring a borrower to pay a penalty or premium if the borrower at any time during the term of the loan makes principal payments or pays the balance of the loan prior to the stated end of the loan term.

SIGNIFICANT ISSUES

This bill will strengthen the Home Loan Protection Act by providing additional protection for consumer home loan borrowers against abusive and predatory home loan lending practices which will result in fewer delinquencies, foreclosures and loss of homes.

ADMINISTRATIVE IMPLICATIONS

The Director, Financial Institutions Division, Regulation and Licensing Department will be required to promulgate additional new rules for implementing the amendments to the Home Loan Protection Act.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Mortgage Lenders will not be prohibited from the specific abusive and predatory loan forms and practices, which would be prohibited under the proposed Act.

POSSIBLE QUESTIONS

Are the guidelines set forth by the bill clear enough to protect uneducated consumers?

CS/nt