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F I S C A L   I M P A C T   R E P O R T

	ORIGINAL DATE 1/31/2008		
SPONSOR Cote	**LAST UPDATED**	**HB** 487	
SHORT TITLE Purchase Low-Income Mortgage Loans		**SB**	
		ANALYST Leger	

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY08	FY09		
	$5,000.0	Non-recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

House Bill 487 appropriates $5 million from the general fund to the Department of Finance and Administration (DFA) for disbursement to MFA for the purpose of supplementing the partners' fund to purchase mortgage loans made to low-income homeowners in New Mexico.

FISCAL IMPLICATIONS

The appropriation of $5 million contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert.

SIGNIFICANT ISSUES

According to MFA, throughout New Mexico are non-profit organizations, tribal organizations and public housing agencies that typically rely on donations of cash, building materials, land and legal services and government funding to support their homeownership assistance efforts. Often, such as in the case of Habitat for Humanity affiliates, homes are constructed or rehabilitated by community volunteers and homebuyer sweat equity. In addition, such organizations counsel homebuyers prior to purchase, provide mortgage loans to finance the purchase, and maintain ongoing relationships with the homeowners by servicing the loans and providing continued counseling. However, because their efforts are supported through fund raising activities, the number of homes they can produce and sell to very low-income households is extremely limited.

In 1992, the MFA established the PARTNERS Program. Using specially restricted monies from the refunding of a single-family mortgage revenue bond issue and it's own General fund, MFA served as a secondary market by purchasing mortgage loans made by program participants to very low-income homebuyers. This arrangement allowed participating organizations to recycle their funds and increase their production of affordable homeownership units.

PERFORMANCE IMPLICATIONS

MFA reports that under the PARTNERS Program, MFA has purchased 182 loans totaling $10,679,214.68 as of January 1, 2008, with an average loan amount of $56,239.50. $5,000,000 in funding, with that average loan amount, would provide approximately 90 homes to low-income households.

ADMINISTRATIVE IMPLICATIONS

No more than five percent of the cost of each loan shall be retained by MFA for administrative expenses.

JLL/mt