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FISCAL IMPACT REPORT

ORIGINAL DATE 1/26/09

SPONSOR McSorley LAST UPDATED _____ HB _____

SHORT TITLE Homebuyer Education Program SB 10

ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$1,000.0	Non-Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)
Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 10 appropriates \$1,000.0 from the general fund to the Department of Finance and Administration for the New Mexico Mortgage Finance Authority to create and implement a home buyer education program.

FISCAL IMPLICATIONS

The appropriation of \$1,000.0 contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY10 shall revert to the general fund.

According to the December 2008 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$293 million, or 2.6 percent, less than the FY09 appropriation. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

SIGNIFICANT ISSUES

SB 10 states the homebuyer education program created and implemented by MFA shall include the education component required pursuant to Subsection G of Section 58-30-7 NMSA 1978, which reads as follows.

“An account owner shall complete a financial education program prior to the withdrawal of money from the account owner’s individual development account unless written approval is obtained from the program administrator.”

According to MFA, the need for a comprehensive housing counseling program to enable New Mexico homebuyers to avoid the many pitfalls surrounding the mortgage markets is important. A comprehensive plan would provide those homebuyers with the tools that will allow them to become successful home owners, who can afford to live in the homes they purchase.

PERFORMANCE IMPLICATIONS

MFA reports the funds will be spent as follows:

- Capacity Building - MFA will use approximately \$220,000 to provide capacity building training to various non-profit Housing Counseling agencies throughout the state based on greatest need. In many cases, there is a strong desire by non-profit agencies to provide Housing Counseling services throughout the state, but these agencies lack the expertise to manage the business aspect of a Housing Counseling program (marketing, record keeping, managing match requirements, reporting, etc.) MFA will use approximate \$100,00 to provide comprehensive training to interested non-profits on how to manage a successful Housing Counseling program. The remaining \$100,000 will be passed on to various non-profits to fund the costs associated with capacity building at the agency level.
- Curriculum Development - MFA will use approximately \$220,000 to provide training to interested non-profits to develop various types of Housing counseling training curriculum, including pre-purchase counseling, post-purchase counseling, foreclosure prevention counseling, and financial literacy. MFA will contract with nationally HUD-certified Housing Counseling training organizations (i.e. Neighborworks) to provide training to interested non-profit organizations.
- Online pre-purchase counseling - MFA will use approximately \$500,000 to develop and maintain a comprehensive and high-quality online pre-purchasing counseling module for MFA first-time homebuyers. The module will provide certification to all tax-exempt mortgage revenue bond borrowers to ensure a high level of knowledge about the home buying process, including appropriate financing for first time homebuyers, budgeting, home maintenance costs, etc. MFA will make the program available to the approximately 2000 first-time homebuyers that use MFA financing each year.
- Program Administration - MFA will use approximately \$60,000 for program administration, including manuals, documents, staff training, etc. to provide a comprehensive Housing Counseling program to interested non-profit organizations throughout New Mexico.