

LFC Requester: _____

AGENCY BILL ANALYSIS - 2026 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

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(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 1/28/2026 *Check all that apply:*
Bill Number: H176 Original Correction
 Amendment Substitute

Rep. Martinez
 Rep. Dow
 Rep. Henry

Agency Name and Code Number: DFA-341

Sponsor: _____
 CREATE ZERO INTEREST
 DOWN PAYMENT LOAN FUND

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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY26	FY27		
\$291,000	\$137,100	R	zero interest down payment loan fund

REVENUE (dollars in thousands)

Estimated Revenue					Recurring or Nonrecurring	Fund Affected
FY26	FY27	FY28	FY29	FY30		
(\$122,100)	(\$85,500)	(\$216,200)	(\$205,800)	(\$190,600)	R	Early Childhood Education and Care Fund and/or Behavioral Trust Fund (ECECF) - Excess OGAS

(\$168,900)	(\$51,600)	(\$134,800)	(\$298,400)	(\$306,600)	R	Early Childhood Education and Care Fund (ECECF) and/or Medicaid Trust Fund - Excess FML
\$122,100	\$85,500	\$216,200	\$205,800	\$190,600	R	zero-interest down payment loan fund
\$168,900	\$51,600	\$134,800	\$298,400	\$306,600	R	zero-interest down payment loan fund

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$2,101	\$737	\$737	\$3,576	B	GF

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:
 Duplicates/Relates to Appropriation in the General Appropriation Act

SECTION III: NARRATIVE

BILL SUMMARY

House Bill 176 (HB176) seeks to address housing affordability and support first-time homebuyers in New Mexico by providing financial assistance through zero-interest loans. It reallocates certain state funds to prioritize housing assistance over other programs, such as early childhood education, behavioral health, and Medicaid. HB176 establishes the "Zero Interest Down Payment Loan Fund" to assist first-time home buyers in New Mexico by providing zero-interest loans for up to 20% of the purchase price of residential housing.

- Creation of the Zero Interest Down Payment Loan Fund:
 - HB176 establishes a non-reverting fund in the state treasury consisting of distributions, appropriations, gifts, grants, donations, and investment income.
 - The fund will be administered by the Mortgage Finance Authority, with oversight by the Department of Finance and Administration.

- Loan Details:
 - Loans will be zero-interest and available to eligible first-time home buyers.
 - Loans can cover up to 20% of the purchase price of residential housing.
 - Loans will be secured by a 30-year mortgage lien on the property.
 - If the property is sold within 30 years, the loan balance must be repaid immediately.
 - The authority may foreclose on the loan if the borrower defaults.
- Eligibility Criteria:
 - Applicants must be first-time home buyers.
 - Household income must be less than 400% of the federal poverty level.
 - Applications must be submitted to the Mortgage Finance Authority using prescribed forms.
- Reallocation of Funds:
 - Excess oil and gas emergency school tax revenue and federal Mineral Leasing Act receipts, previously allocated to the Early Childhood Education and Care Fund, Behavioral Health Trust Fund, and Medicaid Trust Fund, will now be redirected to the Zero Interest Down Payment Loan Fund.
- Administration and Rules:
 - The Mortgage Finance Authority is authorized to create rules to implement the provisions of the fund.
- Effective Date:
 - The provisions of the bill will take effect on July 1, 2026.

FISCAL IMPLICATIONS

HB176 establishes the Zero Interest Down Payment Loan Fund for First-Time Home Buyers and funds the program by redirecting existing state revenue streams rather than creating new revenues.

- HB176 diverts excess oil and gas emergency school tax revenues and excess Federal Mineral Leasing Act receipts that, under current law, are dedicated to the Early Childhood Education and Care Fund, the Behavioral Health Trust Fund, and the Medicaid Trust Fund. As a result, enactment of the bill would reduce future deposits to these three funds, slowing their growth, diminishing future investment earnings, and reducing the long-term capacity of each fund to support their intended programmatic purposes.
 - Using the latest consensus revenue forecast, the estimated amounts diverted from

the original funds to the new fund are illustrated in the revenue table above.

- While HB176 creates a new nonreverting fund to support housing affordability through zero-interest down payment loans, it does so by reallocating revenues that are currently structured to strengthen long-term trust funds and stabilize funding for early childhood services, behavioral health programs, and Medicaid sustainability.
- Increased Administrative Costs: Due to HB176’s diversion of funds from the Early Childhood Education and Care Fund, Behavioral Health Trust Fund, and Medicaid Trust Fund to the Zero Interest Down Payment Loan Fund and creation of a new loan program, HB176 will create significant administrative costs for DFA. These costs have not been included in DFA’s operating budget for FY26 or FY27.
 - Fund Transfers: HB176 will require the DFA’s State Budget Division and Financial Control Division to calculate excess revenues, manage transfers, and ensure budgetary compliance with existing programs designed to be funded by reallocated funds.
 - DFA anticipates this to take approximately 600 workhours in FY26 (600 hrs. x \$150 per hr. = \$90,000) and 350 (350 hrs. x \$150 per hr. = \$52,500), totaling \$142,500 over the next two fiscal years.
 - Staffing Needs: DFA will need to hire additional staff to handle the increased workload associated with administering the new fund, coordinating with the Mortgage Finance Authority, processing transfers, monitoring, and reporting of loan transactions.
 - DFA anticipates this to take approximately 7,648 work hours per fiscal year for a total cost of \$485,432 per fiscal year.

AVG Salary	48.63	101,154
15% Benefits		15,173
Supplies/IT		5,000
		121,328

- System Updates: DFA will need to update its financial systems to accommodate the new fund and ensure accurate monitoring, tracking, and reporting of revenue sources, transfers, and expenditures, and outstanding loans. This will involve significant upfront costs for software development or upgrades.
 - DFA anticipates the financial system and software upgrades, testing, debugging, and implementation to take approximately 6,666 hours and cost approximately \$1,000,000.
- Potential Legal and Compliance Costs: DFA will incur legal drafting, compliance review, and recording costs related to ensuring compliance with the amended statutes, development of a joint powers agreement with MFA, development of

procedures and templates for the loan program, recording/releasing mortgage liens, and any default or foreclosure proceeding.

- DFA anticipates potential legal and compliance costs to take approximately 1912 hours in FY26 (1912 hrs. x \$275 per hr. = \$525,800) and approximately 727 hours (727 hrs. x \$275 per hr. = \$199,925) in every fiscal year thereafter.

SIGNIFICANT ISSUES

- Definition of First-Time Home Buyer: HB176 does not explicitly define "first-time home buyer."
 - HB176's proposed program is defined by its eligibility criteria, which define an "eligible home buyer" as a person whose household income is below 400% of the federal poverty level.
 - The program aims to help first-time homebuyers afford a down payment, making homeownership more accessible to individuals with lower household incomes.
 - Under federal law, the core definition of first-time homebuyer used by the Department of Housing and Urban Development, the Internal Revenue Service, and the Federal Housing Authority requires that the individual have no ownership of a principal residence in the three years prior to a new purchase.
 - This usually involves individuals who have never been homeowners, single parents or displaced homemakers who only owned a home with a spouse, those who owned only non-permanent or non-compliant structures, or cases where only one spouse qualifies as a first-time home buyer.
 - Without clear legislative guidelines on what defines a "first-time home buyer," both DFA and MFA will find it difficult to implement the program effectively to achieve its stated objectives.
 - Since HB176 is solely intended for down payment assistance, prospective recipients will need to assemble a capital stack that probably includes various federal financing programs.
 - Without consistent definitions of 'first-time home buyer' between the zero-interest down payment loan fund and the federal standard, the program may find it difficult to fulfill its statutory mandate.
- Impact on Behavioral Health, Early Childhood Education, and Medicaid funding: HB176 shifts a large portion of potential funds from current trust funds to the zero-interest down payment loan account, notably decreasing the funding accessible for the programs supported by those trust funds.

- In New Mexico, the Early Childhood Education and Care Fund supports programs for children from birth to five years old, including Pre-K, home visiting, and childcare assistance. The Behavioral Health Trust Fund funds mental health and substance use treatment, focusing on infrastructure and workforce development. The Medicaid Trust Fund assists in covering healthcare expenses for eligible populations, such as low-income, aged, blind, or disabled individuals.
- Without a dedicated revenue source, the following programs will be at risk:
 - Pre-K Programs: Early Childhood Education and Care Department and New Mexico Early Childhood Education and Care Department supported programs, including the Alliance for Early Success.
 - Home Visiting: Support for families and young children.
 - Child Care Assistance: Subsidies for families, including those from the New Mexico Early Childhood Education and Care Department.
 - Family Infant Toddler (FIT) Program: Services for developmental delays, often delivered in home settings.
 - Quality Initiatives: Professional development for educators and facility improvements.
 - Tribal Partnerships: Early childhood services in Native communities.
 - Prevention and Treatment: Substance misuse and mental health.
 - Infrastructure: Development of behavioral health clinics and facilities, supported by the New Mexico Finance Authority.
 - Workforce Expansion: Training and retaining behavioral health professionals.
 - Medical Coverage: New Mexico Health Care Authority services for low-income, blind, disabled, or elderly individuals.
 - Healthcare Services: Direct funding for services that improve health outcomes among eligible residents.
- Administrative Costs: HB176 plans to direct \$1,779,500,000 into the zero-interest down payment loan fund from FY26 to FY30. For comparison, in FY24, Housing New Mexico (MFA) offered about \$595.86 million in first mortgages, down payment assistance, and mortgage aid to 3,721 families. HB176's proposed program is equivalent to the total value of all MFA's current programs.
 - However, HB176 provides no administrative funding to DFA or MFA for administering the fund.

- Although MFA has statutory authority to levy fees to recover costs for managing the loan program, DFA lacks this power. Consequently, DFA must oversee a billion-dollar loan program with its current general fund budget and resources.

PERFORMANCE IMPLICATIONS

While HB176 seeks to address housing affordability, its implementation, as written, may have several performance implications for DFA, MFA, the broader state budget, and the economy.

- **Reduced Funding for Other Programs:** HB176 reallocates funds from the Early Childhood Education and Care Fund, the Behavioral Health Trust Fund, and the Medicaid Trust Fund to the Zero Interest Down Payment Loan Fund.
 - Each of these funds supports specific programs within the state through program funds. Reallocating funds from trust funds without evaluating the programs they support could negatively affect these programs, potentially reducing resources for early childhood education, behavioral health services, and Medicaid, which are critical for vulnerable populations.
- **Risk of Loan Defaults:** HB176 loans are secured by a 30-year mortgage lien; however, priority and amortization terms are not specified in HB176. Because HB176 loans fund down payment assistance, the Mortgage Finance Authority may need to foreclose on properties in the event of a default.
 - This could lead to financial losses for the fund and administrative burdens associated with foreclosure processes.
- **Limited Scope of Eligibility:** The program is restricted to first-time home buyers with household incomes below 400% of the federal poverty level.
 - While this targets a specific demographic, with the amount of funding dedicated to the program, it excludes other potential home buyers who may also need assistance and could be funded through the program.
 - For context, in 2023, nearly half of all households in New Mexico (46.8%) fell below the ALICE Threshold of Financial Survival.
- **Potential for Housing Market Inflation:** By providing zero-interest loans, the program could increase demand for housing, potentially driving up home prices in the state. This could make housing less affordable for those who do not qualify for the program.

ADMINISTRATIVE IMPLICATIONS

HB176 presents the administrative challenges of implementing and managing the Zero Interest Down Payment Loan Fund and will strain existing resources and require significant investment in infrastructure, staffing, and oversight mechanisms.

- **Increased Administrative Burden:** DFA will need to collaborate with MFA to establish

and manage the Zero Interest Down Payment Loan Fund, which includes processing applications, verifying eligibility, managing loan disbursements, tracking repayments, and handling foreclosures. This will require significant resources and staffing, as detailed in the fiscal implications section, potentially straining DFA 's capacity without a dedicated funding source.

- **Complexity in Fund Management:** HB176 involves reallocating funds from multiple existing programs (Early Childhood Education and Care Fund, Behavioral Health Trust Fund, Medicaid Trust Fund) to the new loan fund. This reallocation may complicate financial management and require additional oversight to ensure compliance with the law.
- **Monitoring and Enforcement Challenges:** The program requires borrowers to repay the loan if the property is sold within 30 years or if they default. Monitoring these conditions and enforcing repayment or foreclosure could be administratively challenging and resource-intensive for both DFA and MFA.
- **Rulemaking and Implementation:** MFA is tasked with promulgating rules to implement the program. Developing, approving, and enforcing these rules could be time-consuming and require legal and administrative expertise on a scale not currently available at MFA.
- **Potential for Fraud or Abuse:** The program's eligibility criteria (e.g., household income below 400% of the federal poverty level) and lack of definition of first-time home buyer may require thorough verification processes to prevent fraud or abuse. This could increase administrative costs and complexity.
- **Public Awareness and Outreach:** MFA will need to invest in outreach efforts to ensure eligible home buyers are aware of the program and understand how to apply. This could require additional funding and resources.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

N/A.

TECHNICAL ISSUES

- **Ambiguity in Fund Allocation:** HB176 amends existing statutes to redirect funds from the Early Childhood Education and Care Fund, Behavioral Health Trust Fund, and Medicaid Trust Fund to the Zero Interest Down Payment Loan Fund.
 - However, the language does not clearly specify how these reallocations will impact the existing programs or what safeguards will be put in place to ensure programs currently funded through these trusts are not underfunded or cancelled.
- **Potential Confusion in Effective Date:** HB176 specifies an effective date of July 1, 2026, but does not clarify whether the program must begin accepting applications immediately or if additional time is allowed for rulemaking and administrative setup.

OTHER SUBSTANTIVE ISSUES

N/A.

ALTERNATIVES

N/A.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

N/A.

AMENDMENTS

N/A.