

**MINUTES  
of the  
SECOND MEETING  
of the  
MORTGAGE FINANCE AUTHORITY ACT  
OVERSIGHT COMMITTEE**

**July 8, 2010  
Mortgage Finance Authority Office  
Albuquerque, New Mexico**

The second meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Senator Nancy Rodriguez, vice chair, at 10:15 a.m. on Thursday, July 8, 2010, at the office of the MFA in Albuquerque, New Mexico.

**Present**

Sen. Nancy Rodriguez, Vice Chair  
Rep. Ernest H. Chavez  
Rep. Joni Marie Gutierrez  
Sen. Cisco McSorley

**Absent**

Rep. José A. Campos, Chair  
Rep. Janice E. Arnold-Jones  
Sen. Mark Boitano  
Sen. Eric G. Griego

**Advisory Members**

Sen. Rod Adair  
Rep. Thomas A. Anderson  
Rep. Andrew J. Barreras  
Rep. Roberto "Bobby" J. Gonzales  
Rep. James Roger Madalena  
Sen. Richard C. Martinez  
Rep. Benjamin H. Rodefer  
Sen. Sander Rue

Rep. Sandra D. Jeff  
Sen. Gerald Ortiz y Pino  
Rep. Dennis J. Roch

**Staff**

Kim Bannerman, Staff Attorney, Legislative Council Service (LCS)  
Claudia Armijo, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts and written testimony are in the meeting file.

**Thursday, July 8**

**Welcome**

Senator Rodriguez welcomed committee members. She notified them that the meeting was being webcast and explained how the webcast feature works. She additionally advised the members that they were acting as a subcommittee.

Jay Czar, executive director, MFA, greeted the members of the committee. He noted that the committee had approved its work plan and meeting schedule, and he said that the MFA staff would be addressing work plan items throughout the meeting. Mr. Czar asked Senator Rodriguez for permission to show some of the MFA commercials that have been aired on television throughout the state. He then introduced Leanne Holt, MFA communications manager. She explained the MFA's concerted efforts to advertise and target the first-time homebuyer, who can best benefit from the services of the MFA. It was noted that the MFA uses both English and Spanish in the commercials and targets all areas within the state, including rural areas. After the members were shown the commercials, Senator Rodriguez noted that they carried an inspiring theme for the first-time homebuyer and a positive message regarding the services of the MFA. Mr. Czar added that the commercials were produced locally. Some committee members made recommendations for minor improvements to the commercials relating to information that the MFA can provide and how potential homebuyers can contact the MFA.

Before moving on to the agenda items, Mr. Czar advised the members that copies of the MFA's strategic plan and budget, as well as board members' disclosure information, were provided to all the members. This information had been requested at last month's meeting.

Erin Quinn, the MFA's senior policy and program advisor, next addressed the committee. She directed the members' attention to the MFA Housing New Mexico handout. Ms. Quinn began by addressing some common misconceptions and myths concerning the MFA. She pointed out that the MFA does not build homes; rather, it provides financing for homes. She added that the MFA has very little grant funding available. Because the MFA borrows most of its funding, it must in turn make that funding available as loans, not grants. She continued the discussion by highlighting other significant misconceptions regarding the MFA. In particular, she pointed out that the MFA is not a state agency; it is an instrumentality of the state. She added that the MFA is similar to a state agency, was chartered by the legislature in 1975 and serves a public purpose. Additionally, the MFA's board of directors is a public body, and the MFA reports to the MFA Act Oversight Committee. However, the MFA is unlike a state agency in that it does not receive state funding to support its operations. She noted that the MFA's liabilities are not the state's liabilities, its employees are not state employees and the MFA does not participate in the Public Employees Retirement Association.

Next, Ms. Quinn directed the members to a diagram in the handout that illustrates the MFA's role in New Mexico's housing delivery system. She noted that the diagram depicts the various sources of funding that the MFA receives and also illustrates how the MFA can and does

distribute those funds within New Mexico, all for quality affordable housing. Ms. Quinn elaborated briefly concerning the various sources of the MFA's funding, including federal funding. She noted that the bulk of the federal funds are from the federal Department of Housing and Urban Development, but the MFA also receives funds from other federal sources. Ms. Quinn pointed to the chart in the handout depicting the estimated funding sources for 2010. She explained that the MFA has the authority to issue all of the funds as depicted, but usually the MFA does not issue the entire amount.

Senator Rodriguez thanked Ms. Quinn for her explanation regarding the myths and misconceptions surrounding the MFA. She asked for clarity regarding the funding and whether the MFA provides the funding directly to developers. Ms. Quinn confirmed that the MFA does loan funds directly to developers. She also explained that certain programs require special underwriting terms regarding payment. She added that the terms of single-family housing loans and low-income housing loans can vary significantly.

### **Use of Federal American Recovery and Reinvestment Act of 2009 Funding**

#### Weatherization Assistance Program/New Mexico Energy Smart

Mr. Czar introduced Andrew Rael, director of community development for the MFA. Mr. Rael explained to the members that more than \$70 million in federal dollars is on its way to New Mexico for affordable housing opportunities and energy efficiency upgrades for families across the state. About \$48 million of that money, which is part of the ARRA, will be administered by the MFA for homelessness prevention and weatherization services and to build affordable housing in New Mexico.

Mr. Rael continued the discussion by noting that the MFA has been responsible for administering the weatherization program since 1997. The members asked questions regarding the unit costs for the weatherization program. Mr. Czar advised that there is a tremendous amount of high-tech equipment and capital involved, as well as other overhead in the weatherization program. He told the members that the average weatherization cost per home is \$6,500. However, he noted that the energy audit occurs before the weatherization and it is an integral part of the project included in the cost. In response to members' questions about capacity, Mr. Czar noted that New Mexico is meeting its goals and has been recognized by the federal government for meeting and exceeding the goals related to the weatherization program. He also noted that this is the second year of the federal program and that next year will be the final year, so the program will begin to wind down. He added that after the federal money is gone, the MFA may need to come to the legislature for any future funding.

#### Homelessness Prevention and Rapid Re-Housing Program

Catherine Hummel, program specialist for the MFA, presented to the committee concerning the Homelessness Prevention and Rapid Re-Housing Program. Ms. Hummel noted that the MFA works with several agencies within the state, and she highlighted a few, including the Life Link of Santa Fe, the Gallup Housing Authority and the Las Cruces Housing Authority. She pointed out that documentation is required to validate that an individual is homeless. She

explained that the program can help with rent or utilities assistance for up to 18 months. Additionally, the program offers individuals assistance in developing a stability plan for the future. Additional services that can be provided include legal services to prevent landlord-tenant issues, assistance with past-due rent and utilities and security and utility deposits and moving costs, as well as temporary motel and hotel vouchers and credit repair assistance.

To date, 1,180 people in 470 households have been served by the program. As of June 30, 2010, \$1,137,487 has been spent of the available funds. According to Ms. Hummel, the MFA and its providers have used the funds to provide assistance where it is most needed, specifically, for those who are extremely vulnerable due to the current economy. In particular, the funds are used to serve people who are currently experiencing homelessness or are at imminent risk of homelessness. She continued by citing some examples of the families and individuals that have been assisted, including a woman who wrote the governor requesting help to prevent the eviction of her and her husband. They were struggling as a result of extensive medical bills that they had incurred when her husband had emergency surgery. The MFA contacted the provider, Life Link of Santa Fe, within a day of receiving the woman's request. The couple went in for an interview, and they left with the necessary funds to pay their landlord and keep their housing. They also received rent for the next three months. Ms. Hummel cited cases of individuals who had received assistance through the program, including a veteran who had been living in his car in the Las Cruces area.

While referring to the handout, Ms. Hummel noted that the MFA has received \$6.8 million for the Homelessness Prevention and Rapid Re-Housing Program, adding that all of the funds must be used by July 2012. There are six lead agencies that cover every county in New Mexico. Additionally, there are more than 25 subcontractors and referral partners also involved in the program. She clarified that eligible participants include very low-income individuals and families.

#### Tax Credit Assistance Program and Tax Credit Exchange Program

Linda Bridge, director of housing development for the MFA, spoke generally about the federal Tax Credit Assistance Program (TCAP). As background for the topic, Ms. Bridge advised the members of the tax credit initiatives that the ARRA provided in 2009. She noted that the act provided grant funding for capital investment in low-income housing tax credit projects through the TCAP. The intent of the program is to aid affordable housing rental projects that have stalled due to prohibitive financial gaps created by the decline in tax credit equity markets. The portion of the funding that is administered by the MFA is just under \$14 million. She said that the Low-Income Housing Tax Credit (LIHTC) Program was created in 1987 and is statutorily located in the federal Internal Revenue Service Code. She noted that there has been a great deal of interest in the program, stating that there have been large participants of the tax credits. However, as a consequence of the 2008 economic downturn, there was no longer a need for the tax credit from the large participants. She explained that there were a number of large projects that lost their equity investments, and the market stalled. The TCAP is a gap filler to help the projects that had already come into the process and had been counting on \$.85 on the dollar in their equity only to find out that they would only receive closer to \$.60

on the dollar. The MFA distributed the funds using a competitive process. She noted that the key to an award of the funds is that the project must be completed by February 2012. She added that the MFA awarded the funds to 12 projects, all of which are currently underway.

Ms. Bridge highlighted the federally mandated terms and deadlines associated with the TCAP. She noted that the MFA had committed 100% of the funds by the February 2010 federally designated deadline. She added that the MFA expects that 90% of the funds will be expended by the February 2011 deadline. She referred the members to the handout, noting that the TCAP awards are listed there.

Dan Foster, housing tax credit program manager for the MFA, spoke to the members regarding the Tax Credit Exchange Program. He reminded the members that the ARRA authorized a LIHTC exchange program permitting housing credit agencies to exchange a portion of their LIHTCs for grant funds from the United States Treasury Department; in turn, those funds would be awarded as grants to projects that were previously awarded tax credits. Exchangeable credits include unallocated 2008 credits, credits returned in 2009 and up to 40% of the state's 2009 population-based credits. The grant is equal to 85% of the amount of credits exchanged, multiplied by 10. After exchanging credits, the MFA made several awards to finance construction, acquisition or rehabilitation of qualified low-income buildings. Mr. Foster noted that this program was intended to fill funding gaps in otherwise ready-to-go developments that had previously gone through the tax credit award process and were unable to obtain investment for their credits due to the decline in the tax credit equity markets. Recipients were required to demonstrate good faith efforts to obtain investment commitments for their credits before the MFA would make an award pursuant to the exchange program. The MFA received initial guidance for the program in May 2009, approved a notice of funding availability in June 2009 and made the first awards in July 2009. The MFA has exchanged \$5,628,844 in credits for \$47,777,169 in funding that was awarded to six projects. Mr. Foster further noted that the MFA committed 100% of the funds by December 31, 2009 and expects that 65% of the funds will be expended by December 2010, which will exceed the federally mandated requirement. A list of the tax credit exchange program awards is in the handout.

### **The Neighborhood Stabilization Program**

Mr. Rael, along with Debbie Davis, program and initiative manager for the MFA, presented to the members regarding the Neighborhood Stabilization Program. Mr. Rael noted that it had been a very successful program, and he then asked Ms. Davis to share the program information with the members. She said that program was part of the federal Housing and Economic Recovery Act of 2008. The MFA administers \$8.7 million of the \$19.6 million allocated to New Mexico. She added that the purpose of the funds is to buy and rehabilitate foreclosed properties within the state, excluding the cities of Albuquerque, Santa Fe and Las Cruces. According to Ms. Davis, priority areas for the Neighborhood Stabilization Program funds were areas with the greatest percentage of foreclosures, areas with the highest percentage of homes financed by subprime mortgage loans, areas with the highest percentage of vacant properties and areas identified as likely to face a significant rise in the rate of foreclosures. She

highlighted some of the counties considered priority areas, including Sandoval, Valencia, parts of Bernalillo, Chaves, Luna, Eddy, Curry, Dona Ana and San Juan.

Ms. Davis advised the members that in order to receive the funds, the properties must be purchased for at least 1% below their appraised value. Additionally, rehabilitation of the property must include energy efficiency ratings. Once rehabilitated, the homes will be sold to families with incomes at or below 120% of the area median income, which would be up to \$71,400 for a family of four in the Albuquerque area. The rehabilitation expense limit is \$50,000. To date, nine rehabilitated homes have been sold, and all were financed with Federal Housing Administration mortgages.

Lastly, Ms. Davis noted that both for-profit and nonprofit organizations have contracted with the MFA to buy foreclosed homes. A list of the current purchases and sales statistics can be found in the handout.

There was a general discussion about foreclosure and assistance to homeowners. It was noted that pre-foreclosure counseling is offered through the MFA. The bulk of the counseling involves working with a loan servicer to get a loan modification. There is also credit counseling, but there are no federal dollars to assist homeowners in making their payments.

Next, Mr. Czar talked about the upcoming meeting in Las Cruces and the possibility of the members touring a colonias area. The MFA is inviting the members to join the MFA in its town hall meeting in Las Cruces in August.

### **Adjournment**

There being no further business before the committee, the second meeting of the MFA Act Oversight Committee for the 2010 interim was adjourned at 12:01 p.m.