

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

**November 14, 2006
Mortgage Finance Authority Office
344 Fourth Street SW
Albuquerque, New Mexico**

The sixth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Senator Nancy Rodriguez, vice chair, on November 14, 2006 at 10:10 a.m.

Present

Sen. Nancy Rodriguez, Vice Chair
Rep. Thomas A. Anderson
Sen. Mark Boitano
Rep. Roberto J. "Bobby" Gonzales
Sen. Cisco McSorley
Sen. Leonard Lee Rawson

Absent

Rep. Daniel P. Silva, Chair
Rep. Teresa A. Zanetti

Advisory Members

Sen. John T.L. Grubestic
Rep. Harriet I. Ruiz

Rep. Daniel R. Foley
Sen. Phil A. Griego
Sen. Richard C. Martinez
Sen. Steven P. Neville
Sen. H. Diane Snyder

Staff

Doris Faust

MFA Staff

Jay Czar
Izzy Hernandez
Lionel Holguin
Sandra Marez
Erin Quinn

Guests

The guest list is in the meeting file.

Tuesday, November 14

Mr. Czar informed the committee of Governor Richardson's announcement that the current regional housing authorities would be dismantled, and that the MFA would be taking over the duties previously handled by the regional housing authorities. The committee discussed staffing issues resulting from the increased responsibility.

A motion was made to approve the minutes from the October 12 meeting, which was seconded and unanimously adopted.

New Mexico Mortgage Finance Authority Strategic Plan

Mr. Hernandez and Linda Bridge, MFA staff, provided a progress report on the MFA 2006 strategic plan. The 2006 strategic plan contained five major goals, including:

- financing, producing and preserving housing;
- managing assets for quality, stability and risk control;
- targeting goals for profitability and sustainability of the MFA;
- project innovation, creation and implementation; and
- aligning internal resources strategically and operationally.

The five major goals were broken down into more specific tasks and concrete goals, which were largely met.

The committee discussed the MFA's loan delinquency rate and default rate, and the steps being taken to reduce those rates. The committee also discussed the MFA's goal to lend \$80 million for new rental housing, and whether lending so much for new rental properties might work to the detriment of existing landlords. Ms. Bridge noted that the MFA almost achieved a return-on-asset rate of six-tenths of one percent. The committee requested that fewer acronyms be used in future reports.

Mr. Hernandez presented the draft MFA strategic plan for 2007. The MFA retains its five primary goals and core values from the 2006 plan, but has changed some of the targeted production numbers.

The committee noted that the rental market is soft, questioned whether a \$5 million reduction for lending on rental housing was enough of a reduction and asked the MFA to be very sure that it is not putting additional rental housing where none is needed. Ms. Bridge stated that the rental market is cyclical and agreed that, in some markets, there is no need for additional rental units that rent at the market rate. She noted, however, that even in those markets, there may be a need for affordable rental units.

In light of the soft rental market and the fact that investors are purchasing one of four homes in Bernalillo and Sandoval counties, the committee requested that the MFA look into using some of the funds allocated to rental housing for second mortgages.

The committee discussed the availability of financing for manufactured homes and noted that the MFA should be cautious of making loans on this type of depreciating asset. The committee also discussed the MFA's bond rating and the pros and cons of seeking a higher rating. Mr. Hernandez noted that the MFA is currently getting the best available interest rate and that a higher bond rating would not yield a better interest rate. MFA management has concluded that the state is better served by putting more money into programs than it would be by putting more money into reserves.

The committee discussed reverse mortgages and expressed concern about such loans. Ms. Bridge reported that the MFA is only looking into reverse mortgages, but has not set up any programs for reverse mortgages.

MFA Amended Rules and Regulations

Marjorie Martin, MFA counsel, reviewed proposed changes to the MFA rules and regulations. The proposed changes clean up minor technical errors, such as deletion of redundant terms, correction of an alphabetical problem in definitions and other minor editing. The changes also make the rules gender-neutral.

Senator Rawson recommended changing the proposed language of Section 5.1(B) from "his or her (their) principal residence" to "owner's principal residence". The committee approved this change. After a motion duly made, seconded and unanimously adopted, the committee adopted the proposed changes to the MFA rules and regulations.

MFA-Supported Initiatives

Hank Hughes and Lisa LaBrecque of the New Mexico Coalition to End Homelessness presented the coalition's policy priorities. The coalition would like to strengthen affordable housing by creating a recurring source of funding and a set-aside that meets the needs of very-low-income people. The coalition would also like to increase state funding for homeless programs by \$500,000. Ms. LaBrecque reported that such an increase would actually be a cost savings, in that the cost per person per night for support housing is substantially less than the cost of housing prison inmates or the cost per night of hospital care.

MFA-Sponsored Initiatives

Ms. Quinn and Mr. Holguin, MFA staff, presented initiatives supported by the MFA for the 2007 legislative session. They include:

- a \$2.5 million appropriation for a weatherization program for up to 5,000 homes;
- the New Mexico Coalition to End Homelessness agenda;
- a \$4 million nonrecurring and a \$1 million recurring appropriation for the Human Services Department and the federal Department of Housing and Urban Development;
- technical corrections to the Deed of Trust Act;
- changes to the land-lease provision in the Corrections Department statute; and
- a local option gross receipts tax exemption for affordable housing.

The committee also endorsed the following bills:

- an amendment to the Affordable Housing Act, Senator Rodriguez sponsor;
- a \$2 million appropriation for emergency repair of roofs, Representative Gonzales sponsor;
- a \$1 million appropriation for a weatherization assistance program, Senator Martinez sponsor; and
- amending statutory language to allow the MFA to invest with the State Investment Council Act, Senator Grubestic sponsor.

Governor's Finance Council Initiatives

Ms. Quinn presented the Governor's Finance Council initiatives for the 2007 legislative session. They include:

- regional housing authority reform;
- a \$15 million nonrecurring appropriation for the New Mexico Housing Trust Fund;
- a \$2 million appropriation for the Home Equity with Retired Occupation program; and
- a \$2.5 million nonrecurring appropriation for the EnergySavers Program.

Adjournment

There being no further business, the committee adjourned at 12:10 p.m. after a motion duly made, seconded and unanimously adopted.

Materials distributed at the meeting are in the meeting file in the Legislative Council Service Library.