

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

**October 26, 2009
Mortgage Finance Authority Office
344 Fourth Street SW
Albuquerque**

The fourth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, at 10:10 a.m. on Monday, October 26, 2009, at the office of the Mortgage Finance Authority in Albuquerque, New Mexico.

Present

Sen. Nancy Rodriguez, Chair
Rep. Janice E. Arnold-Jones
Sen. Mark Boitano
Rep. Ernest H. Chavez
Sen. Cisco McSorley

Absent

Rep. Jose A. Campos, Vice Chair
Sen. Eric G. Griego
Rep. Joni Marie Gutierrez

Advisory Members

Rep. Thomas A. Anderson
Rep. Andrew J. Barreras
Rep. James Roger Madalena
Sen. Gerald Ortiz y Pino
Rep. Dennis J. Roch
Rep. Benjamin H. Rodefer
Sen. Sander Rue

Sen. Rod Adair
Rep. Sandra D. Jeff
Sen. Richard C. Martinez

Staff

Pam Ray, Staff Attorney, Legislative Council Service (LCS)

Guests

The guest list is in the archive file.

Handouts

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

Welcome

Senator Nancy Rodriguez welcomed committee members and guests to the meeting.

MFA and Housing Market Update

Erin Quinn, MFA, began her presentation with an update on the status of the housing market in New Mexico. She noted that foreclosures are lower than the national statistics and also lower than some of the surrounding states. The decrease in home sales looks especially drastic because 2006 and 2007 were banner years for home sales. New Mexico closings are down. The federal program that grants new homebuyers \$8,000 toward the purchase of a new home will end in December 2009. There is no indication if that program will be continued. The MFA has contacted members of the New Mexico congressional delegation to encourage them to continue that program. Ms. Quinn was uncertain if the program is considered to be too expensive to continue.

Census figures for leased housing placements dropped dramatically in the last 10 years. This appears to be a result of so many people being able to move into the homeownership market.

Representative Rodefer noted that sales of manufactured housing had already dropped significantly before site-built home sales began to slow. This also might be due to the strong site-built homeownership sales, according to Ms. Quinn.

Senator McSorley asked if the "sweep" of funds from the budget of agencies made during the October 2009 special session would affect the MFA. Ms. Quinn stated that the program that would be most critically affected is the weatherization program.

A discussion regarding the number of families in crisis as a result of increased foreclosures ensued. The MFA will get more accurate numbers for Senator McSorley. The senator further queried Ms. Quinn regarding programs that the MFA has in place to help families facing foreclosure. Ms. Quinn said that it has no program to help keep people in their homes. The MFA does have a program that helps homeless people to be relocated into rental housing. This program helps people to move from the streets or from a home they can no longer afford to a more affordable rental. Ms. Quinn did note that there is a federal program that lenders administer that is geared to working out ways to make homes more affordable. This program does not seem to be working well.

Jay Czar, executive director, MFA, spoke about the \$6,800,000 in homeless prevention funds that are administered by the MFA. This money can be used to assist people if they are being forced to move from one home to another because the first home has become too expensive for the person. This money is used to prevent homelessness.

The committee noted that if housing starts, sales and ownership rates are down, then there must be a strong shift to rentals or leasing properties. The MFA staff was asked whether there is adequate rental housing available. The response was that rental housing is in short supply, especially in areas like Hobbs and Carlsbad. It was noted by a committee member that many households are now consolidating, with multiple generations living under one roof. It was suggested that many of the "distressed" homeowners purchased housing with no down payment and are finding it difficult to pay the taxes now that the taxes have increased dramatically. These

people have no equity in their homes, and their credit has suffered so that loans are now impossible to get on the total amount owed on the property. It may be necessary to refinance these places at 100% of the value to enable people to remain in their homes.

The MFA does not compete directly in the housing sales market. It only has products for first-time homebuyers with incomes within a specified range.

Mr. Czar noted that the limited American Recovery and Reinvestment Act of 2009 (ARRA) funds are administered by the MFA. The MFA is currently contracting with people who will do weatherization projects to get that money circulating as soon as possible. Homelessness and rapid rehousing money is also from federal funds. Gap financing for low-income housing will also put money directly into the economy.

A weatherization day will be held in Las Cruces on October 27, 2009. Thirteen million dollars has been granted to four agencies; another grant will go out in a few months. In Las Cruces, there will be a ribbon cutting for 60 units of low-income affordable housing, Tierra del Sol, that is part of the downtown project of the city and the county.

The MFA's 2009-2010 Budget

Yvonne Segovia, controller, MFA, has been named outstanding member of the New Mexico Society of Certified Public Accountants (NMCPA). She discussed the MFA's budget, which can be found in Section 2 of the MFA packet for the legislative oversight committee (LOC). The committee questioned if there is adequate money set aside in the ARRA funding to administer those funds or if other resources are required. MFA staff responded that only the weatherization funding carries with it adequate administrative set-asides. Otherwise, the homeless prevention program, the tax credit assistance program and the tax credit exchange, and other programs such as the training program to deal with fraud and the proper use of program resources, administered for the federal government do not allow adequate, if any, administrative funding for the programs.

Again, it was noted that the MFA receives no direct general fund money for operations. When MFA staff members speak about general fund money, they are speaking about the MFA general fund, not the state general fund. The most recent audit will be complete in January 2010.

MFA Rules and Regulations

Marjorie Martin, attorney, MFA, began discussing the new rules that the committee must approve before they can go into effect. A question arose as to whether the changes had been posted on the web site for public comment. Because this had not been done, this item was delayed until the November 30 meeting.

Preliminary Legislative Agenda

Out of 11 possible legislative requests, the MFA has narrowed its requests to three:

1. an appropriation of \$250,000 to administer the Regional Housing Law;

2. allowing an exclusion from the Construction Industries Licensing Act for all contractors doing weatherization projects approved and administered by state or federal agencies; and
3. a change to the New Mexico affordable housing tax credit to allow its use for affordable rental housing projects in counties with populations greater than 100,000.

In addition, the MFA may seek to have approval of a proposal to allow the state treasurer to use state funds to purchase MFA revenue bonds.

August 31, 2009 Minutes

The minutes for the August 31, 2009 meeting were unanimously approved as amended. The amendment moved Senator Boitano's name to the absent column.

Realtors Association of New Mexico — Manufactured Housing Task Force

Cathy Vickers and Mary Martinek, both from the Realtors Association of New Mexico, discussed the progress of the Manufactured Housing Task Force. Their report is in the fifth section of the MFA materials.

The task force worked with the Motor Vehicle Division (MVD) of the Taxation and Revenue Department to establish procedures to deactivate a title of a manufactured home and issue a new inactive title, even though the manufactured housing is already assessed as real property. In January 2009, the MVD issued rules and procedures to allow the Vehicle Services Unit to deactivate and reissue necessary titles. The superintendent of regulation and licensing, Kelly O'Donnell, agreed that the Manufactured Housing Division of the Regulation and Licensing Department does not have authority to require the MVD to deactivate MVD titles. She agreed that, once placed permanently, manufactured housing should be taxed as real property. Wayne Dotson is now the director of the Manufactured Housing Division. Ms. Martinek will forward a letter to the committee in which Carlos Romero, director, Environmental Health Division, Department of Environment, clarifies that the staff of his division has been informed that it has no authority to delay or stop property transfers by disapproving third-party inspection reports regarding liquid waste or septic system permit sites.

Senator Boitano made a motion to encourage the superintendent of regulation and licensing to clarify the policy regarding manufactured housing and evidence of deactivated titles. Representative Arnold-Jones seconded the motion and requested that the superintendent look at the recorded documents to ensure that deactivation has occurred and that the property is registered on the property tax rolls.

Priority Position of Liens for Energy Financing Districts

John Snyder, mortgage lender, and Max Teskey, legislative chair, New Mexico Mortgage Lenders Association, presented a letter from Mr. Teskey to the LOC regarding 16 items that concerned them regarding SB 647 and HB 572, adopted in the 2009 legislative session, that authorize counties to establish renewable energy financing districts. With this letter, the presenters also included a letter from James B. Lockhart, III, director, Federal Housing Finance

Agency. He is no longer with that agency, however. The discussion mainly focused on the provision in one of the bills requiring that the lien created when renewable energy equipment is installed on a home would take priority over other first position lien holders, such as on mortgage liens. The speakers noted that one bill did accelerate the note upon transfer of the property so that the note does not become a liability for successive homeowners. There has been much discussion about these districts with the Obama administration, and there is some question as to what its policy will be.

The discussion was brought to an end by the chair, and staff was asked to put this item on the November 30 agenda. Other presenters should be invited to that meeting for a full discussion of the implications and status of federal policy on this issue.

Adjournment

The committee adjourned at 1:07 p.m.