

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

**September 9, 2003
Mortgage Finance Authority Office
344 Fourth Street SW
Albuquerque, New Mexico**

The fourth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Representative Fred Luna, vice chair, on September 9, 2003 at 9:00 a.m.

PRESENT

Sen. Nancy Rodriguez, chair
Rep. Fred Luna, vice chair
Sen. Manny M. Aragon
Sen. Mark Boitano
Rep. Jane E. Powdrell-Culbert
Sen. Leonard Lee Rawson

ABSENT

Rep. Richard Cheney
Rep. Raymond M. Ruiz

Advisory Members

Sen. Ramsay L. Gorham
Sen. Richard C. Martinez
Sen. Richard M. Romero
Sen. H. Diane Snyder

Rep. Thomas A. Anderson
Rep. Miguel P. Garcia
Sen. Phil A. Griego
Rep. Antonio Lujan
Rep. Daniel P. Silva

Staff

Rachel Ray

MFA Staff

Lionel Holguin
Sandra Marez
Erin Quinn
Jim Stretz

Representative Luna, vice chair, called the meeting to order at 9:00 a.m. and a subcommittee was formed. Senator Rodriguez arrived at approximately 9:30 a.m., at which time she took over as chair of the committee.

The minutes from the August meeting were reviewed and approved.

Carl Baldwin, deputy state auditor, reviewed House Bill (HB) 219 for the committee, which places the MFA under the Audit Act. The MFA must already comply with several other audits, particularly in regard to its federal funding. Yvonne Segovia of the MFA reviewed the authority's current auditing procedures for the committee. She noted that the MFA audits are not paid for with public funds. Members of the committee asked if anyone from the MFA gave testimony against the bill in light of the fact that it will cause the MFA to have to expend additional funds for audits, approximately \$150,000 to \$165,000, that do not come from state revenue. MFA staff noted that they have met with legislators to discuss the bill and the additional burdens it would place on the MFA, but none of the staff had spoken against the bill in the legislature. Ms. Segovia noted that the additional audit would have to be paid for out of the MFA's administrative budget. She further noted that the MFA board of directors approves of the MFA budget and audit. Members also asked who had requested HB 219, which imposed the additional audit on the MFA. Mr. Baldwin stated that the Legislative Finance Committee had and that the bill was sponsored by Representative Luciano "Lucky" Varela.

The next presenter was Mike Loftin, who is working on the governor's initiative to help teachers, policemen and nurses more easily buy a house in New Mexico. The idea behind the initiative is to encourage local communities to come up with innovative solutions to housing problems. The MFA will administer a program funded with \$2 million. Committee members opined that other professions should be included in the initiative. They wanted to know where the money is coming from for the initiative and who would make the decisions regarding how the money is spent, and they requested that Mr. Loftin provide an accounting of how the money would be spent. Committee members asked why the money simply is not combined with another fund so that all professions could be helped. Mr. Loftin reiterated that the initiative is to try to get people to be innovative about housing issues at the local level. The committee wanted to know what was the governor's idea behind establishing the program. Mr. Loftin stated that during the gubernatorial campaign, there was much discussion about the nurse and teacher shortages in New Mexico. However, some committee members expressed the view that the MFA already has good programs to help with affordable housing. Reference was also made to an existing nursing internship program that is considered a success. Two million dollars was not regarded by some members as an amount that could make a significant impact on furthering the goals of the governor's initiative.

Jim Stretz of the MFA stated that most of the money the authority administers is federal or borrowed and has many disbursement rules. The \$2 million allocated to the governor's initiative presents an opportunity for flexibility in administering a program. Senator Aragon predicted that although the governor currently has the ability in House Bill 2 to administer "leftover" funds, the provision granting that right will be removed from House Bill 2 in the next session. Mr. Loftin stressed that the governor's initiative seeks to encourage an entrepreneurial approach to housing issues. In the end, localities will be able to determine which approaches work. Most committee members expressed concern about not having enough information about the initiative. They wanted to know when the program would start and end, who can apply for funds and what factors are included in the program's assessment criteria.

Mr. Loftin stated that the initiative will begin in a couple of months and last for one year. He further stated that blue ribbon committees are being established to select proposals for the program.

Mr. Stretz said he hoped that the program would help to get more attention for state police housing issues. He noted that some police are hired in an area where they end up only being able to buy manufactured housing, usually from another policeman who is leaving the area. Senator Martinez stated his interest in promoting the program to work on a public housing project in northern New Mexico.

Other members of the committee asked if anyone had surveyed districts to determine what the most pressing issues are regarding housing. Mr. Stretz responded that the MFA had made a survey regarding housing needs by county.

Mr. Loftin went on to discuss housing issues in New Mexico. Committee members discussed what appears to be a proliferation of manufactured housing in New Mexico that could be detrimental to the housing market. New Mexico ranks first or second in the nation for the presence of manufactured housing. Committee members expressed concern that owners are in an almost impossible position to attain equity because of the exorbitant interest rates charged to purchase manufactured housing. This kind of financing is the way that the most money is made on manufactured housing. Inquiry was made as to how the governor's housing policy could do something about these interest rates.

Mr. Stretz stated that the MFA is fighting a battle with investors who want to attach the purchase of manufactured housing to the purchase of land. He also noted that manufactured housing is included in the MFA's weatherization program. The MFA provides aprons and changes heating units. Under the federal funding, each unit is limited to \$2,500. State funds could be used to supplement this work. In response to the committee's questions, Mr. Stretz stated that manufactured housing does appreciate if it is in the proper location. He stated that there is no more entry-level house building going on in New Mexico. In Mr. Stretz's view, the problem with many New Mexicans purchasing appreciable property is credit history. Mr. Loftin stated that consumer education is the key in the manufactured housing industry. Committee members expressed the view that there should be more disclosure requirements in the manufactured housing industry.

In its August meeting, the committee took action to make a request of the governor for \$600,000 to supplement the federal funds for the MFA weatherization program. There has been no response from the governor's office except to advise the MFA to expend funds that have been frozen as a result of the attorney general's characterization of these funds as being in violation of the anti-donation clause. Lionel Holguin of the MFA advised the committee that when the affordable housing act passes, it will address the weatherization fund issue. The current draft is in the governor's office and Speaker Lujan is willing to meet with the governor to urge him to place the bill on his call for the special session in October.

Erin Quinn updated the committee on the state housing trust fund, stating that approximately \$7 million has been ballparked for the fund annually. She provided a handout that designates all funding sources that the fund task force considered.

There being no further business to be considered at this meeting, the committee adjourned at approximately 12:00 noon after motion duly made, seconded and unanimously adopted.