

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

**October 15, 2013
Public Service Company of New Mexico
414 Silver Avenue SW, #4
Albuquerque**

The fifth meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Representative Ernest H. Chavez, chair, on October 15, 2013 at 1:34 p.m. at Public Service Company of New Mexico (PNM) in Albuquerque.

Present

Rep. Ernest H. Chavez, Chair
Rep. Thomas A. Anderson
Rep. Alonzo Baldonado
Rep. Roberto "Bobby" J. Gonzales

Absent

Sen. Nancy Rodriguez, Vice Chair
Sen. Lee S. Cotter
Sen. Stuart Ingle
Sen. Cisco McSorley

Advisory Members

Rep. Nathan "Nate" Cote
Rep. Sandra D. Jeff
Sen. Richard C. Martinez
Sen. Bill B. O'Neill
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla

Rep. George Dodge, Jr.
Rep. James Roger Madalena
Sen. Sander Rue

Guest Legislator

Rep. Miguel P. Garcia

Staff

Claudia Armijo, Staff Attorney, Legislative Council Service (LCS)
Cassandra Jones, Research Assistant, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Tuesday, October 15

Call to Order

In the absence of a quorum, Representative Chavez called a subcommittee of the MFA Act Oversight Committee to order. He welcomed the committee, staff and guests to the meeting. Members of the committee introduced themselves. Representative Chavez recognized Jay Czar, executive director, MFA, to introduce presenters.

MFA Update

Mr. Czar introduced Ernie C'de Baca, vice president of governmental affairs, PNM Resources, and thanked him for providing the meeting space. Mr. Czar told the committee that the MFA recently presented its legislative priorities to the Legislative Finance Committee. He assured committee members that, as of the meeting date, the federal shutdown has had little impact on the MFA but that large problems could start to arise if the shutdown continues through the end of October. Mr. Czar informed the committee that the MFA board of directors will hold its November meeting in Eunice in order to discuss the need for housing in Lea County. Board members will also tour the uranium enrichment facility while they are there.

Members of the committee asked questions about how the federal shutdown was affecting payments received from the federal Department of Housing and Urban Development (HUD). Mr. Czar explained that the MFA is currently at a standstill regarding programs it administers on behalf of the HUD, the federal Department of Energy and the federal Department of the Treasury.

Attorney General's Homeownership Preservation Program

Karen Meyers, assistant attorney general, and Kenneth Owens, assistant attorney general, Office of the Attorney General (AGO), thanked the committee for inviting them. Mr. Owens told the committee that the attorney general, along with 48 other attorneys general, the federal Department of Justice and the HUD, brought a lawsuit against five of the nation's largest mortgage lenders to address what they termed egregious violations of the law in the way in which servicers handled foreclosure proceedings. The result was a \$25 billion national settlement that: requires significant changes in the way these banks service mortgage loans; provides some financial relief for homeowners who had already lost their homes; and offers new modification and refinancing opportunities for homeowners who are still in their homes. Mr. Owens told the committee that the settlement addresses more than 300 particular servicing standards, one of which has to do with "dual-tracking", which occurs when one arm of a bank is telling the homeowner that it is willing to work with the homeowner through a modification while another arm of the bank is working to foreclose the home.

Ms. Meyers explained that a bank is now restricted as to the timing of moving forward on a foreclosure if the bank is in the process of making a determination that it would actually make more money by modifying the terms of the loan than by foreclosing on the property. These servicing standards apply only to the five servicers named in the settlement. The Office of Mortgage Settlement Oversight, which is charged with monitoring compliance with servicing standards and direct financial relief to homeowners, reported in August 2013 that there has been

a total monetary relief for New Mexico homeowners of approximately \$103 million. This amount is credited as relief to New Mexico homeowners who received modifications of their mortgage loan, principal forgiveness, forgiveness of delinquencies in short sales and other financial relief measures.

Mr. Owens explained that New Mexico's Attorney General's Homeownership Preservation Program is utilizing approximately \$11.1 million over a three-year period to coordinate and fund a statewide collaboration among the AGO, the MFA and eight nonprofit organizations to provide a comprehensive housing safety net for New Mexico homeowners. The coordinated effort provides a single hotline number entry point for homeowners who are screened and then directed to the proper housing counseling or to foreclosure legal help. Components of the partner agencies include housing counseling services, legal defense for foreclosure cases, foreclosure hotlines and the AGO's servicing standards compliance and foreclosure rescue scam unit.

Members of the committee discussed the presentation and asked questions. In response to questions from committee members, Ms. Meyers told the committee that more than 35 percent of foreclosures in the state have occurred on the west side of Albuquerque. The Attorney General's Homeownership Preservation Program staff are looking at areas in the state that are particularly susceptible to foreclosure and targeting marketing efforts to those areas. Program staff members are also working with the second and third judicial districts to talk about options of foreclosure mediation and foreclosure settlement in court systems, so that the court has the ability to refer a case to an independent, neutral mediator to meet with the institution and the homeowner to see if there is an alternative to foreclosure and to minimize the impact to the homeowner if the homeowner is unable to stay in the home. Ms. Meyers told the committee that money for the Attorney General's Homeownership Preservation Program will last through June 2015.

New Mexico Foreclosure Update

Erik Nore, director of homeownership, MFA, referred the committee to information provided by the Mortgage Bankers Association. He told the committee that foreclosures in New Mexico are slightly higher than the national average right now, though New Mexico has tended to have lower percentages of foreclosures since 2007. Mr. Nore referred the committee to a graph from CoreLogic regarding foreclosure activity in New Mexico. He told the committee that it can take approximately two years to get through a foreclosure process in New Mexico. Mr. Nore referred the committee to an illustration on the status of foreclosures in New Mexico created by RealtyTrac. In August 2013, 40.5 percent of loans in the foreclosure process were in pre-foreclosure, 33.4 percent were in auction and 26 percent were bank-owned. Mr. Nore referred the committee to the National Delinquency Survey for the second quarter of 2013 from the Mortgage Bankers Association. He offered to provide more information to the committee at a later date at the direction of the committee.

Members of the committee discussed the presentation and asked questions, including the correlation between inventory, construction and foreclosures; the way in which New Mexico

compares to other states in foreclosure rates; expedited processes for foreclosures; and whether mobile homes are foreclosed upon or repossessed.

Report on Bonds Issued and Market Update

Gina Hickman, deputy director of finance and administration, MFA, introduced Paul Cassidy, managing director, RBC Capital Markets. Mr. Cassidy referred the committee to information and charts provided to supplement his presentation. He told the committee that the housing market is projected to continue to underperform but will also continue to contribute to the growth of the real gross domestic product. He told the committee that some entities are comparing the current housing recovery to others in the past and anticipating similar multiplier effects that may not necessarily take place in this recovery. He told the committee that he expects housing activity to remain quite low for some time and the recovery to be very gradual. Housing will remain a net contributor to growth in the near term, but a small one. Mr. Cassidy referred the committee to a graph illustrating interest rate trends in New Mexico over the last three years. Mr. Cassidy told the committee that the top 15 holders of MFA bonds hold approximately \$269 million of MFA bonds. The MFA has approximately \$950 million in outstanding bonds.

Ms. Hickman told the committee that housing bonds are issued by governmental entities only; are taxable or tax exempt; and are debt obligations. She told the committee that tax-exempt bonds require allocation of the federal private activity bond cap so investor interest income is exempt from federal and state income tax. Ms. Hickman told the committee that the MFA works with financial advisors, issuers' counsel, bond counsel, underwriters and their counsel, trustees that represent the interest of the bondholder and master servicers that purchase loans from participating lenders and package them into mortgage-backed securities. Ms. Hickman told the committee that the MFA currently has an issuer credit rating of AA-, which was reaffirmed in July 2013. Ms. Hickman discussed some factors that could affect the MFA, including state income tax, the structure of bonds, the supply of bonds, the timing of bonds, bond ratings and buyers' perceptions of bond ratings.

Ms. Hickman told the committee that objectives of the MFA include maintaining viability of its residential loan program, minimizing expense, maximizing monetary return to the MFA and analyzing and implementing other strategies that are the most advantageous to the MFA in case the bond market is not a viable option in the future. Some challenges to these goals include the unknown future of tax-exempt bonds and the changing regulatory environment.

Representative Chavez announced that the final two presentations would be rescheduled due to time restraints as a result of the MFA reception.

Adjournment

The chair thanked MFA and LCS staff for their work. Without objection, the meeting adjourned at 4:01 p.m.