

**MINUTES
of the
FIRST MEETING OF 2016
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**June 13, 2016
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque**

The first meeting of the 2016 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, on June 13, 2016 at 10:14 a.m. in the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

Present

Sen. Nancy Rodriguez, Chair
Rep. Alonzo Baldonado, Vice Chair
Sen. Lee S. Cotter
Rep. Kelly K. Fajardo
Rep. Roberto "Bobby" J. Gonzales
Rep. James Roger Madalena
Sen. Cisco McSorley

Absent

Sen. Stuart Ingle

Advisory Members

Rep. George Dodge, Jr.
Rep. Jimmie C. Hall
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla

Rep. Bealquin Bill Gomez
Sen. Richard C. Martinez
Sen. Bill B. O'Neill
Sen. Sander Rue

Staff

Mark Edwards, Drafter, Legislative Council Service (LCS)
Sharon Ball, Senior Researcher, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Monday, June 13

Senator Rodriguez called the meeting to order, welcomed members, staff and guests and asked committee members and staff to introduce themselves.

Introduction of Lead Program Staff

The chair recognized Jay Czar, executive director, MFA, to introduce and provide the committee with information about MFA staff and programs. Mr. Czar advised members that the

meeting is being webcast. He noted that the microphones are extremely sensitive and suggested that members keep sidebar conversations to a minimum to avoid interference with the webcast.

Mr. Czar explained that Izzy Hernandez, deputy director of programs, is a colonel in the New Mexico National Guard and is currently on active duty. He noted that Mr. Hernandez started his career at the MFA nearly 25 years ago as a management intern and that he is proud of Mr. Hernandez's accomplishments and contributions to the agency. He then recognized and provided brief background information on the following lead program staff members:

- Gina Hickman, deputy director of finance and administration;
- Dolores Deer, human resources manager;
- Leann Kemp, communications manager;
- Marjorie Martin, attorney;
- Jacqueline Boudreaux, director of asset management;
- Rose Baca-Quesada, director of community development;
- Dan Puccetti, director of housing development;
- Monica Abeita, senior policy adviser; and
- Sandra Marez, executive assistant.

Mr. Czar noted that Ms. Marez has been with the agency for 30 years and is the agency "go-to" person.

Ms. Hickman recognized and provided brief background information on the following staff members:

- Yvonne Segovia, controller;
- Kathy Keeler, finance manager;
- Erik Nore, director of homeownership;
- Theresa Garcia, director of servicing; and
- Joseph Navarette, information systems manager.

Ms. Hickman noted that Mr. Navarette has been with the MFA for five months but came to the agency after 19 years with Intel Corporation in Rio Rancho.

2016 MFA Reference Guide: Overview of Programs and Funding

Mr. Czar and Ms. Hickman went through the "Legislative Oversight Committee, 2016 Reference Manual" with committee members. Mr. Czar pointed out the inclusion of the current version of the statutory authorization for establishment of the MFA more than 40 years ago (behind Tab 2) and the "New Mexico Mortgage Finance Authority Rules and Regulations" (Tab 3), and he noted that the MFA Oversight Committee must approve the current rules each year.

Asserting that the MFA is "all about production", Mr. Czar directed committee members' attention to the information behind Tab 4. He said that in 2015, the MFA provided more than \$317 million in low-interest financing and grants for affordable housing and related services throughout New Mexico, including:

- \$189.2 million in low-interest-rate mortgage loans to 1,456 homebuyers;

- \$82.4 million in financing to construct or rehabilitate 900 affordable rental or for-sale homes;
- \$28.1 million in project-based Section 8 rental assistance payments for 5,297 apartments occupied by low-income families;
- \$7.4 million in down-payment and closing-cost assistance to 1,365 homebuyers;
- \$6.9 million to rehabilitate or install energy-efficiency upgrades in 1,191 homes occupied by low-income families;
- \$1.3 million in funding for shelter, transitional housing and operating costs for 78,747 individuals experiencing homelessness;
- \$1.3 million in rental assistance and related services for 429 individuals with special needs; and
- \$577,000 in rental assistance to prevent homelessness for 549 individuals.

Mr. Czar told the committee that the MFA has current assets under management of \$2.5 billion. He said that the MFA's products are better than others in the field. He said that, for example, house payments are generally less than rent payments, but because many clients have good credit ratings but no savings, they have difficulty in securing traditional bank or mortgage loans.

Regarding 2016 successful legislation, Mr. Czar said that the agency supported five pieces of legislation for the 2016 session, most of which were appropriation requests for various MFA programs. The MFA was successful in acquiring a \$191,000 appropriation for the statutorily required oversight of state regional housing authorities.

Behind Tab 5, Mr. Czar pointed out the listing of the members of the MFA Board of Directors. He noted that the MFA board consists of seven members, three of whom are members by virtue of their respective elected positions: Lieutenant Governor John A. Sanchez, Attorney General Hector Balderas and State Treasurer Tim Eichenberg. The other four members are governor appointees: Dennis R. Burt, chair, Burt & Company CPAs; Angel Reyes, president, Centinel Bank, Taos; Randy McMillan, president, NAI First Valley Realty, Inc.; and Steven J. Smith, president, R.O.G. Enterprises.

He said that the MFA board is very active in its oversight role and told committee members they would be welcome to sit in on any of the board meetings or the board retreat.

Pointing out the organizational chart behind Tab 6 and the MFA Strategic Plan behind Tab 7, Mr. Czar said that, during the 40 years the MFA has been in existence, it has built a solid foundation as a reputable organization recognized for its prudent fiscal management, strong regulatory compliance, professional staff and dedication to customer service, thus allowing it to administer successfully more than 30 affordable housing programs for the benefit of low-income residents of New Mexico. He said the MFA focuses on the following priorities for strategic alignment of its work: (1) operational excellence; (2) cultivation of new resources; (3) effective partnerships; (4) expanding homeownership opportunities; and (5) expanding rental opportunities.

Behind Tab 8, Mr. Czar briefly discussed "Top Ten Myths. . . Debunked", noting that the MFA is often confused with the New Mexico Finance Authority (NMFA). He explained that the

MFA, unlike the NMFA, provides funding for housing for qualifying low-income persons. He said that the MFA does not develop or build homes. Like a bank, the MFA provides financing to developers whose projects qualify for loans, tax credits or sometimes grants. He explained that the MFA actually has very little grant funding available because the MFA borrows most of its funding, requiring it to lend, rather than grant, funding. He said that the MFA is not a state agency but rather an "instrumentality of the state". Also, he noted that people sometimes think the MFA is part of the federal Department of Housing and Urban Development (HUD), which is a federal agency that provides various financial resources for housing and community development. The MFA administers HUD funding and contracts on behalf of the state.

Ms. Hickman directed members' attention to information behind Tabs 9, 10 and 11, all of which relate to MFA funding sources, federal program fund sources and nine percent low income housing tax credits (LIHTCs). She explained that the pie chart, "MFA Estimated Funding Sources — 2015", demonstrates that the MFA is self-funding. Of the estimated total of \$502.1 million, she said that 72.9 percent, or \$365.8 million, of estimated funding sources come from MFA bond issues. Federal funding for housing programs makes up 20.3 percent of funding services, or \$101.8 million, with 2.9 percent (\$14.6 million) from the MFA general fund, 2.0 percent (\$10.0 million) from state tax credits and appropriations and 1.9 percent (\$9.9 million) from private and other sources. In response to a committee question, Ms. Hickman indicated that the State Board of Finance determines the MFA's bonding capacity, which is backed by revenues from mortgage loans. In response to additional questions and some discussion, Ms. Hickman explained that the MFA generally operates on the MFA's "profits". Mr. Czar added that, if the MFA were a mortgage company in the private sector, it would be considered to be very successful and noted once again that the MFA does not receive state appropriations for its operation. Ms. Hickman continued, noting that "private and other sources" include weatherization funds from the Low Income Home Energy Assistance Program, usually called LIHEAP.

Continuing to Tab 11, Ms. Hickman discussed the MFA's 2016 federal program fund summary, noting that HUD programs include the HOME Investment Partnerships Program (which has been lowered by 57 percent since fiscal year 2010), the state and City of Albuquerque housing opportunities for persons with AIDS grants and a HUD emergency solutions formula grant of just over \$1 million to assist homeless individuals and families and those at risk of becoming homeless, as well as victims of domestic violence, youth, people with mental illness, families with children and veterans. She also described a federal Department of Energy formula grant of over \$1.6 million (also called EnergySmart) to provide weatherization assistance to households with incomes at or below 200 percent of the federal poverty level. She explained that this program gives priority to the elderly, households in which one or more members have a disability and households with young children.

Moving to the information behind Tab 12, Ms. Hickman discussed the spreadsheets showing the distribution of nine percent LIHTC awards by congressional district and county from 2000 to 2016. In response to committee questions and discussion, Ms. Hickman agreed that Congressional District 1 (all of Bernalillo County and parts of Sandoval County) received less than its per capita share of awards. Specifically, Congressional District 1 residents received 25.7 percent of LIHTCs, while Congressional District 2 (including Chaves, Cibola, Doña Ana, Eddy, Grant, Lea, Lincoln, Luna, Otero and Valencia counties) residents received 37.7 percent of

LIHTCs and Congressional District 3 (including Curry, Los Alamos, McKinley, Rio Arriba, San Juan, San Miguel, Santa Fe, Taos and Union counties and part of Sandoval County) residents received 36.5 percent of awards. Looking from a different perspective, 44.7 percent of the awards were made in the metropolitan areas of Albuquerque, Farmington, Las Cruces and Santa Fe while 55.3 percent of awards were made in rural areas. In terms of large and small cities, 63.9 percent of the awards were made in municipalities with populations greater than 25,000, while 36.1 percent of LIHTCs were made in municipalities with populations less than 25,000.

Ms. Hickman also discussed the estimated economic impact of LIHTC projects in New Mexico, including the number of jobs by congressional district, as well as the annual effect in generation of taxes, user fees and charges.

Mr. Czar ended the presentation by directing members' attention to the information behind Tab 13, which includes a comprehensive glossary of terms that includes acronyms, key words and phrases frequently used in connection with the financing of housing by state and local housing and finance agencies. Members thanked the MFA staff for such a helpful, comprehensive lexicon of bond and mortgage terms.

2016 Interim Committee Procedures and Adoption of Proposed Work Plan

Mr. Edwards explained that the committee's responsibilities are statutory, so the work plan includes items that generally do not vary much from year to year. He pointed out Item 5 under non-statutory requirements in the proposed work plan relating to a tradeoff between housing costs and transportation costs for low-income family budgets. He also noted that, with more than 20 different interim committees, meeting dates are set up by the New Mexico Legislative Council with the aim of avoiding conflicts among committee meeting dates for voting members of committees. After some discussion, some committee members suggested additional topics to be covered during the interim, including the following:

- a presentation that quantifies the housing program in New Mexico;
- a presentation on data on the number of homeless (included in a presentation on supportive housing);
- the economic benefit of housing projects using the National Association of Home Builders economic model; and
- a presentation and discussion on federal program costs and administrative costs.

Committee members agreed that these topics could be included as part of topics already included in the proposed work plan. On a motion duly made and seconded, the committee agreed to accept the proposed work plan as presented. Mr. Czar said that his staff and LCS staff would get together before the July 28 meeting to organize tentative agendas for the remainder of the interim.

Mr. Czar invited committee members to be the MFA's guests at the upcoming eleventh biannual "Housing Summit" to be held in Albuquerque on September 19-21 at the Hotel Albuquerque in partnership with the REALTORS® Association of New Mexico, the New Mexico Coalition to End Homelessness and Habitat for Humanity of New Mexico. He said that the summit is a one-of-a-kind event that housing professionals, over the years, have come to value for its educational and networking opportunities. He said that the program will include

outstanding speakers who will provide valuable information on up-to-the-minute housing topics. Committee members discussed the possibility of getting permission from the New Mexico Legislative Council to attend the summit.

Adjournment

There being no further business to come before the committee, the meeting adjourned at 12:10 p.m.