F I S C A L I M P A C T R E P O R T

		ORIGINAL DATE	02/03/10		
SPONSOR	Cote	**LAST UPDATED**		**HB**	209
SHORT TITLE	Low-Income Homeowner Mortgage Loans			**SB**	
				ANALYST	Leger

APPROPRIATION (dollars in thousands)

Appropriation		**Recurring or Non-Rec**	**Fund Affected**
FY10	**FY11**		
	$5,000.0	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

House Bill 209 appropriates $5,000.0 from the general fund to the Department of Finance and Administration for use by MFA so that MFA may purchase mortgage loans made to low-income homeowners in New Mexico.

FISCAL IMPLICATIONS

The appropriation of $5,000.0 contained in this bill is a nonrecurring expense to general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

SIGNIFICANT ISSUES

MFA established the PARTNERS Program in 1992. The MFA uses restricted monies from the refunding of a single-family mortgage revenue bond issue and its own operating general fund. MFA serves as the secondary market by purchasing mortgage loans made by program participants to very low-income homebuyers. The way the program has been structured it allows for participating organizations to recycle their funds and increase their production of affordable homeownership units.

According to MFA, throughout New Mexico are non-profit organizations, tribal organizations and public housing agencies that typically rely on donations of cash, building materials, land and legal services and government funding to support their homeownership assistance efforts. Often, such as in the case of Habitat for Humanity affiliates, homes are constructed or rehabilitated by community volunteers and homebuyer sweat equity. In addition, such organizations counsel homebuyers prior to purchase, provide mortgage loans to finance the purchase, and maintain ongoing relationships with the homeowners by servicing the loans and providing continued counseling. However, because their efforts are supported through fund raising activities, the number of homes they can produce and sell to very low-income households is extremely limited.

PERFORMANCE IMPLICATIONS

Through the PARTNERS Program, MFA has purchased 199 loans totaling $11.6 million as of January 1, 2010, with an average loan amount of $53,724. The appropriation contained in HB 209 could yield approximately 90 additional homes to low-income households.

ADMINISTRATIVE IMPLICATIONS

Funding would be administered by MFA under the PARTNERS Program. The bill provides language that no more than five percent of the cost of each loan purchased shall be retained by the authority for administrative expenses.

JLL/svb