

HOUSE BILL 497

56TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 2023

INTRODUCED BY

Janelle Anyanonu

AN ACT

RELATING TO PUBLIC FINANCE; ENACTING THE BLIGHTED HOMES AND RESIDENTIAL BUILDINGS IMPROVEMENT ACT; PROVIDING BLIGHTED HOMES AND RESIDENTIAL BUILDINGS IMPROVEMENT LOANS FOR CERTAIN PERSONS AND BUSINESSES; REQUIRING THE NEW MEXICO FINANCE AUTHORITY TO ADMINISTER THE BLIGHTED HOMES AND RESIDENTIAL BUILDINGS IMPROVEMENT ACT; PROVIDING POWERS AND DUTIES; ESTABLISHING TERMS FOR BLIGHTED HOMES AND RESIDENTIAL BUILDINGS IMPROVEMENT LOANS AND CONTRACTS; REQUIRING REPAYMENT; ESTABLISHING REPORTING REQUIREMENTS; MAKING AN APPROPRIATION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. [NEW MATERIAL] SHORT TITLE.--This act may be cited as the "Blighted Homes and Residential Building Improvement Act".

SECTION 2. [NEW MATERIAL] DEFINITIONS.--As used in the .225267.1

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1 Blighted Homes and Residential Improvement Act:

2 A. "applicant" means a person or a nonprofit
3 business entity that applies for a loan;

4 B. "authority" means the New Mexico finance
5 authority;

6 C. "loan" means a blighted homes and residential
7 buildings improvement loan, which is secured debt created by a
8 contract as provided pursuant to the Blighted Homes and
9 Residential Building Improvement Act between an applicant and
10 the authority;

11 D. "loan servicer" means a federally insured
12 depository institution or community development financial
13 institution that assembles and submits the loan documents to
14 the authority; and

15 E. "resident" means an individual who is domiciled
16 in this state during any part of the year or an individual who
17 is physically present in this state for one hundred eighty-five
18 days or longer during the taxable year.

19 SECTION 3. [NEW MATERIAL] LOANS AUTHORIZED--
20 QUALIFICATIONS.--

21 A. The authority may provide loans to qualified
22 applicants who apply for a loan pursuant to the Blighted Homes
23 and Residential Buildings Improvement Act. An applicant shall
24 be qualified to receive a loan if the applicant:

25 (1) owns residential property in the state;

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1 (2) had an annual gross revenue of no more
2 than one million dollars (\$1,000,000) as determined from the
3 applicant's income tax return for all five taxable years
4 preceding the application for a loan;

5 (3) is a person other than a nonprofit or for-
6 profit business, the applicant shall have resided in the state
7 for fifty percent or more of the year preceding the application
8 as evidenced by the person's federal income tax return; and

9 (4) is a nonprofit business entity and the
10 following applies:

11 (a) for a sole proprietorship, one
12 hundred percent of the assets of the business are owned or
13 leased by a resident; and

14 (b) for a corporation, partnership,
15 joint venture, limited liability company, limited partnership
16 or other business entity, at least eighty percent of the total
17 voting power of the entity and at least eighty percent of the
18 total value of the equity are owned by one or more residents.

19 B. An applicant who has met the qualifications
20 provided pursuant to Subsection A of this section shall also be
21 determined to be creditworthy by the authority prior to the
22 grant of a loan. The authority shall evaluate the
23 creditworthiness of an applicant based on information received
24 from the applicant, which may include an independent credit
25 reporting agency report when available.

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1 SECTION 4. [NEW MATERIAL] LOANS--AUTHORITY--POWERS AND
2 DUTIES--TERMS.--

3 A. The authority shall administer the Blighted
4 Homes and Residential Buildings Improvement Act and shall:

5 (1) receive and review applications in the
6 order in which completed applications are received;

7 (2) provide a determination to the applicant
8 as soon as practicable, if the applicant meets the requisite
9 creditworthiness as determined by the authority;

10 (3) seek repayment of loans;

11 (4) enforce the terms of loan contracts;

12 (5) comply with reporting requirements
13 pursuant to Section 6 of the Blighted Homes and Residential
14 Buildings Improvement Act; and

15 (6) promulgate rules for the administration of
16 the Blighted Homes and Residential Buildings Improvement Act.

17 B. The authority shall:

18 (1) use funding made available for the
19 Blighted Homes and Residential Buildings Improvement Act to
20 contract with a loan servicer to assist in carrying out the
21 provisions of the Blighted Homes and Residential Buildings
22 Improvement Act, including determining creditworthiness of
23 applicants;

24 (2) issue loans and enter into contracts with
25 applicants who are determined to be creditworthy; provided that

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1 funds are available; and

2 (3) exercise any power provided to the
3 authority in the New Mexico Finance Authority Act to assist in
4 the administration of the Blighted Homes and Residential
5 Buildings Improvement Act; provided that the power is
6 consistent with the provisions of the Blighted Homes and
7 Residential Buildings Improvement Act.

8 C. If the authority determines that an applicant is
9 creditworthy, the authority may issue loans and enter into a
10 contract with the loan recipient in accordance with the
11 following terms:

12 (1) the loan shall not exceed an amount equal
13 to four hundred percent of the applicant's average adjusted
14 yearly income from the previous calendar or fiscal year;
15 provided that the maximum loan amount shall be no greater than
16 two hundred thousand dollars (\$200,000);

17 (2) the real property being improved with the
18 loan shall not have a total appraised value of less than forty
19 thousand dollars (\$40,000) or more than four hundred thousand
20 dollars (\$400,000);

21 (3) the loan recipient shall be required to:

22 (a) use the loan for improvements to
23 real property located within a designated blighted homes and
24 residential buildings improvement zone, as determined by rules
25 promulgated by the authority;

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1 (b) include a written certification
2 signed by the recipient, certifying that: 1) the loan shall be
3 repaid by the recipient under the terms of the contract; 2) all
4 documents submitted in support of the loan application are true
5 and accurate to the best of the recipient's knowledge; 3) the
6 recipient does not expect to file for bankruptcy; and 4) all
7 loan proceeds will be used for purposes provided in the
8 Blighted Homes and Residential Buildings Improvement Act; and

9 (c) provide the authority with ongoing
10 information relevant to the reporting requirements pursuant to
11 Section 6 of the Blighted Homes and Residential Buildings
12 Improvement Act; and

13 (4) the loan shall be secured by a lien on the
14 real property subject to the improvement; provided that no
15 other security interest shall be created against the property
16 of the recipient.

17 D. Loan applications shall be received no later
18 than December 31, 2026.

19 SECTION 5. [NEW MATERIAL] REPAYMENT--CONTRACTS.--

20 A. Loans shall be made for a period of fifteen
21 years. No interest shall accrue until the tenth anniversary of
22 the date the loan is made. The loans shall bear an annual
23 interest rate equal to one-half of the federal prime rate on
24 the date the loan is made.

25 B. Payment of the interest accrued on a loan shall

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1 be due in monthly installments, with the first interest payment
2 due at the end of the first full month following the tenth
3 anniversary of the funding date of the loan and with each
4 subsequent interest payment due monthly thereafter until the
5 loan is paid in full.

6 C. The outstanding principal and interest of a loan
7 remaining after the tenth anniversary may be refinanced at the
8 request of the recipient, and with the consent of the
9 authority, to be paid in monthly installments.

10 D. Receipts from the repayment of principal or
11 interest accrued on the loans shall be deposited in the general
12 fund.

13 E. No provision in a loan or the evidence of
14 indebtedness of the loan made pursuant to the Blighted Homes
15 and Residential Buildings Improvement Act shall include a
16 penalty or premium for prepayment of the balance of the
17 indebtedness.

18 F. The loan shall be evidenced by a contract
19 between the loan recipient and the authority. The contract
20 shall provide for the payment by the authority of the stated
21 cost of the loan and shall be conditioned upon the repayment of
22 the loan to the authority.

23 SECTION 6. [NEW MATERIAL] REPORTING--CONFIDENTIALITY.--

24 A. By October 1, 2025 and October 1 each year
25 thereafter, the authority shall submit a report to the

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1 legislature, the legislative finance committee, the New Mexico
2 finance authority oversight committee, the revenue
3 stabilization and tax policy committee and any other
4 appropriate legislative interim committee. The report shall
5 include:

6 (1) the total number of loans made pursuant to
7 the Blighted Homes and Residential Buildings Improvement Act;

8 (2) the total number of loan applications;

9 (3) the average amount of money provided to
10 loan applicants;

11 (4) the total number of loans and the amount
12 of those loans, if any, in a delinquent status or default;

13 (5) the total number of loan recipients that
14 are in the process of filing or have filed for bankruptcy;

15 (6) the total number of employees currently
16 employed by a business that received a loan; and

17 (7) an overview of the industries and types of
18 business entities represented by loan recipients.

19 B. Information obtained by the authority regarding
20 individual loan applicants shall be confidential and shall not
21 subject to inspection pursuant to the Inspection of Public
22 Records Act; provided that nothing in this section shall
23 prevent the authority from disclosing broad demographic
24 information and information relating to the total amount of
25 loans made, the total outstanding balance of loans made

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1 pursuant to the Blighted Homes and Residential Buildings
2 Improvement Act and the names of the loan recipients.

3 SECTION 7. [NEW MATERIAL] RULEMAKING.--The authority
4 shall promulgate rules as are necessary to carry out the
5 Blighted Homes and Residential Buildings Improvement Act,
6 including rules:

7 A. governing the application procedures and
8 requirements for disbursing loans; provided that the authority
9 shall not create additional requirements for eligibility other
10 than those provided by that act; and

11 B. for determining designated blighted homes and
12 residential buildings improvement zones.

13 SECTION 8. APPROPRIATION.--Fifty-five million dollars
14 (\$55,000,000) is appropriated from the general fund to the New
15 Mexico finance authority for expenditure in fiscal year 2024 to
16 carry out the Blighted Homes and Residential Buildings
17 Improvement Act. Any unexpended or unencumbered balance
18 remaining at the end of fiscal year 2024 shall revert to the
19 general fund.

20 SECTION 9. EFFECTIVE DATE.--The effective date of the
21 provisions of this act is July 1, 2023.