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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Anyanonu</u>	<b>LAST UPDATED</b> _____
	<b>ORIGINAL DATE</b> <u>2/26/2025</u>
<b>SHORT TITLE</b> <u>Housing Creditworthiness Assistance Program</u>	<b>BILL NUMBER</b> <u>House Bill 453</u>
	<b>ANALYST</b> <u>Leger</u>

### APPROPRIATION\* (dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	\$250.0	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.

\*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 2 – General Appropriation Act

### Sources of Information

LFC Files

#### Agency Analysis Received From

New Mexico Mortgage Finance Authority (MFA)

Department of Finance and Administration Office of Housing

## SUMMARY

### Synopsis of House Bill 453

House Bill 453 (HB453) amends sections of the Affordable Housing Act (the Act) by adding the creditworthiness assistance program through the following updates:

- Establishes the creditworthiness assistance fund to support the creditworthiness assistance program and authorizes the New Mexico Mortgage Finance Authority (MFA) to administer the program.
- Incorporates rules on the creditworthiness assistance grants including:
  - Requirements for a participant to be eligible to receive a creditworthiness assistance grant;
  - The application for a creditworthiness assistance grant;
  - The training program on the importance of budgeting and financial information; and
  - The process for other grantors to administer the creditworthiness assistance grants.
- Establishes the eligibility requirements for non-individual qualifying grantees:
  - Possessing a functioning accounting system or identifying an entity with an accounting system that is operated in accordance with generally accepted accounting principles and
  - Experience with activities related to renting residential housing.

- Establishes the eligibility requirements for an individual qualifying grantee that meets all requirements listed in the Act rules.
- Provides grants up to \$5,000 of unpaid rent per participant and provides up to \$10 thousand of grants per calendar year per landlord. Provides grants up to \$2,500 per participant for rental property damages.
- Expands the creditworthiness assistance grants to local governments and state agencies to use public funds for unpaid rents or damages for participants in the creditworthiness assistance program.
- Allows local governments to provide creditworthiness assistance grants after enacting an ordinance authorizing the purposes of the grants.

HB453 appropriates \$250 thousand from the general fund to the Department of Finance and Administration (DFA) to contract with the New Mexico Mortgage Finance Authority (MFA) to administer the creditworthiness assistance fund.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

## **FISCAL IMPLICATIONS**

The appropriation of \$250 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY26 shall not revert to the general fund. Although House Bill 453 does not specify future appropriations, establishing a new program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

It should be noted that the General Appropriation Act includes a one-time appropriation for the same purpose.

## **SIGNIFICANT ISSUES**

MFA reports this program may help renters repair their creditworthiness while incentivizing landlords to rent to tenants with higher credit risk by providing financial compensation for lost income. The Office of Housing says the program proposed in this bill could be available to individuals and households facing housing barriers but not experiencing homelessness or receiving vouchers or other forms of rental support. Pairing landlord incentives with a financial literacy course for the tenants is an innovative approach to alleviating housing barriers and potentially preventing homelessness. The City of Las Cruces, City of Albuquerque, and Bernalillo County have similar programs that expanded affordable housing inventory while reducing the landlord's financial risk.

MFA currently offers a landlord collaboration program which incentivizes landlords to rent to vulnerable populations, including youth exiting the foster care system, by offering assistance for unpaid rent and property damage. In 2024, MFA implemented the landlord engagement program that operates through the collaboration with the City of Albuquerque and the New Mexico Coalition to End Homelessness by offering assistance for unpaid rent and property damage. The passage of HB453 could expand the landlord incentive programs to administer the funding to eligible landlords and renters.

The Office of Housing reports landlord incentives have demonstrated success in convincing property owners and managers to lease to individuals who may otherwise be considered unqualified because of their source of income, credit, criminal history, or eviction. Typically, for people experiencing homelessness these types of programs have been managed by direct service agencies who conduct landlord outreach and provide case management for tenants who receive vouchers.

## **ADMINISTRATIVE IMPLICATIONS**

The Office of Housing reports there is currently a statewide landlord assistance program with \$1.6 million available in funding. DFA and MFA are in the final stages of negotiating a contract.

## **RELATIONSHIP**

HB 453 relates to House Bill 2, the General Appropriation Act, appropriating \$250 thousand for a creditworthiness program.

## **OTHER SUBSTANTIVE ISSUES**

MFA is unsure if participants will be able to satisfy the training program requirement in advance of receiving assistance because individuals usually do not seek assistance until there is an emergency.

Landlord support programs are only available in the cities of Albuquerque and Las Cruces and Bernalillo County.

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