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FISCAL IMPACT REPORT

LAST UPDATED _____
ORIGINAL DATE 02/18/2025

SPONSOR Pope

BILL

SHORT TITLE Purchase of Single Family Homes **NUMBER** Senate Bill 77

ANALYST Gygi

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact		Recurring	

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to House Bills 426 and 122

Sources of Information

LFC Files

Agency Analysis Received From
 Administrative Office of the Courts (AOC)
 Educational Retirement Board (ERB)
 New Mexico Attorney General (NMAG)
 Mortgage Finance Authority (MFA)
 Public Employees Retirement Association (PERA)

Agency Analysis was Solicited but Not Received From
 Governor’s Office on Housing
 State Investment Council (SIC)

SUMMARY

Synopsis of Senate Bill 77

Senate Bill 77 (SB77) would prohibit single-family residential property from being purchased by hedge funds, private equity firms, corporations, and other businesses.

FISCAL IMPLICATIONS

Senate Bill 77 does not appropriate state funds or generate revenue for the state. Because the bill does not assign responsibility for monitoring or enforcement to any agency, there is no direct fiscal impact on the operating budgets of the agencies submitting analysis. However, the Public Employees Retirement Association (PERA) states:

Currently, PERA’s portfolio is diversified based on the strategic goals of the board of the

Public Employees Retirement Association. The language could potentially impact PERA's investments; however, the intent of the legislation would need to be clarified to determine any potential impact.

SIGNIFICANT ISSUES

Currently, no other state has enacted such a ban, although the California and Nebraska legislatures have introduced similar legislation. At the federal level, Senator Jeff Merkley (D-Oregon) and Representative Adam Smith (D-Washington) introduced the End Hedge Fund Control of American Homes Act in December 2023.¹ The proposed federal act prohibits large corporate ownership of single-family homes. It proposes an immediate 50 percent tax on the fair market value of any future purchase of a single-family home by a hedge fund and includes measures to divest existing holdings over a decade.

Like SB77, these bills are designed to address the current housing affordability and supply crisis by making more homes available for families and individuals, particularly renters and first-time homebuyers. According to the Mortgage Finance Authority (MFA), they do so by limiting competition from institutional investors who often outbid individual homebuyers and discouraging absentee ownership. Speculative investment in residential properties can lead to inflated prices and housing bubbles. Further, institutional investors may target under resourced communities and displace vulnerable populations.

According to a 2022 Urban Institute report, in 2011, no single entity in the country owned over 1,000 single-family rental units.² By June 2022, large hedge funds and other institutional investors owned roughly 574 thousand single-family homes nationwide. Data from the first three months of 2023 shows this trend continuing, with hedge funds purchasing 27 percent of single-family homes. A congressional research report found hedge funds:³

- Focus on neighborhoods with larger Black populations and approximately 30 percent more single mothers than the national average;
- Are 68 percent more likely than small landlords to file for evictions and often impose high rent increases, inflated fees, and deteriorating housing conditions to maximize profits.

However, MFA also identifies potential drawbacks to placing limits on institutional buyers. For example, reduced demand could lead to lower home prices, negatively impacting homeowners looking to sell or refinance. Because institutional buyers often convert purchased home into rentals and may fund new housing developments, SB77's prohibition might worsen supply issues and potentially increase rental prices. It may also prohibit nonprofit corporations from investing in affordable housing.

PERA also points out:

The language could prevent individual New Mexican's from owning their own primary residence under a corporate entity, such as an LLC. Additionally, this may cause issues

¹ <https://adamsmith.house.gov/news/press-releases/representative-smith-and-senator-merkley-lead-bicameral-action-ban-hedge-fund>

² <https://www.urban.org/research/publication/profile-institutional-investor-owned-single-family-rental-properties>

³ <https://financialservices.house.gov/calendar/eventsingle.aspx?EventID=408381>

with mortgage contracts and banking institutions, particularly in cases of foreclosure.

The Attorney General (N MAG) notes, “The bill does not provide any direction, guidance, or consequence:”

For example, the bill does not address who would or could be responsible for monitoring the purchasing of single-family residences; what cause of action, if any, may be brought for violation of the statute; if there is a private right of action or if this is intended to be enforced by a law enforcement agency; any limits as to liability, damages, or recovery; etc.

The bill also fails to define any terms, so disputes could arise in any attempted enforcement including as to what constitutes a corporation, another business, a single-family residence, etc. Similarly, there is no understanding from the bill as to whether such an entity could work in concert with a single-family and/or under what circumstances might benefit to a single-family might provide an exception.

Potential Impacts on the State’s Retirement Funds. The Educational Retirement Board (ERB) and PERA both question whether SB77 applies to the state’s retirement funds and investment agencies. PERA notes it is unclear “whether PERA, PERA’s investment managers or funds or businesses in which PERA invests are considered a ‘hedge fund, private equity firm, corporation or other business.’” Further, PERA anticipates potential enforcement and state and federal constitutional issues:

If the language is intended to apply to PERA, or other investment agencies within New Mexico, PERA is uncertain how this legislation would be enforced on global corporations or hedge funds that are not subject to the law of New Mexico. Further analysis is advisable on whether issues exist under the Interstate Commerce Clause of the United States Constitution.

Additionally, Article XX, Section 22, of the New Mexico Constitution provides in part that the PERA Board is empowered with the “...sole and exclusive fiduciary duty and responsibility for the administration and investment of the trust fund...” If the legislation is intended to regulate the investment decisions of the PERA board, the legislation may face constitutional scrutiny.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 77 relates to House Bill 426, which seeks to protect mobile home park tenants from institutional purchasers. It also relates to House Bill 122 which would create owner-occupancy requirements for condominium associations.

TECHNICAL ISSUES

There are no definitions, which raise multiple questions of interpretation and scope as indicated in “Significant Issues” above. In particular, SB77 does not indicate who would be responsible for monitoring or enforcing the prohibition.