

BACKGROUND INFORMATION

The New Mexico Mortgage Finance Authority (MFA) has changed the landscape of affordable housing in New Mexico. MFA provides tools for quality affordable homes statewide, often described as modern, beautiful, sustainable, and energy efficient to create strong stable neighborhoods where children grow and families thrive.

MFA is a governmental instrumentality created in 1975 to assist with financing the acquisition, construction, rehabilitation and improvement of residential housing for New Mexico low- and moderate-income families. MFA is designated as the state government's housing agency, administering state and federal housing programs. Additionally, the oversight of New Mexico's regional housing authorities and the Affordable Housing Act belong to MFA.

MFA is governed by a seven-member board including the lieutenant governor, state treasurer and state attorney general. The MFA Legislative Oversight Committee is empowered to monitor and oversee the operations and rules and regulations formulated by the authority. The authority develops its own budget which is approved by its board of directors and does not require legislative approval. Statutorily created, the Land Title Trust Fund Advisory Committee, advises MFA on the use of monies generated by the land title trust fund to address affordable housing; the New Mexico Housing Trust Fund Advisory Committee advises MFA on the use of housing trust fund monies; and the Low Income Housing Tax Credit Allocation Review Committee reviews staff tax credit award recommendations, hears appeals to the awards, and makes final recommendations to the MFA Board.

MFA Fiscal Year 2022 Revenue and Operating Budget

MFA is a quasi-governmental agency and operates on a federal fiscal year. They do not receive operating funds from the state. Funding sources for the numerous housing services are derived from federal, MFA general fund, state, housing trust fund, land title trust fund, interest, and administrative fees.

MFA's FY23 revenue budget totals \$29.7 million, a 2 percent increase compared to last year's budget. On September 14, 2022, the MFA Board of Directors approved the authority's operating budget totaling \$27.3 million for FY23, a 5 percent increase over FY22 expenditures. The budget will cover 3.75 percent salary increases for staff, an 11 percent increase for benefit expenses, and additional FTEs. MFA's projected excess revenue for FY23 is \$3.4 million. Approximately 9 percent of MFA's funding sources are from federal housing programs and private activity bond cap; state funding makes up 2 percent of their budget.

As an instrumentality of the state, MFA is subject to the State Audit Act, and received an unmodified opinion on its FY21 financial statements. The FY22 audit is in process.

AGENCY: New Mexico Mortgage Finance Authority

DATE: September 22, 2022

PURPOSE OF HEARING: New Mexico Mortgage Finance Authority Budget and Program Overview

WITNESS: Mr. Isidoro "Izzy" Hernandez, Director

PREPARED BY: Jeannae L. Leger

EXPECTED OUTCOME: Informational

What does MFA offer?

- Low interest rates;
- Down payment assistance;
- Affordable housing construction financing;
- Senior and special needs housing;
- Rental and homeownership assistance;
- Home rehabilitation;
- Energy efficiency upgrades;
- Transitional housing; and
- Homelessness assistance.

Affordable Housing Financing

New Mexico Housing Trust Fund

The HTF has a **28-1 return on investment through 6/30/2022**.

Laws 2022 appropriated \$9 million from the issuance of severance tax bonds and \$10 million and in Laws 2021 Special session an additional \$15 million from the appropriation contingency fund for affordable housing projects statewide, pursuant to the New Mexico Housing Trust Fund Act and the Affordable Housing Act.

An estimated \$30 million in STB will be available for HTF beginning FY25.

2021 MFA Highlights

- \$757 million in low-interest financing and grants for affordable housing;
- MFA programs served more than 25,077 households;
- Awarded \$2 million in rental assistance;
- Awarded \$3.2 million in shelter and transitional housing;
- Programs provided 1,000 new and rehabilitated affordable homes;
- Over 660 homes weatherized;
- Awarded housing assistance to over 3,400 people experiencing or at imminent risk of homelessness; and
- Provided \$27.4 million in COVID-19 relief.

For the first time since its inception in 2005, the New Mexico Housing Trust Fund (HTF) will receive recurring funding beginning in FY25. Laws 2022, Chapter 38 (Senate Bill 134) amended the Severance Tax Bonding Act, earmarking 2.5 percent of the annual senior severance tax bond (STB) capacity for the HTF. The bill stipulates that MFA shall prioritize expending or encumbering balances in the fund from principal and interest on loans for projects previously funded by the proceeds of STBs prior to expending or encumbering from more recently issued bonds. Any unencumbered balance of the proceeds issued for the HTF will revert to the Severance Tax Bonding Fund after three years.

The HTF provides flexible funding for housing initiatives, produces significant housing investment in the state, rental and mortgage assistance, housing counseling, down payment assistance, home rehabilitation and weatherization, and programs to address homelessness.

By far, the HTF is one of MFA’s most successful programs. Since its creation through FY21, the state investment of \$27 million has resulted in over \$65 million in financing provided. As a revolving fund the amount grows as a result of loan repayments interest.

New Mexico Housing Trust Fund Investments Since Inception

	Total Units	Low Income Units	Moderate Income Units	Market Rate Units	Dollars	% of Total	Leverage
Single Family New Construction	314	153	22	139	\$7,900,561	12%	\$52,076,516
Single Family Rehabilitation	30	30	-	-	\$160,679	0.2%	\$160,679
Multifamily New Construction	2,863	2,581	117	164	\$36,002,930	54.7%	\$497,527,750
Multifamily Rehabilitation	1,584	1,530	-	54	\$18,776,680	28.5%	\$204,091,432
Other Housing Programs	351	168	183	-	\$1,565,812	2.4%	-
MFA Administration	-	-	-	-	\$1,407,856	2.1%	-
Totals	5,142	4,462	322	357	\$65,814,518	100%	\$753,856,377

Source: MFA through 6/30/22

Housing Preservation Programs

New Mexico Energy\$mart (Weatherization)

NM Energy\$mart provides assistance to low-income homeowners and renters to improve the energy efficiency of their homes, address health and safety issues and reduce utility expenses. On average, homes receive \$5,900 in energy efficiency upgrades such as ventilation systems, insulation, air sealing, new windows, new doors, and/or new energy efficient heating and cooling systems. Expected utility cost savings range between \$350 to \$850 each year.

Total funding for FY22 is \$13.8 million, including carry-over of \$105,000 from the previous year; funding sources include a state capital outlay, U.S. Department of Energy, Bipartisan Infrastructure Law, Coronavirus State and Local Fiscal Recovery Fund, LIHEAP, New Mexico Gas Company, Public Service Company of New Mexico, and Tri-State Co-Ops. In addition to direct funding, MFA has leveraged funding from NM EnergySmart and its owner-occupied home rehabilitation program with funding from the Community Development Block Grant (CDBG) and Veterans Rehabilitation programs to weatherize and rehabilitate additional homes and provide accessibility features and new roofs to homes that may not need full weatherization or rehabilitation.

In 2021, the Governor vetoed HB196 that would have eliminated the redundant oversight of the RHAs between MFA and HUD.

Other Housing Programs

Regional Housing Authorities

In 2009, MFA was mandated by the Legislature to provide oversight of New Mexico’s regional housing authorities (RHAs) and review efforts to consolidate Public Housing Authorities as well as maintain low rent units and administer the Section 8 Housing Vouchers. The RHAs are responsible for providing housing services in rural areas and for creating partnerships with local governments, state entities, nonprofit organizations and the private sector to plan, finance and maintain affordable housing. In addition, they operate federal programs such as Section 8 or Housing Choice Voucher Program and the Low Rent Program that provide rental assistance and subsidized rentals for households with incomes that earn 80 percent or less of the area median income.

According to the 2020 Annual Report on the RHAs, Eastern and Western continue to be high performers, while Northern remains “troubled”. However, according to MFA, Northern is moving in an upward direction

Linkages

Linkages was created in 2007 to provide permanent supportive housing for homeless adults who are diagnosed with a serious mental illness. The program is funded through the Human Services Department - Behavioral Health Services Division (the Collaborative). The Linkages rental assistance program received \$3.5 million for FY23. Linkages provides assistance with rent, security deposits, utility deposits, on-going utility assistance, application fees and background checks. Participants receive on-going case management to include monthly home visits through a support services administrator. Participants may stay in the program if they remain eligible or permanent housing is secured. MFA administers the rental assistance portion of the program.

Studies have found that supportive housing is associated with significant reductions in costs for emergency room visits, hospitalizations, shelters, sobering centers, jails, and other public services used by people experiencing homelessness.

For FY24, the Collaborative is requesting \$3.5 million for the Linkages Supportive Housing program.

2022-2023 Linkages Rental Assistance Program Awards

Housing Administrator	County Served	Recommended Award	Maximum # of Vouchers
Alianza of New Mexico	Curry	120,000.00	12
Bernalillo County Housing Department	Albuquerque, Sandoval	1,000,000.00	112
DreamTree Project	Taos	147,840.00	12
HopeWorks	Albuquerque, Sandoval	125,000.00	12
Mesilla Valley Community of Hope	Dona Ana, Luna	469,339.00	53
San Juan County Partnership	San Juan	169,819.00	18
Supportive Housing Coalition	McKinley	168,644.00	18
The Life Link	Santa Fe	895,170.52	78
Western Regional Housing Authority	Grant, Hidalgo	147,156.00	23
Total		3,242,968.52	338

Source: MFA

The designation of the service area is based on the availability and qualifications of local Housing Administrators and an HSD Certified Social Services Administrator whose role is to oversee supportive services and help clients obtain and sustain permanent housing. Social services are provided as an integral part of mental health management.

Landlord Collaboration Program (LCP)

CYFD is requesting \$104,000 to fund LCP in FY24.

In FY22, MFA partnered with the Children Youth and Families Department and youth/young adult housing providers in central and northern New Mexico to create the Landlord Collaboration Services program funded at \$90 thousand. The program provides access to safe, permanent and supportive housing opportunities for youth (ages 24 and under) who are experiencing homelessness or are at-risk of homelessness. Funds are distributed to landlords to cover costs such as excessive damage to rental units, lost rent, or legal fees beyond the security deposit. Reimbursement limits will be set in advance to ensure equitable distribution of funding.

Other Issues

Covid-19 Stimulus Funding

MFA also received \$13 million in CARES Act Emergency Solutions Grant (ESG) and Housing Opportunities for Persons with AIDS (HOPWA) funds for shelter operations, homeless prevention, and rapid rehousing as well as housing assistance for individuals with HIV/AIDS. A total of \$3.9 million remains unspent, funding reverts September 30, 2023.

Covid-19 Stimulus Funding Fully Expended

Program Name	Purpose	Amount	Funding Source
Community Development Block Grant - Coronavirus	Rental/home ownership	12,300.0	Federal
HUD Emergency Solutions Grant	Homeless prevention for individuals with HIV/AIDS	13,000.0	Federal
American Rescue Plan Homeowner Assistance Fund	Mortgage assistance	4,700.0	Federal
Coronavirus Relief Funds	Rental/home ownership and homeless services	15,000.0	State

Department of Finance and Administration (DFA) is partnering with MFA to administer the \$55.8 million Homeowner Assistance Fund (HAF) allocated through the American Rescue Plan. MFA was the first in the nation to launch an HAF mortgage assistance pilot program and successfully expended the pilot funding in a matter of months. Following acceptance of MFA's HAF plan, MFA launched and is currently administering a permanent program offering mortgage reinstatement, homeownership payment assistance, and property charge default resolution for property taxes and insurance. DFA is administering utility assistance for homeowners.

There are no signed grant agreements to expend \$15 million appropriated during 2021 Special Session and \$10 million appropriated during 2022 Legislative Session.

During the December 2021 Special Session and 2022 General Session, the New Mexico State Legislature appropriated \$25 million in Coronavirus State and Local Fiscal Recovery Funds to the New Mexico Housing Trust Fund for affordable housing. MFA has allocated these funds to weatherization and weatherization readiness, affordable rental development, down payment assistance, and an affordable housing innovation program.

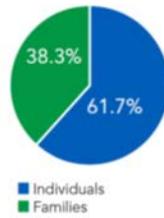
Homelessness in New Mexico

New Mexico had a 4.9 percent decrease in sheltered homelessness from 2020 to 2021 according to HUD's 2021 Annual Homeless Assessment Report. Due to the Covid-19 pandemic, many people experiencing homelessness did not go to shelters, and therefore are not included in this data. The report also states 27 percent of New Mexicans experiencing homelessness had chronic patterns of homelessness and 5.1 percent of individuals in sheltered homeless were veterans.

NEW MEXICO



10 in every **10,000**
people were experiencing
sheltered homelessness



Total Sheltered Homelessness, 2021
1,972

Estimates of Sheltered Homelessness

1,217 individuals

755 people in families with children

143 unaccompanied homeless youth

101 veterans

338 chronically homeless individuals

DFA was appropriated \$20 million in federal funds in 2021 Special Session and 2022 Legislative Session; \$1.5 million has been committed.

New Mexico Affordable Housing Act

Enacted in 2004, the Affordable Housing Act allows local governments to donate resources to create and maintain affordable housing in their communities. With an approved ordinance by MFA, communities can donate or make contributions towards acquisition, development, financing, operating and maintaining affordable housing. Currently 36 local municipalities and/or county governments are participants (see below). Participants of the Act also become eligible for additional funding resources. Local governments interested in participating should contact MFA.

Entity	Type of Entity	Approved Plan	Approved Ordinance	Entity	Type of Entity	Approved Plan	Approved Ordinance
Alamogordo	Municipality (City)	Yes	Yes	Lea County	County	Yes	Yes
Albuquerque	Municipality (City)	Yes	Yes	Lordsburg	Municipality (City)	Yes	Yes
Artesia	Municipality (City)	Yes	Yes	Los Alamos County	County	Yes	Yes
Belen	Municipality (City)	Yes	Yes	Los Lunas (Valencia County)	Joint Municipality (City) & County	Yes	Yes
Bernalillo County	County	Yes	Yes	Lovington	Municipality (City)	Yes	Yes
Bernalillo	Municipality (City)	Yes	Yes	Mesilla	Municipality (Town)	Yes	Yes
Carlsbad	Municipality (City)	Yes	Yes	Portales	Municipality (City)	Yes	Yes
Deming	Municipality (City)	No	Yes	Rio Arriba County	County	Yes	Yes
Dona Ana County	County	Yes	Yes	Roswell	Municipality (City)	Yes	Yes
Eddy County	County	Yes	Yes	Ruidoso	Municipality (Village)	Yes	Yes
Espanola	Municipality (City)	Yes	Yes	San Miguel County	County	Yes	Yes
Eunice	Municipality (City)	Yes	Yes	Santa Fe	Municipality (City)	Yes	Yes
Farmington – NE San Juan County	Joint Municipality (City) & County	Yes	Yes	Santa Fe County	County	Yes	Yes
Gallup	Municipality (City)	Yes	Yes	Silver City	Municipality (City)	Yes	Yes
Guadalupe County (Santa Rosa)	Joint Municipality (City) & County	Yes	Yes	Socorro	Municipality (City)	Yes	Yes
Hobbs	Municipality (City)	Yes	Yes	Socorro County	County	Yes	Yes
Jal	Municipality (City)	Yes	Yes	Taos	Municipality (Town)	Yes	Yes
Las Cruces	Municipality (City)	Yes	Yes	Taos County	County	Yes	Pending
Las Vegas	Municipality (City)	Yes	Yes	Total		36	37

2023 Legislative Agenda

- \$10 million capital outlay request for the New Mexico Housing Trust Fund, for disbursement to the MFA for financing projects statewide pursuant to the Affordable Housing Act. Funding will leverage additional funding for housing activities.
- \$250,000 for Affordable Housing Act oversight and implementation, including direct technical assistance to local governments, planning and implementation grants to local governments and review and approval of plans and ordinances.