

FISCAL IMPLICATIONS

The appropriation of \$500 thousand contained in this bill is a recurring expense to the general fund. Any unexpended balance remaining at the end of 2016 will revert to the general fund.

SIGNIFICANT ISSUES

Through the New Mexico legislative process, IAD annually receives appropriated funds to support special projects, which address issues pertaining to health, education, social and cultural issues. Project proposals go through a competitive evaluation process, and are scored and ranked by a committee. IAD grants awards to qualified tribal-serving organizations and federally recognized Indian nations, tribes and pueblos located wholly or partially in New Mexico. It is atypical and likely against best practices to avoid the selection processes in place for allocation of state funds by identifying a specific entity in appropriation legislation such as this.

The following background information was provided by the IAD regarding a similar bill introduced in the 2014 legislative session:

The idea behind this Act has a foundation in a program that the United States Department of Agriculture (USDA) implements every year. USDA's Rural Development Housing & Community Facilities Program's Section 502 Mutual Self-Help Loan program is used primarily to help very low- and low-income households construct their own homes. The program is targeted to families who are unable to buy clean, safe housing through conventional methods. Families participating in a mutual self-help project perform 65 percent of the construction labor on each other's homes under qualified supervision. The savings from the reduction in labor costs allows otherwise ineligible families to own their own homes. If families cannot meet their mortgage payments during the construction phase, the funds for these payments can be included in the loan. Eligibility requirements state applicants must have low or very low incomes. Very low income is defined as below 50 percent of the area median income (AMI); low income is 50-80 percent of AMI. Families must be without adequate housing; however, they must be able to afford the mortgage payments including principal, interest, taxes, and insurance (PITI). These payments are 22-26 percent of an applicant's income. In addition, applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories. Families with very low incomes living in substandard housing are given first priority. The terms of the loans are for up to 33 years. Under the Section 502 Mutual Self-Help Housing program, housing must be modest in size, design, and cost. Houses constructed must meet the voluntary national model building code adopted by the state and Housing and Community Facilities Programs thermal and site standards.

The USDA and the Housing and Urban Development (HUD) have limited funding for the housing needs in Indian Country. As the federal funding for Indian housing declines, the tribal need for housing continues to increase. As tribal members return home to take advantage of new employment opportunities offered by tribal enterprises, the chronic shortage of quality, affordable housing in Indian Country becomes more acute. While rental housing, long the focus of tribal housing authorities, will continue to be needed on most reservations, tribal members increasingly seek to become homeowners. Historically, lenders have been reluctant to provide mortgage loans on trust land. Tribal trust land cannot be encumbered without the approval of the United States Department of the Interior and cannot be sold except with Congress' consent. Foreclosure and sale of mortgaged land, the mortgage lender's normal default remedy, is

unavailable in Indian Country. Other obstacles to mortgage lending in Indian Country include lenders' ignorance of, and lack of interest in, Indian Country, tribal members' lack of familiarity with financing, and poor credit.

The Pueblo of Jemez is an example of the need for housing in tribal communities, where the tribal community has access to the materials, expertise, and labor to construct housing, they are just lacking in the funding to get such a vital housing project started in their community. Not only will the lack of housing concerns be addressed, the tribal community will be teaching and passing on important cultural knowledge to a younger generation as well as teaching to valuable lessons of being self-sufficient. There are many tribal communities that mirror Jemez's struggle for adequate housing. This Act will start the foundation for a needed pilot project in New Mexico's Indian Country.

ADMINISTRATIVE IMPLICATIONS

IAD would likely choose a licensed contractor/tribal building company through the Request for Proposal process.

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