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FISCAL IMPACT REPORT

ORIGINAL DATE 01/20/16

SPONSOR Baldonado/Padilla LAST UPDATED _____ HB 32

SHORT TITLE HomeBuyer Down Payment Assistance SB _____

ANALYST Amacher

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY16	FY17		
	\$1,650.00	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files
New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Bill

House Bill 32 makes an appropriation of \$1.65 million from the general fund to the Department of Finance and Administration for expenditure in fiscal year 2017, and subsequent fiscal years, for the New Mexico Mortgage Finance Authority (MFA) to provide down payment assistance loans for low and moderate income first-time homebuyers. Any unexpended or unencumbered balances remaining at the end of fiscal year shall not revert to the general fund. This bill is endorsed by the Mortgage Finance Authority Act Oversight Committee.

FISCAL IMPLICATIONS

House Bill 32 makes an appropriation of \$1.65 million from the general fund expenditure in fiscal year 2017, and subsequent fiscal years, for the MFA to continue to provide down payment assistance for low and moderate income first-time homebuyers. According to MFA, there was a 50 percent increase in loan volume in 2015. MFA estimates this appropriation will provide financial assistance for 300 additional home purchases in fiscal year 2017. Loan repayments support a revolving loan fund providing additional financial assistance.

Costs to administer this program are recovered through loan fees. The MFA partners with lenders to provide mortgage and down payment assistance loans. Any unexpended or unencumbered balances remaining at the end of the fiscal year shall not revert to the general fund.

SIGNIFICANT ISSUES

Since the MFA's inception, the MFA has relied upon partnerships with lenders in making mortgage loans to low and moderate income homebuyers who qualify on income and home purchase price criteria. Down payment assistance became available to these homebuyers in 1991. This assistance supports many credit worthy families in purchasing a home.

The MFA reports approximately 97 percent of all MFA borrowers utilize the down payment assistance at an average of \$5,500 per home purchase. All MFA borrowers receive mandatory pre-purchase counseling. Loans for the down payment assistance are made at 6 percent with a 30-year term.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The MFA advises that down payment assistance for 300 homes in the state will not be available in fiscal year 2017 and that loan repayments will not be available for additional down payment assistance in the future.

JMA/jle/jo