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FISCAL IMPACT REPORT

SPONSOR Padilla ORIGINAL DATE 1/22/19
LAST UPDATED _____ HB _____
SHORT TITLE Pre-Purchase Homebuyer Education SB 36
ANALYST Leger

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY19	FY20		
	\$500.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Senate Bill 36

Senate Bill 36 appropriates \$500.0 from the general fund to the Department of Finance and Administration for expenditures in FY20-22 for the New Mexico Mortgage Finance Authority to create and implement a statewide pre-purchase education program for first-time homebuyers.

FISCAL IMPLICATIONS

The appropriation of \$500.0 contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY22 shall revert to the general fund.

Up to 10 percent of the appropriation may be used by MFA for administrative purposes.

SIGNIFICANT ISSUES

Pre-purchase homebuyer education is required for all MFA loans; which have a very small foreclosure rate. Few lenders and organizations offer homebuyer education, so the majority of homebuyers in New Mexico do not receive pre-purchase homebuyer education, this appropriation would help fill that gap. A study by U.S. Housing and Urban Development found

that pre-purchase homebuyer counseling significantly reduces the rate of delinquencies and foreclosures.

PERFORMANCE IMPLICATIONS

MFA reports, funding statewide pre-purchase education through a single, non-recurring appropriation will have limited impact. Permanent, ongoing funding would greatly improve the effectiveness of the legislation.

ADMINISTRATIVE IMPLICATIONS

According to MFA, in order to meet the intent of SB36, development of a housing counseling program is required to provide direct housing counseling services to homebuyers. Since the legislation will require program design, SB36 provides multiple years for MFA to expend.

SB36 is endorsed by the Mortgage Finance Authority Act Oversight Committee.

JL/al