Housing New Mexico

2026 NCSHA Award Submission

ENTRY CATEGORY:
Homeownership

ENTRY SUBCATEGORY:
Encouraging New Construction

ENTRY NAME:
Zero Interest Homebuilder Program

1975 2025 50 YEARS OF HOUSING NEW MEXICO

Housing New Mexico's Vision and Mission

Housing New Mexico | New Mexico Mortgage Finance Authority's (MFA's) vision is for all New Mexicans to have quality, affordable housing opportunities. The state's leader in affordable housing, Housing New Mexico provides innovative products, education, and services that strengthen families and communities. The Zero Interest Homebuilder Program (ZIHP) is an effort to catalyze builders and developers to bring affordable homes to the market. Most builders in the affordable single-family space disappeared after the financial crisis, and as home building revived, the focus of most builders has been on a more lucrative, higher priced market.

The Zero Interest Homebuilder Program is Innovative

Housing New Mexico's ZIHP program utilizes state funding from the New Mexico Housing Trust Fund. Housing New Mexico then loans those funds at a zero-percent interest rate, which greatly reduces the financing cost of building. Many builders see typical borrowing costs of eight to over 10 percent. Housing New Mexico, as a Housing Finance Agency (HFA) and not a bank, is able to lend at interest rates that turn heads, including zero percent interest. Zero Interest creates excitement for builders statewide, including in rural areas and smaller cities and towns across the state. Development and construction loans typically repay much more quickly than other loan types, replenishing the capital that can be redeployed for other single-family construction projects.

The requirement to participate in the ZIHP program is that builders/developers agree to build five or more homes at a time, no larger than 1,500 square feet with three bedrooms and two baths that are within Housing New Mexico's sale price limits. The lots developed or homes constructed are to be sold to homebuyers earning no more than 150% of the Area Median Income (AMI). Land Use Restrictions are placed on the lots and homes. If homeowners resell in the first five years to a new buyer not meeting the 150% income requirements, sellers must share a percentage of net sales proceeds with Housing New Mexico, as an incentive to keep the home in the affordable housing stock and allow the homebuyer to build wealth through homeownership. The amount of net proceeds recaptured decreases 10 percent each year for the five years. After five years, there are no restrictions on selling the home.

The Zero Interest Homebuilder Program is Replicable

Using expertise that most HFAs have, Housing New Mexico utilizes the lending expertise of its Housing Development Department which previously only provided financing to multifamily developments. Housing New Mexico's Homeownership Department has expertise in single-family mortgage lending. Combining Housing New Mexico's multiple areas of expertise and creating focus and priority with those who understand construction financing at a commercial level, and using it to pivot to single-family development, has been an immense success.

Housing New Mexico's single-family development loan program was the precursor to the ZIHP program. As the first construction line of credit was closed and homes were being completed and sold, the Housing New Mexico team learned how to best administer the program. An innovative program idea took shape, in which builders would be offered the capital needed to build desired, affordable homes without having an interest expense. The requirements were created so that the builder could sell the homes and be successful. The Housing New Mexico team worked together internally to provide training to sales associates and real estate agents on our single-family mortgage loan programs for the eventual homebuyers. The team listened to builder feedback and simplified the program requirements as much as possible.

One requirement that was more complicated than initially anticipated was how to verify that homebuyers met the income requirements. It was not appropriate for builders to obtain income information from the buyers. The Housing New Mexico team arrived at a solution: when mortgage lenders are underwriting their borrower's loan, the lenders provide certification that the homebuyer's income is at or below the qualifying income level of 150% AMI. No special income calculation is required, and the buyer's income is not disclosed to the seller/builder.

The Zero Interest Homebuilder Program Responds to an Important State Housing Need

Most builders in the affordable single-family space disappeared after the financial crisis, and as home building revived, the focus of most builders has been the more lucrative, higher priced market.

Affordable housing stock across New Mexico is aging and needs repair. While Housing New Mexico operates rehabilitation programs, adding new housing stock into the market is also critical. Many smaller communities do not have active housing creation. The ZIHP program allows smaller, experienced builders to obtain financing that would be at a much higher cost or otherwise unable to obtain.

The Zero Interest Homebuilder Program Uses Data, Research and Analysis to Demonstrate Measurable Benefits to Housing New Mexico's Targeted Customers and Underserved Markets

According to the ***2025 New Mexico Housing Needs Assessment***, the state's median household income is $62,125, markedly lower than the national median household income of $78,538. Almost half—49.8%—of New Mexico households earn less than $50,000 annually. In New Mexico, single-family detached homes comprise 65.7% of the state's housing stock. The median sale price of a home in New Mexico in 2024 was $345,000, which increased 6.7% from 2023 and a whopping 72.5% from 2018. These numbers indicate the need for affordable single-family housing in New Mexico.

Housing New Mexico commissioned a 2025 study from the National Homebuilders Association. The study estimated one-year economic impacts of Housing New Mexico building 100 single-family homes in New Mexico to be **$29.6 million** in income for New Mexico residents, **$8.5 million** in taxes and other revenue for state and local governments, and 371 jobs in New Mexico.

Additional, annually recurring impacts of building 100 single-family homes under Housing New Mexico programs include **$5 million** in income for New Mexico residents, **$1.8 million** in taxes and other revenue for state and local governments, and **74 jobs** in New Mexico.

130 homes were under development/construction or approved and awaiting loan closing to begin construction in 2025. The 2025 homebuilders study indicated that for each home built in the state, an estimated $295,964 benefits the local economy. Not only are there direct benefits like wages, materials, and taxes paid to businesses, but there are also indirect benefits to ancillary businesses, such as accountants and furniture stores, not to mention increased fees and taxes. Based on the projected number of ZIHP financed single-family homes currently under development, there will be an estimated $38.4 million in spending income and tax revenue for the local economies supporting 481 jobs. An additional $6.5 million in ongoing annual effect from the homes remaining occupied is estimated going forward.

The Zero Interest Homebuilder Program Has a Proven Track Record of Success in the Marketplace

Housing New Mexico has two active loans closed in 2025 totaling $4.9 million, creating 130 units. Two more projects were approved and are awaiting closing for an additional $3.1 million and 56 more units. More applications are in various stages which will, if approved, create 267 additional units, totaling $14.5 million in additional loans in 2026. The reception of the program has exceeded expectations in 2025 with momentum building for the future.

The Zero Interest Homebuilder Program Provides Benefits that Outweigh Costs

The ZIHP program's zero-percent interest rate catches the attention of builders and developers who are positioned to build affordable homes. Loan programs using the same funding source are typically charging very low interest rates. The opportunity costs of losing out on the one- or two-percent interest that could have been charged is relatively small when compared to the benefit of the affordable housing units being created.

The Zero Interest Homebuilder Program Demonstrates Effective Use of Resources

ZIHP construction and development revolving loan funds are withdrawn and repaid in a relatively short period of time, usually 36 months or less—much faster than multifamily development loans and 30-year mortgages. Lines for vertical construction are revolving lines of credit, meaning that the loan funds are used over and over, multiplying the impact of the amount borrowed. Infrastructure development loans used to create roads and utilities are paid back over 36 to 60 months, depending on the size of the project. Construction is completed in phases, taking advantage of economies of scale, yet keeping the project in manageable increments.

The Zero Interest Homebuilder Program Effectively Employs Partnerships

Housing New Mexico has partnered with internal and external stakeholders to implement ZIHP. Internally, the Homeownership Department assisted the Development Loan Manager in the Housing Development Department to educate homebuilders and their sales forces on Single-Family Mortgage products offered by Housing New Mexico. Homeownership outreach staff provided training focused on the program's income limits. Both departments agreed to ensure their income and sales price limits aligned, so that buyers could use Housing New Mexico mortgage products and take advantage of down payment assistance available. This alignment helped to drive buyers who income-qualify for the program.

Externally, Housing New Mexico alerted the New Mexico Homebuilders Association as to the ZIHP program, giving a presentation to the organization's board of directors. Association members have made vital suggestions for improvements to the program that simplify process while maintaining the program's original focus. Housing New Mexico staff also partnered with the New Mexico Manufactured Housing Association to provide training sessions for manufactured housing developers. This resulted in one of the first loans for a manufactured housing development in southern New Mexico.

The Zero Interest Homebuilder Program Achieves Strategic Objectives

Housing New Mexico's Board of Directors has placed a high priority on spurring development of single-family homes for purchase. The HFA's 2026 benchmark is to provide financing for 500 affordable housing units. The Housing New Mexico team is confident it will achieve this goal in large part due to the ZIHP program and expects the number of units to increase as more builders participate and move their developments through the entitlement process.

El Toro Community (Roswell)*

** A single-family development in Roswell, El Toro Community received a New Mexico Housing Trust Fund award from Housing New Mexico. The development is the testing ground for the Zero Interest Homebuilder Program's terms and processes.*

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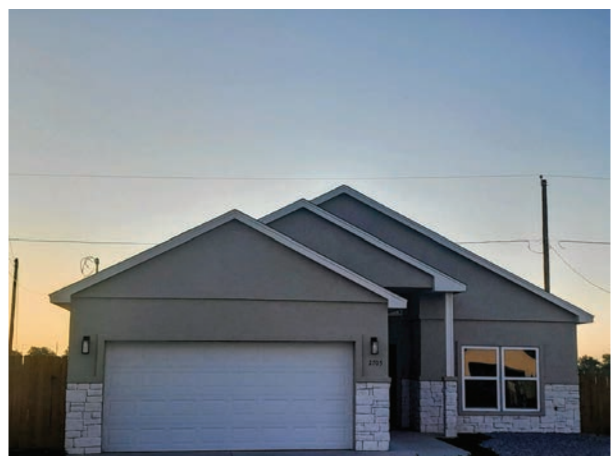

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Villa Encantada II (Moriarty)