NEW MEXICO MORTGAGE FINANCE AUTHORITY  
Board Meeting  
344 4th St. SW, Albuquerque, NM  
Wednesday, April 15, 2015 at 9:30 a.m.  

Proposed Agenda  

Chair Convenes Meeting
➢ Roll Call (Jay Czar)
➢ Approval of Agenda – Board Action
➢ Approval of 3/18/15 Board Meeting Minutes – Board Action
➢ Approval of 3/18/15 Board Study Session – Housing Development Cost Containment Policy

Board Action Items

1. 2015 Series E Single Family Bond Resolution (Kathy Keeler) YES
2. Servicing Expansion-Phase II Recommendation (Theresa Laredo-Garcia) YES

Finance Committee
3. HOME DPA Program Policy Revisions (Erik Nore) YES
4. External Audit Request for Proposals (Yvonne Segovia) YES
5. FY2014-2015 General Fund Budget Amendment (Yvonne Segovia) YES
6. 2015 HOME Allocations (Joseph Montoya) YES

Contracted Services/Credit Committee
7. RFP for General Counsel Legal Services (Marjorie Martin) YES
8. RFP for Housing Development and Multi-family Mortgage Servicing Legal Services (Marjorie Martin) YES

Compensation Committee
9. Request for Exception to Service-Based Accruals of Vacation Leave for Deputy Director Position (Jay Czar) YES

Presentations
10. "To Be Announced" Program Update (Mike Awadis, Senior Vice President First Southwest) NO
11. Board Responsibilities-Bond Issuance (Blake Wade, Partner, Ballard Spahr and Ryan Warburton, Partner Ballard Spahr) NO

Other Board Items
12. (Staff is available for questions)
   ▪ Staff Action Requiring Notice to Board
   ▪ Monthly TBA Pricing and Sale Analysis
   ▪ 2015 Series A, B & C Pricing Summaries

Monthly Reports
13. (Staff is available for questions)
    ▪ 2/28/15 Financial Statements
    ▪ Communications Department Reports

Announcements and Adjournment

Confirmation of Upcoming Board Meetings:
➢ May 20, 2015 – Wednesday – 9:30 a.m. (MFA)
➢ June 17, 2015 – Wednesday, 9:30 a.m. (MFA)
➢ July 15, 2015 – Wednesday, 9:30 a.m. (MFA)
➢ August 19-20, 2015 MFA Board of Directors Meeting & Retreat
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Board Action Items

1 2015 Series E Single Family Bond Resolution (Kathy Keeler) - To authorize future bonding activity and to ensure MFA can be responsive to market conditions, Staff is requesting approval of the 2015 Series E Single Family Bond Resolution in the aggregate amount of Not To Exceed $65 million. MFA has two bond issues which can be refunded, namely, 2005 Series C and 2005 Series D and is currently evaluating bond executions that will provide an economic benefit to MFA.

2 Servicing Expansion-Phase II Recommendation (Theresa Laredo-Garcia) - As Phase II of the Servicing Expansion Project, MFA’s Servicing Expansion Committee has evaluated the feasibility of a sub-servicing model for MFA’s Single Family Loan program. The Committee researched the sub-servicing model, engaged a consultant from the mortgage industry and obtained input from the HFA community to develop two (2) sub-servicing scenarios. Although both scenarios are viable revenue-generating activities, Scenario 2 decreases costs to MFA and allows MFA to continue developing its servicing capacity and expertise with the support and mentorship of IHFA. Utilizing this Scenario will provide continuity of service to MFA’s Participating Lenders as well as provide the “high touch” customer service as is the standard among mission-driven HFAs. Based on a positive outcome of the Servicing Expansion Project Phase II-Sub-Servicing, the Servicing Expansion Committee recommends that MFA pursue Scenario 2-Hybrid Sub-Servicing through a partnership with the Idaho Housing Finance Association (IHFA). MFA would continue discussions and negotiations to implement this hybrid servicing model effective March 1, 2016.

Finance Committee

3 HOME DPA Program Policy Revisions (Erik Nore) - Staff recommends revisions to the Payment$aver and Helping Hand HOME Investment Partnership ("HOME") funded down payment assistance program policies. These programs support low to moderate income first-time homebuyers who meet specific eligibility requirements and who obtain first mortgage financing through MFA’s Single Family mortgage program. The Payment$aver program is targeted to homebuyers that earn up to 80% of Area Median Income ("AMI") based on location within the State of New Mexico and family size. The Helping Hand program is targeted to disabled first-time homebuyers that are at or below 80% AMI, again based on location within the State of New Mexico and family size. HOME regulations direct the structure and qualification guidelines of all HOME funded activities. Proposed policy revisions include homebuyer underwriting standards, lender eligibility, first mortgage lending requirements, loan amount revisions and revisions to income and purchase price limits.

4 External Audit Request for Proposals (Yvonne Segovia) - New Mexico Office of the State Auditor (OSA) directed the MFA to seek proposals for the financial and compliance audit for the fiscal year ended September 30, 2015 in a joint venture with the OSA. The term of this Request for Proposal is for one year. Staff recommends the approval of the Request for Proposal for External Audit Services. Responses will be due to MFA by May 1, 2015.

5 FY2014-2015 General Fund Budget Amendment (Yvonne Segovia) - A budget amendment is proposed to cover the FY2015 expenses identified in the Servicing Expansion Project – Phase II Sub-Servicing Economic Feasibility Study. Management also reviewed the current budget for any unusual and unanticipated activity that was not included in the original budget to determine whether any line items required revision. The proposed budget will increase revenue by $308,125 and decrease expenses by ($550,354) resulting in Total Expenses of $10,649,206 and Excess Revenue over Expenses of $2,294,865. Staff is recommending approval of the proposed Budget Amendment.
6  **2015 HOME Allocations (Joseph Montoya)** - Allocating HUD HOME funds totaling $5,740,296 to the following activities: Homebuyer Assistance (DPA) $239,000, Home Rehabilitation (HOR) $2,565,000, Rental Programs (REN) $1,847,500, Community Housing Development Organization (CHDO- *NOTE: Can be used for CHDO Rental or Single Family Programs) $499,838, CHDO Operating (COE) $135,733 and Administration (ADM) $453,225.

**Contracted Services/Credit Committee**

7  **RFP for General Counsel Legal Services (Marjorie Martin)** - Staff requests approval of the RFP for General Counsel Legal Services for the MFA to enable selection of a candidate, for the Board’s approval, to provide legal assistance, advice and counsel to MFA’s Board of Directors, as well as representation in matters impacting the MFA.

8  **RFP for Housing Development and Multi-family Mortgage Servicing Legal Services (Marjorie Martin)** - Staff requests approval of the RFP for Housing Development and Multi-family Mortgage Legal Services to select a candidate for the Board’s approval that will provide MFA with multi-family mortgage servicing legal services; representation in litigation related to multi-family housing; and advice, counsel, and assistance in legal matters related to the development of housing projects financed by MFA.

**Compensation Committee**

9  **Request for Exception to Service-Based Accruals of Vacation Leave for Deputy Director Position (Jay Czar).**  The Executive Director recommends and requests authorization to allow the two full-time Deputy Director positions to accrue vacation leave up to the maximum available under the vacation leave policy. If this authorization is approved by the Board, it shall become part of MFA’s Employee Manual.

**Presentations**

10  "To Be Announced" Program Update (Mike Awadis, Senior Vice President First Southwest) – No Action. Presentation

11  **Board Responsibilities-Bond Issuance (Blake Wade, Partner, Ballard Spahr and Ryan Warburton, Partner Ballard Spahr)** – No Action. Presentation

**Other Board Items**

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**Announcements and Adjournment**

**Confirmation of Upcoming Board Meetings:**

- May 20, 2015 – Wednesday – 9:30 a.m. (MFA)
- June 17, 2015 – Wednesday, 9:30 a.m. (MFA)
- July 15, 2015 – Wednesday, 9:30 a.m. (MFA)
- August 19-20, 2015 MFA Board of Directors Meeting & Retreat
Minutes
Chair Burt convened the meeting on March 18, 2015 at 9:40 a.m. Secretary Czar called the roll. Members present: Chair Dennis Burt, Treasurer Tim Eichenberg, Attorney General Hector Balderas and Angel Reyes. Absent: Lieutenant Governor John Sanchez, Randy McMillan and Steven Smith. Czar informed the Board that everyone had been informed about today’s meeting in accordance with the New Mexico Open Meetings Act.

**New Board Member Oath of office for Attorney General Hector Balderas.** Chair Burt welcomed Attorney General Hector Balderas to the MFA Board of Directors, congratulated him on the election and administered the Oath of Office required for new board members.

**Approval of Agenda - Board Action.** Motion to approve the March 18, 2015 Board agenda as presented: Eichenberg. Second: Reyes. Vote: 4-0.

**Approval of 2/18/15 Board Meeting Minutes – Board Action.** Motion to approve the 2/18/15 Board Meeting Minutes as presented: Reyes. Second: Eichenberg. Vote: 4-0.

**Contracted Services/Credit Committee**

1. **Housing Opportunity for Persons with AIDS (HOPWA) Contract Renewals 2015-2016 (Izzy Hernandez/Nicole Sanchez).** Hernandez began with background information explaining MFA administers the Housing Opportunity for Persons With AIDS (HOPWA) Program for the City of Albuquerque and Balance of State. It is a HUD formula entitlement program. Hernandez explained the program’s purpose, parameters, the clients it serves and the services offered. He further explained MFA issued an RFP to award HOPWA funds for program year 2014-2015 to New Mexico AIDS Services (NMAS) and Southwest CARE Center (SCC). Hernandez explained the RFP and performance agreements allow for an option to extend the agreement, at the discretion of MFA’s Board of Directors for a maximum of two (2) additional one (1) year periods under the same terms and conditions. Hernandez stated that MFA recommends renewing the contracts for New Mexico AIDS Services and Southwest CARE Center for the HOPWA program to provide rental assistance and supportive services to persons and their families with HIV/AIDS. The total amount to be awarded today is $615,154.00. He reviewed the amounts to be awarded to NMAS and SCC for the City of Albuquerque and Balance of the State, Carryover from 2013/2014 and the amount MFA receives for administration fees, which is shown in the table located behind tab one and will be included in the official board packet. Motion to approve the Housing Opportunity for Persons with AIDS (HOPWA) Contract Renewals 2015-2016 as presented: Reyes. Second: Eichenberg. Vote: 4-0. (See Attachment A)

New Mexico AIDS Services Housing Program Manager Lauren Dixon and Chief Operating Officer Jessica Molzen made a presentation to the Board regarding their appreciation for the funds awarded and contracts renewed. They explained that this would allow them to continue to be able to provide services for their clients. Molzen read a letter from a client, which not only showed his great appreciation for this program but also, spoke of how it has made a difference in his quality of life.

**Other Board Items - Information Only**

2. **There were no questions asked of staff**
   - Staff Action Requiring Notice to Board
   - Monthly TBA Pricing and Sale Analysis

**Monthly Reports - No Action Required**

3. **Questions were asked of staff with regards to the 1/31/15 Financial Statements which Gina Hickman responded to.**
   - 1/31/15 Financial Statements
   - Communications Department Reports
Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Burt informed the Board that the study session following the Board meeting will remain in the Board room. He also informed the Board the next MFA Board of Directors meeting will be on April 15, 2015 at the offices of the MFA at 9:30 a.m. Czar informed the Board that the Study Session on the Servicing Expansion Phase will take place in the morning prior to the Board Meeting.

There being no further business the meeting was adjourned at 10:05 a.m. Motion: Balderas. Second: Eichenberg. Vote: 4-0.

Approved: April 15, 2015

Chair, Dennis Burt
Secretary, Jay Czar
The meeting convened at 10:15 a.m. Members present: Chair Dennis Burt, Angel Reyes, Attorney General Hector Balderas (early departure 11:28 a.m.), State Treasurer Tim Eichenberg and Sally Malavé (Designee for Attorney General Hector Balderas). Members Absent: Lt. Governor John Sanchez, Steven Smith and Randy McMillan. The public has been informed about today’s meeting, in accordance with the New Mexico Open Meetings Act.

Staff in attendance included: Jay Czar, Gina Hickman, Joseph Montoya, Dan Foster, Dan Puccetti, Michael Scott, Monica Abeita, Sandra Marez and General Counsel Joshua Allison.

On Wednesday, March 18, 2015 the Board of Directors of the New Mexico Mortgage Finance Authority (MFA) conducted a study session following the MFA Board of Directors meeting to go over the New Mexico Affordable Housing Cost Study. Chair Burt began by explaining for the benefit of new Board members that there was concern regarding the cost per unit on the multifamily developments. He explained that member McMillan has experience in this area and felt that units could be built for much less than what New Mexico LIHTC developers were doing and also had concerns regarding the amount of developer fees being charged. He further explained that Novogradac had been commissioned to conduct a study which was presented to the Board in November and learned that MFA is competitive with surrounding states in terms of average cost per unit for LIHTC projects.

Joseph Montoya explained that the Low Income Housing Tax Credit program (LIHTC) is a federal tax credit from the U.S. Treasury that MFA administers. It provides tax credits in exchange for equity for the development of affordable multifamily (MF) rental housing and is the largest program in existence today for new construction/rehabilitation. He provided background information on the program and noted that the program is competitive, complicated, and technical. Therefore the units themselves will tend to be more expensive to develop in comparison to conventional units. He stated that staff has heard the concerns of the board in terms of cost -per-unit and wanted to show what has been done in terms of the LIHTC QAP (Qualified Allocation Plan) to lower costs and highlight what MFA can and cannot do. He made reference to the study indicating that costs are high and the issues that are involved with the costs of these units. He further stated that we have made progress and are anticipating a 6% decrease in costs this year. He apologized for the presentation that Novogradac provided in November but stated that we are happy with the results of the study itself. He explained that we have limited power to make changes because there are many regulatory issues that take precedence.

Dan Foster, Tax Credit Manager gave some additional background information about the LIHTC program and explained the approval process, some of the study’s conclusions, the ARC’s role (Allocation Review Committee) and the timeline. Dan Puccetti, Director of Housing Development, stated that the department is in the middle of the annual Tax Credit round and that recommended awardees will be presented to the Board in May for approval. Foster explained that the study analyzed LIHTC development cost trends, compared costs in New Mexico to surrounding states, and reviewed policies and procedures for cost containment. The study also examined the distribution of credits between congressional districts, urban and rural areas, housing types, and project sizes. When comparing development costs between states the study examined the average cost per unit for site work and structures, adjusted total development cost, and total development cost. He explained that, across all three analytical categories, two states (Texas and Utah) had average per unit costs lower than New Mexico while three states (Arizona, Colorado, and Nevada) were higher. Foster then reviewed the Key Conclusions from the Novogradac Study, Recent Policies Implemented, Focus Question, Maximum Allocation per Project, Developer Fee Limits, Contractor Fee Limits, Eligible Basis Limits, Minimum Rehab Costs per Unit, Unit Size Limitations, Energy Efficiency, Experience, Local Support/Contributions, Mixed Income, Project Size, Cost Efficiency/Credit Efficiency, Tie Breakers and Future Cost Containment Options. This handout was provided at the meeting and will become a part of the official board study packet.
Hector Balderas left (Sally Malave was present) 11:28 a.m.

Chair Burt commented that staff is hitting on the key issues causing high costs and that the environment in which developers are trying to create these LIHTC projects is complex. The key issue is “are hard costs comparable to market rate hard costs?” In tax credit projects you have two other barriers; predevelopment soft costs which are staggering and the odds of success are very small for the people preparing tax credit applications. Developers submitting applications are taking great risks. This year 16 applications were submitted. How many will be funded? Developers must factor the failure rate and higher predevelopment expenses into their costs structures. It is very difficult to accurately capture that in terms of a market rate but it is an element to which we have to be sensitive. Unlike market rate projects, affordable projects allow developers limited ability to raise rents or have a much longer term (45 years) than the 5-10 year exit strategy of market developers (i.e. due to limited cash flow and long affordability restrictions). How do you look at those future cash flows in a market rate deal and then discount back to the present to derive a fair developer fee? The key questions are: What are the hard costs of developing affordable housing units and how does this compare with market rate units? Are developer fees fair given the risk of failure to get funding in the competitive environment and the predevelopment costs required to put together an application? Do the costs and fees make sense given the type of projects being created?

Reyes commented that Chair Burt is right on target. Having been in both the ARC and Board meetings, Reyes noted that Board and Committee members just receive a two to three-page project summary with broad cost categories and per unit total development costs that are easy to inappropriately compare to market rate costs. We need something different in the presentations going forward to educate the board on what is being presented to finance and that demonstrates the development is viable. We need to somehow more accurately reflect costs and demonstrate that all of the numbers are in line. Such modifications to presentations will improve the efficiency of the decision making process. As we have learned today, staff has put a lot of time into examining costs and implementing cost containment strategies. There is a part that can be addressed with a collective knowledge of what you see, what you are trying to track, and what the differences are that add to the cost of a project. If we do nothing to take all this information and incorporate it into board presentations and education, we will have the same conversations and maybe end up commissioning more studies in another year. It may take a few presentations but we need to recognize that all deals are not the same.

Member Eichenberg spoke of his experience in developing projects and how many different things he would have done that would have added costs upfront but saved him money in the long run by requiring less maintenance. Discussions ensued regarding quantity versus quality. It was noted that we need to maintain the quality of the housing being produced. There was also concern about rural areas not getting their fair share and the hopes of someday being able to fund all the projects. Monica Abeita handed out a report that showed geographic distribution and explained that the congressional district that gets short changed is CD1 in Albuquerque.

Chair Burt thanked staff for their effort stating he believed what we are doing is very positive. It is all about stewardship. As board members we want to be good stewards of these resources.

There being no further business the meeting was adjourned at 12:10 p.m.

Approved: March 18, 2015

Chair, Dennis Burt  Secretary, Jay Czar
Tab 1
MEMORANDUM

TO: Board

Through: Policy Committee – April 6, 2015

FROM: Kathleen M. Sysak-Keeler

DATE: April 1, 2015

SUBJECT: 2015 Series E Single Family Bond Resolution

Recommendation:
Staff is recommending the approval of the 2015 Series E Single Family Bond Resolution in the aggregate amount of Not To Exceed $65 million.

Background:
It has been MFA’s practice to keep a Board approved Single Family Program bond resolution in place to allow staff to respond to market conditions as needed in order to provide beneficial funding executions for the program. MFA sold bonds in February and closed on the 2015 Series C bond issue on March 17, 2015 and the 2015 Series A and B bond issues March 26, 2015. A new resolution is now needed to authorize future bonding activity. The bond resolution outlines the parameters for the bond issue.

Discussion:
MFA has two bond issues which can be refunded, namely, 2005 Series C and 2005 Series D. We have the opportunity to either issue a refunding/new money bond transaction which is estimated to generate $3.2 million in subsidy which will be used for future bond issues or to issue a taxable bond refunding transaction which is estimated to have a present value net economic benefit to MFA of $1.3 million. Both of these opportunities are contingent on market conditions and staff is working with our Financing Team to determine the most advantageous transaction.

Summary:
To authorize future bonding activity and to ensure MFA can be responsive to market conditions, Staff is requesting approval of the 2015 Series E Single Family Bond Resolution in the aggregate amount of Not To Exceed $65 million. MFA has two bond issues which can be refunded, namely, 2005 Series C and 2005 Series D and is currently evaluating bond executions that will provide an economic benefit to MFA.
CERTIFICATE REGARDING THE RESOLUTION
OF THE AUTHORITY

I, the undersigned, Jay Czar, Secretary of the New Mexico Mortgage Finance Authority (the “Authority”), DO HEREBY CERTIFY that: (i) the annexed Resolution was duly adopted by the members of the New Mexico Mortgage Finance Authority at a meeting thereof duly called and held on April 15, 2015, at which meeting a quorum was present and acting throughout; (ii) the annexed Resolution has been compared by me with the original thereof recorded in the minute book of the Authority and is a correct transcript therefrom and of the whole of said original; (iii) the annexed Resolution has not been altered, amended or repealed; and (iv) the annexed Resolution is in full force and effect on the date of this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Authority this ___ day of __________, 2015.

__________________________
Jay Czar, Secretary
New Mexico Mortgage Finance Authority

(SEAL)
Bond Resolution
Single Family Mortgage Program Bonds, Series 2015E

A RESOLUTION

OF THE NEW MEXICO MORTGAGE FINANCE AUTHORITY (THE “AUTHORITY”) AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE BY THE AUTHORITY OF ITS SINGLE FAMILY MORTGAGE PROGRAM BONDS, SERIES 2015E IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $65,000,000; AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF A SERIES INDENTURE, A BOND PURCHASE CONTRACT, AN OFFICIAL STATEMENT, INVESTMENT AGREEMENTS, AND OTHER DOCUMENTS REQUIRED IN CONNECTION THERewith; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

WHEREAS, the Legislature of the State of New Mexico (the “State”), at its 1975 regular session, adopted Chapter 303, Laws of New Mexico, 1975, known and cited as the Mortgage Finance Authority Act, being Sections 58-18-1 through 58-18-27, inclusive, NMSA 1978 and Section 2-12-5, NMSA 1978, as amended (collectively, the “Act”); and

WHEREAS, there was created by the Act, a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality known and identified as the “New Mexico Mortgage Finance Authority” (the “Authority”), said Authority being created and established to serve a public purpose and to act for the public benefit by improving the health, safety, welfare and prosperity of the State and the general public; and

WHEREAS, the purposes of the Authority are to provide decent, safe and sanitary residential housing to persons of low or moderate income, and the Authority has determined that it will serve and fulfill the purposes for which it was created by the establishment of a program to finance the purchase of mortgage loans made by eligible mortgage lenders for the financing of residential housing; and

WHEREAS, the Authority is authorized by the Act to purchase and contract to purchase, mortgage loans, or securities backed by mortgage loans, originated by mortgage lenders to finance residential housing for persons of low or moderate income under rules adopted by the Authority; and

WHEREAS, in furtherance of its Single Family Mortgage Program and in order to provide funds to be used to refund certain of the Authority’s single family mortgage bonds and to finance the purchase of housing by persons of low or moderate income within the State, it has been deemed appropriate and necessary that the Authority authorize the issuance of its Single Family Mortgage Program Bonds, Series 2015E (or such other additional series/title designation(s) as the Authority may determine and
including the issuance of MBS pass through program bonds) (the “Bonds”), and prescribe and establish conditions and other appropriate matters with respect to the issuance of the Bonds; and

WHEREAS, the Bonds shall be special obligations of the Authority payable solely from and secured by a lien on the proceeds, moneys, revenues, rights, interest and collections pledged therefor under a General Indenture of Trust dated as of November 1, 2005, as heretofore supplemented and amended (the “General Indenture”) between the Authority and Zions First National Bank, as trustee (the “Trustee”); and

WHEREAS, there has been presented to the Authority at this meeting a proposed form of Bond Purchase Contract relating to the Bonds (the “Purchase Contract”) to be entered into among the Authority, and any of J.P. Morgan Securities LLC, RBC Capital Markets LLC (including any of their successors) or any other purchasers to be named therein (collectively, the “Underwriters”), a form of Series 2015E Indenture (the “Series 2015E Indenture” and collectively with the General Indenture, the “Indenture”) to be entered into between the Authority and the Trustee, a form of a Preliminary Official Statement to be used by the Underwriters in marketing the Bonds, and the Master Mortgage Pooling and Servicing Agreements (each a “Master Servicing Agreement”) previously entered into or to be entered into by the Authority.

NOW, THEREFORE, BE IT RESOLVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY, AS FOLLOWS:

Section 1. The Authority has determined and hereby determines that the supply of funds available in the private banking system in the State for residential mortgages is inadequate to meet the demand of persons of low or moderate income for residential mortgage financing, and that financing the making of loans by the Authority will alleviate such inadequate supply of residential mortgage money in the State’s banking system.

Section 2. All other action heretofore taken (not inconsistent with the provisions of this resolution) by the Authority and by the officers of the Authority directed toward the issuance of the Bonds are hereby ratified, approved and confirmed.

Section 3. The Series Indenture in substantially the form presented to this meeting is in all respects authorized, approved and confirmed. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Finance and Administration and the Assistant Secretary of the Authority are hereby authorized to execute, attest, seal and deliver the Series Indenture in the form and with substantially the same content as presented to this meeting for and on behalf of the Authority with such alterations, changes or additions as may be authorized by Section 16 hereof.

Section 4. The mortgage loans shall be pooled and serviced pursuant to the Master Servicing Agreements, except that authorized officers of the Authority may elect to have mortgage loans relating to bonds refunded with proceeds of the Bonds (if any) continue to be serviced under existing arrangements. The Chair, Vice Chair, Executive
Director, Deputy Director of Finance and Administration or Secretary are hereby authorized to execute and deliver the Master Servicing Agreements (to the extent not previously executed and delivered) and any necessary supplement thereto to reflect the terms of the mortgage loans attributable to the Bonds and mortgage loans relating to bonds refunded with proceeds of the Bonds (if any), and the inclusion of any other loans approved by the governing board of the Authority thereunder.

Section 5. Employees of the Authority designated by the Chair, Vice Chair, Executive Director, Deputy Director of Finance and Administration or Secretary are hereby authorized to give notice of the availability of funds from this issue and to enter into, execute and deliver program documents for and on behalf of the Authority.

Section 6. For the purpose of providing funds to refund certain of the Authority’s single family mortgage bonds and/or finance the purchase of housing by persons of low or moderate income within the State, all as authorized under the Indenture, the Authority is authorized to issue the Bonds which shall be designated New Mexico Mortgage Finance Authority “Single Family Mortgage Program Bonds, Series 2015E” (or such other additional Series/title designation as the Chair, Vice Chair, Executive Director, Deputy Director of Finance and Administration or Secretary shall determine). The Bonds shall be issued only in fully registered form.

Section 7. The Authority hereby declares its intention to reimburse itself from all or a portion of proceeds of the Bonds for expenditures for costs of making the mortgage loans. The Authority intends that the Bonds are to be issued and the reimbursements made, by the later of 18-months after the payment of the costs or after the project financed by each respective mortgage loan is placed in service, but in any event, no later than three years after the date the mortgage loan was made.

Section 8. The Authority hereby authorizes the issuance of the Bonds in the aggregate principal amount of not to exceed $65,000,000. The Bonds shall mature on the dates and in the principal amounts and shall bear interest at rates and payable all as provided in the Indenture, within the parameters set forth in Exhibit A hereto.

Section 9. The form, terms and provisions of the Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption, and number shall be as set forth in the Indenture. The Chair, Vice Chair, Secretary and Assistant Secretary of the Authority are hereby authorized to execute, attest and seal by facsimile the Bonds and to deliver the Bonds to the bond registrar for authentication. All terms and provisions of the Indenture are hereby incorporated in this resolution.

Section 10. The appropriate officials of the Authority are hereby authorized to execute and deliver to the bond registrar the written order of the Authority for authentication and delivery of the Bonds in accordance with the provisions of the Indenture.

Section 11. The Bonds shall be sold to the Underwriters at a purchase price of not less than 100% of the principal amount thereof plus accrued interest in accordance
with the provisions of the Purchase Contract. Pursuant to the Purchase Contract the Authority may agree to pay an Underwriting fee to the Underwriters in an amount not to exceed 1.0% of the principal amount of the Bonds. The Chair, the Vice Chair, the Executive Director, the Deputy Director of Finance and Administration or the Secretary, of the Authority are hereby authorized to execute and deliver the Purchase Contract in substantially the form and with substantially the same content as presented at this meeting for and on behalf of the Authority with such alterations, changes or additions as may be authorized by Section 16 hereof. The Chair, Vice Chair, Executive Director, Deputy Director of Finance and Administration and Secretary are hereby authorized to specify and agree as to the principal amounts, interest rates, maturities, purchase price and underwriting fee with respect to the Bonds for and on behalf of the Authority by the execution of the Purchase Contract and the Indenture, provided such terms are within the parameters set by this resolution.

Section 12. The Chair, Vice Chair, Executive Director, Deputy Director of Finance and Administration and Secretary are hereby authorized to approve the distribution of a Preliminary Official Statement (in substantially the form presented to the Authority at this meeting) and an Official Statement in substantially the form of the Preliminary Official Statement, with modifications determined at the time of the sale of the Bonds and to execute and deliver for and on behalf of the Authority an Official Statement in connection with the sale of the Bonds.

Section 13. The Trustee and the Chair, Vice Chair, Executive Director, Deputy Director of Finance and Administration or Secretary are hereby authorized to enter into investment agreements (“Investment Agreements”), in form and substance satisfactory to the Authority. Any and all proceeds of, and investment income attributable to, the Bonds may be loaned to or deposited from time to time pursuant to the Investment Agreements for the periods, and at the interest rates, specified therein.

Section 14. The appropriate officers of the Authority, including without limitation the Chair, Vice Chair, the Secretary, the Assistant Secretary, the Executive Director and Deputy Director of Finance and Administration are authorized to take all action necessary or reasonably required by the Bonds, the Indenture, the Master Servicing Agreement and the Purchase Contract to carry out, give effect to and consummate the transactions as contemplated thereby and are authorized to take all action necessary in conformity with the Act, including, without limitation, the giving of notice of redemption of any bonds to be refunded with the proceeds of the Bonds.

Section 15. Upon their issuance, the Bonds will constitute special obligations of the Authority payable solely from and to the extent of the sources set forth in the Bonds and the Indenture. No provision of this resolution, the Indenture, the Bonds or the Purchase Contract shall be construed as creating a general obligation of the Authority or as incurring or creating a charge upon the general credit of the Authority. No provision of this resolution or of the Purchase Contract, the Indenture or the Bonds shall be construed as creating a general or special obligation of the State of New Mexico or any political subdivision thereof.
Section 16. The appropriate officials of the Authority, including without limitation the Chair, the Vice Chair, the Secretary, the Assistant Secretary, the Executive Director and the Deputy Director of Finance and Administration are authorized to make any alterations, changes or additions in the Indenture, the Bonds, the Purchase Contract, the Preliminary Official Statement, the Official Statement, the Investment Agreements, the Master Servicing Agreement or any other document herein authorized and approved which may be necessary to correct errors or omissions therein, to remove ambiguities therefrom, to permit the inclusion under the Indenture of any other loans approved by the governing board of the Authority, and maintain the expected rating on the Bonds, to conform the same to other provisions of said instruments, to the final terms established for the Bonds (within the parameters established herein), and the final agreement with the Underwriters, to the provisions of this resolution or any resolution adopted by the Authority, or the provisions of the laws of the State of New Mexico or the United States.

Section 17. The operating budget of the Authority is hereby amended to provide funds to pay costs relating to the issuance of the Bonds, any negative carry costs, or other related expenses in amounts not to exceed amounts specified in Exhibit A. Such amounts may also be taken from Surplus Fund under the Indenture. The Authority may also allocate mortgage backed securities held by the Authority (in the Surplus Fund or otherwise) to provide additional collateral for the Bonds.

Section 18. If any provisions of this resolution should be held invalid, the invalidity of such provision shall not affect the validity of any of the other provisions of this resolution.

Section 19. The appropriate officials of the Authority, including without limitation the Chair, the Vice Chair, the Secretary, the Assistant Secretary, the Executive Director and the Deputy Director of Finance and Administration are hereby authorized and directed to execute and deliver for and on behalf of the Authority any or all additional certificates, documents and other papers and to perform all other acts they may deem necessary or appropriate in order to implement and carry out the matters authorized in this resolution and the documents authorized and approved herein.

Section 20. After any of the Bonds are delivered by the Trustee to the Underwriters and upon receipt of payment therefor, this resolution shall be and remain irrepealable until the principal of, premium, if any, and interest on the Bonds are deemed to have been fully discharged in accordance with the terms and provisions of the Indenture.

Section 21. No member or employee of the Authority has any interest, direct or indirect, in the transactions contemplated by the Authority and authorized by this resolution.

Section 22. All resolutions of the Authority or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency.
Section 23. This resolution shall become effective immediately upon its adoption.
ADMITTED:

Aye:

Nay:

Abstain:

Absent:

PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY THIS 15TH DAY OF APRIL, 2015.

__________________________
Chair
(SEAL)

ATTEST:

__________________________
Secretary
EXHIBIT A

Single Family Mortgage Program Bonds, Series 2015E

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Authority Funds Contribution:</th>
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<tbody>
<tr>
<td>Not to exceed</td>
<td>Not to exceed</td>
<td>Not to exceed</td>
<td>Not to exceed</td>
</tr>
<tr>
<td>September 1, 2046</td>
<td>$65,000,000</td>
<td>4.50%</td>
<td>$950,000</td>
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</table>
Tab 2
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – March 27, 2015

Through: MFA Board Study – April 15, 2015

FROM: Servicing Expansion Committee

DATE: April 15, 2015

SUBJECT: Servicing Expansion Project – Phase II – Sub-Servicing

RECOMMENDATION:

Based on a positive outcome of the Servicing Expansion Project Phase II-Sub-Servicing, the Servicing Expansion Committee recommends that MFA pursue Scenario 2-Hybrid Sub-Servicing through a partnership with the Idaho Housing Finance Association (IHFA). Scenario 2 generates approximately $9.2 million in revenue for MFA over a 10 year period. Utilizing this Scenario will provide continuity of service to MFA’s Participating Lenders as well as provide the “high touch” customer service as is the standard among mission-driven HFAs. MFA would continue discussions and negotiations to implement this hybrid servicing model effective March 1, 2016.

BACKGROUND

Initiated in 2012, MFA’s Servicing Expansion Project was undertaken to fulfill the emphasis on new resources and expanding mission-driven, fee-for-service activities in the MFA Strategic Plan.

On June 18, 2014, the MFA Board of Directors approved the Servicing Expansion Committee’s recommendation to expand research on the sub-servicing model, which received a positive evaluation as a potential revenue-generating activity.

Generally, the sub-servicing model allows MFA to maintain financial control over Mortgage Servicing Rights (MSRs) without investing time and resources to develop and implement new in-house loan servicing operations. The MSRs would provide MFA an ongoing revenue stream and fees for services provided would be negotiated with a sub-servicer. Under this model, an additional investment of MFA resources would be required to perform “front end” functions to include purchase of loans from participating lenders, loan tracking, transfer of loans to the sub-servicer, and pooling and securitization using MFA’s own agency seller/servicer approvals. Additionally, MFA would be required to perform compliance oversight of the sub-servicing operations with direction and compliance oversight of default and foreclosure activity. Although the sub-servicer performs most of the major servicing functions on MFA’s behalf, MFA would remain contractually responsible to the
mortgage note holder and would develop controls to ensure outsourced servicing functions are performed according to compliance and regulatory requirements.

**DISCUSSION**

The Servicing Expansion Committee drafted an action plan that identified tasks to be completed and established deadlines and completion dates as well as a method for tracking the status of Servicing Expansion Project Phase II throughout the evaluation period.

The Committee determined that specialized mortgage industry experience was needed and engaged mortgage industry expert Lyle Greenberg to assist the Committee in evaluating the sub-servicing model and to provide recommendations regarding the viability of sub-servicing MFA’s Single Family program loans.

A final report and recommendations for the Servicing Expansion Project-Phase II was presented to the MFA Board of Directors at a study session held on April 15, 2015.

In order to provide the most comprehensive analysis of the options available for sub-servicing, staff tailored the sub-servicing evaluation to include two (2) distinct scenarios:

- Scenario 1 represents the standard sub-servicing model
- Scenario 2 represents a hybrid sub-servicing model based on a partnership with IHFA

**Scenario 1 – Standard Sub-Servicing**

Standard sub-servicing allows MFA to maintain financial control over the MSRs and contract with a sub-servicer to service the loans. In Scenario 1, MFA resources would be required to develop, implement and staff the Homeownership department to perform “front end” functions to include purchase of loans from participating lenders, loan tracking, transfer of loans to the sub-servicer, and pooling and securitization using MFA’s own agency seller/servicer approvals. MFA’s Homeownership department currently performs reservation tracking and compliance review of MFA’s program loans. In addition, compliance oversight of the sub-servicing operations is required to ensure outsourced servicing functions are performed according to compliance and regulatory requirements.

The evaluation of standard sub-servicing includes an Economic Feasibility Study (EFS) which reflects a positive “net change in assets” in Year 3 of the 10-year forecast period. The EFS confirms that standard sub-servicing is a viable revenue-generating activity for MFA.

**Scenario 1 – Economic Feasibility Study Recap**

<table>
<thead>
<tr>
<th>Servicing &amp; Homeownership Recap</th>
<th>Beginning 10/01/15</th>
<th>Year 1 FY2015</th>
<th>Year 2 FY2016</th>
<th>Year 3 FY2017</th>
<th>Year 4 FY2018</th>
<th>Year 5 FY2019</th>
<th>Year 6 FY2020</th>
<th>Year 7 FY2021</th>
<th>Year 8 FY2022</th>
<th>Year 9 FY2023</th>
<th>Year 10 FY2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total estimated change in net assets from sub-servicing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Servicing income (expense)</td>
<td>(55,826)</td>
<td>(113,162)</td>
<td>21,347</td>
<td>379,754</td>
<td>695,775</td>
<td>861,953</td>
<td>1,045,897</td>
<td>1,240,188</td>
<td>1,468,744</td>
<td>1,746,344</td>
<td></td>
</tr>
<tr>
<td>Net int income, loans held for sale</td>
<td></td>
<td>(520,000)</td>
<td>(520,000)</td>
<td>(520,000)</td>
<td>(520,000)</td>
<td>(520,000)</td>
<td>(520,000)</td>
<td>(520,000)</td>
<td>(520,000)</td>
<td>(520,000)</td>
<td></td>
</tr>
<tr>
<td>Interest cost, capitalized MSRs</td>
<td>-</td>
<td>-</td>
<td>(18,503)</td>
<td>(57,327)</td>
<td>(96,454)</td>
<td>(132,227)</td>
<td>(164,444)</td>
<td>(193,520)</td>
<td>(220,604)</td>
<td>(247,357)</td>
<td></td>
</tr>
<tr>
<td>Estimated change in net assets</td>
<td>(102,422)</td>
<td>(521,261)</td>
<td>79,021</td>
<td>382,972</td>
<td>647,510</td>
<td>765,225</td>
<td>903,917</td>
<td>1,055,744</td>
<td>1,243,462</td>
<td>1,480,180</td>
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<tr>
<td>Cumulative change in net assets</td>
<td>(102,422)</td>
<td>(623,683)</td>
<td>(544,662)</td>
<td>(161,690)</td>
<td>485,820</td>
<td>1,251,045</td>
<td>2,154,963</td>
<td>3,210,706</td>
<td>4,454,168</td>
<td>5,934,348</td>
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</tr>
</tbody>
</table>

The final report includes a SWOT analysis and a presentation of various considerations related to the analysis of Scenario 1.
Scenario 2 – Hybrid Sub-Servicing

The Servicing Expansion Committee was informed that MFA’s current master servicer, IHFA, has developed and implemented hybrid sub-servicing scenarios with other HFA clients. In the hybrid scenario proposed, the sub-servicer provides both the “front end” and sub-servicing services for the client. Based on data from IHFA, the cost of all services would be approximately 15bps. IHFA has indicated willingness to provide such servicing to MFA, pursuant to a cooperative agreement between MFA and IHFA. This arrangement would meet the limited source criteria in MFA’s procurement policy as this type of hybrid servicing is not offered in the traditional servicing market.

In coordination with IHFA, MFA staff was able to obtain sufficient financial detail on the hybrid scenario to prepare an EFS that could be compared to Scenario 1. Scenario 2-Hybrid Sub-Servicing reflects a significant positive “net change in assets” in Year 3 of the 10-year forecast period. As with Scenario 1, Scenario 2 is a viable revenue-generating activity for MFA. However, Scenario 2 is more advantageous to MFA because the hybrid model reduces the resources required in Scenario 1 including staffing, loan origination system and pooling/securitization software.

Scenario 2 – Economic Feasibility Study Recap

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Idaho provides Homeownership and Sub-servicing for approx. 15bps</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Servicing income</td>
<td>-</td>
<td>-</td>
<td>270,378</td>
<td>1,256,366</td>
<td>1,810,398</td>
<td>2,305,741</td>
<td>2,747,950</td>
<td>3,142,186</td>
<td>3,493,127</td>
<td>3,805,016</td>
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</tr>
<tr>
<td>IHFA Homeownership &amp; Servicing expense</td>
<td>-</td>
<td>-</td>
<td>(97,336)</td>
<td>(452,292)</td>
<td>(651,743)</td>
<td>(830,067)</td>
<td>(989,262)</td>
<td>(1,131,187)</td>
<td>(1,257,526)</td>
<td>(1,349,806)</td>
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</tr>
<tr>
<td>Other Servicing expense</td>
<td>(55,826)</td>
<td>(123,467)</td>
<td>(161,144)</td>
<td>(250,872)</td>
<td>(400,779)</td>
<td>(649,503)</td>
<td>(836,767)</td>
<td>(972,711)</td>
<td>(1,047,400)</td>
<td>(1,064,932)</td>
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<tr>
<td>Loan origination Quality Control expense</td>
<td>-</td>
<td>-</td>
<td>(24,900)</td>
<td>(29,450)</td>
<td>(30,400)</td>
<td>(31,350)</td>
<td>(32,300)</td>
<td>(33,250)</td>
<td>(34,200)</td>
<td>(35,150)</td>
<td></td>
</tr>
<tr>
<td>Net int income, loans held for sale</td>
<td>-</td>
<td>-</td>
<td>520,000</td>
<td>520,000</td>
<td>520,000</td>
<td>520,000</td>
<td>520,000</td>
<td>520,000</td>
<td>520,000</td>
<td>520,000</td>
<td>520,000</td>
</tr>
<tr>
<td>Interest cost, capitalized MSRs</td>
<td>-</td>
<td>-</td>
<td>(18,503)</td>
<td>(57,327)</td>
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<td>(184,444)</td>
<td>(193,520)</td>
<td>(220,604)</td>
<td>(247,357)</td>
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<tr>
<td>Estimated change in net assets</td>
<td>(55,826)</td>
<td>(123,467)</td>
<td>488,495</td>
<td>986,425</td>
<td>1,151,022</td>
<td>1,245,177</td>
<td>1,331,517</td>
<td>1,453,397</td>
<td>1,607,771</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative change in net assets</td>
<td>(55,826)</td>
<td>(179,293)</td>
<td>309,202</td>
<td>1,295,628</td>
<td>2,446,650</td>
<td>3,629,244</td>
<td>4,874,421</td>
<td>6,205,938</td>
<td>7,659,335</td>
<td>9,267,107</td>
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</tbody>
</table>

The final report includes a SWOT analysis and a presentation of various considerations related to the analysis of Scenario 2.

**SUMMARY:**

As Phase II of the Servicing Expansion Project, MFA’s Servicing Expansion Committee has evaluated the feasibility of a sub-servicing model for MFA’s Single Family Loan program. The Committee researched the sub-servicing model, engaged a consultant from the mortgage industry and obtained input from the HFA community to develop two (2) sub-servicing scenarios. Although both scenarios are viable revenue-generating activities, Scenario 2 decreases costs to MFA and allows MFA to continue developing its servicing capacity and expertise with the support and mentorship of IHFA. Utilizing this Scenario will provide continuity of service to MFA’s Participating Lenders as well as provide the “high touch” customer service as is the standard among mission-driven HFAs.

Based on a positive outcome of the Servicing Expansion Project Phase II-Sub-Servicing, the Servicing Expansion Committee recommends that MFA pursue Scenario 2-Hybrid Sub-Servicing through a partnership with the Idaho Housing Finance Association (IHFA). MFA would continue discussions and negotiations to implement this hybrid servicing model effective March 1, 2016.
Tab 3
**New Mexico Mortgage Finance Authority**

Finance/Operations Committee Meeting  
Tuesday, April 7, 2015 at 1:30 p.m.

To dial in to the conference call dial: (559) 546-1000 Code for Board members and proxies 561172# MFA staff code 561172#

<table>
<thead>
<tr>
<th>Agenda Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1  HOME DPA Program Policy Revisions (Erik Nore)</td>
</tr>
<tr>
<td>2  External Audit Request for Proposals (Yvonne Segovia)</td>
</tr>
<tr>
<td>3  FY2014-2015 General Fund Budget Amendment (Yvonne Segovia)</td>
</tr>
<tr>
<td>4  2015 HOME Allocations (Joseph Montoya)</td>
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</table>

<table>
<thead>
<tr>
<th>COMMITTEE RECOMMENDED</th>
<th>BOARD ACTION REQUIRED</th>
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</thead>
<tbody>
<tr>
<td>3 - 0</td>
<td>YES</td>
</tr>
<tr>
<td>3 - 0</td>
<td>YES</td>
</tr>
<tr>
<td>3 - 0</td>
<td>YES</td>
</tr>
<tr>
<td>3 - 0</td>
<td>YES</td>
</tr>
</tbody>
</table>

Committee Members present:

- Steven Smith, Chair  
  - Present  
  - Conference call

- Dennis Burt  
  - Present  
  - Conference call

- John Sanchez or Proxy Mark Van Dyke or Vincent Torres  
  - Present  
  - Absent  
  - Conference call

Secretary: [signature]  
1/7/15
MEMORANDUM

TO:                  Board of Directors

Through:             Finance Committee – 04/07/2015

Through:             Policy Committee – 03/31/2015

FROM:                Erik Nore

DATE:                04/15/2015

SUBJECT:             HOME down payment assistance program revisions

Recommendation:

Staff recommends that the Board approve the amendments to the Payment$aver and Helping Hand down payment assistance program policies funded by the HOME Investment Partnership (“HOME”) to ensure compliance with federal program regulations. Policy revisions include homebuyer underwriting standards, lender eligibility, first mortgage lending requirements, loan amount revisions, the addition of the affordability and recapture requirements and revisions to income and purchase price limits.

Background:

The Payment$aver and Helping Hand programs are non-amortizing, 0% interest rate (“soft second”) second mortgage loans, which provide down payment and closing cost assistance in conjunction with an MFA first mortgage. The Payment$aver and Helping Hand programs are all funded with HOME funds, which are awarded via a federal formula block grant through Housing and Urban Development (“HUD”).

The Payment$aver program is targeted to homebuyers that earn up to 80% of Area Median Income (“AMI”) based on location within the State of New Mexico and family size. The Helping Hand program is targeted to disabled first-time homebuyers that...
are at or below 80% AMI, again based on location within the State of New Mexico and family size.

**Discussion:**

The Payment$aver and Helping Hand program policies are based on HOME regulations, which dictate the structure and qualification guidelines of the programs. In the past year, HUD has published a final HOME program rule, which introduced several requirements related to the use of HOME funding to assist low-to-moderate income homebuyers in purchasing a home. In particular, the HOME rule requires HOME Participating Jurisdictions (“PJ's”) to establish program policies related to homebuyer assistance.

To date, staff has integrated many of the new HOME requirements into the Payment$aver and Helping Hand programs. Although, there are additional amendments related to the content of written agreements between MFA and the first mortgage lender, criteria for the first mortgage loan used in conjunction with the HOME DPA, homebuyer underwriting and eligibility guidelines, the addition of minimum affordability period for both HOME DPA programs, a definition and description of the applicable recapture guidelines and the addition of MFA subordination guidelines that need to be integrated into the Payment$aver and Helping Hand program policies.

In addition, Staff is requesting amendments to the Helping Hand program loan amount (as required under the final HOME rule), revisions to the Albuquerque MSA income limits for the Payment$aver program and purchase price limit amendments for the both the Payment$aver and Helping Hand programs.

Staff proposes the following revisions to the Payment$aver and Helping Hand down payment assistance program policies:

- **Participating Lender eligibility guidelines**
  Staff proposes amendments to the Payment$aver and Helping Hand program policies which would require for the first mortgage lender to be trained and certified by MFA as a “Payment$aver/Helping Hand Lender”.

- **First mortgage loan requirements**
  Staff proposes amendments to both the Payment$aver and Helping Hand program policies to include language regarding the term and structure of the first mortgage loan used in conjunction with the Payment$aver/Helping Hand down payment assistance loan. Specifically, the amendments include language that specifies that the first mortgage loan must adhere to responsible lending standards, including acceptable first mortgage loan products, restrictions on risky loan features and first mortgage escrow requirements.
• **Homebuyer underwriting and eligibility**
  Staff proposes amendments to both the Payment$aver and Helping Hand program policies to include homebuyer underwriting guidelines, specifically a minimum housing ratio (i.e. the ratio of the monthly mortgage payment to the homebuyers total monthly income) of 25% and a maximum housing ratio of 33%, respectively), a maximum debt to income ratio(i.e. the ratio of the homebuyers total monthly income to the homebuyers total recurring monthly debt payments) of 45%, revisions to the policy regarding the maximum amount of down payment assistance available to the homebuyer, minimum borrower cash reserves after loan closing (2 months first mortgage payments) and a minimum borrow cash investment of $500 at closing. The proposed amendments are a requirement under the HOME final rule.

• **Affordability Period**
  Staff proposes the addition of the HOME program affordability period to the Payment$aver and Helping Hand program policies. The affordability period is defined under the HOME rule as the amount of time that the homebuyer is required to occupy the HOME unit for the home to considered and eligible project under the HOME rule. Currently, the affordability period requirements are included in the note and MFA disclosure to the Borrower. The addition of the recapture guidelines to the HOMA DPA program polices is in accordance with HOME regulations.

• **Recapture Guidelines**
  Staff proposes the addition of the HOME program recapture guidelines to the Payment$aver and Helping Hand program policies. The recapture guidelines define in circumstances as well as the amount of the HOME DPA that may need to be recaptured from the homeowner after the sale or transfer of the HOME DPA funded property. Currently, the affordability period requirements are included in the note and MFA disclosure to the Borrower. The addition of the recapture guidelines to the HOMA DPA program polices is in accordance with HOME regulations.

• **Subordination guidelines**
  Staff proposes amendments to both the Payment$aver and Helping Hand program polices to include a reference to MFA’s second lien subordination policies, as required under the final HOME rule.

• **Loan amount amendment to the Helping Hand program**
  Under the final HOME rule, a homebuyer must be underwritten to ensure that an appropriate amount of HOME subsidy is provided through the down payment assistance loan. Homebuyer underwriting includes an analysis of the minimum
amount of down payment assistance required as well as the total amount of
down payment assistance for which the homebuyer may qualify. The Helping
Hand program currently provides a flat $8,000 to the homebuyer. Staff proposes
an amendment to the Helping Hand program which allows for a loan amount of
up to 8% of the sales price or $8,000, whichever is less. The proposed
amendment also aligns the loan amount on the Helping Hand program to that of
the PaymentSaver program and is a requirement under the final HOME rule.

• **Income limits for the PaymentSaver program**
  Staff proposes an amendment to the PaymentSaver program policy amendment
  which increases the PaymentSaver income limit in the Albuquerque
  Metropolitan Statistical Area ("MSA") from 70% of Area Median Income ("AMI")
  to 80% AMI, which mirrors the current income limit for the Helping Hand
  program. The recommended policy amendments to the PaymentSaver program
  conform to HOME regulations regarding maximum allowable income limits in
  the Albuquerque MSA.

• **Revised purchase price limits**
  In March, 2015, HUD published revised purchase price limits for HOME activities
  (by county) for the state of New Mexico. The new purchase price limits are
  required to be implemented in April, 2015. Staff proposes an amendment to both
  the PaymentSaver and Helping Hand program policies to include the revised
  purchase price limits for Albuquerque MSA, Santa Fe/Los Alamos counties, Taos
  county and all other counties in the state.

**Summary:**

Staff recommends revisions to the PaymentSaver and Helping Hand HOME
Investment Partnership ("HOME") funded down payment assistance program
policies. These programs support low to moderate income first-time homebuyers
who meet specific eligibility requirements and who obtain first mortgage financing
through MFA's Single Family mortgage program. The PaymentSaver program is
targeted to homebuyers that earn up to 80% of Area Median Income ("AMI") based
on location within the State of New Mexico and family size. The Helping Hand
program is targeted to disabled first-time homebuyers that are at or below 80% AMI, again based on location within the State of New Mexico and family size. HOME
regulations direct the structure and qualification guidelines of all HOME funded
activities. Proposed policy revisions include homebuyer underwriting standards,
lender eligibility, first mortgage lending requirements, loan amount revisions, the
addition of the affordability period and recapture guidelines and revisions to
income and purchase price limits.
Program Summary:

The PaymentSaver Down Payment and Closing Cost Assistance Program (the “PaymentSaver program”) is designed to assist low-to-moderate income first-time homebuyers in purchasing a home. The PaymentSaver program promotes statewide partnerships among MFA Participating Lenders and non-profit/public housing agencies and will help in offering increased access to homeownership for borrowers in communities that typically have not had access to affordable homeownership opportunities.

Eligible Mortgage Lenders:

Mortgage Lenders must be approved by MFA (“Participating Lender”) to originate primary (“first”) mortgage loans used in conjunction with PaymentSaver Program loans. In addition, Participating Lenders must also attend mandatory training and obtain a separate certification from MFA to be approved to originate PaymentSaver Program loans (“PaymentSaver Lender”). Only PaymentSaver Lenders will be eligible to originate PaymentSaver Program loans.

MFA publishes a list of eligible Participating Lenders and PaymentSaver Lenders on the MFA website (www.housingnm.org).

Eligible Primary (First) Mortgage Loans:

The homebuyer’s first mortgage loan must be a fixed rate, 30 year amortizing loan and must not contain predatory or risky features that threaten the sustainability of homeownership, which may include prepayment penalties, excessive loan fees, loans without tax/insurance escrows and financed single-premium credit insurance.

The PaymentSaver program is available to homebuyers that obtain first mortgage loan financing through MFA’s single family mortgage loan program(s) and in conjunction with a federally insured (FHA, VA, and USDA Rural Development Guarantee or Leverage coverage) or privately insured (FNMA’s MyCommunity™ or HFA Preferred™) first mortgage loans. The PaymentSaver program may be used to finance the minimum down payment, closing costs (including pre-paid items), temporary interest rate buy-downs and, in some cases, additional down payment assistance on the first mortgage loan.

Income Eligibility:

The PaymentSaver program Household Income Limits (“Income Limits”) are up to eighty percent (80%) of the Area Median Income (“AMI”), based on location, within the state of New Mexico and adjusted for family size. The specific Household Income Limit for each Metropolitan Statistical Area (“MSA”) or county, delineated by family size is detailed in Exhibit A.
Homebuyer Eligibility/Underwriting:

Each homebuyer that utilizes the PaymentSaver Program must be underwritten and qualified by MFA based on the following criteria:

1. Minimum and maximum housing payment ratio requirement
   - The housing ratio is inclusive of the principal, interest, property taxes, property insurance, mortgage insurance and association fees (as applicable) of the first mortgage loan.
   - The homebuyer’s minimum housing payment ratio must be greater than 25%
   - The homebuyer’s maximum housing payment ratio must be less than 33%

2. Maximum Debt to Income ratio
   - The debt to income ratio is inclusive of the housing payment ratio and all other consumer debt must be less than 45%.

3. Maximum amount of assistance available to the homebuyer
   - The homebuyer can receive assistance for the minimum down payment, closing costs and first mortgage principal reduction, as long as the total amount of assistance is the lessor of 8% of the sales price or $8,000, whichever is less. The amount of additional down payment available to the homebuyer(s) will be determined by MFA through an underwriting analysis of the homebuyer’s minimum and maximum housing payment ratios.

4. Homebuyer asset limit requirement
   - The homebuyer may retain no more than 6 months’ gross household income in reserves after closing. Retirement funds such as 401(k) accounts, IRAs, etc. are not considered part of a household’s reserves.

5. Minimum borrower cash reserves after loan closing
   - The homebuyer must demonstrate that they have 2 months reserves (equal to the first mortgage payment, including principal, interest, taxes and insurance). The reserves must be in cash or a cash equivalent which the homebuyer may readily access.

6. Minimum homebuyer cash investment
   - The homebuyer must contribute a $500 cash investment (minimum) at closing.

MFA will underwrite each homebuyer to the eligibility standards (“Compliance Review”), including calculation of household income, applicable housing and debt ratios and verification of acceptable property standards.
Property Eligibility:

Properties located within the Albuquerque city limits are not eligible to be financed under the Payment$aver Program. All other areas of the state, including Federally Designated Tribal Land, are eligible for the program.

The use of HOME funds in the Payment$aver program requires that existing housing be inspected according to HUD’s Housing Quality Standards (HQS), which ensures that the housing meets HUD’s sanitary, safety and privacy standards. The HQS inspection includes a Lead Based Paint visual inspection. MFA’s maintains a list of approved HQS Inspectors across the state. The HQS inspection must be completed prior to submission of the Compliance Review package to MFA. If the home should fail the HQS Inspection, the required repairs and a re-inspection will need to be performed prior to funding of the Payment$aver loan. An FHA appraisal may be used in lieu of an HQS inspection if the property was built after January 1, 1978.

The purchase price of the home cannot exceed the Payment$aver Purchase Price Limits listed in Exhibit A.

Interest Rate and Terms:

Payment$aver program loans are zero percent (0%) interest rate, non-amortizing loans. Payment$aver program loans do not carry a prepayment penalty.

Loan Amount:

Payment$aver program loan amounts are limited to the lesser of eight percent (8%) of the purchase price or $8,000.

Pre-Purchase Housing Counseling:

Homebuyers utilizing the Payment$aver program must complete pre-purchase housing counseling. The face-to-face or group counseling may be provided by a HUD certified Housing Counseling Agency, an MFA approved housing counseling agency with an established housing counseling program. Online housing counseling may be provided through an on-line housing counseling program approved by MFA (i.e. eHome America). The homebuyer must provide MFA a certificate of completion for the homeownership counseling to MFA prior to loan closing. All Homebuyer Counseling Certificates must be dated within one (1) year of Compliance Approval.

Affordability Period:

Payment$aver program loans require an minimum affordability period of 5 years. Homebuyers must agree to reside in the HOME-assisted property for the duration of the period of affordability, or until there is a sale or other transfer of ownership of the property. Should the homebuyer cease to reside in the home as its principal residence (by vacating or renting the unit) during the period of affordability, then the outstanding amount of the down payment assistance loan will be due and payable immediately, and the lender will take legal action to enforce the residency requirement.
Recapture Guidelines:

PaymentSaver program guidelines require the homebuyer to execute a note, mortgage and HOME written agreement (MFA Disclosure to Buyer). All PaymentSaver program loans are due upon sale or transfer of the property.

If the property is sold or transferred and any or all of the PaymentSaver program loan is unpaid and outstanding and there are sufficient net proceeds to repay the total amount of the borrower's investment (down payment), then borrower will pay MFA the entire balance due on the loan. However, if the net proceeds from the sale or transfer of the property are less than the total amount of PaymentSaver program funds due from the borrower, only the amount of net proceeds from the sale will be recaptured. If there are no net proceeds from the sale or transfer, then no PaymentSaver program funds will be recaptured from the borrower. The term "Net Proceeds" means the sales price of the property, less the amount necessary to repay any loans superior to the PaymentSaver program loans secured by the property, and less any closing costs associated with such sale or transfer. (Net proceeds are defined as: Sales Price - Superior non HOME debt - Closing costs = Net Proceeds) The amount to be recaptured will be limited to the available net proceeds.

Loan Closing:

Participating Lenders may not close a PaymentSaver loan without prior Compliance Approval by MFA, evidenced by receipt of a Compliance Approval Letter from MFA. Specific criteria regarding the Compliance Review process may be found on the MFA website (www.housingnm.org).

Funding/Delivery/Servicing:

PaymentSaver program loans are subject to the execution of a Mortgage Funding Agreement between MFA and the Participating Lender for each PaymentSaver program loan. Each PaymentSaver program loan funded by MFA must conform to all of the applicable terms and conditions of the related PaymentSaver Mortgage Funding Agreement.

Each PaymentSaver program loan shall be delivered to MFA for Quality Control (“QC”) Review in conjunction with and at the same time as the delivery of the first mortgage loan to the Master Servicer.

MFA will service all PaymentSaver program loans.

Subordination:

MFA will subordinate PaymentSaver program loans as defined in MFA’s Subordination Guidelines, which may be found on the MFA website (www.housingnm.org).
### Exhibit A

**PaymentSaver Income Limits**

All Areas of the State at 80% of AMI

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<thead>
<tr>
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<td></td>
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### PaymentSaver Purchase Price Limits

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<td>$258,000</td>
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<td>All Other Counties</td>
<td>$148,000</td>
</tr>
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</table>
Program Summary:

The Helping Hand Program (the “Helping Hand Program”) is designed to assist low-to-moderate income first time homebuyers in purchasing a home, where at least one person in the household has a ADA defined disability. The Helping Hand program promotes statewide partnerships among MFA Participating Lenders and non-profit/public housing agencies and will help in offering increased access to homeownership for borrowers in communities that typically have not had access to affordable homeownership opportunities.

Eligible Mortgage Lender:

Mortgage Lenders must be approved by MFA (“Participating Lender”) to originate primary (“first”) mortgage loans used in conjunction with Helping Hand program loans. In addition, Participating Lenders must also attend mandatory training and obtain a separate certification from MFA to be approved to originate Helping Hand program loans (“Helping Hand Lender”). Only Helping Hand Lenders will be eligible to originate Helping Hand program loans.

MFA publishes a list of eligible Participating Lenders and Helping Hand Lenders on the MFA website (www.housingnm.org).

Eligible Primary (First) Mortgage Loans:

The homebuyer’s first mortgage loan must be a fixed rate, 30 year amortizing loan and must not contain predatory or risky features that threaten the sustainability of homeownership, which may include prepayment penalties, excessive loan fees, loans without tax/insurance escrows and financed single-premium credit insurance.

The Helping Hand program is available to homebuyers that obtain first mortgage loan financing through MFA’s single family mortgage loan program and in conjunction with a federally insured (FHA, VA, and USDA Rural Development Guarantee or Leverage coverage) or privately insured (FNMA’s MyCommunity™ or HFA Preferred™) first mortgage loans. The Helping Hand program may be used to finance the minimum down payment, closing costs (including pre-paid items), temporary interest rate buy-downs and, in some cases, additional down payment on the first mortgage loan.

Income Eligibility:

The Helping Hand program Household Income Limits (“Income Limits”) are up to eighty percent (80%) of the Area Median Income (“AMI”) based on location, within the state of New Mexico and adjusted for family size. The specific Household Income Limit for each Metropolitan Statistical Area (“MSA”) or county, delineated by family size is detailed in Exhibit A. One member of the household must meet the ADA definition of disabled.
Homebuyer Eligibility/Underwriting:

Each homebuyer that utilizes the Helping Hand program must be underwritten and qualified by MFA based on the following criteria:

1. Minimum and maximum housing payment ratio requirement
   - The housing ratio is inclusive of the principal, interest, property taxes, property insurance, mortgage insurance and association fees (as applicable) of the first mortgage loan.
   - The homebuyer’s minimum housing payment ratio must be greater than 25%
   - The homebuyer’s maximum housing payment ratio must be less than 33%

2. Maximum Debt to Income ratio
   - The debt to income ratio is inclusive of the housing payment ratio and all other consumer debt must be less than 45%.

3. Maximum amount of assistance available to the homebuyer
   - The homebuyer can receive assistance for the minimum down payment, closing costs and first mortgage principal reduction, as long as the total amount of assistance is the lesser of 8% of the sales price or $8,000, whichever is less. The amount of additional down payment available to the homebuyers will be determined by MFA through an underwriting analysis of the homebuyer’s minimum and maximum housing payment ratios.

4. Homebuyer asset limit requirement
   - The homebuyer may retain no more than 6 months’ gross household income in reserves after closing. Retirement funds such as 401(k) accounts, IRAs, etc. are not considered part of a household’s reserves.

5. Minimum borrower cash reserves after loan closing
   - The homebuyer must demonstrate that they have 2 months reserves (equal to the first mortgage payment, including principal, interest, taxes and insurance). The reserves must be in cash or a cash equivalent which the homebuyer may readily access.

6. Minimum homebuyer cash investment
   - The homebuyer must contribute a $500 cash investment (minimum) at closing.

MFA will underwrite each homebuyer to the eligibility standards (“Compliance Review”), including calculation of household income, applicable housing and debt ratios and verification of acceptable property standards.
Property Eligibility:

Properties located in all areas of the state, including Federally Designated Tribal Land, are eligible for the program.

The use of HOME funds in the Helping Hand program requires that existing housing be inspected according to HUD’s Housing Quality Standards (HQS), which ensures that the housing meets HUD’s sanitary, safety and privacy standards. The HQS inspection includes a Lead Based Paint visual inspection. MFA’s maintains a list of approved HQS Inspectors across the state. The HQS inspection must be completed prior to submission of the Compliance Review package to MFA. If the home should fail the HQS Inspection, the required repairs and a re-inspection will need to be performed prior to funding of the Helping Hand program loan. An FHA appraisal may be used in lieu of an HQS inspection if the property was built after January 1, 1978.

The purchase price of the home cannot exceed the Helping Hand Purchase Price Limits listed in Exhibit A.

Interest Rate and Terms:

Helping Hand program loans are zero percent (0%) interest rate, non-amortizing loans. Helping Hand program loans do not carry a prepayment penalty.

Loan Amount:

The Helping Hand program loan amounts are limited to the lesser of eight percent (8%) of the purchase price or $8,000.

Pre-Purchase Housing Counseling:

Prospective homebuyers utilizing the Helping Hand program must complete pre-purchase housing counseling. The face-to-face or group counseling may be provided by a HUD certified Housing Counseling Agency, an MFA approved housing counseling agency with an established housing counseling program. Online housing counseling may be provided through an on-line housing counseling program approved by MFA (i.e. eHome America). The borrower must provide MFA a certificate of completion for the homeownership counseling to MFA prior to loan closing. All Homebuyer Counseling Certificates must be dated within one (1) year of Compliance Approval.

Affordability Period:

Helping Hand program loans require an minimum affordability period of 5 years. Homebuyers must agree to reside in the property for the duration of the period of affordability, or until there is a sale or other transfer of ownership of the property. Should the homebuyer cease to reside in the home as its principal residence (by vacating or renting the unit) during the period of affordability, then the outstanding amount of the Helping Hand program loan will be due and payable immediately.
Recapture Guidelines:

Helping Hand program guidelines require the homebuyer to execute a note, mortgage and HOME written agreement (MFA Disclosure to Buyer). All Helping Hand program loans are due upon sale or transfer of the property.

If the property is sold or transferred and any or all of the Helping Hand program loan is unpaid and outstanding and there are sufficient net proceeds to repay the total amount of the borrower's investment (down payment), then borrower will pay MFA the entire balance due on the loan. However, if the net proceeds from the sale or transfer of the property are less than the total amount of Helping Hand program funds due from the borrower, only the amount of net proceeds from the sale will be recaptured. If there are no net proceeds from the sale or transfer, then no Helping Hand program funds will be recaptured from the borrower. The term "Net Proceeds" means the sales price of the property, less the amount necessary to repay any loans superior to the Helping Hand program loans secured by the property, and less any closing costs associated with such sale or transfer. (Net proceeds are defined as: Sales Price - Superior non HOME debt - Closing costs = Net Proceeds) The amount to be recaptured will be limited to the available net proceeds.

Loan Closing:

Participating Lenders may not close a Helping Hand program loan without prior Compliance Approval by MFA, evidenced by receipt of a Compliance Approval Letter from MFA. Specific criteria regarding the Compliance Review process may be found on the MFA website (www.housingnm.org).

Funding/Delivery/Servicing:

Helping Hand program loans are subject to the execution of a Mortgage Funding Agreement between MFA and the Participating Lender for each Helping Hand program loan. Each Helping Hand program loan funded by MFA must conform to all of the applicable terms and conditions of the related Helping Hand Mortgage Funding Agreement.

Each Helping Hand program loan shall be delivered to MFA for Quality Control ("QC") Review in conjunction with and at the same time as the delivery of the first mortgage loan to the Master Servicer.

MFA will service all Helping Hand program loans.

Subordination:

MFA will subordinate Helping Hand program loans as defined in MFA’s Subordination Guidelines, which may be found on the MFA website (www.housingnm.org).
## Helping Hand Income Limits
All Areas of the State at 80% of AMI

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<tr>
<th>MSA or County</th>
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<tr>
<td><strong>Albuquerque MSA</strong>&lt;br&gt;Bernalillo/Sandoval/Valencia/Torrance Counties</td>
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## Helping Hand Purchase Price Limits

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</table>
Tab 4
MEMORANDUM

TO: Board of Directors

Through: Finance Committee – April 7, 2015

Through: Policy Committee – March 31, 2015

FROM: Yvonne Segovia, Controller

DATE: April 15, 2015

SUBJECT: External Audit Request for Proposal

Recommendation:

Staff recommends the approval of the Request for Proposal for External Audit Services. Responses will be due to MFA by May 8, 2015 and recommendations for award will be presented at the June Board meeting.

Background:

On March 10, 2015 the New Mexico Office of the State Auditor (OSA) directed the MFA to seek proposals for the financial and compliance audit for the fiscal year ended September 30, 2015 in a joint venture with the OSA. The term of this Request for Proposal is for one year. The award approved by the Board May 16, 2012 has exhausted all extensions.

Discussion:

Following is a summary of the major changes from the RFP issued in 2012. The RFP has been changed to the standard template.
<table>
<thead>
<tr>
<th>Category</th>
<th>2012 RFP</th>
<th>2015 RFP</th>
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<tr>
<td>Proposal Submission, pg. 3</td>
<td>April 13, 2012</td>
<td>May 8, 2015</td>
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<tr>
<td>Evaluation Proposals, pg. 4</td>
<td>No change</td>
<td>Referral of contract to Board deleted from standard template;</td>
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<td>Award Notice, pg. 4</td>
<td>No change</td>
<td>Independence from internal audit contract added to standard template</td>
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<td>Protest, pg. 5</td>
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<td>Changed standard template to Finance Committee</td>
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<td>Timeline for Offeror Selection, pg. 6</td>
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<td>Added section</td>
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<tr>
<td>Bidders Conference, pg. 6</td>
<td></td>
<td>Added section</td>
</tr>
<tr>
<td>Minimum Qualifications, pg. 6</td>
<td>Accountants must be CPAs licensed in NM</td>
<td>Office of the State Auditor firm approval process includes qualified Managers</td>
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<td>Minimum Qualifications, pg. 6</td>
<td>Included campaign contribution disclosure statement (Exhibit B)</td>
<td>Information required as a disclosed statement; not a minimum qualification</td>
</tr>
<tr>
<td>Services to be Performed, pg. 6 – 8</td>
<td>Statutes and rules applicable to MFA</td>
<td>Updated references per State Audit Rule; no changes to MFA applicability</td>
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<tr>
<td>Evaluation Criteria, pg. 9</td>
<td>Preference for New Mexico Resident Business</td>
<td>Federal regulations do not allow for in-state preference</td>
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<tr>
<td>Evaluation Criteria, pg. 10</td>
<td>GASB 34 experience</td>
<td>All GASB experience is necessary, not just GASB 34</td>
</tr>
<tr>
<td>Evaluation Criteria, pg. 10</td>
<td></td>
<td>Added Experience with State Audit Act</td>
</tr>
<tr>
<td>Proposal Format, pg. 11 #4</td>
<td>Attendance at CPE training</td>
<td>Office of the State Auditor firm approval process includes qualified Managers</td>
</tr>
<tr>
<td>Proposal Format, pg. 11 #4</td>
<td>License in the State of NM and included on OSA Approved Audit Firm List</td>
<td>Added the request to indicate whether the firm is under any restriction with the OSA, and if so, a description.</td>
</tr>
<tr>
<td>Proposal Format, pg. 11 #6</td>
<td>Number of CPE training hours requested</td>
<td>Office of the State Auditor firm approval process includes qualified Managers</td>
</tr>
<tr>
<td>Proposal Format, pg. 11 #10</td>
<td></td>
<td>Added Appendix A Organizational Reference Questionnaire to be completed</td>
</tr>
<tr>
<td>Proposal Format, pg. 12 #12</td>
<td>Fees to include two subsequent years</td>
<td>RFP is being issued for one year</td>
</tr>
<tr>
<td>Principal Contract Terms and Conditions, pg. 13</td>
<td>No change</td>
<td>Change standard template to comply with State Audit Act requirements; also updated to reflect one year term for fiscal year audit beginning October 1, 2014 and ending September 30, 2015.</td>
</tr>
</tbody>
</table>
Summary:

New Mexico Office of the State Auditor (OSA) directed the MFA to seek proposals for the financial and compliance audit for the fiscal year ended September 30, 2015 in a joint venture with the OSA. The term of this Request for Proposal is for one year. Staff recommends the approval of the Request for Proposal for External Audit Services. Responses will be due to MFA by May 8, 2015.
New Mexico Mortgage Finance Authority

Request for Proposal
For External Audit Services

April 2015
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New Mexico Mortgage Finance Authority
Request for Proposals
To Provide External Audit Services

Part I: Background & General Information

Introduction

The New Mexico Mortgage Finance Authority (“MFA”) is a governmental instrumentality, separate and apart from the state, created by the Mortgage Finance Authority Act, N.M. Stat. Ann. Sections 58-18-1, et seq. (1978) for the purpose of financing affordable housing for low- and moderate-income New Mexico residents.

Purpose

The purpose of this Request for Proposals (RFP) is to solicit proposals, in accordance with the New Mexico Mortgage Finance Authority Procurement Policy, from qualified firms which by reason of their skill, knowledge, and experience are able to furnish external audit services to MFA as a joint venture with the NM Office of the State Auditor (“Offerors”).

Questions and Answers

Questions pertaining to this RFP and application must be submitted via the MFA website at http://www.housingnm.org/rfp. Then under “Current RFP’s,” select “External Audit Services.” On the External Audit Services RFP page, select the “External Audit Services FAQs” link. Questions will be checked on a daily basis. The FAQ will open the day after the RFP issues and will close on May 6, 2015. To submit your questions, scroll down to the “Ask a question” section, enter your name, email address, organization, and type your question in the “Question” box, complete the CAPTCHA verification box and click on “Submit”. MFA will make every attempt to answer questions within two (2) business days.

Proposal Submission

The original and six (6) copies of a proposal must be received by MFA at our office located at 344 Fourth Street S.W., Albuquerque, NM 87102 no later than Friday, May 8, 2015 at 4:00 p.m., Mountain Time. Proposals shall be in sealed envelopes marked “Response to External Audit RFP”.

Proposal Tenure

All proposals shall include a statement that the proposal shall be valid until contract award, but no more than 90 calendar days from the proposal due date.

RFP Revisions and Supplements

If it becomes necessary to revise any part of this RFP or if additional information is necessary to clarify any provision of this RFP, the revision or additional information will be provided on the MFA website.
Incurred Expenses

MFA shall not be responsible for any expenses incurred by an Offeror in responding to this RFP. All costs incurred by Offerors in the preparation, transmittal or presentation of any proposal or material submitted in response to this RFP will be borne solely by the Offerors.

Cancellation of Requests for Proposals or Rejection of Proposals

The MFA may cancel this RFP at any time for any reason and may reject all proposals (or any proposal) which are/is not responsive.

Evaluation of Proposals, Award Notice and Negotiation

Proposals will be evaluated by an Internal Review Committee of MFA staff using the criteria listed in Parts II Minimum Qualifications and Requirements and III Services to be Performed, below, with final selection to be made by the full Board of Directors.

MFA may provide Offerors whose proposals are reasonably likely, in MFA’s discretion, to be selected, an opportunity to discuss and revise their proposals prior to award, for the purpose of obtaining final and best offers. Proposals shall be evaluated on the criteria listed in Part IV Evaluation Criteria, below.

The MFA Board of Directors shall select the Offeror(s) whose proposal(s) is/are deemed to be most advantageous to MFA to enter into contract negotiations with MFA, subject to approval by the New Mexico State Auditor. If a final contract cannot be negotiated, then MFA will enter into negotiations with the other Offeror(s). The final contract will then be referred to the Contracted Services Committee of the MFA Board of Directors for recommendation, with final approval to be determined by the full Board of Directors.

Award Notice

MFA shall provide written notice of the award to all Offerors within ten (10) days of the date of the award. The award shall be contingent upon successful negotiations of a final contract between MFA and the Offeror(s) whose proposal(s) is/are accepted by MFA, subject to approval by the New Mexico State Auditor. The MFA is subject to the New Mexico Audit Act Section 12-6-1 NMSA 1978 et seq., (State Audit Act); therefore in accordance with independence requirements set forth therein, this award will not be made to the same firm that provides internal audit services to MFA.

Proposal Confidentiality

Offerors or their representatives shall not communicate with MFA’s Board of Directors or staff members regarding any proposal under consideration or that will be submitted for consideration, except in response to an inquiry initiated by the Internal Review Committee, or a request from the Board of Directors for a presentation and interview. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, including any period immediately following release of the RFP.

4
Until the award is made and notice given to all Offerors, MFA will not disclose the contents of any proposal or discuss the contents of any proposal with an Offeror or potential Offeror, so as to make the contents of any offer available to competing or potential Offerors.

**Irregularities in Proposals**

MFA may waive technical irregularities in the form of proposal of any Offeror selected for award which do not alter the price, quality or quantity of the services offered. Note especially that the date and time of proposal submission as indicated herein under “Part I Background and General Information, Proposal Submission” cannot be waived under any circumstances.

**Responsibility of Offerors**

If an Offeror who otherwise would have been awarded a contract is found not to be a Responsible Offeror, a determination that the Offeror is not a Responsible Offeror, setting forth the basis of the finding, shall be prepared and the Offeror shall be disqualified from receiving the award. A Responsible Offeror means an Offeror who submits a proposal that conforms in all material respects to the requirements of this RFP and who has furnished, when required, information and data to prove that his financial resources, facilities, personnel, reputation and experience are adequate to make satisfactory delivery of the services described in this RFP. The unreasonable failure of an Offeror to promptly supply information in connection with an inquiry with respect to responsibility is grounds for a determination that the Offeror is not a Responsible Offeror.

**Protest**

Any Offeror who is aggrieved in connection with this RFP or the award of a Performance Agreement Contract pursuant to this RFP may protest to the MFA. The protest must be written and addressed to:

Yvonne Segovia, Controller  
NM Mortgage Finance Authority  
344 4th Street SW  
Albuquerque, NM 87102

The protest must be delivered to MFA within fifteen (15) calendar days after the notice of award. Upon the timely filing of a protest, the Contact Person shall give notice of the protest to all Offerors who appear to have a substantial and reasonable prospect of being affected by the outcome of the protest. The Offerors receiving notice may file responses to the protest within seven (7) calendar days of notice of protest. The protest process shall be:

- The protest will be reviewed by the Contracted Services Finance Committee of MFA’s Board of Directors, and that committee shall make a recommendation to the full Board of Directors regarding the disposition of the protest.

The Board of Directors shall make a final determination regarding the disposition of the protest. Offerors or their representatives shall not communicate with MFA Board of Directors or staff members regarding any proposal under consideration, except when specifically permitted to present testimony to the committee of the
Board of Directors. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, or does not follow the prescribed proposal and Protest process.

**Timeline for Offeror Selection**

The MFA will make every effort to adhere to the following anticipated schedule for recommended Offeror selection:

<table>
<thead>
<tr>
<th>DATE</th>
<th>ACTIVITY</th>
<th>RESPONSIBILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/15/2015</td>
<td>RFP goes to Board of Directors for approval</td>
<td>MFA</td>
</tr>
<tr>
<td>4/16/2015</td>
<td>Issuance of RFP</td>
<td>MFA</td>
</tr>
<tr>
<td>4/20/2015</td>
<td>RFP Bidders Conference</td>
<td>MFA</td>
</tr>
<tr>
<td>4/29/2015</td>
<td>RFP FAQ closes – deadline to submit questions</td>
<td>Offerors</td>
</tr>
<tr>
<td>5/8/2015</td>
<td>Submission of Proposals Due</td>
<td>Offerors</td>
</tr>
<tr>
<td>6/17/2015</td>
<td>Award Recommendation to Board of Directors</td>
<td>MFA</td>
</tr>
<tr>
<td>6/17/2015</td>
<td>Notification of Awards</td>
<td>MFA</td>
</tr>
<tr>
<td>7/2/2015</td>
<td>Protest Deadline</td>
<td>Offerors</td>
</tr>
</tbody>
</table>

**Bidders Conference**

A Bidders Conference will be conducted on April 20, 2015 at 2:30 to provide an opportunity for questions and answers. You may attend the Conference at the MFA Office, or by teleconference (209) 647-1000 Participant Access Code: 965519#.

**Part II: Minimum Qualifications and Requirements**

Only those Offerors who meet the following minimum criteria are eligible to submit a proposal pursuant to this RFP:

1. Offeror must be included on the New Mexico Office of the State Auditor 2015 Approved Audit Firms List;
2. Offeror must be a certified public accounting firm in good standing as a registrant with the Public Company Accounting Oversight Board (PCAOB);
3. Offeror must be licensed in the State of New Mexico;
4. Offeror must maintain professional liability insurance of at least $1,000,000;
5. All accountants rendering services to the MFA must be certified public accountants licensed in the State of New Mexico, or supervised by certified public accountants licensed in the State of New Mexico;
6. Offeror must provide a fully completed campaign contribution disclosure statement (Exhibit B). An Offeror’s proposal will be rejected if the Offeror, family member or representative gives a campaign contribution or anything of value to an applicable public official or MFA member or employee during the pendency of the procurement process.

**Part III: Services to be Performed**
Offerors may respond to this RFP to provide External Audit services for MFA as a joint venture with the Office of the State Auditor program.

As requested by MFA, professional External Audit services REQUIRED to be provided under and to be incorporated into the contract to be awarded pursuant to this RFP include, but are not limited to, the following:

1. Financial Statement Audit consisting of the Statement of Net Position, Statement of Revenue, Expenses and Changes in Net Position, Statement of Cash Flows and the Notes to the financial statements for the fiscal year ended September 30, 2015 in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, and 2.2.2 NMAC Audit Rule 2015 (available at [www.sao nm.org](http://www.sao nm.org)) issued by the New Mexico Office of the State Auditor;

2. Federal Single Audit for the fiscal year ended September 30, 2015 in accordance with Government Auditing Standards issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Circular A-133;

3. Financial Statement Preparation;

4. GNMA Compliance Reports;

5. Delivery of the Financial Statements and GNMA Compliance Reports within one hundred twenty (120) days after fiscal year end;

6. Delivery of the Financial Statements and Single Audit Reports within one hundred twenty (120) days after fiscal year end;

7. Electronic submission of the financial statements, and preparation and submission of the Data Collection Form to the Federal Audit Clearinghouse within 30 days after release of Single Audit;

8. Because the MFA’s bonds are publicly offered and held, the auditor may be asked to consent to inclusion of the auditor’s report in the MFA’s official statements and on certain occasions to issue letters to underwriters in connection with the offering of MFA’s bonds on a fee basis;

9. Presentation of reports to the Board and/or Finance Committee regarding recent accounting, audit and tax updates that may affect the housing finance industry and/or MFA financial statements.

10. In accordance with NMAC 2.2.2.10 G. the Offeror shall be required to identify significant state statutes, and rules and regulations applicable to the MFA and perform tests of compliance. The state statutes and constitutional provisions that MFA may be subject to include, but may not be limited to, the following:
   
   a. Anti-Donation Clause (NM Constitution Article IX, Section 14);

   b. Public Money Act (6-10-10.1 NMSA 1978) allowing the State Treasurer to accept funds for deposit from MFA;

   c. Special, Deficiency, and Specific Appropriations (appropriation laws applicable for the year under audit);
d. 2.2.2 NMAC, Requirements for Contracting and Conducting Audit of Agencies, excluding 2.2.2.10 TV. Disposition of Property;

e. Investment of Public Money (6-8-7(E) NMSA 1978) allowing the State Investment Council to accept funds for deposit from MFA.

The following state statutes and constitutional provisions may not apply to MFA:

a. Procurement Code (13-1-1 to 13-1-199 NMSA 1978) and State Purchasing Regulations 1.4.1 NMAC;

b. Per Diem and Mileage Act (10-8-1 to 10-8-8 NMSA 1978) and Regulations Governing the Per Diem and Mileage Act 2.42.2 NMAC;

c. Personnel Act (10-9-1 to 10-9-25 NMSA 1978) and State Personnel Administration 1.7.1 NMAC;

d. Public Money Act (6-10-1 to 6-10-63 NMSA 1978) except as detailed above;

e. Public School Finance Act (22-8-1 to 22-8-48 NMSA 1978);

f. Investment of Public Money (6-8-1 to 6-8-22 NMSA 1978) except as detailed above;

g. Public Employees Retirement Act (10-11-1 to 10-11-14 NMSA 1978);

h. Educational Retirement Act (22-11-1 to 22-11-53 NMSA 1978);

i. Sale of Public Property (13-6-1 to 13-6-8 NMSA 1978);

j. State Budgets (6-3-1 to 6-3-25 NMSA 1978);

k. Lease Purchase Agreements (NM Constitution Article IX, Section 8 and 11; 6-6-11 to 6-6-12 NMSA 1978; Montano v. Gabaldon, 108 NM 94, 766 P.2d 1328, 1989);

l. Article IX of the State Constitution limits on indebtedness, except as previously detailed with regard to Section 14 of Article IX;

m. Laws of 2014 2nd Special Regular Session, Chapter 63, Section 3, Subsection JK regarding credit cards;

n. Retiree Health Care Authority Act (RHCA) (Section 10-7C-1 to 10-7C-19 NMSA 1978);

o. Governmental Conduct Act (10-16-1 to 10-16-18 NMSA 1978);

11. In addition, MFA is not subject to FHA’s Lender Assessment Subsystem (LASS) or HUD’s Real Estate Assessment Center (REAC) reporting required of public housing authorities by the United States Department of Housing and Urban Development.
Part IV: Evaluation Criteria

MFA shall award the contract for external audit services to the Offeror whose proposal is most advantageous to MFA. Proposals shall be evaluated primarily on experience and fees. Proposals shall be scored on a scale of 1 to 100 based on the criteria listed below. Please note that a serious deficiency in any one criterion may be grounds for rejection regardless of overall score.

Additional Preference Criterion: New Mexico Resident Business

A New Mexico Resident Business, for the purposes of MFA’s Procurement Policies, is defined as one in which the majority of the Offeror’s employees who would perform the services to be performed pursuant to the relevant procurement reside in New Mexico. If an Offeror is seeking preference points as a New Mexico Resident Business, the Offeror’s proposal must include: (1) evidence that the Offeror is licensed to do business in New Mexico; and, (2) a representation that the majority of the Offeror’s employees who would perform the services to be performed reside in New Mexico.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Point Range</th>
<th>Maximum Points</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Experience and Capability:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. The firm has the resources to perform the type and size of audit. Include number of team members and total audit hours available.</td>
<td>0-5</td>
<td></td>
</tr>
<tr>
<td>b. Offeror meets independence standards to perform audit.</td>
<td>0-2</td>
<td></td>
</tr>
<tr>
<td>c. External Quality Control Peer Review:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>❚ Rating of Pass</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>❚ Rating of Pass with Deficiency(ies)</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>d. References</td>
<td>0-10</td>
<td></td>
</tr>
<tr>
<td>e. Organization and completeness of proposal.</td>
<td>0-3</td>
<td>30</td>
</tr>
<tr>
<td><strong>2. Work Requirements &amp; Audit Approach:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Knowledge of audit objectives, MFA needs, and product to be delivered.</td>
<td>0-5</td>
<td></td>
</tr>
<tr>
<td>b. Proposal contains a sound technical plan and realistic estimate of time to complete major segments of the audit: planning; interim fieldwork; fieldwork; and reporting.</td>
<td>0-5</td>
<td></td>
</tr>
<tr>
<td>c. MFA staff support required.</td>
<td>0-3</td>
<td></td>
</tr>
<tr>
<td>d. Approach for planning and conducting the work efforts of subsequent years.</td>
<td>0-2</td>
<td>15</td>
</tr>
<tr>
<td><strong>3. Responsiveness to MFA and Technical Capabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Governmental audit experience of on-site manager.</td>
<td>0-10</td>
<td></td>
</tr>
<tr>
<td>b. Team audit experience:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>❚ Specialization with state housing finance agencies, entities with publicly owned and offered securities, and</td>
<td>0-10</td>
<td></td>
</tr>
<tr>
<td>financial institutions</td>
<td>0-10</td>
<td></td>
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<tr>
<td>------------------------</td>
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<td></td>
</tr>
<tr>
<td>b. GASB experience</td>
<td>0-5</td>
<td></td>
</tr>
<tr>
<td>c. Experience with governmental component units</td>
<td>0-5</td>
<td></td>
</tr>
<tr>
<td>d. Experience with State Audit Act</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>c. Attendance at CPE seminars or meetings on auditing, accounting and regulations directly related to state government audits</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

4. Firm Strengths  
| 0-5 | 5 |
| 10  | 10 |

5. Audit Fees:  

New Mexico Resident Business:  
| 0-5 |
| Maximum Points | 100 |

Part V: Proposal Format and Instructions to Offeror

Proposals submitted to MFA must, at a minimum, contain the following information and shall be organized as follows:

1. Letter of Transmittal

Include at least the following information:

A. Name, address and telephone number of Offeror and name of contact person.
B. A signature of the Offeror or any partner, officer or employee who certifies that he or she has the authority to bind the Offeror.
C. Date of proposal.
D. A statement that the Offeror, if awarded the contract, will comply with the contract terms and conditions set forth in this RFP.
E. A statement that the Offeror’s proposal is valid for ninety (90) days after the deadline for submission of proposals.

2. Disclosure Statement. A statement disclosing: (1) any political contribution or gift valued in excess of $2,500.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.

3. Good Standing. Proof of good standing as a CPA firm registered with the Public Company Accounting Oversight Board (PCAOB) pcaobus.org. A copy of the firm’s most recent external Quality Control Peer Review in accordance with Standards established by the Peer Review Board of the American Institute of Certified Public Accountants for Public Company Audit Firms, including evidence of acceptance by the Center for Public Company Audit Firms, and letter of comments and a statement providing the rating received. A description of any disciplinary actions involving the firm during the past three years or a statement that there have been none. A statement that the firm’s net worth is at least $250,000.
4. **Licensure and Approval.** A statement that the Offeror is licensed in the State of New Mexico and included on the NM State Auditor’s 20125 Approved Audit Firms List. Indicate whether the firm is under any restrictions with the NM Office of the State Auditor, and if so, a description of the restriction.

5. **Insurance.** Proof of professional liability insurance of at least $1,000,000.

6. **Qualifications & Experience.** Description of firm capability and experience, including:
   
   A. The resources available to perform the type and size of MFA’s audit as a joint venture with the Office of the State Auditor;
   
   B. An estimate of the number of hours required to provide Services to be Performed above and the total audit hours available;
   
   C. Experience with conducting audits of state housing agencies, entities with publicly offered securities and financial institutions, particularly with mortgage operations and mortgage banking operations;
   
   D. Experience with auditing entities subject to GASB 34;
   
   E. Experience with auditing governmental component units; and
   
   F. Experience with the State Audit Act.

6. **MFA Contracts.** List all professional services contracts the Offeror has entered into with MFA for the past two (2) years, including the contract date, contract amount, and description of services provided. Include a discussion as to the effect of the contracts on Offeror’s independence in accordance with Generally Accepted Government Auditing Standards July 20072011 Revision.

8. **Audit Approach.** Describe Offeror’s audit approach including:
   
   A. Audit objectives, understanding of MFA’s requirements, and final product to be provided;
   
   B. Technical plan and estimate of time to complete major segments of the audit and estimated timeline: planning, interim fieldwork, fieldwork, and reporting. Include the estimated start and end date to complete the audit.
   
   C. Anticipated support from MFA staff and list of schedules anticipated to be prepared by MFA staff; and
   
   D. Approach for planning and conducting the audit work efforts of subsequent years.

9. **Resumes.** Names and resumes of the on-site manager and all other personnel to be assigned to the account. Resumes describing the qualifications of personnel to be utilized in the performance of this contract must show, at a minimum, the person’s name, education, positions, total years of governmental audit experience, and total years and types of other experience relevant to the performance of the contract, information regarding CPA licensure. Include a list of individuals within the firm qualified to supervise a Generally Accepted Government Auditing Standards (GAGAS) audit and issue the related report, regardless of whether they will be assigned to the MFA audit.

10. **References.** Please provide at least three references from state housing finance agencies, state agencies, financial institutions and/or mortgage servicers. Insert Offeror’s name at the top of page 2 on Appendix A and submit Appendix A to at least three references for completion. The reference must submit the
completed Organizational Reference Questionnaire directly to MFA, not to the Offeror, by May 8, 2015 at 4:00 p.m. See Appendix A for further instructions. The fillable form is available on MFA’s website.

11. Other Relevant Information. Please provide any other relevant information which will assist the MFA in evaluating Offeror’s ability to provide external audit services to the MFA, including firm strengths and weaknesses.

12. Fees. Provide the cost of services on a per-hour basis, including fees for two subsequent years if the contract is extended. Breakdown the number of hours and total cost for each of the three fiscal years by:

A. Financial Statement Audit;
B. Federal Single Audit;
C. Financial Statement Preparation;
D. GNMA Compliance Reports; and
E. Gross Receipts Tax.

13. Affirmative Actions. MFA requires that Offeror be an Equal Opportunity Employer. Please state that Offeror complies fully with all government regulations regarding nondiscriminatory employment practices.

14. Litigation. Please describe any material, current or pending litigation, administrative proceedings or investigations that could impact the reputation or financial viability of Offeror.

15. Code of Conduct. No Board member or employee of MFA shall have any direct financial interest in any contract with the Offeror, nor shall any contract exist between Offeror or its affiliate with any MFA Board member or employee that might give rise to a claim of conflict of interest. Any violation of this provision will render void any contract between MFA and the Offeror for which MFA determines that a conflict of interest exists as herein described, unless that contract is approved by the MFA Board of Directors after full disclosure. Offeror shall warrant that it has no interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under any contract entered into with MFA pursuant to this RFP. Offeror shall at all times conduct itself in a manner consistent with the MFA Code of Conduct and MFA’s Anti-Harassment Policy. A copy of the MFA Code of Conduct and MFA’s Anti-Harassment Policy is posted on the MFA website for review at http://www.housingnm.org/community_development/rfp. Upon request by MFA, Offeror shall disclose information MFA may reasonably request relating to conflict or potential conflicts of interest.

Part VI: Principal Contract Terms and Conditions

Awards shall be contingent upon successful negotiations of a final contract between MFA and the Offeror whose proposal is accepted by MFA, subject to NM State Auditor approval. This RFP in no manner obligates the MFA to disburse any funds to any Offeror until a valid written contract is fully executed and all conditions of disbursement have been met. Only contract forms provided by the NM State Auditor will be used. A sample form can be viewed for State Agencies who are not required to have DFA approval at http://www.saonm.org/procuring_contracts. In addition to the terms respecting the Services to be Performed and compensation described above, the contract between the MFA and the successful Offeror (herein “Contractor”) shall include contract terms substantially similar to the following:
In addition to the terms respecting the services to be performed and compensation described above, the contract between MFA and the successful Offeror (herein “Contractor”) shall include, but may not be limited to, terms substantially similar to the following:

**Contract Term**

The term of the external audit services contract shall begin the date the MFA Board of Directors approves the award cover the fiscal year which began on October 1, 2014 and is to end September 30, 2015. At the option of the Board, the contract may be extended for two periods under the same terms and conditions. There will be a transition period for matters in process at the beginning and the end of the contract term.

The contract will be issued by the NM State Auditor, and is subject to approval by the NM State Auditor.

**Equal Opportunity Compliance**

Contractor agrees to abide by all federal and state laws, rules and regulations and executive orders pertaining to equal employment opportunity. Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, religion, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subject to discrimination under, any program or activity performed under the contracts.

**New Mexico Mortgage Finance Authority**

**Board Members**
Chair, Dennis Burt – Burt & Company CPAs
Lieutenant Governor, State of New Mexico, John Sanchez
Member, Hector Balderas - Attorney General, State of New Mexico
Member, Tim Eichenberg - Treasurer, State of New Mexico
Member, Angel Reyes – President, Centinel Bank
Member – Randy McMillan – NAI Director
Member – Steven J. Smith – President, R.O.G. Enterprises

**Management**
Jay Czar, Executive Director
Joseph R. Montoya, Deputy Director of Programs
Gina Hickman, Deputy Director of Finance & Administration

**Staff Roster**
AfShin Seysan
Al Radicioni
Angel Candelaria-Anaya
Anita Rehm-Racicot
Barbara Tashkandy
Blanca Vasquez
Frankie Salcido
Gina Bell
Izzy Hernandez
Jacqueline Boudreaux
Jeanette Marquez
Judy Amador
Patrick Ortiz
Patty Balderrama
Rebecca Sanchez
Rob Jones
Roderick Stokes
Rose Baca-Quesada

13
APPENDIX A

ORGANIZATIONAL REFERENCE QUESTIONNAIRE

The New Mexico Mortgage Finance Authority, as part of the RFP process, requires Offerors to submit a minimum of three (3) business references as required within this document. The purpose of these references is to document Offeror’s experience relevant to the scope of work in an effort to establish Offeror’s responsibility.

Offeror is required to send the following reference form to each business reference listed. The business reference, in turn, is requested to submit the Reference Form directly to: Yvonne Segovia, Controller, NMMFA 344 4th Street SW, Albuquerque, NM 87102 or ysegovia@housingnm.org by May 8, 2015 at 4:00 p.m. for inclusion in the evaluation process. The form and information provided will become a part of the submitted proposal. Business references provided may be contacted for validation of content provided therein.
EXTERNAL AUDIT SERVICES RFP

ORGANIZATIONAL REFERENCE QUESTIONNAIRE FOR:

This form is being submitted to your company for completion as a business reference for the company named above. This form is to be returned to the New Mexico Mortgage Finance Authority via facsimile or e-mail at:

Name:  Yvonne Segovia
Address:  344 4th St. SW
Albuquerque, NM  87102
Telephone: (505) 767-2253
Fax: (505) 243-3289
E-mail: ysegovia@housingnm.org

No later than May 8, 2015 4:00 p.m., and must NOT be returned to the company requesting the reference.

For questions or concerns regarding this form, please contact the Controller listed above.

Company providing reference:
Contact name and title/position:
Contact telephone number:
Contact e-mail address:
Description of services provided:

Dates services provided (starting and ending):
Total Revenues: $
Total Assets: $

1. How would you rate the timeliness of the audit work conducted and the reports provided?
   (3=Excellent  2=Satisfactory  1=Unsatisfactory  0=Unacceptable)
   COMMENTS:

2. How would you rate how the work was planned and executed?
   (3=Excellent  2=Satisfactory  1=Unsatisfactory  0=Unacceptable)
   COMMENTS:
3. How would you rate the accounting knowledge and the technical expertise demonstrated?
   (3=Excellent  2=Satisfactory  1=Unsatisfactory  0=Unacceptable)
   COMMENTS:

4. How would you rate the level of staff support or auditor training required?
   (3=Excellent  2=Satisfactory  1=Unsatisfactory  0=Unacceptable)
   COMMENTS:

5. Who was the principal on-site representative/Manager involved in your audit and how would you rate
   them individually? Please comment on skills, knowledge, behaviors or other factors on which you
   based the rating?
   (3=Excellent  2=Satisfactory  1=Unsatisfactory  0=Unacceptable)
   Name:______________________________________________ Rating:______
   COMMENTS:

6. With which aspect(s) of this Offeror’s services are you most satisfied?
   COMMENTS:

7. With which aspect(s) of this Offeror’s services are you least satisfied?
   COMMENTS:

8. Would you recommend this Offeror’s services?
   COMMENTS:
Tab 5
MEMORANDUM

TO: Board of Directors

Through: Finance Committee – April 7, 2015

Through: Policy Committee – March 31, 2015

FROM: Yvonne Segovia, Controller

DATE: April 15, 2015

SUBJECT: FY2014-2015 General Fund Budget Amendment

Recommendation:

Staff recommends the FY 2014-2015 General Fund Budget Amendment as proposed.

Background:

The Board of Directors approved the FY2014-2015 General Fund Budget on September 17, 2014.

Discussion:

Based on staff recommendation to proceed with the next steps of the Servicing Expansion Project – Phase II Sub-Servicing, a budget amendment is necessary to cover the FY2015 expenses identified in the Servicing Expansion Economic Feasibility Study. This would primarily fund one staff position for the second half of fiscal year 2015.

Management also reviewed the current budget for any unusual and unanticipated activity that was not included in the original budget to determine whether any line items required revision. As a result of this analysis, a budget amendment is proposed for the following lines.

Budget Analysis:
The proposed budget will increase revenue by $308,125 and decrease expenses by ($550,354) resulting in Total Expenses of $10,649,206 and Excess Revenue over Expenses of $2,294,865. See attached Budget Amendment.

**Total Projected Revenue:** Increase $308,125 2%
The increase in revenue reflects an increase in Single Family production for FY2015 from $125mm to $140mm. This increase costs MFA more in Service Release Fees ($390,500), but also generates more income in TBA Transaction fees $698,625.

**Salaries:** Increase $36,680 1%
Salaries reflect the addition of one-half full-time equivalent (FTE) position for the Director of Servicing. The position was budgeted through 3/31/2015 pending the outcome of the Servicing Expansion Project – Phase II Sub-Servicing.

**Incentives:** Increase $4,800 2%
Incentives reflect an increase for one FTE. The position budgeted through 3/31/2015 was not included in the original incentives budget pending the outcome of the Servicing Expansion Project – Phase II Sub-Servicing.

**Payroll Taxes & Benefits:** Increase $14,266 1%
The increase is related to the addition of the .50 FTE position.

**Contractual Services:** Increase $37,900 5%
The increase in Contractual Services is for legal fees related to unanticipated matters. MFA has required unexpected legal support for matters related to tax credit projects, foreclosure of HOME projects, and employment matters.

**Other Financing Sources/Uses (OFSU):** Decrease ($644,000) (100%)
Management is proposing the elimination of the expense budget for OFSU. This is the second year we have budgeted this line item. The current balance is $3.7mm income, rather than expense. This line is used for transfers between General Fund and Single Family bond issues. Similar to fair market value adjustments, this line can generate income or expense as we use different strategies for Single Family bond management and issuance in response to market conditions. It is not really reflective of the controllable expense budget line items. OFSU is eliminated upon consolidation; therefore nets to zero. However, it impacts the General Fund net revenue over expense line item because General Fund contributes to the bond issues at closing, but also recognizes income when negative arbitrage or excess funds upon bond closure are transferred back to the General Fund. Management provides the Board transparent information regarding bond issues through Bond Resolutions for new bond issues and refunded bond issues, including the contribution to cost of issuance, as well as a final bond report after the transaction is consummated. Therefore, we are proposing the elimination of the budget for OFSU.
and instead budgeting at the line level above OFSU where expenses are controllable and can be managed effectively.

**Summary:**

A budget amendment is proposed to cover the FY2015 expenses identified in the Servicing Expansion Project – Phase II Sub-Servicing Economic Feasibility Study. Management also reviewed the current budget for any unusual and unanticipated activity that was not included in the original budget to determine whether any line items required revision. The proposed budget will increase revenue by $308,125 and decrease expenses by ($550,354) resulting in Total Expenses of $10,649,206 and Excess Revenue over Expenses of $2,294,865. Staff is recommending approval of the proposed Budget Amendment.
## Proposed Amended Budget 2015

<table>
<thead>
<tr>
<th>Projected Revenue</th>
<th>2015</th>
<th>Approved Budget</th>
<th>Proposed Amendment</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL PROJECTED REVENUE</td>
<td>12,944,071</td>
<td>12,635,946</td>
<td>308,125</td>
<td>2%</td>
</tr>
</tbody>
</table>

## PROJECTED EXPENSES

### COMPENSATION

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>3,764,504</td>
<td>3,727,824</td>
<td>36,680</td>
<td>1%</td>
</tr>
<tr>
<td>Overtime</td>
<td>3,383</td>
<td>3,383</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Incentives</td>
<td>247,180</td>
<td>242,380</td>
<td>4,800</td>
<td>2%</td>
</tr>
<tr>
<td>Payroll taxes &amp; Employee Benefits</td>
<td>1,730,809</td>
<td>1,716,543</td>
<td>14,266</td>
<td>1%</td>
</tr>
<tr>
<td><strong>TOTAL COMPENSATION</strong></td>
<td>5,745,876</td>
<td>5,690,130</td>
<td>55,746</td>
<td>1%</td>
</tr>
</tbody>
</table>

### TRAVEL & PUBLIC INFORMATION

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Relations</td>
<td>4,767</td>
<td>4,767</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Public Information</td>
<td>169,442</td>
<td>169,442</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Housing Conference</td>
<td>10,000</td>
<td>10,000</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>In-State Travel</td>
<td>88,909</td>
<td>88,909</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Out-of-State Travel</td>
<td>92,050</td>
<td>92,050</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL TRAVEL &amp; PUB. INFO.</strong></td>
<td>365,168</td>
<td>365,168</td>
<td>-</td>
<td>0%</td>
</tr>
</tbody>
</table>

### OFFICE EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities/Property Taxes</td>
<td>77,227</td>
<td>77,227</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Leasehold Expense</td>
<td>(1,944)</td>
<td>(1,944)</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Insurance, Property &amp; Liability</td>
<td>112,961</td>
<td>112,961</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Repairs, Maintenance &amp; Leases</td>
<td>317,062</td>
<td>317,062</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Supplies</td>
<td>36,464</td>
<td>36,464</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Postage/Express mail</td>
<td>32,987</td>
<td>32,987</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Telephone</td>
<td>24,099</td>
<td>24,099</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Janitorial</td>
<td>27,844</td>
<td>27,844</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL OFFICE EXPENSES</strong></td>
<td>626,701</td>
<td>626,701</td>
<td>-</td>
<td>0%</td>
</tr>
</tbody>
</table>

### OTHER OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Expense</td>
<td>153,916</td>
<td>153,916</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Dues &amp; Periodicals</td>
<td>57,302</td>
<td>57,302</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Education &amp; Training</td>
<td>65,678</td>
<td>65,678</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Contractual Services</td>
<td>843,931</td>
<td>806,031</td>
<td>37,900</td>
<td>5%</td>
</tr>
<tr>
<td>Professional Services-Program</td>
<td>81,066</td>
<td>81,066</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Trustee Fees</td>
<td>2,500</td>
<td>2,500</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Rebate Analysis Fees</td>
<td>1,500</td>
<td>1,500</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Direct Servicing Expenses</td>
<td>45,581</td>
<td>45,581</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Program Expense-Other</td>
<td>41,350</td>
<td>41,350</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL OTHER OPER. EXP.</strong></td>
<td>1,292,824</td>
<td>1,254,924</td>
<td>37,900</td>
<td>3%</td>
</tr>
</tbody>
</table>

### TOTAL OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>8,030,509</td>
<td>7,936,923</td>
<td>93,586</td>
<td>1%</td>
</tr>
</tbody>
</table>

### NON-OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Training &amp; Technical Assistance</td>
<td>280,791</td>
<td>280,791</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td>Program Development/Capacity Building Costs</td>
<td>1,360,250</td>
<td>1,360,250</td>
<td>-</td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL NON-OPERATING EXPENSES</strong></td>
<td>1,641,041</td>
<td>1,641,041</td>
<td>-</td>
<td>0%</td>
</tr>
</tbody>
</table>

### TOTAL OPERATING & NON-OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL OPERATING &amp; NON-OPERATING EXPENSES</strong></td>
<td>9,671,610</td>
<td>9,577,964</td>
<td>93,646</td>
<td>1%</td>
</tr>
</tbody>
</table>

### CAPITAL OUTLAY & SERVICING ACTIVITY

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL EXPENSES, CAPITAL &amp; NON-CASH OUTLAY</strong></td>
<td>10,649,206</td>
<td>10,555,560</td>
<td>93,646</td>
<td>1%</td>
</tr>
</tbody>
</table>

### NON-CASH EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Financing Sources/Uses</td>
<td>-</td>
<td>644,000</td>
<td>(644,000)</td>
<td>-100%</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES &amp; OFSU</strong></td>
<td>10,649,206</td>
<td>11,199,560</td>
<td>(550,354)</td>
<td>-5%</td>
</tr>
</tbody>
</table>

### EXCESS REVENUE OVER EXPENSES

<table>
<thead>
<tr>
<th>Item</th>
<th>Proposed</th>
<th>Amended</th>
<th>Approved</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXCESS REVENUE OVER EXPENSES</strong></td>
<td>2,294,865</td>
<td>1,436,386</td>
<td>858,479</td>
<td>60%</td>
</tr>
</tbody>
</table>
Tab 6
MEMORANDUM

TO: Board

Through: Finance/Operations Committee – April 7, 2015

Through: Policy Committee – March 31, 2015

FROM: Joseph Montoya

DATE: April 15, 2015

SUBJECT: Allocation of 2015 HOME funds

Recommendation:
Staff recommends the allocation of $5,740,296 of HUD HOME funds to the activities as identified in the attached 2015 HOME Allocations sheet.

Background:
MFA has been the statewide Participating Jurisdiction (PJ) for HUD HOME funds in New Mexico since 1997. HOME Funds are allocated annually on a formula basis to each PJ. In order to be eligible, MFA must be compliant with Consolidated Plan, Action Plan and Consolidated Annual Production Reporting (CAPER) amongst other requirements.

During the period of January 1, 2014 to December 31, 2014, we received $3.78m in HOME funds, had program income of $1.2m, and carryover of $1.4m. We committed $7.25m and expended more than $5.7m on HOME activities.

MFA’s overall national ranking (HUD HOME Performance Reports) is 13th with top 5 rankings in 5 of the 8 categories which included two number 1 rankings.

<table>
<thead>
<tr>
<th>Ranking Criteria</th>
<th>MFA %</th>
<th>National %</th>
<th>National Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Funds Committed</td>
<td>97.87</td>
<td>93.45</td>
<td>3</td>
</tr>
<tr>
<td>% Funds Disbursed</td>
<td>94.88</td>
<td>90.11</td>
<td>4</td>
</tr>
<tr>
<td>Leveraging Ratio for Rental</td>
<td>10.14</td>
<td>4.84</td>
<td>5</td>
</tr>
<tr>
<td>% Disbursements (Rental)</td>
<td>100</td>
<td>98.46</td>
<td>1</td>
</tr>
<tr>
<td>% CHDO Disbursements</td>
<td>93.45</td>
<td>90.58</td>
<td>19</td>
</tr>
<tr>
<td>% Serving Renters &lt;50% AMI</td>
<td>88.33</td>
<td>80.39</td>
<td>16</td>
</tr>
<tr>
<td>% Serving Renters &lt;30% AMI</td>
<td>41.56</td>
<td>37.43</td>
<td>26</td>
</tr>
<tr>
<td>% Rental Occupancy Rate</td>
<td>100</td>
<td>99.56</td>
<td>1</td>
</tr>
</tbody>
</table>
MFA received the 2015 HOME allocations in the amount of $3,332,253 from HUD on February 11, 2015. This was a decrease of 11.87%/$448,863 from the previous years’ allocation. MFA is projecting $1,200,000 in program income and carrying forward $1,208,043 from the previous year. The combined total is $5,740,296.

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 HUD Allocation</td>
<td>$3,332,253</td>
</tr>
<tr>
<td>Carry Forward</td>
<td>$1,208,043</td>
</tr>
<tr>
<td>Program Income</td>
<td>$1,200,000</td>
</tr>
<tr>
<td><strong>Total Available</strong></td>
<td><strong>$5,740,296</strong></td>
</tr>
</tbody>
</table>

HOME funds can be used in various activities which include Homebuyer Assistance (DPA), Homeowner Development (DEV), Home Rehabilitation (HOR), Rental Programs (REN), Community Housing Development Organizations (CHDO) Set Aside, CHDO Operating funds (COE) and Administration (ADM) which we have opted to use.

**Discussion:**
Allocations to each activity (projects) are based on projected demand and/or HOME requirements and limitations (CHDO, COE, and ADM). Demand for funds is monitored on a monthly basis. Should demand not materialize on a particular activity(s), we have flexibility within the Action Plan to reallocate funds with Board Approval.

**Summary:**
Allocating HUD HOME funds totaling $5,740,296 to the following activities:

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>FUNDS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homebuyer Assistance (DPA)</td>
<td>$239,000</td>
</tr>
<tr>
<td>Home Rehabilitation (HOR)</td>
<td>$2,565,000</td>
</tr>
<tr>
<td>Rental Programs (REN)</td>
<td>$1,847,500</td>
</tr>
<tr>
<td>Community Housing Development Organization (CHDO)*</td>
<td>$499,838</td>
</tr>
<tr>
<td>CHDO Operating (COE)</td>
<td>$135,733</td>
</tr>
<tr>
<td>Administration (ADM)</td>
<td>$453,225</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$5,740,296</strong></td>
</tr>
</tbody>
</table>

*NOTE: Can be used for CHDO Rental or Single Family Programs*
### 2015 HOME ALLOCATIONS

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD Allocation</td>
<td>$3,332,253</td>
<td>$3,781,116</td>
<td>$3,597,945</td>
<td>$3,781,059</td>
<td>$7,152,461</td>
<td>$6,274,577</td>
<td>$1,500,000</td>
<td>$14,927,038</td>
</tr>
<tr>
<td>Carry Forward from Last Year</td>
<td>$1,208,043</td>
<td>$1,419,358</td>
<td>$1,792,746</td>
<td>$3,108,904</td>
<td>$6,274,577</td>
<td>$3,274,577</td>
<td>$1,500,000</td>
<td>$14,927,038</td>
</tr>
<tr>
<td>Program Income</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Total Available to Distribute/Award</td>
<td>$5,740,296</td>
<td>$6,400,474</td>
<td>$6,400,474</td>
<td>$6,400,474</td>
<td>$14,927,038</td>
<td>$14,927,038</td>
<td>$14,927,038</td>
<td>$14,927,038</td>
</tr>
<tr>
<td>Homeowner Programs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homebuyer Assistance (DPA)</td>
<td>$239,000</td>
<td>4.16%</td>
<td>$452,189</td>
<td>6.91%</td>
<td>$400,000</td>
<td>6.91%</td>
<td>790,000</td>
<td>9.71%</td>
</tr>
<tr>
<td>Homeowner Development (DEV)</td>
<td>$0</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
<td>330,000</td>
<td>5.70%</td>
<td>250,000</td>
<td>3.07%</td>
</tr>
<tr>
<td>Rehabilitation (HOR)</td>
<td>$2,565,000</td>
<td>44.68%</td>
<td>$3,000,000</td>
<td>46.87%</td>
<td>$2,681,307</td>
<td>46.30%</td>
<td>4,200,000</td>
<td>51.60%</td>
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<tr>
<td>Rental Programs (REN)</td>
<td>$1,847,500</td>
<td>32.18%</td>
<td>1,796,139</td>
<td>20.72%</td>
<td>1,200,000</td>
<td>20.72%</td>
<td>1,640,645</td>
<td>20.16%</td>
</tr>
<tr>
<td>Other Programs</td>
<td>$499,838</td>
<td>8.71%</td>
<td>564,034</td>
<td>9.32%</td>
<td>539,692</td>
<td>9.32%</td>
<td>567,159</td>
<td>6.97%</td>
</tr>
<tr>
<td>CHDO Set-Aside (CHDO)</td>
<td>$499,838</td>
<td>8.71%</td>
<td>567,167</td>
<td>9.32%</td>
<td>539,692</td>
<td>9.32%</td>
<td>567,159</td>
<td>6.97%</td>
</tr>
<tr>
<td>TBRA (TBR)</td>
<td>$0</td>
<td>0.00%</td>
<td>(3,133)</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>MFA R&amp;D Programs (R&amp;D)</td>
<td>$0</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>CHDO Operating (COE)</td>
<td>$135,733</td>
<td>2.36%</td>
<td>90,000</td>
<td>3.11%</td>
<td>179,897</td>
<td>3.11%</td>
<td>189,053</td>
<td>2.32%</td>
</tr>
<tr>
<td>Administration (ADM)</td>
<td>$453,225</td>
<td>7.90%</td>
<td>498,112</td>
<td>7.94%</td>
<td>459,795</td>
<td>7.94%</td>
<td>503,106</td>
<td>6.18%</td>
</tr>
<tr>
<td>TOTAL ACTIVITY DISTRIBUTIONS</td>
<td>$5,740,296</td>
<td>100.00%</td>
<td>$6,400,474</td>
<td>94.87%</td>
<td>$5,790,691</td>
<td>100.00%</td>
<td>$8,139,963</td>
<td>100.00%</td>
</tr>
<tr>
<td>DIFFERENCE</td>
<td>$0</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
<td>-</td>
<td>0.00%</td>
</tr>
<tr>
<td>GRAND TOTAL</td>
<td>$5,740,296</td>
<td>100.00%</td>
<td>$6,400,474</td>
<td>100.00%</td>
<td>$5,790,691</td>
<td>100.00%</td>
<td>$8,139,963</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Tab 7
NEW MEXICO MORTGAGE FINANCE AUTHORITY  
Contracted Services/Credit Committee Meeting  
Tuesday, April 7, 2015 @ 10:00 am  
MFA – Albuquerque

To dial into the conference call dial: (559) 546-1000 Code for Board members and proxies 561172# MFA  
staff code 561172*

<table>
<thead>
<tr>
<th>AGENDA ITEM</th>
<th>COMMITTEE RECOMMENDED</th>
<th>BOARD ACTION REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 RFP for General Counsel Legal Services (Marjorie Martin)</td>
<td>3-0</td>
<td>YES</td>
</tr>
<tr>
<td>2 RFP for Housing Development and Multi-family Mortgage Servicing, Legal Services (Marjorie Martin)</td>
<td>3-0</td>
<td>YES</td>
</tr>
</tbody>
</table>

Committee Members present:

Angel Reyes, Chair  
☐ present  ☐ absent  ☑ conference call

Hector Balderas or Sally Malavé  
☐ present  ☐ absent  ☑ conference call

Randy McMillan  
☐ present  ☐ absent  ☑ conference call

Secretary: [Signature] 4/7/15
MEMORANDUM

TO: Board

Through: Contracted Service Committee – April 7, 2015

Through: Policy Committee – April 2, 2015

FROM: Marjorie Martin

DATE: March 23, 2015

SUBJECT: Request for Proposals for General Counsel Legal Services for the New Mexico Mortgage Finance Authority

Recommendation: Staff recommends approval of this Request for Proposals.

Background:

June – July 2010 – MFA Board of Directors approved, on June 16, 2010, the selection of the law firm of Sheehan & Sheehan, P.A. ("the Sheehan firm) for the position of MFA General Counsel. On July 21, 2010, the Board approved the General Counsel Services Agreement between MFA and the Sheehan firm, which was executed on July 29, 2010 and became effective on August 1, 2010.

The initial term of the General Counsel Services Agreement was for one year, with an option at MFA’s discretion to extend the Agreement for a total of four (4) additional one year periods. The current Agreement has been extended four times and will terminate on August 1, 2015.

Discussion:

As the term of the current General Counsel is ending in August of this year, it is imperative that the MFA Board of Directors have at their disposal a legal counselor to provide advice and counsel, legal services and representation as needed. General Counsel further provides legal services relevant to MFA’s business operations in regard to employment law matters, bond matters, representation in litigation, and
general legal matters affecting the MFA. To assure the uninterrupted provision of necessary legal services, MFA will need to issue a Request for Proposals (“RFP”) with sufficient time to allow for the dissemination of the RFP, receipt and review of responses, selection of a recommended candidate, and approval by the Board of the recommended candidate and the proposed contract prior to the termination of the current General Counsel Services Agreement.

Attached for your review is a redlined version of the 2015 Draft RFP for General Counsel Legal Services, indicating noteworthy changes proposed to the RFP template for this legal services contract. The table below highlights the noteworthy changes to this contract’s RFP.

<table>
<thead>
<tr>
<th><strong>Page</strong></th>
<th><strong>Section</strong></th>
<th><strong>Proposed Changes</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Questions and Answers</td>
<td>Different language is proposed for this section, per direction from IS, as regards the manner in which questions from RFP respondents can be submitted to the MFA website</td>
</tr>
<tr>
<td>2.</td>
<td>Evaluation of proposals, Award Notice and Negotiation</td>
<td>Proposed the deletion of the words “Award Notice” from the title of this section of the template because this section does not actually address award notice, and because a section entitled “Award Notice” immediately follows. I propose the addition of the word “Selection” in place of “Award Notice.”</td>
</tr>
<tr>
<td>4.</td>
<td>Part II: Minimum Qualifications and Requirements</td>
<td>Proposed the addition to numbered paragraph 1 (in which a requirement is presented that the Offeror must have a firm based in New Mexico) of the words “or have a substantially-staffed office” in the State of New Mexico. This change is per 2 CFR 200.319 Competition.</td>
</tr>
</tbody>
</table>
5. **Additional Preference Criterion: New Mexico Resident Business**

This section was deleted pursuant to 2 CFR 200.319 Competition, which prohibits geographic preference when evaluating proposals for services, with limited exceptions. As with the item above, the license requirement and office location with substantial staff could be justified, but not necessarily the local headquarters requirement.

**Summary:**

Staff requests approval of the RFP for General Counsel Legal Services for the MFA to enable selection of a candidate, for the Board’s approval, to provide legal assistance, advice and counsel to MFA’s Board of Directors, as well as representation in matters impacting the MFA.
New Mexico Mortgage Finance Authority  
Request for Proposals  
To Provide General Counsel Legal Services

Part I: Background & General Information

Introduction

The New Mexico Mortgage Finance Authority (“MFA”) is a governmental instrumentality, separate and apart from the state, created by the Mortgage Finance Authority Act, N.M. Stat. Ann. Sections 58-18-1, et seq. (1978) for the purpose of financing affordable housing for low- and moderate-income New Mexico residents.

Purpose

The purpose of this Request for Proposals (RFP) is to solicit proposals, in accordance with the New Mexico Mortgage Finance Authority Procurement Policy, from qualified law firms which by reason of their skill, knowledge, and experience are able to furnish professional legal services as General Counsel to MFA (“Offerors”). The services solicited under this RFP are restricted solely to the legal services commonly provided by corporate counsel, and will not include any real estate, multi-family mortgage bond, or multi-family mortgage servicing legal services. An additional RFP will be issued simultaneously for Housing Development and Multi-Family Mortgage Servicing Legal Services. Offerors possessing the minimum qualifications and requirements listed in both RFPs may respond to either or both.

Questions and Answers

Questions pertaining to this RFP and application must be submitted via the MFA website at http://www.housingnm.org. Then select “Current RFPs” from the “Notices” list on the lower right of the page, and under “[insert name of RFP]______ RFP” select “[insert name]_FAQs.” Questions will be checked on a daily basis. The FAQ will open the day after the RFP issues and will close on ____, 2013. To submit your questions, scroll down to the “Ask a question” section, select the category (e.g., “General Counsel RFP”), type your question in the “Question” box, type in the two (2) words in the CAPTCHA box and click on “Send my question.” MFA will make every attempt to answer questions within two (2) business days.

Questions pertaining to this RFP and application must be submitted via the MFA website at http://www.housingnm.org/rfp. Then under “Current RFP’s,” select “General Counsel Legal Services RFP.” On the General Counsel Legal Services RFP page, select the “General Counsel Legal Services RFP FAQs” link. Questions will be checked on a daily basis. The FAQ will open the day after the RFP issues and will close on April 28, 2015. To submit your questions, scroll down to the “Ask a question” section, enter your name, email address, and type your question in the “Question” box, type in the two (2) words in the CAPTCHA box and click on “Send my question.” MFA will make every attempt to answer questions within two (2) business days.
Proposal Submission

The original and six (6) copies of a proposal must be received by MFA at our office located at 344 Fourth Street S.W., Albuquerque, NM 87102 no later than Thursday, April 30, 2015 at 4:00 p.m., Mountain Time. Proposals shall be in sealed envelopes marked “Proposal to Furnish General Counsel Legal Services.”

Proposal Tenure

All proposals shall include a statement that the proposal shall be valid until contract award, but no more than 90 calendar days from the proposal due date.

RFP Revisions and Supplements

If it becomes necessary to revise any part of this RFP or if additional information is necessary to clarify any provision of this RFP, the revision or additional information will be provided on the MFA web site.

Incurred Expenses

MFA shall not be responsible for any expenses incurred by an Offeror in responding to this RFP. All costs incurred by Offerors in the preparation, transmittal or presentation of any proposal or material submitted in response to this RFP will be borne solely by the Offerors.

Cancellation of Requests for Proposals or Rejection of Proposals

The MFA may cancel this RFP at any time for any reason and may reject all proposals (or any proposal) which are/is not responsive.

Evaluation of Proposals, Award Notice Selection and Negotiation

Proposals will be evaluated by an Internal Review Committee of MFA staff using the criteria listed in Parts II Minimum Qualifications and Requirements and III Services to be Performed, below, with final selection to be made by the full Board of Directors.

MFA may provide Offerors whose proposals are reasonably likely, in MFA’s discretion, to be selected, an opportunity to discuss and revise their proposals prior to award, for the purpose of obtaining final and best offers. Proposals shall be evaluated on the criteria listed in Part IV Evaluation Criteria, below.

The MFA Board of Directors shall select the Offeror(s) whose proposal(s) is/are deemed to be most advantageous to MFA to enter into contract negotiations with MFA. If a final contract cannot be negotiated, then MFA will enter into negotiations with the other Offeror(s). The final contract will then be referred to the Contracted Services Committee of the MFA Board of Directors for recommendation, with final approval to be determined by the full Board of Directors.
**Award Notice**

MFA shall provide written notice of the award to all Offerors within ten (10) days of the date of the award. The award shall be contingent upon successful negotiations of a final contract between MFA and the Offeror(s) whose proposal(s) is/are accepted by MFA.

**Proposal Confidentiality**

Offerors or their representatives shall not communicate with MFA’s Board of Directors or staff members regarding any proposal under consideration or that will be submitted for consideration, except in response to an inquiry initiated by the Internal Review Committee, or a request from the Board of Directors for a presentation and interview. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, including any period immediately following release of the RFP.

Until the award is made and notice given to all Offerors, MFA will not disclose the contents of any proposal or discuss the contents of any proposal with an Offeror or potential Offeror, so as to make the contents of any offer available to competing or potential Offerors.

**Irregularities in Proposals**

MFA may waive technical irregularities in the form of proposal of any Offeror selected for award which do not alter the price, quality or quantity of the services offered. Note especially that the date and time of proposal submission as indicated herein under “Part I Background and General Information, Proposal Submission” cannot be waived under any circumstances.

**Responsibility of Offerors**

If an Offeror who otherwise would have been awarded a contract is found not to be a Responsible Offeror, a determination that the Offeror is not a Responsible Offeror, setting forth the basis of the finding, shall be prepared and the Offeror shall be disqualified from receiving the award. A Responsible Offeror means an Offeror who submits a proposal that conforms in all material respects to the requirements of this RFP and who has furnished, when required, information and data to prove that his financial resources, facilities, personnel, reputation and experience are adequate to make satisfactory delivery of the services described in this RFP. The unreasonable failure of an Offeror to promptly supply information in connection with an inquiry with respect to responsibility is grounds for a determination that the Offeror is not a Responsible Offeror.

**Protest**

Any Offeror who is aggrieved in connection with this RFP or the award of a Contract pursuant to this RFP may protest to the MFA. The protest must be written and addressed to:
The protest must be delivered to MFA within fifteen (15) calendar days after the notice of award. Upon the timely filing of a protest, the Contact Person shall give notice of the protest to all Offerors who appear to have a substantial and reasonable prospect of being affected by the outcome of the protest. The Offerors receiving notice may file responses to the protest within seven (7) calendar days of notice of protest. The protest process shall be:

- The protest will be reviewed by the Contracted Services Committee of MFA’s Board of Directors, and that committee shall make a recommendation to the full Board of Directors regarding the disposition of the protest.

The Board of Directors shall make a final determination regarding the disposition of the protest. Offerors or their representatives shall not communicate with MFA Board of Directors or staff members regarding any proposal under consideration, except when specifically permitted to present testimony to the committee of the Board of Directors. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, or does not follow the prescribed proposal and Protest process.

Part II: Minimum Qualifications and Requirements

Only those Offerors who meet the following minimum criteria are eligible to submit a proposal pursuant to this RFP:

1. All Offerors must be listed in the most recent edition of the Martindale-Hubbell Law Directory with a rating of AV or BV, their firms must be based or have a substantially-staffed office in the State of New Mexico, they must be licensed in New Mexico, and they must be available for travel both within and outside New Mexico.

2. All Offerors must have at least ten years of experience in corporate law, including federal and state laws, rules, and regulations governing non-profit corporations; employment law; and with government and commercial contracts. Offerors must also have substantial expertise in New Mexico laws and rules governing municipal and state agencies and instrumentalities.

3. All Offerors must maintain professional liability insurance as outlined in Part VI of this RFP. Award will not be made to any Offeror who is debarred, suspended or subject to a Limited Denial of Participation or otherwise restricted from participating in Housing & Urban Development (HUD) programs.
Part III: Services to be Performed

Offerors may respond to this RFP to provide General Counsel Legal services to MFA. As requested by MFA, professional legal services REQUIRED to be provided under and to be incorporated into the contract to be awarded pursuant to this RFP include, but are not limited to, the following:

1. Provide advice and counsel to the MFA regarding internal operations of MFA, the administration of MFA programs, and the conduct of MFA processes and procedures, in cooperation with in-house counsel.

2. Attend MFA Board of Directors’ meetings, preparatory agenda review meetings prior to Board of Director’s meetings and, when required, committee meetings of the Board of Directors; legislative hearings, Executive branch meetings, MFA staff meetings, both in Albuquerque and out of town.

3. Render legal opinions, upon request, concerning issues pertinent to MFA internal operations, programs, commercial transactions, and interagency relations.

4. Advise the MFA in personnel matters, and provide representation in litigation involving matters affecting MFA operations.

5. Represent MFA, upon request, in negotiations concerning MFA operations, programs, processes, and procedures.

6. Provide General Counsel Single-Family Mortgage Bond Issuer’s Opinion, upon request.

Part IV: Evaluation Criteria

MFA shall award the contract for General Counsel Legal Services to the Offeror whose proposal is most advantageous to MFA. Proposals shall be evaluated primarily on experience and fees. Proposals shall be scored on a scale of 1 to 100 based on the criteria listed below. Please note that a serious deficiency in any one criterion may be grounds for rejection regardless of overall score.

Additional Preference Criterion: New Mexico Resident Business

A New Mexico Resident Business, for the purposes of MFA’s Procurement Policies, is defined as one in which the majority of the Offeror’s employees who would perform the services to be performed pursuant to the relevant procurement reside in New Mexico. If an Offeror is seeking preference points as a New Mexico Resident Business, the Offeror’s proposal must include: (1) evidence that the Offeror is licensed to do business in New Mexico, and, (2) a representation that the majority of the Offeror’s employees who would perform the services to be performed reside in New Mexico.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Point Range</th>
<th>Maximum Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Experience and Capability:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offeror’s skill, knowledge and experience with--</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Corporate law, including federal and state laws, rules, and</td>
<td>0-25</td>
<td>55</td>
</tr>
<tr>
<td>regulations governing non-profit corporations; and general contract</td>
<td></td>
<td></td>
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<tr>
<td>law matters, including federal and state government contracts,</td>
<td></td>
<td></td>
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<tr>
<td>state interagency agreements, and commercial contracts;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. New Mexico laws and regulations governing municipal and state</td>
<td>0-20</td>
<td></td>
</tr>
<tr>
<td>agencies and instrumentalities;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. Employment law</td>
<td>0-10</td>
<td></td>
</tr>
<tr>
<td>2. Responsiveness to MFA and Technical Capabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offeror’s ability to deliver responsive, quality legal services and</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Offeror’s availability for consultation and discussion with the MFA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>or any of its representatives as evidenced by:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. the designation of a lead attorney, preferably at partner</td>
<td>0-20</td>
<td>20</td>
</tr>
<tr>
<td>level in the firm, assigned to MFA matters on a high priority</td>
<td></td>
<td></td>
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<tr>
<td>basis, who will act as the main contact for MFA’s Board of</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Directors and staff for all communications, including billing,</td>
<td></td>
<td></td>
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<tr>
<td>and who will coordinate all aspects of the contractual</td>
<td></td>
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<tr>
<td>representation, including direction of the activities of all</td>
<td></td>
<td></td>
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<tr>
<td>other attorneys assigned by the firm to represent MFA;</td>
<td></td>
<td></td>
</tr>
<tr>
<td>b. Offeror’s technical support capabilities and availability to</td>
<td>0-20</td>
<td></td>
</tr>
<tr>
<td>be reached by telephone and email during business hours,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>off hours, weekends, and holidays.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Fees:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hourly basis-- hourly rates and other fees and costs.</td>
<td>0-25</td>
<td>25</td>
</tr>
</tbody>
</table>

| Maximum Points | 100 |
Part V: Proposal Format and Instructions to Offeror

Proposals submitted to MFA must, at a minimum, contain the following information and shall be organized as follows:

1. Letter of Transmittal

Include at least the following information:

A. Name, address and telephone number of Offeror and name of contact person.
B. A signature of the Offeror or any partner, officer or employee who certifies that he or she has the authority to bind the Offeror.
C. Date of proposal.
D. A statement that the Offeror, if awarded the contract, will comply with the contract terms and conditions set forth in this RFP.
E. A statement that the Offeror’s proposal is valid for ninety (90) days after the deadline for submission of proposals.

2. A statement from Offeror that Offeror is listed in the most recent edition of The Martindale-Hubbell Law Directory and possesses a rating of AV or BV; that the Offeror’s firm is based in the State of New Mexico; and that the Offeror is licensed to practice in New Mexico.

3. Evidence submitted by Offeror that Offeror retains professional liability insurance which fulfills the requirements set forth in Part VI Professional Liability Insurance of this RFP. Possession of such coverage shall not limit Offeror’s potential liability.

4. A description of New Mexico state agencies, municipalities, financial institutions, for-profit companies, or non-profit organizations represented by Offeror currently or in the last ten years.

5. Three references for Offeror’s work as counsel for a state agency and/or municipality, for-profit company, or non-profit organization.

6. Names and resumes of the lead attorney and other key personnel including other attorneys, legal assistants and support staff to be assigned to the account. Resumes describing the qualifications of personnel to be utilized in the performance of this contract must show, at a minimum, the person’s name, education, position, and total years and types of experience relevant to the performance of the contract.

7. Offeror must provide a detailed description of Offeror’s ability to provide legal services as general counsel to the MFA in matters involving: contract law; public law as it applies to municipal and state agencies and instrumentalities; employment law; and the federal and state laws governing non-profit corporations. Explain any experience you have had with the New Mexico Open Meetings Act, Procurement Code, Governmental Conduct Act, Public Records Act, Inspection of Public Records Act and Joint Powers Agreements Act. Detail your expertise in legal matters affecting municipal and state agencies and instrumentalities.

8. For the last ten years, a list and description including the current disposition or status, of any litigation against Offeror or any formal or informal action taken by any bar association, state or federal securities
commission, disciplinary board, or other attorney regulatory body against Offeror. Include a statement warranting that the Offeror is not restricted from participation in Housing & Urban Development programs.

9. A detailed description of Offeror’s policy regarding the resolution of conflicts of interest which arise out of Offeror’s representation of clients with adverse or potentially adverse interests and Offeror's mechanism to ensure that such conflicts do not arise and that if such conflicts do arise, how the Offeror intends to assist the MFA in retaining other counsel to represent the MFA. Please include examples of the implementation of this policy and information regarding whether Offeror has a computerized management information system in place to track possible conflicts of interest.

10. A statement disclosing: (1) any political contribution or gift valued in excess of $2,500.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.

11. A detailed description of Offeror’s technical capabilities to provide responsive and professional services to the MFA if the contract were awarded to Offeror (e.g., ability to prepare and respond to voluminous documents in a timely manner, expertise of administrative support staff, etc.)

12. Offeror’s proposal for delivering services, including organization of responsibilities, work plan, approach, and the availability of personnel for consultation, discussion, and coordination with in-house counsel, and for travel both within and outside the state of New Mexico, as necessary to serve the needs of the MFA.

13. The location of Offeror’s main office and the locations of any of Offeror’s branch offices. A description and location of the office of professionals who would handle MFA matters.

14. Services performed under this RFP for General Counsel Legal Services will be provided on an hourly basis. A specific fee schedule for professional legal services must be included in this proposal. Please include the following information:

   A. A list of all Offeror’s employees including attorneys, paralegals and support staff who are to work on MFA matters and their specific hourly rates, and if the rate varies by the type of service, the hourly rate for different types of service;

   B. Offeror’s minimum billing unit;

   C. Information regarding Offeror’s ability to provide detailed monthly billings summarized by subject matter and a sample itemized bill;

   D. Whether Offeror’s proposed rates are the best offered by the firm to any client;

   E. A flat rate fee schedule that could be charged for attendance at monthly Board of Director meetings;
F. A rate schedule for standard expenses such as per page copying charges, facsimile transmissions, overnight mail expenses, and word processing charges; and a description of all other charges that would be billed to the MFA under the contract, such as mileage and travel expenses incurred in accordance with MFA Travel Guidelines and Procedures; and a statement as to when such miscellaneous charges would be imposed; and,

G. A narrative description of the steps routinely taken to ensure that legal representation is provided on a cost-effective basis. Discuss such matters as Offeror’s policy with respect to billing for such items as intra-office consultation, research, travel, and unsuccessful attempts to reach people by telephone.

15. In preparing Offeror’s proposed fee structure, please take note of the following:

A. The MFA invites the attention of Offeror to the MFA’s serious concern about the rising cost of legal services. The control and management of legal costs is the mutual concern of the Offeror and the MFA. The MFA requires quality professional services at a reasonable cost and the performance of only those services necessary. In evaluating bids, the MFA will consider the methods used by the Offeror to avoid services which do not materially contribute to the overall success of the engagement.

B. Lodging and other travel-related expenses shall be reimbursed by the MFA in accordance with MFA expense reimbursement policies and procedures, as set forth in its Policies and Procedures Manual.

C. Offeror must absorb the cost of familiarizing itself with the MFA programs, policies and procedures, rules, and regulations, policy and program documents and any other relevant information shall be made available for Offeror’s review at the MFA’s office in Albuquerque. Offeror should expect to devote a considerable amount of time to having its attorneys and paralegals become familiar with MFA programs, policies and procedures, rules, and regulations. The MFA will not pay for such work. Indicate how much time Offeror expects to devote to familiarizing itself with MFA programs, policies and procedures, rules, and regulations, and provide a timetable for doing so.

D. Offeror must give the MFA at least a three (3) year commitment on the rate schedule offered.

E. Offeror is required to submit itemized billing statements on a monthly basis.

16. The MFA requires that Offeror be an Equal Opportunity Employer. Please state that Offeror complies fully with all government regulations regarding nondiscriminatory employment practices.

17. Please provide any other relevant information which will assist the MFA in evaluating Offeror’s ability to provide legal services as General Counsel to the MFA.

18. All Offerors should be prepared to provide a formal presentation to and participate in an interview with MFA’s Board of Directors at MFA’s office in Albuquerque, upon request.
Part VI: Principal Contract Terms and Conditions

In addition to the terms respecting the services to be performed and compensation described above, the contract between MFA and the successful Offeror (herein “Contractor”) shall include, but may not be limited to, terms substantially similar to the following:

**Contract Term**

The term of the General Counsel Legal Services Contract shall begin upon the expiration of the current General Counsel Legal Services Contract, or on August 1, 2015, and shall end on the first anniversary thereafter. At the option of the Board, the contract may be extended for four (4) one (1) year periods under the same terms and conditions. There will be a transition period, as needed, for matters in process at the beginning and the end of the contract term.

**Hold Harmless and Indemnity Agreement**

Contractor shall hold harmless and indemnify MFA, its members, officers, employees, and agents from and against any and all claims, liabilities, obligations, losses and the like, asserted by any third parties arising from or attributable to Contractor’s performance of the services required under the contract. This indemnity and hold harmless agreement shall include reimbursement of all attorney fees, costs and expenses incurred by MFA, members, employees, or agents in defending any such action.

**Assignment/Change in Key Contractor Personnel**

Contractor shall not assign or transfer any interest in the contract or assign any claims for money due or to become due under the contract (except as security for a bank loan in its ordinary course of its business) without the prior written approval of MFA. Any change to key Contractor personnel, including lead and other attorneys assigned to the contract, shall require prior written notice to and approval by MFA, and amendment to the contract to reflect the change in assigned Contractor personnel.

**Subcontractors**

Contractor shall not employ a subcontractor (or substantially change the contemplated division of responsibilities with a previously approved subcontractor) without the prior written approval of MFA. Any and all fees or costs incurred by a subcontractor shall be paid by Contractor and shall not be reimbursed by MFA. Contractor shall assume full and complete responsibility and liability for subcontractor’s performance of any services which Contractor has delegated to a subcontractor.

**Records and Audit**

Contractor shall maintain detailed time records indicating the date, time, and nature of services rendered, which shall be subject to inspection by MFA. MFA shall have the right to audit bills submitted to MFA under the
General Counsel Legal Services Contract both before and after payment. Payment under the contract shall not foreclose the right of MFA to recover excessive and/or illegal payments.

**Budget and Billing**

Prior to commencing any matter requiring substantial work, Contractor shall prepare and deliver to MFA a detailed budget of all fees and costs that Contractor anticipates will be necessary to perform the services required for that transaction. A detailed statement of services and an invoice for services provided must be presented before any payment under the contract shall be made. MFA will pay Contractor fees or costs which exceed those indicated in the budget only if such costs are reasonable and result from circumstances which Contractor could not have anticipated at the time Contractor prepared the budget.

**Professional Liability Insurance**

Each Contractor shall maintain professional liability insurance covering all liabilities and risks inherent in Contractor’s performance of the services required under the contract. Each Contractor’s insurance policy must provide per claim and aggregate limits of at least two million dollars ($2,000,000.00), must provide for a per claim/aggregate deductible in an amount reasonable for a firm of Contractor’s size and financial condition, and must be in a form acceptable to MFA. Each Contractor must provide MFA with an acceptable certificate of insurance in force at the time of the inception of the contract and at each anniversary date, extension or renewal of the contract, which provides for not less than thirty (30) days’ notice to MFA of non-renewal or cancellation. Contractor shall immediately notify MFA in the event of any cancellations, modifications or changes in the amounts of coverage provided under such professional liability coverage. Failure to have, maintain and continue professional liability coverage in the amount and form specified shall be cause for immediate termination of the contract and shall not require the notice provided for in Part VI Principal Contract Terms and Conditions, Termination of this RFP.

**Confidentiality**

The relationship between Contractor and MFA shall be that of attorney-client. Any information developed or acquired by or furnished by Contractor in the performance of the contract shall be kept confidential and shall not be made available to any individual or organization not involved in a given transaction without the prior written approval of MFA.

**Confidential Data**

Offerors may request in writing nondisclosure of confidential data. Such data shall accompany the proposal and shall be readily separable from the proposal to facilitate public inspection of non-confidential portions of the proposal. After award, all proposals and documents pertaining to the proposals will be open to the public. Confidential data is normally restricted to confidential financial information concerning the Offeror’s organization and data that qualifies as trade secrets under the Uniform Trade Secrets Act, Section 57-3A1 et seq. NMSA 1978.
If a citizen of this state requests disclosure of data for which a request for confidentiality is made, MFA shall examine the request for confidentiality and make a written determination that specifies which portions of the proposal should be disclosed and will provide the Offeror with written notice of that determination. Unless the Offeror protests within ten (10) calendar days of the notice, the proposal will be so disclosed.

**Code of Conduct**

No Board member or employee of MFA shall have any direct financial interest in any contract with the Offeror, nor shall any contract exist between Offeror or its affiliate with any MFA Board member or employee that might give rise to a claim of conflict of interest. Any violation of this provision will render void any contract between MFA and the Offeror for which MFA determines that a conflict of interest exists as herein described, unless that contract is approved by the MFA Board of Directors after full disclosure.

Offeror shall provide a statement disclosing any political contribution or gift valued in excess of $2,500 (singularly or in the aggregate) made by Offeror or on Offeror’s behalf to any elected official of the State of New Mexico currently serving or who has served on the MFA Board of Directors in the last three (3) years.

Offeror shall warrant that it has no interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under any contract entered into with MFA pursuant to this RFP. Offeror shall at all times conduct itself in a manner consistent with the MFA Code of Conduct and MFA’s Anti-Harassment Policy. A copy of the MFA Code of Conduct and MFA’s Anti-Harassment Policy is posted on the MFA web site for review at http:\www.housingnm.org/rfp. Upon request by MFA, Offeror shall disclose information MFA may reasonably request relating to conflict or potential conflicts of interest.

**Equal Opportunity Compliance**

Contractor agrees to abide by all federal and state laws, rules and regulations and executive orders pertaining to equal employment opportunity. Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, religion, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subject to discrimination under, any program or activity performed under the contracts.

**Termination**

This agreement may be terminated without cause by MFA upon thirty (30) days written notice. Such termination shall not nullify any obligations already incurred for performance or failure to perform before the date of termination. Upon termination, the MFA Board may negotiate and award the remaining term(s) of the contract using the proposals submitted in this RFP.

**Status of Contractor**
The Contractor and its agents and employees are independent contractors performing services for MFA and are not employees of MFA. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding or other benefits afforded to employees of MFA as a result of this RFP.

**Amendment**

The agreement shall not be altered, changed or amended except by an instrument in writing and executed by both parties. No amendment shall be effective or binding until approved by MFA.

**Scope of Agreement**

The agreement incorporates all the agreements, covenants and understandings between the parties concerning the subject matter of the agreement and all such covenants, agreements and understandings have been merged into the written agreement. No prior understanding or agreement, verbal or otherwise, of the parties or the agents, shall be valid or otherwise enforceable unless embodied in the agreement.

**Applicable Law**

The agreement shall be governed by the laws of the State of New Mexico.
New Mexico Mortgage Finance Authority

Board Members
Chair, Dennis Burt – Burt & Company CPAs
Vice Chair Angel Reyes – President, Centinel Bank in Taos
Treasurer Steven Smith – President, R.O.G. Enterprises
Member John A. Sanchez – Lieutenant Governor, State of New Mexico
Member Hector Balderas – Attorney General
Member Tim Eichenberg – Treasurer, State of New Mexico
Member Randy McMillan - President, NAI First Valley Realty, Inc.,

Management
Jay Czar, Executive Director
Joseph R. Montoya, Deputy Director of Programs
Gina Hickman, Deputy Director of Finance & Administration

Staff Roster

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<th>AFShin Seysan</th>
<th>Izzy Hernandez</th>
<th>Rose Baca-Quesada</th>
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<td>Gina Hickman</td>
<td>Roderick Stokes</td>
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Tab 8
MEMORANDUM

TO: Board

Through: Contracted Service Committee – April 7, 2015

Through: Policy Committee – April 2, 2015

FROM: Marjorie Martin

DATE: March 23, 2015

SUBJECT: Request for Proposals for Housing Development and Multi-Family Mortgage Servicing Legal Services for New Mexico Mortgage Finance Authority

Recommendation: Staff recommends approval of this Request for Proposals.

Background:

June – July 2010 – MFA Board of Directors approved, on June 16, 2010, the selection of the law firm of Sutin, Thayer & Browne (“the Sutin firm”) for the position of MFA Housing Development and Multi-family Mortgage Servicing Legal Counsel. On July 21, 2010, the Board approved the Agreement for Housing Development and Multi-family Mortgage Servicing Legal Services (“the Agreement”) between MFA and the Sutin firm, which was executed on July 29, 2010 and became effective on August 1, 2010.

The initial term of the Agreement was for one year, with an option at MFA’s discretion to extend the Agreement for a total of four (4) additional one year periods. The current Agreement has been extended four times and will terminate on August 1, 2015.

Discussion:

As the term of the current Housing Development Counsel is ending in August of this year, it is essential for the smooth continuation of MFA’s business operations that
counsel specializing in multi-family mortgage servicing, as well as in housing development, be available to provide MFA with representation on pending cases in litigation, as well as with advice, counsel, and assistance on housing development matters and any future multi-family litigation that may arise. Approval of the RFP at the April Board meeting will permit a timely release of the RFP, review and scoring of the responses, and review and approval by the Board of Directors of the candidate selected for award as well as of the proposed contract for services, to assure that a new contract will be in place by the August date of termination of the current Agreement.

Attached for your review is a redlined version of the 2015 Draft RFP for Housing Development and Multi-family Mortgage Servicing Legal Services, indicating noteworthy changes proposed to the RFP template for this legal services contract. The table below highlights the noteworthy changes to this contract’s RFP.

<table>
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<tr>
<th>Page</th>
<th>Section</th>
<th>Proposed Changes</th>
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<tbody>
<tr>
<td>1.</td>
<td>Questions and Answers</td>
<td>Different language is proposed for this section, per direction from IS, as regards the manner in which questions from RFP respondents can be submitted to the MFA website</td>
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<tr>
<td>2.</td>
<td>Evaluation of proposals, Award Notice and Negotiation</td>
<td>Proposed deletion of the words “Award Notice from the title of this section of the template because this section does not actually address award notice, and because a section entitled “Award Notice” immediately follows. Also proposed is the addition of the word “Selection” in place of “Award Notice.”</td>
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Summary:

Staff requests approval of the RFP for Housing Development and Multi-family Mortgage Legal Services to select a candidate for the Board’s approval that will provide MFA with multi-family mortgage servicing legal services; representation in litigation related to multi-family housing; and advice, counsel, and assistance in legal matters related to the development of housing projects financed by MFA.
New Mexico Mortgage Finance Authority
Request for Proposals
To Provide Housing Development and
Multi-Family Mortgage Servicing Legal Services
For the New Mexico Mortgage Finance Authority

Part I: Background & General Information

Introduction

Purpose
The purpose of this Request for Proposals (RFP) is to solicit proposals, in accordance with the New Mexico Mortgage Finance Authority Procurement Policy, from qualified law firms which by reason of their skill, knowledge, and experience are able to furnish professional legal services to the MFA in connection with MFA’s affordable housing development programs, and with its multi-family mortgage servicing portfolio (“Offerors”).

Questions and Answers

Questions pertaining to this RFP and application must be submitted via the MFA website at http://www.housingnm.org. Then select “Current RFPs,” from the “Notices” list on the lower right of the page, and under “[insert name of RFP] RFP” select “[insert name] FAQs.” Questions will be checked on a daily basis. The FAQ will open the day after the RFP issues and will close on _____, 2013. To submit your questions, scroll down to the “Ask a question” section, pick the category “General Counsel RFP,” type your question in the “Question” box, type in the two (2) words in the CAPTCHA box and click on “Send my question.” MFA will make every attempt to answer questions within two (2) business days.

Proposal Submission

The original and six copies of a proposal must be received by the MFA at our office located at 344 Fourth Street S.W., Albuquerque, NM 87102 no later than Thursday, April 30, 2015 at 4:00 p.m., Mountain Time. Proposals
shall be in sealed envelopes marked “Proposal to Furnish Housing Development and Multi-Family Mortgage Servicing Legal Services.”

Proposal Tenure

All proposals shall include a statement that the proposal shall be valid until contract award, but no more than 90 calendar days from the proposal due date.

RFP Revisions and Supplements

If it becomes necessary to revise any part of this RFP or if additional information is necessary to clarify any provision of this RFP, the revision or additional information will be provided on the MFA web site.

Incurred Expenses

The MFA shall not be responsible for any expenses incurred by an Offeror in responding to this RFP. All costs incurred by Offerors in the preparation, transmittal or presentation of any proposal or material submitted in response to this RFP will be borne solely by the Offerors.

Cancellation of Requests for Proposals or Rejection of Proposals

The MFA may cancel this RFP at any time for any reason and may reject all proposals (or any proposal) which are/is not responsive.

Evaluation of Proposals, Award Notice, Selection and Negotiation

Proposals will be evaluated by an Internal Review Committee of MFA staff using the criteria listed in Parts II Minimum Qualifications and Requirements and III Services to be Performed, below, with final selection to be made by the full Board of Directors.

The MFA may provide Offerors whose proposals are reasonably likely, in MFA’s discretion, to be selected, an opportunity to discuss and revise their proposals prior to award, for the purpose of obtaining final and best offers. Proposals shall be evaluated on the criteria listed in Part IV Evaluation Criteria, below.

The MFA Board of Directors shall select the Offeror(s) whose proposal(s) is/are deemed to be most advantageous to the MFA to enter into contract negotiations with the MFA. If a final contract cannot be negotiated, then MFA will enter into negotiations with the other Offeror(s). The final contract will then be referred to the Contracted Services Committee of the MFA Board of Directors for recommendation, with final approval to be determined by the full Board of Directors.

Award Notice

MFA shall provide written notice of the award to all Offerors within ten (10) days of the date of the award. The award shall be contingent upon successful negotiations of a final contract between MFA and the Offeror(s) whose proposal(s) is/are accepted by MFA.
Proposal Confidentiality

Offerors or their representatives shall not communicate with MFA’s Board of Directors or staff members regarding any proposal under consideration or that will be submitted for consideration, except in response to an inquiry initiated by the Internal Review Committee, or a request from the Board of Directors for a presentation and interview. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, including any period immediately following release of the RFP.

Until the award is made and notice given to all Offerors, the MFA will not disclose the contents of any proposal or discuss the contents of any proposal with an Offeror or potential Offeror, so as to make the contents of any offer available to competing or potential Offerors.

Irregularities in Proposals

MFA may waive technical irregularities in the form of proposal of any Offeror selected for award which do not alter the price, quality or quantity of the services offered. Note especially that the date and time of proposal submission as indicated herein under “Part I: Background and General Information, Proposal Submission” cannot be waived under any circumstances.

Responsibility of Offerors

If an Offeror who otherwise would have been awarded a contract is found not to be a Responsible Offeror, a determination that the Offeror is not a Responsible Offeror, setting forth the basis of the finding, shall be prepared and the Offeror shall be disqualified from receiving the award. A Responsible Offeror means an Offeror who submits a proposal that conforms in all material respects to the requirements of this RFP and who has furnished, when required, information and data to prove that his financial resources, facilities, personnel, reputation and experience are adequate to make satisfactory delivery of the services described in this RFP. The unreasonable failure of an Offeror to promptly supply information in connection with an inquiry with respect to responsibility is grounds for a determination that the Offeror is not a Responsible Offeror.

Protest

Any Offeror who is aggrieved in connection with this RFP or the award of a Performance Agreement pursuant to this RFP may protest to the MFA. The protest must be written and addressed to:

Marjorie A. Martin
MFA Attorney
New Mexico Mortgage Finance Authority
344 4th Street SW
Albuquerque, NM 87102

The protest must be delivered to MFA within fifteen (15) calendar days after the notice of award. Upon the timely filing of a protest, the Contact Person shall give notice of the protest to all Offerors who appear to have a substantial and reasonable prospect of being affected by the outcome of the protest. The Offerors receiving
notice may file responses to the protest within seven (7) calendar days of notice of protest. The protest process shall be:

♦ The protest will be reviewed by the Contracted Services Committee of MFA’s Board of Directors, and that committee shall make a recommendation to the full Board of Directors regarding the disposition of the protest.

The Board of Directors shall make a final determination regarding the disposition of the protest. Offerors or their representatives shall not communicate with MFA Board of Directors or staff members regarding any proposal under consideration, except when specifically permitted to present testimony to the committee of the Board of Directors. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, or does not follow the prescribed proposal and Protest process.

**Part II: Minimum Qualifications and Requirements**

Only those Offerors who meet the following minimum criteria are eligible to submit a proposal pursuant to this RFP:

1. All Offerors must be listed in the most recent edition of the Martindale-Hubbell Law Directory with a rating of AV or BV, they must be licensed in New Mexico, and they must be available for travel both within and outside New Mexico.

2. All Offerors must have at least five years’ experience in New Mexico real estate law, including bond-financed transactions and rendering Issuer’s opinions required for bond financing; land use law, and in representing lenders in commercial real estate transactions in New Mexico. Offerors must also have substantial expertise in the federal and state laws, rules, and regulations governing the issuance and sale of multi-family mortgage revenue bonds and the mortgage banking industry; federal and state tax laws impacting real estate development transactions; and the rules, regulations and guidelines of both governmental and private mortgage insurers and secondary mortgage market conduits affecting the mortgage banking business. Additionally, Offerors must have experience with federal housing development programs, including HUD and USDA Rural Development insured mortgage lending programs, the Low Income Housing Tax Credit (LIHTC) Program, and the HOME Investment Partnerships (HOME) Program.

3. All Offerors must have substantial expertise in the federal and state laws governing multi-family mortgage foreclosure, bankruptcy and mortgage lending; and experience with foreclosure proceedings on multi-family loans to include, but not limited to, HUD 542(c), LIHTC, and HOME.

4. Offerors must maintain professional liability insurance as outlined in Part VI of this RFP. Award will not be made to any Offeror who is debarred, suspended or subject to a Limited Denial of Participation or otherwise restricted from participating in Housing & Urban Development (HUD) programs.

**Part III: Services to be Performed**
Offerors may respond to this RFP to provide Housing Development and Multi-family Mortgage Servicing Legal Services to MFA.

As requested by MFA, professional legal services REQUIRED to be provided under and to be incorporated into the contract to be awarded pursuant to this RFP include, but are not limited to, the following:

1. Provide legal assistance with respect to MFA programs, including federal programs administered by the MFA, prepare and review MFA program documents and assist the MFA in evaluating and developing options and alternatives for financing MFA programs, including issuing additional multi-family bonds and refunding or redeeming outstanding multi-family bonds, cooperate with and assist in-house counsel;

2. Prepare or assist with the preparation of legal and other documents, to include single family and multi-family real estate transaction documents that are required to be prepared and adopted by the MFA to administer MFA programs, as well as programs designated to the MFA by the State;

3. Provide legal services on MFA loans to include multi-family, and HUD HOME program loans to facilitate recovery of MFA’s interest as it relates to foreclosures and bankruptcies, and provide services for all other legal matters related to MFA loans according to HUD 542 (c) and HOME, LIHTC, Conventional, MFA and all other regulating agency guidelines.

4. Provide legal services for multi-family first mortgage foreclosures, leverage financed loans, cross-claims on second mortgages, and bankruptcy processing for Chapter 7 and Chapter 13 cases.

5. Represent the MFA in matters affecting the MFA’s multi-family loan portfolio, and other multi-family loan servicing litigation involving financial institutions, mortgage finance companies, brokerage houses, and multi-family foreclosure litigation as required by MFA.

6. Advise the MFA and Bond Counsel to the MFA, and render opinions on legal requirements and issues applicable to previously issued and proposed new issues of bonds, and concerning other matters affecting the implementation and administration of MFA programs;

7. Assist the MFA and its Underwriters (including Underwriters’ Counsel) and Trustee’s Counsel in connection with the MFA’s bond funded programs; and,

8. Attend MFA bond closings, both in Albuquerque and out of town, upon request.

Part IV: Evaluation Criteria

The MFA shall award the contract for Housing Development and Multi-family Mortgage Servicing Legal Services to the Offeror whose proposal is most advantageous to the MFA. Proposals shall be evaluated primarily on experience and fees. Proposals shall be scored on a scale from 1 to 100 based on the criteria listed below. Please note that a serious deficiency in any one criterion may be grounds for rejection regardless of overall score.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Point Range</th>
<th>Maximum Points</th>
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</thead>
<tbody>
<tr>
<td>1. Experience and Capability:</td>
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<td>55</td>
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<tr>
<td>Offeror’s skill, knowledge and experience with--</td>
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<tr>
<td>a. New Mexico real estate, land use law, representation of lenders in</td>
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<tr>
<td>commercial real estate transactions in New Mexico; laws and</td>
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<tr>
<td>regulations governing bond-financed real estate transactions and</td>
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<td>the issuance and sale of multi-family mortgage revenue bonds; the</td>
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<td>mortgage banking industry; federal and state tax laws impacting</td>
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<td>real estate development transactions; and the rules, regulations</td>
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<td>and guidelines of both governmental and private mortgage insurers</td>
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<td>and secondary mortgage market conduits affecting the mortgage</td>
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<tr>
<td>banking business.</td>
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<tr>
<td>b. Insured mortgage lending programs, the Low Income Housing Tax</td>
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<td>Credit (LIHTC) Program, and the HOME Investment Partnerships</td>
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<td>Program.</td>
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<tr>
<td>c. State and Federal laws related to multi-family foreclosure,</td>
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<td>bankruptcy and mortgage lending; foreclosure proceedings on</td>
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<tr>
<td>multi-family loans, including HUD 542(c), LIHTC, and HOME.</td>
<td>0-15</td>
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</table>
2. Responsiveness to MFA and Technical Capabilities: Offeror’s ability to deliver responsive, quality legal services and Offeror’s availability for consultation and discussion with the MFA or any of its representatives, as evidenced by:
   
   a. the designation of a lead attorney, preferably at partner level in the firm, assigned to MFA matters on a high priority basis, who will act as the main contact for MFA staff for all communications, including billing, and who will coordinate all aspects of the contractual representation, including direction of the activities of all other attorneys assigned by the firm to represent MFA;
   
   b. Offeror’s technical support capabilities and availability to be reached by telephone and email during business hours, off hours, weekends, and holidays.

   0-20  20

3. Fees:
   Hourly basis—hourly rates and other fees and costs.
   
   0-25  25

   Maximum Points  100

Part V: Proposal Format and Instructions to Offeror

Proposals submitted to the MFA must, at a minimum, contain the following information and shall be organized as follows:

1. Letter of Transmittal

   Include at least the following information:

   A. Name, address and telephone number of Offeror and name of contact person;
   B. A signature of the Offeror or any partner, officer or employee who certifies that he or she has the authority to bind the Offeror;
   C. Date of proposal;
   D. A statement that the Offeror, if awarded the contract, will comply with the contract terms and conditions set forth in this RFP; and
   E. A statement that the Offeror’s proposal is valid for ninety (90) days after the deadline for submission of proposals.

2. A statement from Offeror that Offeror is listed in the most recent edition of The Martindale-Hubbell Law Directory and possesses a rating of AV or BV; that the Offeror’s firm is based in the State of New Mexico; and that the Offeror is licensed to practice in New Mexico.
3. Evidence submitted by Offeror that Offeror retains professional liability insurance which fulfills the requirements set forth in Part VI Professional Liability Insurance of this RFP. Possession of such coverage shall not limit Offeror’s potential liability.

4. A description of New Mexico state agencies, municipalities, financial institutions, mortgage companies or real estate firms represented by Offeror currently or in the last ten years.

5. Three references for Offeror’s work as counsel for a state agency and/or municipality, financial institution, mortgage lender or real estate enterprise.

6. Names and resumes of the lead attorney and other key personnel including other attorneys, legal assistants and support staff to be assigned to the account. Resumes describing the qualifications of personnel to be utilized in the performance of this contract must show, at a minimum, the person’s name, education, position, and total years and types of experience relevant to the performance of the contract.

7. A detailed description of Offeror’s knowledge and experience with respect to the issuance and sale of multi-family mortgage revenue bonds, the mortgage banking industry, federal and state tax laws as well as rules, regulations and guidelines of both governmental and private mortgage insurers and secondary mortgage market conduits affecting the mortgage banking business. Offeror must also provide a detailed description of Offeror’s experience with federal housing development finance programs, including HUD and USDA Rural Development insured mortgage lending programs, the Low Income Housing Tax Credit (LIHTC) Program, and the HOME Investment Partnerships (HOME) Program. Additionally, Offeror must provide a detailed description of Offeror’s expertise in the federal and state laws governing multi-family mortgage foreclosure, bankruptcy and mortgage lending; and experience with foreclosure proceedings on multi-family loans.

8. For the last ten years, a list and description including the current disposition or status, of any litigation against Offeror or any formal or informal action taken by any bar association, state or federal securities commission, disciplinary board, or other attorney regulatory body against Offeror. Include a statement warranting that the Offeror is not restricted from participation in Housing & Urban Development programs.

9. A detailed description of Offeror’s policy regarding the resolution of conflicts of interest which arise out of Offeror’s representation of clients with adverse or potentially adverse interests and Offeror's mechanism to insure that such conflicts do not arise and that if such conflicts do arise, how the Offeror intends to assist the MFA in retaining other counsel to represent the MFA. Please include examples of the implementation of this policy and information regarding whether Offeror has a computerized management information system in place to track possible conflicts of interest.

10. A statement disclosing: (1) any political contribution or gift valued in excess of $2,500.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.
11. A detailed description of Offeror’s technical capabilities to provide responsive and professional services to the MFA if the contract were awarded to Offeror (e.g., ability to prepare voluminous documents in a timely manner, expertise of administrative support staff, etc.)

12. Offeror’s proposal for delivering services, including organization of responsibilities, work plan, approach, and the availability of personnel for consultation, discussion, and coordination with in-house counsel, and for travel both within and outside the state of New Mexico, as necessary to serve the needs of the MFA.

13. The location of Offeror’s main office and the locations of any of Offeror’s branch offices. A description and location of the office of professionals who would handle MFA matters.

14. Services under this RFP will be provided on an hourly basis. A specific fee schedule for professional legal services must be included in this proposal. Please include the following information:

   A. A list of all Offeror’s employees including attorneys, paralegals and support staff who are to work on MFA matters and their specific hourly rates, and if the rate varies by the type of service, the hourly rate for different types of service;
   
   B. Offeror’s minimum billing unit;
   
   C. Information regarding Offeror’s ability to provide detailed monthly billings summarized by subject matter and a sample itemized bill;
   
   D. Whether Offeror’s proposed rates are the best offered by the firm to any client;
   
   E. A flat rate fee schedule that could be charged for: 1) Review of documents in relation to each mortgage revenue bond issue to verify compliance with state laws and MFA policies, and for issuance of a Legal Counsel Multi-Family Mortgage Bond Issuer’s Opinion; 2) Participation in multifamily real estate loan closings, including drafting and negotiation of loan documents; review of title reports, surveys, environmental reports, and other real estate documents; preparation of closing instructions; advice on applicable program regulations; and preparation and dissemination of closing binder;
   
   F. A rate schedule for standard expenses such as per page copying charges, facsimile transmissions, overnight mail expenses, and word processing charges; and a description of all other charges that would be billed to the MFA under the contract, such as mileage and travel expenses incurred in accordance with MFA Travel Guidelines and Procedures; and a statement as to when such miscellaneous charges would be imposed; and,
   
   G. A narrative description of the steps routinely taken to insure that legal representation is provided on a cost-effective basis. Discuss such matters as Offeror’s policy with respect to billing for such items as intra-office consultation, research, travel, and unsuccessful attempts to reach people by telephone.

15. In preparing Offeror’s proposed fee structure, please take note of the following:
A. The MFA invites the attention of Offeror to the MFA’s serious concern about the rising cost of legal services. The control and management of legal costs is the mutual concern of the Offeror and the MFA. The MFA requires quality professional services at a reasonable cost and the performance of only those services necessary. In evaluating bids, the MFA will consider the methods used by the Offeror to avoid services which do not materially contribute to the overall success of the engagement.

B. Lodging and other travel-related expenses shall be reimbursed by the MFA in accordance with MFA expense reimbursement policies and procedures, as set forth in its Policies and Procedures Manual.

C. Offeror must absorb the cost of familiarizing itself with the MFA programs, policies and procedures, rules, regulations and past bond issues. Bond and program documents and any other relevant information shall be made available for Offeror’s review at the MFA’s office in Albuquerque. Offeror should expect to devote a considerable amount of time to having its attorneys and paralegals become familiar with MFA programs, policies and procedures, rules, regulations and past bond issues. The MFA will not pay for such work. Indicate how much time Offeror expects to devote to familiarizing itself with MFA programs, policies and procedures, rules, regulations and past bond issues and provide a timetable for doing so.

D. Offeror must give the MFA at least a three (3) year commitment on the rate schedule offered.

E. Offeror is required to submit itemized billing statements on a monthly basis.

16. The MFA requires that Offeror be an Equal Opportunity Employer. Please state that Offeror complies fully with all government regulations regarding nondiscriminatory employment practices.

17. Please provide any other relevant information which will assist the MFA in evaluating Offeror’s ability to provide housing development and multi-family mortgage servicing legal services to the MFA.

**Part VI: Principal Contract Terms and Conditions**

In addition to the terms respecting the services to be performed and compensation described above, the contract between the MFA and the successful Offeror (herein “Contractor”) shall include, but may not be limited to, terms substantially similar to the following:

**Contract Term**

The term of the Housing Development and Multi-family Mortgage Servicing Legal Services Contract shall begin upon the expiration of the current Housing Development and Multifamily Mortgage Servicing Legal Services contract term, or on August 1, 2015, and shall end on the first anniversary thereafter. At the option of the Board, the contract may be extended for four (4) one(1) year periods under the same terms and conditions. There will be a transition period for matters in process at the beginning and the end of the contract term.

**Hold Harmless and Indemnity Agreement**
Contractor shall hold harmless and indemnify the MFA, its members, officers, employees, and agents from and against any and all claims, liabilities, obligations, losses and the like, asserted by any third parties arising from or attributable to Contractor’s performance of the services required under the contract. This indemnity and hold harmless agreement shall include reimbursement of all attorney fees, costs and expenses incurred by the MFA, members, employees, or agents in defending any such action.

**Assignment/Change in Key Contractor Personnel**

Contractor shall not assign or transfer any interest in the contract or assign any claims for money due or to become due under the contract (except as security for a bank loan in its ordinary course of business) without the prior written approval of the MFA. Any change to key Contractor personnel, including lead and other attorneys assigned to the contract, shall require prior written notice to and approval by MFA, and amendment to the contract to reflect the change in assigned Contractor personnel.

**Subcontractors**

Contractor shall not employ a subcontractor (or substantially change the contemplated division of responsibilities with a previously approved subcontractor) without the prior written approval of the MFA. Any and all fees or costs incurred by a subcontractor shall be paid by Contractor and shall not be reimbursed by the MFA. Contractor shall assume full and complete responsibility and liability for subcontractor’s performance of any services which Contractor has delegated to a subcontractor.

**Records and Audit**

Contractor shall maintain detailed time records which indicate the detail of services rendered, which shall be subject to inspection by the MFA. The MFA shall have the right to audit bills submitted to MFA under the Single Family Mortgage Servicing Contract both before and after payment. Payment under the contract shall not foreclose the right of the MFA to recover excessive and/or illegal payments.

**Budget and Billing**

Prior to commencing any matter requiring substantial work, Contractor shall prepare and deliver to the MFA a detailed budget of all fees and costs that Contractor anticipates will be necessary to perform the services required for that transaction. A detailed statement of services and an invoice for services provided must be presented before any payment under the contract shall be made. The MFA will pay Contractor fees or costs which exceed those indicated in the budget only if such costs are reasonable and result from circumstances which Contractor could not have anticipated at the time Contractor prepared the budget.

**Professional Liability Insurance**

Each Contractor shall maintain professional liability insurance covering all liabilities and risks inherent in Contractor’s performance of the services required under the contract. Each Contractor’s insurance policy must provide per claim and aggregate limits of at least two million dollars ($2,000,000.00), must provide for a per claim/aggregate deductible in an amount reasonable for a firm of Contractor’s size and financial condition, and must be in a form acceptable to the MFA. Each Contractor must provide the MFA with an acceptable
certificate of insurance in force at the time of the inception of the contract and at each anniversary date, extension or renewal of the contract, which provides for not less than thirty (30) days’ notice to the MFA of non-renewal or cancellation. Contractor shall immediately notify the MFA in the event of any cancellations, modifications or changes in the amounts of coverage provided under such professional liability coverage. Failure to have, maintain and continue professional liability coverage in the amount and form specified shall be cause for immediate termination of the contract and shall not require the notice provided for in Part VI Termination of this RFP.

Confidentiality

The relationship between Contractor and the MFA shall be that of attorney-client. Any information developed or acquired by or furnished by Contractor in the performance of the contract shall be kept confidential and shall not be made available to any individual or organization not involved in a given transaction without the prior written approval of the MFA.

Confidential Data

Offerors may request in writing nondisclosure of confidential data. Such data shall accompany the proposal and shall be readily separable from the proposal to facilitate public inspection of non-confidential portions of the proposal. After award, all proposals and documents pertaining to the proposals will be open to the public. Confidential data is normally restricted to confidential financial information concerning the Offeror’s organization and data that qualifies as trade secrets under the Uniform Trade Secrets Act, Section 57-3A1 et seq. NMSA 1978.

If a citizen of this state requests disclosure of data for which a request for confidentiality is made, the MFA shall examine the request for confidentiality and make a written determination that specifies which portions of the proposal should be disclosed and will provide the Offeror with written notice of that determination. Unless the Offeror protests within ten (10) calendar days of the notice, the proposal will be so disclosed.

Code of Conduct

No Board member or employee of the MFA shall have any direct financial interest in any contract with the Offeror, nor shall any contract exist between Offeror or its affiliate with any MFA Board member or employee that might give rise to a claim of conflict of interest. Any violation of this provision will render void any contract between MFA and the Offeror for which MFA determines that a conflict of interest exists as herein described, unless that contract is approved by the Board of Directors after full disclosure.

Offeror shall provide a statement disclosing any political contribution or gift valued in excess of $2,500 (singularly or in the aggregate) made by Offeror or on Offeror’s behalf to any elected official of the State of New Mexico currently serving or who has served on the MFA Board of Directors in the last three (3) years.

Offeror shall warrant that it has no interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under any contract entered into with MFA pursuant to this RFP. Offeror shall at all times conduct itself in a manner consistent with the MFA Code of Conduct and MFA’s Anti-Harassment Policy. A copy of the MFA Code of Conduct and MFA’s Anti-Harassment Policy is posted on the
MFA web site for review at http:\www.housingnm.org/rfp. Upon request by the MFA, Offeror shall disclose information the MFA may reasonably request relating to conflict or potential conflicts of interest.

**Equal Opportunity Compliance**

Contractor agrees to abide by all federal and state laws, rules and regulations and executive orders pertaining to equal employment opportunity. Contractor agrees to assure that no person in the United States shall, on the grounds of race, color, religion, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of, or be otherwise subject to discrimination under, any program or activity performed under the contracts.

**Termination**

This agreement may be terminated without cause by the MFA upon thirty (30) days written notice. Such termination shall not nullify any obligations already incurred for performance or failure to perform before the date of termination. Upon termination, the MFA Board may negotiate and award the remaining term(s) of the contract using the proposals submitted in this RFP.

**Status of Contractor**

The Contractor and its agents and employees are independent contractors performing services for the MFA and are not employees of the MFA. The Contractor and its agents and employees shall not accrue leave, retirement, insurance, bonding or other benefits afforded to employees of the MFA as a result of this RFP.

**Amendment**

The agreement shall not be altered, changed or amended except by an instrument in writing and executed by both parties. No amendment shall be effective or binding until approved by the MFA.

**Scope of Agreement**

The agreement incorporates all the agreements, covenants and understandings between the parties concerning the subject matter of the agreement and all such covenants, agreements and understandings have been merged into the written agreement. No prior understanding or agreement, verbal or otherwise, of the parties or the agents, shall be valid or otherwise enforceable unless embodied in the agreement.

**Applicable Law**

The agreement shall be governed by the laws of the State of New Mexico.
New Mexico Mortgage Finance Authority

Board Members
Chair, Dennis Burt – Burt & Company CPAs
Vice Chair Angel Reyes – President, Centinel Bank in Taos
Treasurer Steven Smith – President, R.O.G. Enterprises
Member John A. Sanchez – Lieutenant Governor, State of New Mexico
Member Hector Balderas – Attorney General
Member Tim Eichenberg – Treasurer, State of New Mexico
Member Randy McMillan - President, NAI First Valley Realty, Inc.,

Management
Jay Czar, Executive Director
Joseph R. Montoya, Deputy Director of Programs
Gina Hickman, Deputy Director of Finance & Administration

Staff Roster
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<tr>
<th>Name</th>
<th>Position</th>
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<td>AFShin Seysan</td>
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<td>Rose Baca-Quesada</td>
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<td>Anita Racicot</td>
<td>Judy Amador</td>
<td>Shannon Tilseth</td>
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<td>Barbara Tashkandy</td>
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<td>Teresa Chiarlanza</td>
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<td>Lisa Romero</td>
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<td>Gina Hickman</td>
<td>Roderick Stokes</td>
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Tab 9
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<th>AGENDA ITEM</th>
<th>COMMITTEE RECOMMENDED</th>
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<tr>
<td>1  Request for Exception to Service-Based Accruals of Vacation Leave for Deputy Director Position – Jay Czar, Executive Director</td>
<td>3-0</td>
<td>YES</td>
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</tbody>
</table>

Committee Members present:

Steven Smith, Chair  □ present  □ e-mail  □ conference call

Lt. Governor John Sanchez or Proxy Mark Van Dyke or Vincent Torres  □ present  □ e-mail  □ conference call

Angel Reyes  □ present  □ e-mail  □ conference call

Secretary: [Signature] 3/12/15
MEMORANDUM

TO: MFA Board of Directors

Through:  Compensation Committee – March 13, 2015

FROM: Jay Czar, Executive Director

DATE: April 15, 2015

SUBJECT: Request for Exception to Service-Based Accruals of Vacation Leave for Deputy Director Position

Recommendation

The Executive Director recommends that the Board approve an exception to the provisions of the Employee Manual providing for the accrual of vacation leave for MFA employees. Specifically, the Executive Director recommends and requests authorization to allow the two full-time Deputy Director positions to accrue vacation leave up to the maximum available under the vacation leave policy. The Executive Director would negotiate the vacation leave benefit with the Deputy Director(s) on an as-needed basis.

Background

MFA’s approved Employee Manual provides that all full-time employees accrue vacation leave based on years of service as follows:

- The first two (2) years of employment
  - 12 days per year (accruing at 3.70 hours per pay period)
- After the completion of two (2) years and through seven (7) years of employment
  - 16 days per year (accruing at 4.92 hours per pay period)
- After the completion of seven (7) years and through fifteen (15) years of employment
  - 21 days per year (accruing at 6.46 hours per pay period)
- More than fifteen (15) years of employment
  - 25 days per year (accruing at 7.70 hours per pay period)

The Employee Manual does not expressly afford the Executive Director discretion to deviate from the service-based accruals listed above when hiring and retaining Deputy Directors.

**Discussion**

The position of Deputy Director at MFA requires extensive experience and expertise in MFA’s programs, business practices, and core functions. Deputy Directors have come to MFA with many years of experience in their fields. Deputy Directors are given authority to act on behalf of the agency (in accordance with MFA delegations of authority), and they both may serve as the Acting Executive Director when necessary. Recruiting, hiring and retaining highly qualified Deputy Directors helps ensure the continued success of the organization.

Vacation leave at MFA is based on years of employment. This policy works for the vast majority of our employment needs, but it does not take into account the considerable senior level executive experience we expect from those who serve as our Deputy Directors, nor does it take into account the authority we place in those individuals. In order to retain and, if the need arises, to hire qualified individuals to fill these positions, I am requesting that the Board grant the Executive Director authority to negotiate the amount of vacation leave that individuals holding the Deputy Director positions may accrue up to the maximum allowed by MFA policy.

**Summary**

The Executive Director recommends and requests authorization to allow the two full-time Deputy Director positions to accrue vacation leave up to the maximum available under the vacation leave policy. If this authorization is approved by the Board, it shall become part of MFA’s Employee Manual.
Tab 10
Market Rate Ginnie Mae/Fannie Mae TBA Program

April 15, 2015
Contents

• About FirstSouthwest Company
• The Current Environment for HFAs
• TBA Market Overview
• Program Benefits When Compared to MRB
• How Are Your Peers Doing
• Ginnie Mae/Fannie Mae TBA “To Be Announced” Program Administration
• Ginnie Mae/Fannie Mae TBA Market and Pricing Examples
• Pricing Sensitivity/Market Volatility
• MFA’s TBA Program
About FirstSouthwest

• A leader in public finance since 1946 with a national presence
• Involved with, on average, 22 deals per week as underwriter and financial advisor
• Public finance is our core business
  – Underwriting professionals also assist our financial advisory clients
• Equity Capital of over $115 Million (12/31/2014)
• Registered Broker/Dealer with transparency and accountability
  – Senior management includes two past Chairmen of the MSRB
  – Support enhanced regulation to clarify the role and responsibilities of financial advisors and underwriters
  – Provide firsthand market knowledge and insights
  – Subject to SEC, MSRB and FINRA rules and regulations
Current Environment for HFA’s

- Number of factors make it very difficult for HFA’s to issue tax exempt bonds today
  - Fed’s market intervention
  - Historically low rates
  - Absence of real buyers – Fannie and Freddie
- Currently about 38 state HFAs and a number of local issuers are offering TBA based programs and growing
- Without a pipeline hedge in place, MFA faces market risk, and potential losses should interest rates increase pending loan delivery
- FirstSouthwest Company (FSC) currently administers MFA’s TBA program and assumes all of the pipeline and interest rate risk
- FSC is currently managing TBA pipelines in 10 states including 8 state HFAs – Washington, Texas (TDHCA), Wisconsin, Indiana, Delaware, New Mexico, North Carolina, California
  - To date managed in excess of $4.4 billion in locks and purchased over $3 billion in MBS. Averaging $250 million a month in lock activity and a current pipeline of over $700 million
TBA (Mortgage-Backed) Securities Market

- Mortgage-backed securities (MBS) are debt obligations that represent claims to the cash flows from a pool of mortgages.
- There are a variety of structures in the MBS market but the most common types are pass-through certificates, which entitle the holder to a pro-rata share of all principal and interest payments made on a pool of mortgages.
- As one of the most liquid fixed income sectors in the world, MBS, particularly those backed by agency guarantees, constitute an active subsector of global securities lending markets because of their high credit quality and liquidity.
- “TBAs” or “To Be Announced” transactions represent a contract for the purchase or sale of mortgage-backed securities to be delivered at a future agreed-upon date.
- The specific pool numbers or the number of pools that will be delivered to fulfill the trade obligation or terms of the contract are unknown at the time of the trade.
- Mortgage pools (incl. fixed rate or variable rate mortgages) guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac are subsequently allocated to the TBA transactions.
- The genesis of the TBA market was the agencies’ desire to add liquidity to the mortgage markets. The agencies enable mortgage lenders to sell product forward through primary originations by securitizing the mortgages for purchase in the secondary market.
TBA (Mortgage-Backed) Securities Market – continued

- To allow lenders to hedge or fund their origination pipelines, settlement dates are set between one and nine months from the date on which the transaction is negotiated (trade date). This permits the lenders to lock in a price for the mortgages they are in the process of originating
- Much of the secondary market activity in TBAs is performed by broker dealers, acting as intermediaries between the primary market participants and the ultimate investor
- Any party interested in buying or selling a security will contact a party that may be interested in taking the other side of the trade. Contact may take place via telephone, fax, e-mail, or electronic communication system
- While the majority of TBA trades performed today are largely manual and depend on phone and fax and paper, increasingly the industry is moving toward automation and electronic systems
- The Securities Industry and Financial Markets Association (SIFMA) has specific rules regarding what constitutes TBA eligible deliveries also knows as “good delivery”
TBA Program Benefits When Compared to MRB

- Provides a forward commitment mortgage program with no costs of issuance, negative arbitrage and legal expenses
- Produces a significantly lower mortgage rate when compared with Pass-Thru and traditional MRB structures – including using zeros
- Provide down payment and closing cost assistance without using MFA funds
- Flexibility to adjust rates as the market moves -- no yield implications
- Can be used to provide financing for non-first time homebuyers
- Can be combined with MCCs thus creating a lower effective mortgage rate
- Gives MFA the option of offering refinances
- Still more profitable for MFA than traditional MRBs and Pass-Thru structures both on present value and ongoing basis
- It can be used as a tool to accumulate MBS for future bond transactions
  - Either “Pass-thru” or “Traditional MRB” structures
  - MFA has the option to repurchase its MBS at prevailing TBA levels
HFA TBA Programs Continue to Grow – Despite Volatility

- Since July 2012 representing 10 state HFAs and over $4.4 billion in locks
- CY 2014 locks of $2.0 billion
- Average daily locks are up over 50% in the last 12 months. 1st QTR locks are up over 100% compared to the same period in 2014
Market Rate TBA Program -- Administration

• On daily basis, FSC provides mortgage rates to MFA by 8:45AM MT. Based on predetermined margins and amount of DPA, MFA sets the rate and posts it to the MITAS system by 9 AM
• Participating lenders access rates and register the mortgage loan(s) on the MITAS System, with data shared with FSC
• FSC accesses the MITAS system throughout the day to download loan data for loan hedging and pipeline management purposes
• Lenders are held to strict reservation and loan closing deadlines
  • 60 days to be purchased by the master servicer
  • 90 days for delivery to FSC
  • Lock extensions are granted by charging extension fees to lenders
• Lender closes the loan and delivers it to Master Servicer for purchase
• Master Servicer will only purchase loans within the reservation window
• Purchased loans are pooled into MBS and delivered to FSC for purchase based on pooling instructions provided by FSC
Pricing Example – (based on 04/06/2015)

**Assumptions**
- Initial Rate Lock Date
- Rate Lock Expiration Date
- Latest Lender Loan Sale to Master Servicer Date
- Latest GNMA Security (MBS) Settlement Date
- Servicing release premium included in rate lock price?
- Gain built into rate lock price for NMMFA
- Lender fees built into rate lock price

### 30YR FIXED RATE GOVERNMENT MORTGAGE

#### 45 Day Rate Lock
- 4/6/2015
- 5/21/2015
- 6/5/2015
- 7/20/2015

<table>
<thead>
<tr>
<th>Gross Rate (%)</th>
<th>Servicing Fee (%)</th>
<th>Guarantee Fee (%)</th>
<th>MBS Coupon (%)</th>
<th>GNMA Type</th>
<th>SRP</th>
<th>FSC Spread</th>
<th>45 Day Rate Lock TBA Price</th>
<th>45 Day Rate Lock Price</th>
<th>IHFA Purchase Price</th>
<th>45 Day Total Servicing Released Price</th>
<th>Adjusted SRP</th>
<th>DPA (%)</th>
<th>Lender Fee (%)</th>
<th>NMMFA PL (%)</th>
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<td>3.50</td>
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<td>3.00</td>
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<td>1.790</td>
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### 30YR FIXED RATE GOVERNMENT MORTGAGE

#### HERO PROGRAM

- FSC sets pricing based on screen traded quote services like Bloomberg and Tradeweb
- The prices above already account for the 0.50% FSC fee
- Staff have done an excellent job managing margins while setting rates competitively
TBA Market Snapshot – Significant Volatility Since “Taper”
Spreads Between Fannie and Ginnie Continue to Tighten
Strong Revenue Generation

• MFA is currently using the TBA Program to fund HERO loans, as well as for best execution for funding the other Single Family Mortgage Programs

• As of March 31, 2015 MFA has sold FSC $176.5 million in MBS using TBA and has a Current pipeline of $16.2 million (net of cancelations)

• Staff have done a great job is using the TBA program to minimize market volatility and continue to perform best execution to optimize the delivery of MBS
Best Practices – What Have We Learned

- Keeping it simple is very effective – it’s ok to have fewer rate options
- The primary driver of TBA volume is still the need for DPA
- Statistics show the DPA does not have to be a grant to have a successful program
  - Jr lien DPA can be a significant source of residual income for HFA
- Manage your pull-thru rate by optimizing lock terms
  - Don’t give lenders more time than they need to close and sell the loans
  - This will keep your rate more competitive with market
- Make your program as lender friendly as possible – eliminate all unnecessary forms
  - You can always add your bond forms when you start doing bonds again
- Marketing, marketing, marketing – online, newsletters (realtors and lenders)
  - Develop a robust email marketing campaign
- Include Fannie Mae execution in your product offering – HFA Advantage is the only viable 97% LTV product on the street
- Rate does matter – keep interest spreads tight with market
  - Maintain flexibility in your gain-on-sale margins
Tab 11
New Mexico Mortgage Finance Authority
Board Presentation

Bond Counsel-Ballard Spahr LLP
April 15, 2015

Blake K. Wade
Partner
wadeb@ballardspahr.com
801-531-3031

Ryan R. Warburton
Partner
warburton@ballardspahr.com
801-531-3072
Intro to Bond Counsel:

- It has been our pleasure to serve as MFA’s Bond Counsel since September 1, 1994.

- During that time MFA has issued over $3 Billion of Bonds and more importantly has assisted in financing housing for thousands of New Mexico residents.

- Ballard Spahr LLP is a national law firm, with 14 offices across the country, from California to New York.

- Our commitment to housing runs deep – as we represent state and local housing authorities across the nation.

- Purpose today is to give you an overview on MFA’s Bonds, from a legal standpoint, and to discuss the Board’s role in all of this.

Ballard Spahr LLP
Bond Overview:

- Under the New Mexico Mortgage Finance Authority Act - MFA issues several types of Bonds to finance housing in New Mexico:
  - Multifamily Housing Bonds for residential rental projects for persons or families of “low or moderate income”
  - Single Family Housing Bonds to finance the purchase from mortgage lenders within the State of loans made to persons of low or moderate income for an owner occupied residence.
- By state law, MFA’s bonds are only obligations of MFA and may not constitute an obligation of the State of New Mexico or any of its political subdivisions. MFA’s bonds are generally special, limited obligations, payable solely from specified pledged assets and are not secured by other moneys or assets of MFA.
MFA is prudent in how it uses its ability to issue bonds and manages risks accordingly:

• For Multifamily projects, MFA has developed a debt management policy to ensure the financial integrity of each bond issue and to accommodate the various types of multifamily bond financings. For example, MFA policies are flexible enough to allow for fixed or variable rate bonds structured as private placements with large institutional banks or publicly offered transactions utilizing credit enhancement from Freddie Mac, Fannie Mae and FHA.

• With its Single Family program and related debt management policy, MFA has elected to require that loans sold to MFA for inclusion in its traditional bond program be “securitized” into mortgage backed certificates issued or guaranteed by Ginnie Mae, Fannie Mae or Freddie Mac. This allows MFA to achieve high ratings and bond market acceptance for this program.
Federal Tax Law:

- In addition to the requirements of State law, MFA frequently takes advantage of the opportunity to issue bonds the interest on which is exempt from federal income tax ("tax-exempt bonds").
  - Tax-exemption generally permits MFA to issue bonds at a lower rate of interest.
  - As with most Federal “benefits”, there are a number of requirements that must be met for the Bonds to qualify.

This could take an entire Board presentation, below is a very brief general overview:
Single Family loans:

- Must be to first time home buyers;
- Borrower’s income and home purchase price can’t exceed certain limits;
- MFA’s return on the loans is limited to 1.125% above MFA’s borrowing cost; and
- Volume limits, public hearings, governor’s approval, etc.
Multifamily Loans require:

✓ Among other things, that a designated portion of the residential rental project is leased to persons or families with incomes below a certain level;

✓ Similar requirements apply for volume limits, public hearings and governor’s approval, etc; and

✓ Post bond issuance requirements such as filing IRS forms, annual income certifications, proper use of bond proceeds and arbitrage rebate.
Over the years, MFA has assembled a staff of key people who, along with advisors and others, understand the process, watch the bond and mortgage markets and determine when and how to enter the bond market and where to set interest rates on the loans MFA offers.
Other participants:

- MFA’s Financial Advisor – CSG Advisors Inc. – led by David Jones.
- MFA’s Bond Counsel - Ballard Spahr LLP – Blake Wade, Randy Larsen, Ryan Warburton and Preston Olsen.
- Bond Trustee – currently Zions First National Bank.
- Underwriters – RBC Capital Markets (Mina Choo and Paul Cassidy), and JP Morgan (Jeff Gertz) on the single family program. Generally designated by developer for multifamily program.
- Underwriter’s Counsel – Kutak Rock (Steve Likes), Dorsey & Whitney (James Smith), and Modrall Sperling (Duane Brown).
Disclosure Requirements.

- Many of MFA’s bonds are publicly offered.
- While MFA’s bonds are exempt from the Federal registration requirements for securities that apply to corporations and others, there are a number of rules that MFA must still follow.

- These rules generally prohibit any person from making an untrue statement of a material fact or omitting to state any material fact in connection with the offering or sale of securities.

- Violations of these provisions can lead to enforcement actions by the SEC (among other results).
Under Federal Securities laws, MFA’s board may be held responsible for the disclosure that is made in the issuance of its bonds.

The SEC has taken enforcement actions against individual members of public bodies in connection with disclosure documents authorized by the public body.

Example of Orange County, California where the SEC found that offering documents for the County’s bonds contained misstatements of material facts and omitted to disclose risks that were material to investors.
The SEC’s Orange County report set forth two key findings:

1. A public official may not authorize disclosure that the official knows to be false; and

2. A public official may not authorize disclosure while recklessly disregarding facts that indicate that there is a risk that the disclosure may be misleading.

- The first of the findings is obvious – if a board member knows a statement to be false she or he should speak up.

- The second is less obvious. The Orange County Report states that a public official acts recklessly if they have “knowledge of facts bringing into question the issuer’s ability to repay the securities” and, notwithstanding such knowledge, the public official fails to take steps “appropriate under the circumstances to prevent the dissemination of materially false or misleading information regarding those facts.” With regard to steps “appropriate under the circumstances,” the Orange County Report states: “such steps could have included becoming familiar with the disclosure documents and questioning the issuer’s officials, employees or other agents about the disclosure of those facts.”
Continuing Disclosure Requirements. In addition to the obligation to make certain the initial investment information is accurate when MFA markets its bonds, MFA also has ongoing disclosure requirements.

- These include annual filings updating key information provided to investors and filings required upon the happening of certain material events.
- In 2014, the SEC conducted a program requiring that bond issuers, like MFA, review their historical performance in this area and report to the SEC if they failed to live up to their covenants.
- Happy to report that MFA was among the leaders in compliance in this regard! Your staff is to be commended for what they have done over the years.
- In addition, the Dodd Frank Wall Street Reform Act tasked issuers like MFA with additional duties and MFA was diligent in seeing they met these as well.

Ballard Spahr LLP
Recognizing this is a lot of information, what is the Board’s role in all of this?

- Make certain that you have the right people in place and that you are confident that they understand what needs to be done and that they are doing things appropriately.

- Be aware of MFA’s programs and bonds – ask questions, come to understand the risks and the steps MFA takes to mitigate those risks. Watch for red flags – getting outside of core areas of expertise, involvement in projects that have extraordinary risks, warnings from auditors or others.

- Both the IRS and the SEC have given deference to issuers that have “policies and procedures” in place to assure that proper steps are taken in the issuance and administration of debt. You should become familiar with those policies and procedures and how staff is implementing the same.

- Staff sends the Board the draft Preliminary Official Statement and the Board members should take that opportunity to review.
Bond Resolutions. Each time a bond is prepared for market – MFA’s board is asked to adopt a resolution. As part of that resolution, you authorize (among other things):

- The Indenture or Series Indenture under which the Bonds will be issued – this is the contract that governs the Bonds once issued.
- A Bond Purchase Contract between MFA and the Underwriter or purchaser of your Bonds—this document governs the terms of purchase of the Bonds.
- An Official Statement – the document that is used in marketing MFA’s Bonds.

Each of these documents is critical, but given our discussion of Federal Securities laws and SEC enforcement actions, we would like to take a few minutes and review an Official Statement from one of MFA’s most recent bonds.
Official Statement Review:

- Much of the Official Statement is derived from the underlying bond documents and MFA staff and members of the finance team make every effort to see that the documents are accurately described. As bond counsel, we give an opinion to the underwriters that the descriptions of the Bonds and the Indenture are fair and accurate.
In addition to the material derived from the Bond documents, the Official Statements contains the following:

- A description of MFA;
- An outline of the Financing Plan;
- The balance sheet of the indenture (how assets and liabilities compare);
- Investment considerations and risks to investors;
- Assumptions that have been made in structuring the Bonds;
- A description of MFA’s loan programs;
- Information about MFA’s loan servicers, ratings on the bonds, tax information and other matters investors may find material; and
- Information about the mortgage backed securities programs of Ginnie Mae, Fannie Mae and Freddie Mac.

Ballard Spahr LLP
As a board member, you would not be expected to check all of the details contained in MFA’s offering documents, but you should make an effort to review and become familiar with the Official Statements the Board is asked to approve and some of the key provisions highlighted above. You should feel comfortable that you understand what is being done and that the appropriate steps are being taken to assure that accurate information is presented to the market.
Tab 12
<table>
<thead>
<tr>
<th>Department and Program</th>
<th>Project</th>
<th>Action Taken</th>
<th>Comments</th>
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<tr>
<td>Servicing Dept.</td>
<td>12/31/14 Quality Control Review</td>
<td>Approval of report issued by REDW. No findings.</td>
<td>Approved by PC 3/9/15</td>
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<td>Housing Development/Primero Loan Program</td>
<td>Tribal Trust Lands</td>
<td>Cancelled award on 3/12/2015 for $400,000.</td>
<td>Notified Accounting Dept. on 3/12/2015.</td>
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<td>Community Development Department, Housing Opportunity for Persons with AIDS (HOPWA) Program</td>
<td></td>
<td>Staff recommended moving $850 from Southwest CARE Center (SCC)’s Roswell award to Santa Fe award.</td>
<td>Joseph Montoya, Deputy Director of Programs, approved moving funds between service areas on 3/27/15</td>
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<tr>
<td>Housing Development/State Affordable Housing Tax Credit Program</td>
<td>Aldea Subdivision</td>
<td>Several affordable single family home sites were switched and an additional affordable home was added to the project.</td>
<td>Deputy Director of Programs approved 3/30/15</td>
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<tr>
<td>Housing Development/rental HOME Loan Program</td>
<td>Caballo Peak, Los Alamos NM</td>
<td>Allow a buyer to assume $100K of the $400K HOME loan ($300K to be forgiven immediately) &amp; the $100K to be forgiven when the HOME LURA affordability period is met. The property is in foreclosure.</td>
<td>PC approved 3/31/15</td>
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The $15 million, 2014 Series A bond issue's estimated net economic benefit on a present value basis is estimated to be $232,624 which is 1.6% of the bond principal amount.

The $35 million, 2015 Series A bond issue's estimated net economic benefit on a present value basis is estimated to be $648,000 which is 2.0% of the bond principal amount.

NOTE: The $15 million, 2014 Series A bond issue's estimated net economic benefit on a present value basis is estimated to be $232,624 which is 1.6% of the bond principal amount.

The $35 million, 2015 Series A bond issue's estimated net economic benefit on a present value basis is estimated to be $648,000 which is 2.0% of the bond principal amount.

**INITIAL AMOUNT THAT WAS PLEDGED TO TBA. DOES NOT REFLECT ANY CANCELLATIONS AFTER THE INITIAL SALE DATE.

**NOT INCLUDED IN SUBTOTAL OR TOTAL SINCE INFORMATION IS INCOMPLETE.

**NOT INCLUDED IN SUBTOTAL OR TOTAL SINCE INFORMATION IS INCOMPLETE.
MEMORANDUM

TO: Board

Through:

FROM: Kathleen M. Sysak-Keeler

DATE: April 3, 2015


MFA closed three bond issues during the month of March, 2015. The following is a summary of each of the bond sales:

2015 Series A (Tax Exempt)

~Structure: The transaction is a $35 million traditional bond structure which provides for serial, term and premium PAC bonds. Proceeds from the bonds were used to originate new mortgage loans and to roll forward a subsidy generated from prior bond issues. The subsidy helped maintain competitive mortgage rates.

~Marketing: Bonds were marketed to retail and institutional investors. Retail investors had very little interest in the bonds due to the low interest rates, however, that was not the case with institutional investors.

~Use of Bond Proceeds: Bond proceeds were used to fund MortgageSaver and Mortgage$aver Zero loans. The weighted average loan rates are as follows:

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<td>Mortgage$aver</td>
<td>3.45%</td>
<td>3.75%</td>
</tr>
<tr>
<td>Mortgage$aver Zero</td>
<td>3.68%</td>
<td>4.11%</td>
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~Spread: The spread on the transaction is 1.124%. Spread is the difference between the mortgage yield and the bond yield. Maximum spread permitted by federal tax law is 1.125%. The net present value of the transaction is approximately $648,000.

~Investment of Bond Proceeds: Funds will be invested in a money market account with Fidelity Investments through Zions Bank, the General Indenture Trustee.
**2015 Series B (Federally Taxable)**

~Structure: The transaction is a $7.230 million refunding bond issue utilizing the pass through structure. The pass through structure provides for monthly loan revenues to be passed through to the bond investors in the form of principal and interest payments with bonds being called on a monthly basis. MFA will receive its admin fee on a monthly basis after payment of the bond holders and the Trustee.

~Marketing: Bonds were marketed only to institutional investors due to the pass through structure. The bonds were oversubscribed by five times so the underwriter was able to re-price the issue from 2.80% to 2.75% thus creating more savings for MFA.

~Use of Bond Proceeds: Bond proceeds were used to partially refund the Single Family 2005 Series A and 2005 Series B bond issues. In addition to bond funds, MFA contributed approximately $3.8 million in General Fund cash to help refund the bond issues and received approximately $4.1 million of mortgage-backed securities. The mortgage backed securities have an average interest rate of 5.15% and is an intermediate term investment for MFA's General Fund.

~Spread: The bonds are taxable bonds which means that MFA can retain all of the savings generated from the refunding. The net present value of the transaction is approximately $1.3 million.

~Investment of Bond Proceeds: Funds will be invested in a money market account with Fidelity Investments through Zions Bank, the General Indenture Trustee.

**2015 Series C (Federally Taxable)**

~Structure: The transaction is a $25.740 million refunding bond issue utilizing the pass through structure. The pass through structure provides for monthly loan revenues to be passed through to the bond investors in the form of principal and interest payments with bonds being called on a monthly basis. MFA will receive its admin fee on a monthly basis after payment of the bond holders and the Trustee.

~Marketing: Bonds were marketed only to institutional investors due to the pass through structure. The bonds were sold at an interest rate of 3%.

~Use of Bond Proceeds: Bond proceeds were used to refund 2009 GSE Series B bonds which were issued under the New Issue Bond Program implemented by the Treasury Department in late 2008.

~Spread: The bonds are taxable bonds which means that MFA can retain all of the savings generated from the refunding. The net present value of the transaction is approximately $505,000.
Investment of Bond Proceeds: Funds will be invested in a money market account with Fidelity Investments through Zions Bank, the General Indenture Trustee.

The following Exhibit 1 contains a table summarizing more detailed information about the three bond issues along with the 2014 Series A and 2014 Series B bonds which were issued in January and June 2014, respectively.

Following Exhibit 1 is a comprehensive in-depth “Post-Sale Analysis” for each of the bond issues which was prepared by MFA’s Financial Advisor, CSG Advisors.
# New Mexico Mortgage Finance Authority

## Summary of 2015 Bond Issue Characteristics

### Type of Structure

<table>
<thead>
<tr>
<th>Year</th>
<th>New Money</th>
<th>Taxable Refunding</th>
<th>New Money</th>
<th>Taxable Refunding</th>
<th>Taxable Refunding</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Traditional</td>
<td>Pass Through</td>
<td>Traditional</td>
<td>Pass Through</td>
<td>Pass Through</td>
</tr>
<tr>
<td>2014A</td>
<td>$15,000,000</td>
<td>n/a</td>
<td>$35,000,000</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2014B</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2015A</td>
<td>n/a</td>
<td>$12,532,570</td>
<td>n/a</td>
<td>$7,229,858</td>
<td>$25,740,000</td>
</tr>
<tr>
<td>2015B</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>2015C</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

| Total Amount of Bonds Issued | $15,000,000 | $12,532,570 | $35,000,000 | $7,229,858 | $25,740,000 |

### Bond Issue(s) Refunded

- 2005A and 2005B
- 2009 GSE Series B

### MFA Subsidy/Benefit-(Economic Cost)/Present Value Economic Benefit

<table>
<thead>
<tr>
<th>Year</th>
<th>Economic Cost</th>
<th>Present Value Economic Benefit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005A and 2005B</td>
<td>None/$1,519,005</td>
<td>None/$648,000</td>
</tr>
<tr>
<td>2009 GSE Series B</td>
<td>None/$1,276,922</td>
<td>None/$505,591</td>
</tr>
</tbody>
</table>

### Original Bond Ratings

- Standard & Poor's: AA+, AA+, None, None, AA+
- Moody's: None, None, Aaa, Aaa, None

### Pricing Date(s)

- 12/5-6/2013
- 6/12/2014
- 2/19/2015
- 2/18/2015
- 2/25/2015

### Bond Closing Date

- 1/14/2014
- 6/26/2014
- 3/26/2014
- 3/26/2015
- 3/17/2015

### Serial Bond Maturities

- AMT: 9/1/2014-9/1/2024, None
- Non-AMT: None, None; 3/1-9/1/2016, None
- Taxable: None, None; 3/1-9/1/2016, None

### Term Bond Maturities

- 9/1/2028, 9/1/2033, 8/1/2035, 9/1/30, 9/1/35, 12/1/2035, 9/1/2041

### Premium PAC Maturity

- 3/1/2044

### Split Between Mortgage$aver Plus and Mortgage$aver

- Mortgage$aver Plus/Zero: 80%-$12,000,000, n/a, 88%-$30,696,471, n/a, n/a
- Mortgage$aver: 20%-$3,000,000, n/a, 12%-$4,303,529, n/a, n/a

### Loan Rates (Government/Conventional)

- Mortgage$aver Plus: 5.270%, n/a, n/a, n/a, n/a
- Mortgage$aver Zero: 4.710%, n/a, 3.68%/4.11%, n/a, n/a
- Mortgage$aver: 4.270%, n/a, 3.45%/3.75%, n/a, n/a
- Mortgage$aver Xtra: n/a, n/a, n/a, n/a, n/a
- HERO: n/a, n/a, n/a, n/a, n/a

### 10-Year Treasury Rate at Pricing

- 2.84%, 2.58%, 2.07%, 2.07%, 1.96%

### GIC Rates**

- Acquisition Fund Rate: n/a, n/a, n/a, n/a, n/a
- Float Fund Rate: n/a, n/a, n/a, n/a, n/a

### MFA Contribution at Closing

- Cost of Issuance (COI): $230,000, $209,999, $405,000, $89,999, $300,000
- COI as a % of Bonds Issued: 1.53%, 1.68%, 1.16%, 1.24%, 1.17%
- Negative Arbitrage Deposit: $90,000, n/a, $400,000, n/a, n/a

### Yield Spread

- TBD

### Administrative Fee (to MFA)

- 0.250%, 2.796%, 0.250%, 2.703%, 0.558%

### Bond Allocation System Followed***

- Yes, Yes, Yes, Yes, Yes

---

*Subsidy was generated by a prior bond issue.

**The Guaranteed Investment Contract is competitively bid.

* Due to the downgrade of the United States to AA+, these bond issues are now rated AA+.

***The bond allocation system that is followed is common in the investment banking industry and is as follows:

The lead manager keeps track of when the orders are received which is referred to as an order flow tracking system. The bond allocation system also dictates that Bonds are awarded to managers prior to any selling group members even though group members may have entered orders first. In-state retail orders receive first priority, followed by orders for the benefit of the group which are allocated by management fee percentage; next are net designated orders placed through the senior manager where the buyer designates the sales credit to specific managers, and finally, member orders receive the lowest priority.

†Weighted average rate of loans in the pipeline.
KEY RESULTS FOR MFA

Purpose. This transaction is a traditional tax-exempt single-family bond issue with semi-annual principal and interest, though bonds are redeemed quarterly. Its purpose, like similar prior issues is to reallocate zero participation loans from prior series within the required time of 18 months for which to reallocate loans as well as to finance new loan production at as close to the maximum spread permitted by the IRS as possible.

Approach and Strategy. Over the past year, MFA has generally used federally taxable monthly pass-through bond issues to refund prior bond issues at lower rates. It has used traditional bond structures such as 2015 Series A to reallocate zero participation loans as well as to finance new production. In order for MFA to continue to retain and utilize its zero participation interest subsidies, it must regularly include them with a traditional bond structure (since they cannot effectively be stored and later reallocated with pass-through bonds). Using this traditional structure on 2015 Series A is therefore important to MFA’s ongoing financing program. By carrying forward the zero participations, MFA is able to help protect itself against certain levels of rate risk on its loan pipeline as described below.

From a strategic point of view, MFA has been:

1. Reserving loans each week taking into account current expected rates on this traditional structure,
2. Issuing bonds when those loans are packaged into mortgage-backed securities several months later, and
3. Protecting itself against rates rising before bonds are sold by using zero participation interest subsidies it has earned from past transactions.

Primary Objectives. MFA therefore has three primary objectives:

1. Finance existing production at the lowest yield possible,
2. Use as few of MFA’s $7.0 million of zero participations (prior to issuing 2015A) as possible to achieve full spread, thus preserving more zero participations for future production, and
3. Raise premium so as to reimburse MFA for funding downpayment assistance grants on SaverZero loans.

Structure. The 2015 Series A bonds:

- Were sized at $35 million to finance pipeline production and to provide sufficient proceeds to use and store zero participations,
- Were structured with serials, term bonds and a Planned Amortization Class (PAC) bond,
- Included bonds sold at a premium of $863,076 to reimburse MFA for its downpayment assistance grants on the loans as well as to fund a portion of the costs of issuance,
- Provided 5 weeks from pricing to closing, enabling MFA to finance more of its pipeline production and lock in rates sooner, thus reducing interest rate risk and negative arbitrage,
• Allowed GNMA or FNMA MBS depending on MFA’s loan pipeline,
• Provided MFA an optional 10-year par call if it proves profitable to redeem the bonds in the future, and
• At our suggestion, a portion of the 2030 term bond was shifted to new serial maturities in 2026 at a yield 50 basis points lower on $560,000 of bonds, to provide savings for MFA.

Results. Investor interest for the term bonds and PAC bonds was strong, with a total of $74 million of orders. As a result, yields were able to be reduced on term bonds including the PAC bond, reducing the overall bond yield.

1. Yields.
   a. The bond yield (net interest cost) assuming 100% FHA prepayments was 3.28%.
   b. For comparison, recent tax-exempt pass-through bond yields for new money had average yields of about 2.90%, or about 92 basis points over the 10 year Treasury. MFA’s traditional bond issue had a yield of about 120 basis points over the 10 year Treasury. One benefit of a traditional bond structure, as on Series A, is that all the mortgage-backed securities do not have to be pooled prior to bond closing.

2. Use of Zero Participations. In order to achieve full spread, MFA used $5.2 million of its $7.0 million of zero participations, leaving it with $1.8 million in zeroes for future bond issues (assuming participation with future issue in 17 months).

3. Net Economic Benefits. The transaction’s projected net present value at 150% prepayment speed is $648,000 or approximately 2.0% of the amount of the issue.

Bond Results. Following are key highlights:

1. Retail Interest. A separate retail order period was established with first priority to orders from New Mexico retail investors. This resulted in $2.74 million of in-state retail orders, as well as an additional $5.4 million of national retail orders. Most of the retail interest was in the term bonds, with retail being generally uninterested in the low absolute level of shorter-term serial rates.

2. Institutional Interest. There was strong institutional interest, with each of the final term bonds and the PAC bonds oversubscribed. The 2030 maturity which was 4.5x oversubscribed and thus was lowered in yield by 5 basis points. The underwriter did not believe that in an uncertain market, buffeted by the major changes over the last few weeks, that it was possible to lower the yields on the other term bonds which were on average about 2x oversubscribed.

   There was very little retail demand for the serial bonds. A single institutional investor bought a strip throughout the serial bonds.

3. Timing. Treasury rates fluctuated dramatically since the start of the year, depending on expectations of when the Federal Reserve might begin raising rates at future Federal Reserve meetings. The 10-year Treasury yield dropped 44 basis points during January hitting a low of 1.68% at the end of January. The market then backed up significantly, with the 10-year Treasury rising to 2.14% - 46 basis points – by the afternoon before the retail order period.

   During the prior week, numerous bond issues had had to be repriced to higher levels or pulled from the market. Both retail and to a lesser extent institutional investors in municipal bonds had decided to
wait on the sidelines to avoid buying bonds that might quickly be worth less.

During the day of the retail order period, Wednesday Feb. 18th, the market finally improved somewhat with yields dropping to 2.07%. On the day of the institutional order period, the 10-year Treasury rose again to 2.11%. The market tone was therefore soft and uncertain at the time of pricing.

4. **Comparable Transactions.** The spreads on the New Mexico issuance were the same as Pennsylvania’s on its two term bonds priced on the same day. MFA’s spreads were significantly wider than those for state HFAs, including Connecticut and SONYMA whose bonds usually trade very well, with high in-state income taxes. MFA’s spreads were approximately 10 to 15 basis points wider, except for the PAC bond which priced 2 basis points tighter than Connecticut’s.

*Comparison to Other Single-Family New Money Tax-Exempt Traditional Bond Issues*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Size</td>
<td>$ 35 m</td>
<td>$ 20 m</td>
<td>$ 60 m</td>
<td>$150 m</td>
<td>$ 32 m</td>
<td>$15m</td>
</tr>
<tr>
<td>Senior Manager</td>
<td>JP Morgan</td>
<td>Morgan Stanley</td>
<td>Morgan Stanley</td>
<td>BofA Merrill</td>
<td>Citigroup</td>
<td>JP Morgan</td>
</tr>
<tr>
<td>Purpose</td>
<td>New Money</td>
<td>New Money</td>
<td>New Money</td>
<td>New Money</td>
<td>New Money</td>
<td>New Money</td>
</tr>
<tr>
<td>Rating</td>
<td>Aaa</td>
<td>Aa2/AA+</td>
<td>Aa1</td>
<td>Aaa/AAA</td>
<td>Aa1/AA+</td>
<td>AA+</td>
</tr>
<tr>
<td>Structure</td>
<td>Traditional</td>
<td>Traditional</td>
<td>Traditional</td>
<td>Traditional</td>
<td>Traditional</td>
<td>Traditional</td>
</tr>
<tr>
<td>Optional redemption at par</td>
<td>Sept. 2024</td>
<td>Oct. 2024</td>
<td>April 2024</td>
<td>May 2024</td>
<td>Nov. 2024</td>
<td>Mar. 2023</td>
</tr>
<tr>
<td>10 year maturity spread to MMD</td>
<td>2.95% +87 bp</td>
<td>N/A</td>
<td>N/A</td>
<td>2.75% +73 bp</td>
<td>2.60% +86 bp</td>
<td>3.50% +76 bp</td>
</tr>
<tr>
<td>15 year maturity spread to MMD</td>
<td>3.55% +103 bp</td>
<td>N/A</td>
<td>3.45% +110 bp</td>
<td>3.35% +90 bp</td>
<td>3.20% +107 bp</td>
<td>4.20% +80 bp</td>
</tr>
<tr>
<td>20 year maturity spread to MMD</td>
<td>3.85% +112 bp</td>
<td>N/A</td>
<td>3.65% +98 bp</td>
<td>3.625 +96 bp</td>
<td>N/A</td>
<td>4.70% +84 bp</td>
</tr>
<tr>
<td>30 year maturity spread to MMD</td>
<td>4.00% +112 bp</td>
<td>4.00% +114 bp</td>
<td>3.85% +101 bp</td>
<td>3.75% +97 bp</td>
<td>N/A</td>
<td>5.00% +79 bp</td>
</tr>
<tr>
<td>PAC bond yield spread to equiv. MMD</td>
<td>1.95% +79 bp</td>
<td>N/A</td>
<td>N/A</td>
<td>1.85% +81 bp</td>
<td>1.69% +71 bp</td>
<td>2.40% +120 bp</td>
</tr>
</tbody>
</table>
**MARKET DETAILS**

**Key Dates:**  
Pricing Date: Thursday, February 19, 2015  
Closing Date: Thursday, March 26, 2015

**Economic Calendar.** Economic signals have continued to be mixed as to the pace of economic recovery. During the week prior to the sale, initial unemployment claims came in slightly higher than expected and retail sales dropped by -0.8% compared to a briefing forecast of -0.2%. On the day of the sale, the Producer Price Index came in at -0.8% compared to briefing forecast of -0.4% and capacity utilization remained at 79.4% compared to a briefing forecast of 79.7%.

**Treasuries.** Long-term Treasury bond yields had dropped dramatically during December and January, partly based on weaker international growth, concerns about the Eurozone, conflict in Ukraine, and lower interest rates from other central banks. The 10-year Treasury yield had dropped from 3.0% in January of 2014 to 2.17% at the beginning of 2015 and reached a low of 1.68% at the beginning of February. Concern that the Federal Reserve might begin increasing interest rates as soon as June led to higher yields during February, reaching 2.14% on the day before MFA’s sale. On the day of the sale, yields dropped back slightly to 2.07%.

The volatility of the market has been extraordinary, with the average daily movement in Treasury prices approximately 2 to 3 times higher than in recent years.

**Municipals.** While municipal bond yields closely track the movements in treasury yields, in recent years this close relationship has been stretched by high profile municipal credit problems and international investment flows. In addition, the increased supply of new municipal issues in 2015 put added pressure on municipals relative to treasuries, reflected in the ratios below. General factors include:

- Compared to historical issuance levels, 2015 bond sales started with a sharp increase in volume, spurred by a 225.8% jump in refundings. The 30-day visible supply was $9.6 billion during the week of the sale, down from the relatively strong $11.1 billion average for the fourth quarter of 2014 and January 2015.

- Positive net mutual fund inflows have helped to absorb new issue supplies and keep muni yields from deteriorating further relative to treasuries.

- Reflecting the willingness of investors to reach for higher yielding bonds, credit spreads have narrowed to 0.57% between the AAA 30-year G.O. MMD index and A-rated G.O.s (down from 0.80% in early 2014).

<table>
<thead>
<tr>
<th>Issue</th>
<th>Date</th>
<th>10-Year Treasury</th>
<th>10-Year MMD</th>
<th>MMD/Treasury Ratio</th>
<th>30-Year Treasury</th>
<th>30-Year MMD</th>
<th>MMD/Treasury Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 A</td>
<td>12/12/12</td>
<td>1.72%</td>
<td>1.62%</td>
<td>94.2%</td>
<td>2.90%</td>
<td>2.59%</td>
<td>89.3%</td>
</tr>
<tr>
<td>2013 B</td>
<td>5/8/13-5/9/13</td>
<td>1.81%</td>
<td>1.75%</td>
<td>96.7%</td>
<td>2.99% / 3.01%</td>
<td>2.89% / 2.87%</td>
<td>96.7% / 95.3%</td>
</tr>
<tr>
<td>2013 C</td>
<td>8/7/13</td>
<td>2.61%</td>
<td>2.73%</td>
<td>104.6%</td>
<td>3.68%</td>
<td>4.28%</td>
<td>116.3%</td>
</tr>
<tr>
<td>2014 A</td>
<td>12/5/13</td>
<td>2.88%</td>
<td>2.73%</td>
<td>94.5%</td>
<td>3.92%</td>
<td>4.19%</td>
<td>106.9%</td>
</tr>
<tr>
<td>2015 A</td>
<td>2/19/15</td>
<td>2.11%</td>
<td>2.07%</td>
<td>98.1%</td>
<td>2.73%</td>
<td>2.88%</td>
<td>105.5%</td>
</tr>
</tbody>
</table>

**Change from 2014A to 2015A**  
- 77 bps  
- 63 bps  
+ 3.6%  
- 119 bps  
- 131 bps  
-1.4%
UNDERWRITING

**Underwriter.** JP Morgan served as senior managing underwriter and RBC as co-manager.

**Underwriting Fees.** The total underwriters’ fee and expenses of $7.50 is reasonable compared to other similarly sized issues in the market.

**Performance.** JP Morgan as senior and RBC as co-manager worked well together. The separate single-family pass-through issue, 2015B, senior managed by RBC, was sold during the retail order period on Series A. The underwriters took down Series A unsold balances in some of the shorter maturities.
KEY RESULTS FOR MFA

**Purpose.** This transaction continues MFA’s successful federally taxable single-family monthly pass-through bond issues that are designed to refund old bond issues at today’s lower interest rates. This series refunded 2005 Series A and B.

**Primary Objectives.**

1. Refund 2005 A and B so as to increase MFA’s net interest margin and net worth over time.
2. Refund in such a way that allows MFA to keep the interest rate savings as opposed to it simply subsidizing new production.
3. Fully pay off the old bonds in such a way that:
   - MFA’s General Fund could purchase a portion of the existing mortgage-backed securities, as an attractive investment of General Fund cash, and
   - The refunding bonds could finance the balance of the mortgage-backed securities.

**Structure.** Key structuring characteristics of Series 2015B include:

- The $11,704,113 to redeem the outstanding 2005 AB Bonds were paid off from a combination of:
  - $835,271 of cash held under the 2005 AB indenture (to minimize the amount of refunding bonds needed),
  - $3,754,817 of General Fund cash in exchange for $4,094,978 of mortgage-backed securities, and
  - $7,229,858 of 2015 B Bonds.
- Bonds were structured as taxable bonds so as to allow MFA to retain all of the savings achieved by the refunding, and as monthly pass-through bonds so as to take advantage of the lower yield of pass-through bonds.
- A projected average life of 5.5 years at 200% PSA, which attracted investors and resulted in a lower bond rate, and
- An optional 10-year par call if it proves profitable to redeem the bonds in the future.

**Accomplishments.** The results were extremely successful.

1. **Low Yields.** The Bonds were sold at a yield of 2.75%.

2. **Tightness to Treasury Yields.** MFA’s 2015B pass-through bonds were priced at a tighter spread to GNMA yields and Treasury yields than other recent taxable refundings with comparable projected average lives.

3. **Attractive General Fund Investment.** The General Fund is buying AAA-rated GNMA Mortgage-Backed Securities with an average pass-through rate of 5.15%. This is an exceptionally attractive, secure and highly liquid investment of General Fund cash.
4. **Net Present Value.** The net present value of the transaction, assuming a 200% prepayment speed is approximately $1,276,922 at a 3% discount rate. This net economic benefit is over 10% of the outstanding bonds, more than three times the usual standard for whether a refunding is economically desirable.

**Bond Results.** Following are key highlights:

1. **Investor Interest.** The underwriter sought to aggressively market the bonds at the 2.8% coupon given the high coupon collateral, historically fast prepayment speeds, and thus the lower forecasted average life of the bonds. There were 6 investors, resulting in bonds being oversubscribed by 5 times. As a result of this high demand for the limited total amount of the bonds, the bonds were repriced to 2.75%, thus creating greater savings for MFA.

2. **Benefits to Investors.** The bonds allowed an investor to purchase a housing bond that is very similar to buying taxable securities but with a key additional advantage. To buy GNMA securities with similar underlying loans and net coupons, an investor would normally have to pay a very large upfront premium in today’s market of up to 8% or more. The investor thus avoids the risk of early prepayments wiping out the value of its premium.

### Comparison to Other Single-Family Pass-Through Bond Issues

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size</strong></td>
<td>$7.2 MM</td>
<td>$30.5 MM</td>
<td>$60 MM</td>
<td>$120.4 MM</td>
<td>$40.6 MM</td>
<td>$12.5 MM</td>
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<tr>
<td><strong>Senior Manager</strong></td>
<td>RBC</td>
<td>Baum</td>
<td>RBC</td>
<td>BofA Merrill</td>
<td>Stifel</td>
<td>RBC</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>Refunding</td>
<td>New Money</td>
<td>New Money</td>
<td>Refunding</td>
<td>New Money</td>
<td>Refunding</td>
</tr>
<tr>
<td><strong>Rating</strong></td>
<td>AA+</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aa+</td>
<td>AA+</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td>Pass-through</td>
<td>Pass-through</td>
<td>Pass-through</td>
<td>Pass-through</td>
<td>Pass-through</td>
<td>Pass-through</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>20 years</td>
<td>29 years</td>
<td>30 years</td>
<td>22 years</td>
<td>22 years</td>
<td>22 years</td>
</tr>
<tr>
<td><strong>Optional redemption at par</strong></td>
<td>10 years</td>
<td>10 years</td>
<td>10 years</td>
<td>Clean up call after 5% of original par</td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Price</strong></td>
<td>Par</td>
<td>$102.2</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
</tr>
<tr>
<td><strong>Yield</strong></td>
<td>2.75%</td>
<td>2.78%</td>
<td>2.8%</td>
<td>3.5%</td>
<td>2.97%</td>
<td>2.75%</td>
</tr>
<tr>
<td><strong>Tax Status</strong></td>
<td>Taxable</td>
<td>Tax-Exempt Non-AMT</td>
<td>Tax-Exempt Non-AMT</td>
<td>Taxable</td>
<td>Taxable</td>
<td>Taxable</td>
</tr>
<tr>
<td><strong>PSA Speed (Last 12 Mos.)</strong></td>
<td>176%</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>187%</td>
<td>238%</td>
</tr>
<tr>
<td><strong>Projected Ave. Weighted Life at 150% PSA</strong></td>
<td>6.7 years</td>
<td>8.0 years</td>
<td>8.7 years</td>
<td>6.7 years</td>
<td>6.6 years</td>
<td>6.6 years</td>
</tr>
<tr>
<td><strong>10 year Treasury</strong></td>
<td>2.07%</td>
<td>1.83%</td>
<td>1.92%</td>
<td>2.34%</td>
<td>2.36%</td>
<td>2.58%</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>+68 bps</td>
<td>+95 bps</td>
<td>+88 bps</td>
<td>+116 bps</td>
<td>+61 bps</td>
<td>+17 bps</td>
</tr>
<tr>
<td><strong>GNMA I yield</strong></td>
<td>2.71%</td>
<td>2.52%</td>
<td>2.52%</td>
<td>2.76%</td>
<td>2.76%</td>
<td>2.99%</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>+4 bps</td>
<td>+26 bps</td>
<td>+28 bps</td>
<td>+74 bps</td>
<td>+21 bps</td>
<td>-24 bps</td>
</tr>
</tbody>
</table>

* 3.0% GNMA for current delivery assuming dealer FRCST prepay speeds, per Bloomberg.
**FEATURES OF THIS ISSUE**

**Pricing.** Because the Bonds consisted of a single maturity of monthly pass-through bonds suited to institutional investors, the bonds were not offered to retail investors. Pricing took place after pre-marketing by the underwriter to approach investors who have shown interest and participation in the pass-through product.

**Strong Institutional Demand.** MFA attracted strong investor support for the Bonds, with orders from 6 different investors, of which 5 were for all the bonds. Three of the investors either wanted all of the bonds or dropped due to the repricing from 2.80% to 2.75%. Three of the investors had participated on New Mexico’s most recent pass-through transaction in 2014.

**UNDERWRITING**

**Underwriter.** RBC Capital Markets served as sole managing underwriter.

**Underwriting Fees.** As with the prior pass-through issues, takedowns were established at lower levels than industry standards for long-term tax-exempt bond sales. Management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.

**Comparable Transactions.**

Two weeks before MFA’s 2015B bonds were priced, Ohio priced a $30 MM tax-exempt pass-through new money financing at a 3.05% coupon to yield 2.78%. Although Ohio had the benefit of being tax-exempt, it still priced higher than MFA due to expectation that the newly issued MBS serving as collateral on the Minnesota transaction will prepay more slowly than MFA’s seasoned collateral, and thus will have a slightly longer average life (and require a higher yield to investors).

**MARKET DETAILS**

**Key Dates:**
- Institutional Order Period: Wednesday, February 18, 2015
- Closing Date: Thursday, March 26, 2015

**Economic Calendar.** Economic signals have continued to be mixed as to the pace of economic recovery. During the week prior to the sale, initial unemployment claims came in slightly higher than expected and retail sales dropped by -0.8% compared to a briefing forecast of -0.2%. On the day of the sale, the Producer Price Index came in at -0.8% compared to briefing forecast of -0.4% and capacity utilization remained at 79.4% compared to a briefing forecast of 79.7%.

**Treasuries.** Long-term treasury bond yields had dropped dramatically during December and January, partly based on weaker international growth, concerns about the Eurozone, conflict in Ukraine, and lower interest rates from other central banks. The 10-year Treasury yield had dropped from 3.0% in January of 2014 to 2.17% at the beginning of 2015, reached a low of 1.68% at the beginning of February. Concern that the Federal Reserve might begin increasing interest rates as soon as June led to higher yields during February, reaching 2.14% on the day before MFA’s sale. On the day of the sale, yields dropped back slightly to 2.07%.

The volatility of the market has been extraordinary, with the average daily movement in Treasury prices approximately 2 to 3 times higher than in recent years.
Municipals. While municipal bond yields closely track the movements in treasury yields, in recent years this close relationship has been stretched by high profile municipal credit problems and international investment flows. In addition, the increased supply of new municipal issues in 2015 put added pressure on municipals relative to treasuries, reflected in the ratios below. General factors include:

- Compared to historical issuance levels, 2015 bond sales started with a sharp increase in volume, spurred by a 225.8% jump in refundings. The 30-day visible supply was $9.6 billion during the week of the sale, down from the relatively strong $11.1 billion average for the fourth quarter of 2014 and January 2015.

- Positive net mutual fund inflows have helped to absorb new issue supplies and keep muni yields from deteriorating further relative to treasuries.

- Reflecting the willingness of investors to reach for higher yielding bonds, credit spreads have narrowed to 0.57% between the AAA 30-year G.O. MMD index and A-rated G.O.s (down from 0.80% in early 2014).

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS themselves or purchasing HFAs’ taxable pass-through bonds backed by MBS. In effect, bond purchasers look as much to the spread between taxable pass-through bonds and MBS as they do to the spread between pass-through bonds and treasuries. GNMA yields are generally less volatile than Treasury yields.
$25,740,000
New Mexico Mortgage Finance Authority
Single Family Mortgage Program Class I Bonds
2015 Series C (MBS Pass-Through Program) (Federally Taxable)

POST-SALE ANALYSIS

KEY RESULTS FOR MFA

Purpose. This transaction continues MFA’s successful single-family monthly pass-through bond issues that are designed to refund old bond issues at today’s lower interest rates. This series refunded bonds that had been sold to the U.S. Treasury as part of the New Issue Bond Program (“NIBP”).

While most single-family bonds cannot be optionally redeemed for 10 years, the NIBP Program allowed the bonds sold to it to be optionally redeemed at any time that it is advantageous for the issuer. As such, MFA and its financing team reviewed each of the outstanding NIBP Program Bonds to determine when and whether it is economically beneficial to refund such debt.

In planning for this issue, MFA initially considered issuing two sets of refunding bonds:

- 2015C to refund the 2009 GSE Series B Program Bonds that have a coupon of 3.55%, and
- a potential 2015D series to refund the 2009 GSE Series A Program Bonds that have a coupon of 3.01%.

In order to assure economic savings for MFA in the current market environment, it was only desirable to issue 2015C.

Primary Objectives.

1. Refund 2009 GSE Series B so as to increase MFA’s net interest margin and net worth over time via an Authority fee to be paid monthly to the General Fund.

2. Refund in such a way that allows MFA to keep the interest rate savings as opposed to it simply subsidizing new production.

Structure. Key structuring characteristics of Series 2015C include:

- Structure the refunding with redemption provisions to exactly replace the GSE bonds, which were issued in conjunction with ‘Market Bonds’ sold to private investors. Together they financed a single portfolio of mortgage-backed securities. The Market Bonds are the shorter bonds and cannot currently be optionally redeemed. The Series 2015 C bonds will thus replace the longer maturing bonds.

- Issue the refunding bonds on a taxable basis, so as to allow MFA to retain all of the savings achieved by the refunding.

- Use the monthly pass-through approach to help obtain the lowest yield from investors.

- Finally, provide for an optional par call in 7 years, closer to the time in which the 2011A Market Bonds can also be redeemed. This would allow MFA to refund both Series 2015C and the 2011A Market Bonds if it proves profitable in the future.
Accomplishments. The results were successful.

1. Low Yields Based on Average Life. The Bonds were sold at a coupon of 3.00% at par.

2. Comparison to Series 2015 B. MFA had sold a smaller taxable monthly pass-through refunding with a shorter maturity, Series 2015B, one week prior to Series 2015C. The mortgages in 2015B were originated in 2005, whereas those included in 2015C were originated in 2011. The prepayment speed on the mortgages in 2015C has been significantly slower than on 2015B (The 2015C bonds thus have a longer stated maturity and longer average projected life and a longer stated maturity resulting in a higher spread than 2015B.)

A second factor may have been that 2015B was so small at $7 mill. This has two potential impacts. While this small size can sometimes deter investors, this did not happen on 2015B, with about as many investors as 2015C. The small size also means that there are many fewer bonds to sell; the oversubscription on 2015B allowed the underwriters who had originally planned on going out at a 2.85% yield to reduce that yield eventually to 2.75%.

<table>
<thead>
<tr>
<th>Key Characteristics</th>
<th>2015 C</th>
<th>2015 B</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maturity</td>
<td>26 years</td>
<td>20 years</td>
<td>6 years</td>
</tr>
<tr>
<td>PSA Ppm during last 12 months</td>
<td>148% PSA</td>
<td>176% PSA</td>
<td>-28% PSA</td>
</tr>
<tr>
<td>Proj. Avg. Life at 150% PSA prepayment speed</td>
<td>8.2 years</td>
<td>6.7 years</td>
<td>1.5 years</td>
</tr>
<tr>
<td>Yield</td>
<td>3.00%</td>
<td>2.75%</td>
<td>+25 bps</td>
</tr>
<tr>
<td>GNMA I Benchmark</td>
<td>2.62%</td>
<td>2.71%</td>
<td>-9 bps</td>
</tr>
<tr>
<td>Spread to GNMA I Benchmark</td>
<td>38 bps</td>
<td>4 bps</td>
<td>+34 bps</td>
</tr>
<tr>
<td>Spread to 10 year Treasury</td>
<td>104 bps</td>
<td>68 bps</td>
<td>+36 bps</td>
</tr>
</tbody>
</table>

3. Net Present Value. The net present value of the transaction, assuming a 200% prepayment speed is approximately $505,591 at a 3% discount rate. If prepayments continue at a slower speed of approximately 150% PSA, the net present value of the transaction is approximately $718,712.

Bond Results. Following are key highlights:

1. Investor Interest. The underwriter priced the bonds at a coupon of 3.00%, based partly on the difference in average life from the 2015 B bonds, which investors would look to as the relevant comparable. There were 4 investors, including one for an order for all the bonds. The issue was 1.8 times oversubscribed. Given the reactions of the larger investors who would either entirely drop or downsize their order if the yield was reduced as well as the relatively modest oversubscription, MFA locked in the yield at the original 3.00% level.

2. Benefits to Investors. The bonds allowed an investor to purchase a housing bond that is very similar to buying taxable securities but with a key additional advantage. To buy GNMA securities with similar underlying loans and net coupons, an investor would normally have to pay a very large upfront premium in today’s market of up to 7% or more. The investor thus avoids the risk of early prepayments wiping out the value of its premium.
### Comparison to Other Single-Family Pass-Through Bond Issues

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Size</strong></td>
<td>$25.7 MM</td>
<td>$7.2 MM</td>
<td>$30.5 MM</td>
<td>$60 MM</td>
<td>$120.4 MM</td>
<td>$40.6 MM</td>
<td>$12.5 MM</td>
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<tr>
<td><strong>Senior Manager</strong></td>
<td>J.P. Morgan</td>
<td>RBC</td>
<td>Baum</td>
<td>RBC</td>
<td>BofA Merrill</td>
<td>Stifel</td>
<td>RBC</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>Refunding NIBP</td>
<td>Refunding</td>
<td>New Money</td>
<td>New Money</td>
<td>Refunding</td>
<td>New Money</td>
<td>Refunding</td>
</tr>
<tr>
<td><strong>Rating</strong></td>
<td>AA+</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aa+</td>
<td>AA+</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td>Pass-Through</td>
<td>Pass-through</td>
<td>Pass-through</td>
<td>Pass-through</td>
<td>Pass-through</td>
<td>Pass-through</td>
<td>Pass-through</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>26 years</td>
<td>20 years</td>
<td>29 years</td>
<td>30 years</td>
<td>22 years</td>
<td>22 years</td>
<td>20 years</td>
</tr>
<tr>
<td><strong>Optional redemption at par</strong></td>
<td>7 years</td>
<td>10 years</td>
<td>10 years</td>
<td>10 years</td>
<td>Clean-up call when 5% of original par</td>
<td>10 years</td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Price (Coupon)</strong></td>
<td>Par</td>
<td>Par</td>
<td>$102.2</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
</tr>
<tr>
<td><strong>Yield</strong></td>
<td>3.00%</td>
<td>2.75%</td>
<td>2.78% (assuming historic ppmt)</td>
<td>2.8%</td>
<td>3.5%</td>
<td>2.97%</td>
<td>2.75%</td>
</tr>
<tr>
<td><strong>Tax Status</strong></td>
<td>Taxable</td>
<td>Taxable</td>
<td>Tax-Exempt Non-AMT</td>
<td>Tax-Exempt Non-AMT</td>
<td>Taxable</td>
<td>Taxable</td>
<td>Taxable</td>
</tr>
<tr>
<td><strong>PSA Speed (Last 12 Mos.)</strong></td>
<td>148%</td>
<td>176%</td>
<td>NA</td>
<td>NA</td>
<td>New Money</td>
<td>New Money</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Projected Avg. Weighted Life at 150% PSA</strong></td>
<td>8.2 years</td>
<td>6.7 years</td>
<td>8.0 years</td>
<td>8.7 years</td>
<td>6.7 years</td>
<td>6.6 years</td>
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</tr>
<tr>
<td><strong>10 year Treasury</strong></td>
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<td>1.92%</td>
<td>2.34%</td>
<td>2.36%</td>
<td>2.58%</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>+ 104 bps</td>
<td>+68 bps</td>
<td>+95 bps</td>
<td>+88 bps</td>
<td>+116 bps</td>
<td>+61 bps</td>
<td>+17 bps</td>
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<tr>
<td><strong>GNMA I yield</strong></td>
<td>2.62%</td>
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<td>2.76%</td>
<td>2.76%</td>
<td>2.99%</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>+38 bps</td>
<td>+4 bps</td>
<td>+26 bps</td>
<td>+28 bps</td>
<td>+74 bps</td>
<td>+21 bps</td>
<td>-24 bps</td>
</tr>
</tbody>
</table>

* 3.0% GNMA for current delivery assuming dealer FRCST prepay speeds, per Bloomberg.

### FEATURES OF THIS ISSUE

**Pricing.** Because the Bonds consisted of a single maturity of monthly pass-through bonds suited to institutional investors, the bonds were not offered to retail investors. Pricing took place after pre-marketing by the underwriter to approach investors who have shown interest and participation in the pass-through product.

**Institutional Demand.** MFA attracted good investor support for the Bonds, with orders from 4 different investors.

### UNDERWRITING

**Underwriter.** J.P. Morgan served as sole managing underwriter.

**Underwriting Fees.** As with the prior pass-through issues, takedowns were established at lower levels than industry standards for long-term tax-exempt bond sales. Management fees were appropriate, consistent with industry standards, and in the same range as fees reported for other housing issues of similar size and structure.
MARKET DETAILS

Key Dates:  
Institutional Order Period: Wednesday, February 25, 2015  
Closing Date: Thursday, March 17, 2015

Economic Calendar. Economic signals continued to be mixed as to the pace of economic recovery. During the week since 2015B was sold, existing home sales came in slightly lower than expected, and consumer confidence dropped significantly to 96.4 from 103.8 in January.

Most significantly, the market had been waiting for Chairwoman Yellen’s comments to Congress on the day prior to MFA’s sales. Concerns that the Fed might move more aggressively to begin raising short-term rates sooner were abated by her more cautious testimony.

Treasuries. Long-term treasury bond yields had dropped dramatically during December and January, partly based on weaker international growth, concerns about the Eurozone, conflict in Ukraine, and lower interest rates from other central banks. The 10-year Treasury yield had dropped from 3.0% in January of 2014 to 2.17% at the beginning of 2015 reached a low of 1.68% at the beginning of February. Concern that the Federal Reserve might begin increasing interest rates as soon as June led to higher yields during February, reaching 2.14% on Feb. 17th and then fluctuating in anticipation of Yellen’s testimony. On the day of the sale, yields dropped from 1.99% to 1.96%.

The volatility of the market has been extraordinary, with the average daily movement in Treasury prices approximately 2 to 3 times higher than in recent years.

Municipals. While municipal bond yields closely track the movements in treasury yields, in recent years this close relationship has been stretched by high profile municipal credit problems and international investment flows. In addition, the increased supply of new municipal issues in 2015 put added pressure on municipals relative to treasuries, reflected in the ratios below. General factors include:

- Compared to historical issuance levels, 2015 bond sales started with a sharp increase in volume, spurred by a 225.8% jump in refundings. The 30-day visible supply was $9.6 billion during the week of the sale, down from the relatively strong $11.1 billion average for the fourth quarter of 2014 and January 2015.

- Positive net mutual fund inflows have helped to absorb new issue supplies and keep muni yields from deteriorating further relative to treasuries.

- Reflecting the willingness of investors to reach for higher yielding bonds, credit spreads have narrowed to 0.57% between the AAA 30-year G.O. MMD index and A-rated G.O.s (down from 0.80% in early 2014).

MBS Yields. MBS yields are very relevant because investors can choose between purchasing MBS themselves or purchasing HFAs’ taxable pass-through bonds backed by MBS. In effect, bond purchasers look as much to the spread between taxable pass-through bonds and MBS as they do to the spread between pass-through bonds and treasuries. GNMA yields have been much less sensitive than Treasury yields.
GNMA CC 3% Yield Chart Vs. 10-Year UST
Tab 13
NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the five-month period ended February 28, 2015

• New issues:
  Single Family issue:  None
  Multi-family issue:  None

• Payoffs:
  This month: Payoff activity increased to $6.7 mm in February in comparison to January at $5.6 mm and December at $8.6 mm. One year ago, in February 2014, payoffs were $7.4 mm. The last 6 months’ average monthly payoff amount is $7.0 mm.
  Trend: Payoffs for FY14 were $92.2 mm, down 51% from FY13’s payoffs of $189.1 mm. Current year payoffs are $34.8 mm, which is (21%) less than last year at this same time. FY15 annualized payoffs are 12% of the portfolio. From 2010 through 2014, five-year average payoffs were 14% of five-year average portfolio. Growth in our portfolio of single family loans and MBS has shown a decrease of (6.3%) since the beginning of the fiscal year five months ago. (See graph of payoffs.)

• Total assets and deferred outflows of resources: (p. 1)
  This month: $999.8 mm shows an increase from January of $1.9 mm due to $2.9 mm in regular principal and interest payments collected and State Investment Council (“SIC”) investment portfolio fair market value gains of $.4 mm, offset by monthly redemptions of $1.3 mm. Growth in assets year to date (five months) is a decrease of (2.4%). We are expecting a decrease of (5.8%) in assets for the current year. Estimates assume prepayments will continue to exceed new assets as MFA will continue to utilize the secondary market to fund the Single Family Mortgage Program as needed based on market conditions. In this funding execution, MFA does not issue debt to fund the program but instead the mortgage backed securities are sold to investors. (See graph of total assets.)

• Net position: (p.2)
  This month: $201.9 mm net position reflects February income of $.7 mm primarily attributed to $.4 mm State Investment Council (“SIC”) investment portfolio fair market value gains, increased low income housing tax credit fees of $.1 mm offset by an incentive accrual of $.1 mm. (See graph of income.)
  Trend: MFA is forecasting a (39%) decrease in income for the current year, or $4.8 mm compared to last year’s $7.9 mm which included unanticipated TBA transaction fees of $2.3 mm and SIC fair market value gains of $2.6 mm. Our current FY15 estimates anticipate continued improvement in the interest rate environment and economy in general providing stability to both production levels and investment yields. Income year to date (five months) of $3.75 mm is 73% above target, and (7%) below last year’s year-to-date income. This strong performance is a result of unanticipated administrative fee income, including TBA Single Family loan sale related transaction fees, of approx. $.4 mm as well as positive General Fund/Housing Program positive expenditure budget variances of $.1 mm due to timing.

• General Fund/Housing Program cash & securities (book = cost, except SIC funds are marked to market): $74.5 mm at February 28. Unrealized gain (loss) on securities as of February 28 (includes the bond ladder and mortgage backed securities held as General Fund investments): $989,537. SIC gain (loss) year to date as of January (General Fund only): $123,837. UPDATE: Cash and securities total $72.5 mm at March 27, 2015.

• Budget status: The General Fund and Housing Programs ended the five-month period with expenditures (25%) under budget excluding Other Financing Sources and Uses primarily due to timing of expenditures. The activity in Other Financing Sources and Uses is for Single Family cash reserves and MBS pools returned to the General Fund of $3.7 mm.

• Comparative year-to-date figures:

<table>
<thead>
<tr>
<th></th>
<th>5 months 2/28/15 YTD</th>
<th>5 months 2/28/14 YTD</th>
<th>% Change Year/Year</th>
<th>Forecast 1/31/15 YTD</th>
<th>Actual / Forecast</th>
<th>Forecast 9/30/15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single family issues (new money only):</td>
<td>$0.0</td>
<td>$15.5</td>
<td>N/A</td>
<td>$0.0</td>
<td>0%</td>
<td>$31.3</td>
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<tr>
<td>Multifamily issues:</td>
<td>$11.0</td>
<td>$0.0</td>
<td>N/A</td>
<td>$0.0</td>
<td>0%</td>
<td>$11.0</td>
</tr>
<tr>
<td>Payoffs:</td>
<td>$34.8</td>
<td>$43.8</td>
<td>-21%</td>
<td>$35.4</td>
<td>-2%</td>
<td>$85.0</td>
</tr>
<tr>
<td>Interest spread-Single Family Program:</td>
<td>$0.223</td>
<td>($0.266)</td>
<td>-184%</td>
<td>$0.417</td>
<td>-46%</td>
<td>$1.000</td>
</tr>
<tr>
<td>Total assets:</td>
<td>$998.6</td>
<td>$1,116.4</td>
<td>-11%</td>
<td>$998.8</td>
<td>0%</td>
<td>$963.3</td>
</tr>
<tr>
<td>Total bonds outstanding</td>
<td>$777.7</td>
<td>$902.2</td>
<td>-14%</td>
<td>$786.3</td>
<td>-1%</td>
<td>$743.2</td>
</tr>
<tr>
<td>Earning assets:</td>
<td>$997.0</td>
<td>$1,113.9</td>
<td>-10%</td>
<td>$987.4</td>
<td>1%</td>
<td>$952.3</td>
</tr>
<tr>
<td>Avg. earning assets:</td>
<td>$1,039.7</td>
<td>$1,158.5</td>
<td>-10%</td>
<td>$1,044.0</td>
<td>0%</td>
<td>$981.8</td>
</tr>
<tr>
<td>Excess revenue over expenses:</td>
<td>$3.750</td>
<td>$4.044</td>
<td>-7%</td>
<td>$2.172</td>
<td>73%</td>
<td>$4.779</td>
</tr>
<tr>
<td>Return on avg. assets (ann'dz):</td>
<td>0.82%</td>
<td>0.78%</td>
<td>5%</td>
<td>0.48%</td>
<td>69%</td>
<td>0.48%</td>
</tr>
<tr>
<td>Return on avg. earning assets (ann'dz):</td>
<td>0.79%</td>
<td>0.77%</td>
<td>3%</td>
<td>0.46%</td>
<td>73%</td>
<td>0.49%</td>
</tr>
<tr>
<td>Net position:</td>
<td>$201.9</td>
<td>$194.3</td>
<td>4%</td>
<td>$200.3</td>
<td>1%</td>
<td>$202.9</td>
</tr>
<tr>
<td>General Fund revenues:</td>
<td>$6.017</td>
<td>$6.225</td>
<td>-3%</td>
<td>$5.265</td>
<td>14%</td>
<td>$12.636</td>
</tr>
</tbody>
</table>
# NEW MEXICO MORTGAGE FINANCE AUTHORITY

## COMBINED STATEMENT OF NET POSITION

**FEbruary 28, 2015**

(THOUSANDS OF DOLLARS)

<table>
<thead>
<tr>
<th></th>
<th>YTD 2/28/15</th>
<th>YTD 2/28/14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>$29,903</td>
<td>$23,180</td>
</tr>
<tr>
<td>Short-Term Investments</td>
<td>5,857</td>
<td></td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>3,845</td>
<td>4,296</td>
</tr>
<tr>
<td>Mortgage Payment Clearing</td>
<td>204</td>
<td>119</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>1,407</td>
<td>1,198</td>
</tr>
<tr>
<td>Administrative Fees Receivable (Payable)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inter-Fund Receivable (Payable)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td><strong>41,215</strong></td>
<td><strong>28,794</strong></td>
</tr>
<tr>
<td>Cash - Restricted</td>
<td>47,758</td>
<td>68,696</td>
</tr>
<tr>
<td>Long-Term &amp; Restricted Investments</td>
<td>60,564</td>
<td>59,741</td>
</tr>
<tr>
<td>FNMA, GNMA, &amp; FHLMC Securitized Mtg. Loans</td>
<td>667,560</td>
<td>776,239</td>
</tr>
<tr>
<td>Mortgage Loans Receivable</td>
<td>182,211</td>
<td>183,159</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>(2,401)</td>
<td>(2,489)</td>
</tr>
<tr>
<td>Fixed Assets, Net of Accum. Depn</td>
<td>1,080</td>
<td>1,176</td>
</tr>
<tr>
<td>Other Real Estate Owned, Net</td>
<td>553</td>
<td>1,025</td>
</tr>
<tr>
<td>Other Non-Current Assets</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>79</td>
<td>78</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>998,617</strong></td>
<td><strong>1,116,420</strong></td>
</tr>
</tbody>
</table>

| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Refundings of Debt | 1,192 | 1,244 |
| **Total Assets & Deferred Outflows of Resources** | **999,808** | **1,117,664** |

| **LIABILITIES AND NET POSITION:** | | |
| **LIABILITIES:** | | |
| **CURRENT LIABILITIES:** | | |
| Accrued Interest Payable | 11,407 | 12,864 |
| Accounts Payable and Accrued Expenses | 5,451 | 6,050 |
| **Total Current Liabilities** | **16,858** | **18,913** |
| Bonds Payable, Net of Unamortized Discount | 777,741 | 902,156 |
| Mortgage & Notes Payable | 3,000 | 2,000 |
| Accrued Arbitrage Rebate | 83 | 80 |
| Other Liabilities | 242 | 236 |
| **Total Liabilities** | **797,925** | **923,385** |

| **Net Position:** | | |
| Invested in Capital Assets, Net of Related Debt | (739) | (753) |
| Unappropriated Net Position (Note 1) | 64,130 | 65,597 |
| Appropriated Net Position (Note 1) | 138,492 | 129,434 |
| **Total Net Position** | **201,883** | **194,279** |
| **Total Liabilities & Net Position** | **999,808** | **1,117,664** |
NEW MEXICO MORTGAGE FINANCE AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE FIVE MONTHS ENDED FEBRUARY, 2015  
(THOUSANDS OF DOLLARS)

<table>
<thead>
<tr>
<th>OPERATING REVENUES:</th>
<th>YTD 2/28/15</th>
<th>YTD 2/28/14</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTEREST ON LOANS</td>
<td>$15,680</td>
<td>$17,847</td>
</tr>
<tr>
<td>INTEREST ON INVESTMENTS &amp; SECURITIES</td>
<td>1,175</td>
<td>1,461</td>
</tr>
<tr>
<td>LOAN &amp; COMMITMENT FEES</td>
<td>46</td>
<td>161</td>
</tr>
<tr>
<td>ADMINISTRATIVE FEE INCOME (EXP)</td>
<td>2,357</td>
<td>1,650</td>
</tr>
<tr>
<td>RTC, RISK SHARING &amp; GUARANTY INCOME</td>
<td>127</td>
<td>41</td>
</tr>
<tr>
<td>HOUSING PROGRAM INCOME</td>
<td>521</td>
<td>582</td>
</tr>
<tr>
<td>LOAN SERVICING INCOME</td>
<td>137</td>
<td>142</td>
</tr>
<tr>
<td>OTHER OPERATING INCOME</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>SUBTOTAL OPERATING REVENUES</strong></td>
<td><strong>20,044</strong></td>
<td><strong>21,884</strong></td>
</tr>
</tbody>
</table>

| NON-OPERATING REVENUES: | | |
|------------------------| | |
| ARBITRAGE REBATE INCOME (EXPENSE) | - | - |
| GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT | 194 | 1,126 |
| OTHER NON-OPERATING INCOME | 16 | 11 |
| GRANT AWARD INCOME | 18,668 | 17,681 |
| **SUBTOTAL NON-OPERATING REVENUES** | **18,878** | **18,818** |

| **TOTAL REVENUES** | **38,922** | **40,702** |

| OPERATING EXPENSES: | | |
|---------------------| | |
| ADMINISTRATIVE EXPENSES | 3,165 | 2,898 |
| INTEREST EXPENSE | 14,508 | 17,210 |
| AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT) | (1,437) | (1,667) |
| PROVISION FOR LOAN LOSSES | 14 | 98 |
| MORTGAGE LOAN & BOND INSURANCE | - | - |
| TRUSTEE FEES | 37 | 41 |
| AMORT. OF SERV. RIGHTS & DEPRECIATION | 58 | 103 |
| AMORTIZATION OF BOND ISSUANCE COSTS | - | 223 |
| **SUBTOTAL OPERATING EXPENSES** | **16,345** | **18,907** |

| NON-OPERATING EXPENSES: | | |
|------------------------| | |
| CAPACITY BUILDING COSTS | 171 | 75 |
| GRANT AWARD EXPENSE | 18,655 | 17,676 |
| **SUBTOTAL NON-OPERATING EXPENSES** | **18,827** | **17,751** |

| **TOTAL EXPENSES** | **35,172** | **36,658** |

| EXCESS REVENUES OVER EXPENSES | 3,750 | 4,044 |
| OTHER FINANCING SOURCES (USES) | - | - |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND OTHER FINANCING SOURCES(USES)** | **3,750** | **4,044** |

| NET POSITION AT BEGINNING OF YEAR | **198,133** | **190,235** |

| NET POSITION AT 2/28/2015 | **201,883** | **194,279** |
NOTES TO FINANCIAL STATEMENTS
(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1) MFA Net Position as of February 28, 2015:

UNAPPROPRIATED NET POSITION:

|$ 37,743| is held by Bond Program Trustees and is pledged to secure repayment of the Bonds. |
|$ 26,356| is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund. |
|$ 31| held for New Mexico Affordable Housing Charitable Trust |

|$ 64,130| Total unappropriated Net Position |

APPROPRIATED NET POSITION: GENERAL FUND

By actions of the Board of Directors on various dates, General Fund net assets have been appropriated as follows:

|$ 83,628| for use in the Housing Opportunity Fund ($64,580 in loans plus $19,048 unfunded, of which $8,143 is committed). |
|$ 22,276| for future use in Single Family & Multi-Family housing programs. |
|$ 11,245| for loss exposure on Risk Sharing loans. |
|$ (739)| invested in capital assets, net of related debt. |
|$ 11,571| for the future General Fund Operating Budget YE 9/30/15 ($11,200 total budget less $(371) expended budget through 02/28/15.) |

|$ 127,981| Subtotal - General Fund |

APPROPRIATED NET POSITION: HOUSING

By actions of the Board of Directors on December 7, 1999, Housing assets have been appropriated as follows:

|$ 9,772| for use in the federal and state housing programs administered by MFA. |
|$ 9,772| Subtotal - Housing Program |
|$ 137,753| Total appropriated Net Position |

|$ 201,883| Total combined Net Position at February 28, 2015 |

Total combined Net Position, or reserves, at February 28, 2015 was $201.9 million, of which $64.1 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $137.8 million of available reserves, with $76.7 million primarily liquid in the General Fund and in the federal and state Housing programs and $61.1 million illiquid in the programs of the General Fund, have been

- for use in existing and future programs
- for coverage of loss exposure in existing programs, and
- for support of operations necessary to carry out the programs.

MFA’s general plan for bond program reserves as they may become available to MFA over the next 30 years is to use the reserves for future programs, loss exposure coverage, and operations.
## PRO RATA BUDGET YTD @ 2/28/2015

NEW MEXICO MORTGAGE FINANCE AUTHORITY  
GENERAL FUND & HOUSING PROGRAMS-OPERATING EXPENSES-BUDGET VARIANCE REPORT  
ACTUAL FOR THE FIVE MONTHS ENDED 2/28/15 & ACTUAL TO BUDGET FOR FISCAL YTD

<table>
<thead>
<tr>
<th>ONE MONTH</th>
<th>YEAR TO DATE</th>
<th>YEAR TO DATE</th>
<th>UNDER (OVER)</th>
<th>ANNUAL</th>
<th>UNEXPENDED</th>
<th>EXPENDED</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRO RATA ACTUAL</td>
<td>PRO RATA BUDGET</td>
<td>ACTUAL</td>
<td>BUDGET</td>
<td>BUDGET</td>
<td>BUDGET</td>
<td>BUDGET</td>
<td></td>
</tr>
</tbody>
</table>

### REVENUES

- **INTEREST INCOME**
  - Actual: 378,856
  - Budget: 1,848,958
  - Variance: 219,287
  - Percentage: 37.25%

- **OTHER REVENUE**
  - Actual: 832,194
  - Budget: 4,167,727
  - Variance: (970,994)
  - Percentage: 54.32%

#### TOTAL REVENUES
- Actual: 1,211,050
- Budget: 6,016,685
- Variance: (751,707)
- Percentage: 47.62%

### OPERATING EXPENSES

- **COMPENSATION**
  - Actual: 463,071
  - Budget: 2,256,009
  - Variance: (1,792,938)
  - Percentage: 39.65%

- **TRAVEL & PUB. INFO.**
  - Actual: 28,643
  - Budget: 113,043
  - Variance: (84,399)
  - Percentage: 30.96%

- **OFFICE EXPENSES**
  - Actual: 42,642
  - Budget: 256,866
  - Variance: (214,224)
  - Percentage: 40.99%

- **OTHER OPER. EXP.**
  - Actual: 82,350
  - Budget: 422,157
  - Variance: (339,807)
  - Percentage: 33.64%

#### TOTAL OPERATING EXPENSES
- Actual: 616,705
- Budget: 3,048,075
- Variance: (2,431,370)
- Percentage: 38.40%

### NON-OPERATING EXPENSES:

- **TOTAL NON-OPERATING EXPENSES**
  - Actual: 74,887
  - Budget: 1,641,041
  - Variance: (1,566,154)
  - Percentage: 10.43%

#### TOTAL OPERATING & NON-OPERATING EXPENSES
- Actual: 691,593
- Budget: 3,219,183
- Variance: (2,527,590)
- Percentage: 33.61%

### SERVICING & CAPITAL OUTLAY

- **SERVICING & CAPITAL OUTLAY**
  - Actual: 6,393
  - Budget: 68,377
  - Variance: (61,984)
  - Percentage: 46.06%

#### TOTAL OPERATING, NON-OPERATING EXPENSES & SERV. & CAPITAL OUTLAY
- Actual: 697,986
- Budget: 3,287,560
- Variance: (2,589,574)
- Percentage: 33.63%

### NON-CASH ITEMS

- **NON-CASH ITEMS**
  - Actual: 13,508
  - Budget: 71,275
  - Variance: (57,767)
  - Percentage: 7.45%

#### TOTAL OPER., NON-OPER. EXP., SERV. & CAPITAL OUTLAY & NON-CASH ITEMS
- Actual: 711,494
- Budget: 3,358,835
- Variance: (2,647,341)
- Percentage: 31.24%

### OFSU

- **OF SU**
  - Actual: (84,900)
  - Budget: (3,669,049)
  - Variance: 2,784,149
  - Percentage: -569.73%

#### TOTAL EXPENSES & OFSU
- Actual: (626,594)
- Budget: (3,946,098)
- Variance: (3,320,504)
- Percentage: -84.13%

### EXCESS REVENUE OVER EXPENSES

- **EXCESS REVENUE OVER EXPENSES**
  - Actual: 584,456
  - Budget: 1,153,564
  - Variance: (569,108)
  - Percentage: -49.64%

### PLUS CAPITALIZED ASSETS:

- **PLUS CAPITALIZED ASSETS**
  - Actual: 6,388,054
  - Budget: 6,388,054
  - Variance: 0
  - Percentage: 108%
March 11 – April 7, 2015

**MEDIA COVERAGE**

<table>
<thead>
<tr>
<th>Date</th>
<th>Source</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-10</td>
<td>Hobbs News-Sun</td>
<td>Community link, splash pad eyed for housing project</td>
</tr>
<tr>
<td>3-12</td>
<td>Guadalupe County Communicator</td>
<td>Part of our future is tied up in cobwebs</td>
</tr>
<tr>
<td>3-13</td>
<td>Hobbs News-Sun</td>
<td>Multi-housing complex in Eunice gets green-lit by Lea County</td>
</tr>
<tr>
<td>3-15</td>
<td>Hobbs News-Sun</td>
<td>New housing in small towns also needed</td>
</tr>
<tr>
<td>3-20</td>
<td>Hobbs News-Sun</td>
<td>‘Community rebirth’ begins with new housing</td>
</tr>
<tr>
<td>3-23</td>
<td>Las Cruces Sun-News Ruidoso News</td>
<td>Steady income, credit score open doors</td>
</tr>
<tr>
<td>3-27</td>
<td>Albuquerque Journal</td>
<td>Libraries to offer finance programs</td>
</tr>
</tbody>
</table>

**PRESS RELEASES, NEWSLETTERS and LENDER MEMOS**

<table>
<thead>
<tr>
<th>Date</th>
<th>Source</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-17</td>
<td>Tribal update</td>
<td>March NM Tribal Homeownership Coalition Meeting</td>
</tr>
</tbody>
</table>
Community link, splash pad eyed for housing project

Another subsidized housing complex may soon call south Hobbs home, this time with the overt intention of weaving itself into the community, but the project still has financial hurdles to overcome.

Chelsea Investment Corporation, based in Carlsbad, Calif., wants to build the “Parkside Terrace” housing complex on the 300 block of Dunnam, directly south from the new Boys and Girls Club currently being built.

The project is currently competing against 16 other subsidized housing projects for low-income housing tax credits from the New Mexico Mortgage Finance Authority, a quasi-government agency that helps develop housing throughout the state. If they the project is awarded the income tax credits it will break ground soon after.

According to NMFA records, tax credits Parkside Terrace is competing for would amount to $1,087,936.

“If we receive the NMFA’s approval this would be the third housing complex in Hobbs to receive that approval,” said City of Hobbs Manager J.J. Murphy. “When we found out about the first two, it was in April of last year. So we are hopeful to hear the news pretty soon.”

Project planners said the 65-unit complex would come complete with its own splash pad for residents.

According to architectural plans for Parkside Terrace, besides providing housing, the development is designed to “support and encourage commercial activity in the area and build civic pride in a redeveloping historic core.”

“Together with the Boys and Girls Club and adjacent preschool, creates a truly ‘kid centric’ activity zone downtown,” stated in the project’s architectural plan.

How a Calif.-based company came to the Permian Basin is largely reflective of the steps city officials took to support affordable housing and the energy boom the city is still grappling with.

While the lingering aftereffects of an economic downturn crippled much of the country, the energy industry roared in Lea County. Hobbs produced a vigorous market with a growing population — an ideal combination for subsidized housing, said Chelsea Investment Project Manager Matt Grosz.

An Artesia-based civil engineer acquainted with Chelsea introduced Grosz and his team to the city.

“We quickly determined Hobbs was really, probably the strongest market for affordable housing; it had the greatest need out of any city in the southeastern part of the state,” Grosz said.

Hobbs city officials stated previously that the city has had a 21 percent population increase between 2000-2013.

In addition to these factors, the city’s ordinance contains clauses that support subsidized housing developments. Grosz said he developed a good working relationship with city commissioners and officials advocating for new housing.

“I think Hobbs is unique in terms of population size, it’s not as big of a city as you would expect to provide the kind of financial support that it does for affordable housing,” Grosz said.

“But it wasn’t just the financial aspect of it. It was also the political support, understanding that Hobbs had taken measures, prior to us getting there, to put themselves in a position to financially support affordable housing development.”

Since passing those “progressive” ordinance measures, Grosz said there has been a big “upswing” in the number of units being developed in the city.
Part of those measures on behalf of the city include the donation of land and a pledge to foot 10 percent of the total cost of Parkside Terrace.

“This is the first project that we have done this with,” said Murphy.

Unique to Parkside Terrace is a caveat the city attached to its donations.

“It is designed to be complementary to the Boys and Girls Club,” Hobbs City Planner Kevin Robinson said. “The municipality did want something that would add to the Boys and Girls club investment downtown. That was one of the requirements we had to the development of the property.”

In other words, Robinson said, the city wanted a development that would provide a communal space. The $10.5 million Boys and Girls Club is scheduled to open in June and is located on the 300 block of East Broadway, directly north of the planned housing complex.

Chelsea Investment responded. Its current architectural plans allow for “a new outdoor civic space with amenities for the community. This space contains a multi-purpose surface for children to play on while also being adaptable for farmers markets, fairs, festivals and events of all types.”

Chelsea Investment Corporation already has a different subsidized housing option available to residents with Park Place in the building formerly known as Casa Hermosa Apartments on East Michigan Drive.

Currently located on the block where the housing project is proposed are several homes and the Hobbs American Legion building, which is still occupied.

But all, according to Murphy, have been purchased by the city, and the American Legion would move to a new location that has been purchased, if Parkside Terrace wins the low-income housing tax credits.

“As part of the existing agreement with American Legion, they are due to move out in May,” Murphy said.

If the NMFA does not approve the tax credits, Murphy said would entertain the idea for a meeting with American Legion officials for an extension to the move-out deadline.

Sean Czarnecki can be reached at 391-5434 or reporter1@hobbsnews.com.
From the Publisher

Part of our future is tied up in cobwebs

By M.E. Sprengelmeyer

The dots on the map mark a paradox for Guadalupe County.

There they are in a survey of our area’s housing stock, lots of little marks representing clusters of unoccupied homes – some in decent shape, some in so-so condition and some looking like they’re on the verge of falling down.

The scatterplot map is a visual representation of what the latest U.S. Census data showed: as of 2010, about one-quarter of the county’s available housing units stood vacant – double the statewide average. Anecdotal evidence suggests things have only gotten worse in the five years since then.

So why, then, do communities like Santa Rosa still have such a shortage of rental units on the market? Why do people on all ends of the economic spectrum – doctors and lawyers, school teachers, prison guards and others – say they find it difficult or impossible to find suitable places to live when they consider moving here from other places?

Answering that question, not only with words but with new strategies and resources, is at the center of the county’s intertwined economic woes. That became clear at the housing summit sessions held Wednesday at Santa Rosa’s Blue Hole Dive and Conference Center.

Housing is just one part of a larger economic puzzle that local leaders are trying to solve, but it illustrates how one problem is tied to the next and the next and the next.

Money is at the root of all of it, of course. Without a whole lot of high-paying jobs, the county’s income levels are among the lowest in the state. Many families are cash-poor, even if they own properties that are bought and paid for. They don’t always have a lot of spare cash to put into maintenance or basic upgrades on vacant properties – improving aging plumbing or electrical fixtures, for example. So they’re not suitable to put on the rental market.

The homes sit vacant. With each year that passes, each brutal winter, each summer hail barrage, the empty structures age that much more quickly. Buildings crumble and the weeds grow, oblivious to a strong market demand for rental housing.

This holds back the economy because it makes it hard for local employers, big or small, to lure workers from other areas to settle down here. We’re not just talking about the GEO Group-run prison, where some of the correctional officers are already commuting. We’re also talking about the schools or even Guadalupe County Hospital.
At Wednesday's session, Hospital Administrator Christina Campos spoke about two new doctors who are planning to move to the community, wanting to rent at first and settle down by buying property later. That’s no easy feat. There aren’t a lot of high-end rentals available. There aren’t too many more modest rentals on the market either.

Too much of Guadalupe County’s housing stock is tied up in cobwebs, perhaps for understandable financial reasons. It’s the crux of a vicious cycle. We don’t have money, so we can’t afford to upgrade the housing that would allow businesses to attract workers and dream of expanding. And because they can’t expand, we as a community don’t have money.

There’s no easy end to the cycle, but the housing plan due later this spring is meant to set the stage for a gradual turnaround. One component envisions the creation of a housing trust that could, among other things, offer incentives for new building. But as Joseph Montoya of the New Mexico Mortgage Finance Authority and others made clear on Wednesday, it also needs to find ways to encourage and assist the owners of vacant properties to get those empty buildings “back” into the living fabric our community.

For now, they’re just dots on a pretty depressing map. But we hope the property owners keep an eye on the still-developing effort, ask questions about what types of federal, state or local resources are available to help with housing rehabilitation, and do their parts in improving the health of their neighborhoods and the entire community.
Multi-housing complex in Eunice gets green-lit by Lea County

SILVIO PANTA
NEWS-SUN

LOVINGTON — Lea County Commissioners voted unanimously Thursday to shore up $1 million for a joint effort to build a 16-unit subsidized housing apartment complex in Eunice.

Under the terms of the mutual agreement, Eunice would provide the one-acre of land at the corner Avenue M and 23rd Street for the $2 million project that city officials stress is sorely needed.

Lea County would provide the $1 million in additional capital needed to complete the housing project that would partly be aimed at people who work in public safety, Chris Herbert, executive director of Eastern Regional Housing Authority of New Mexico, said.

A state grant of $348,000 and a $650,000 loan from the New Mexico Mortgage Finance Authority was secured in December by the housing authority for the project. Herbert hopes a similar endeavor will be pursued in Jal.

But the Eunice project has to get done first, Herbert said. The loan is for good for up to 20 years and would be refinanced after it's up, Herbert said.

“This is pretty exciting for us,” he said.

Eunice City Clerk Joyce Tolsma, attended Thursday’s meeting, and expressed her approval. After the session, Tolsma was still overjoyed, noting that a housing project in an area where many RVs dot the landscape would be a long-overdue addition.

“We need it. We need it bad,” Tolsma said. “We do need housing.”

Eunice City Manager Marty Moore was equally thrilled about the commission’s decision to help develop the apartment complex. The last hurdle Eunice needed to clear was getting Thursday’s vote by the county for the project, he said.

“We’re obviously very pleased and very much appreciative of the county for being willing to step and help us out here,” Moore said. “That’s a major shot in the arm for us. This is honestly the closest we’ve gotten to getting some workforce and affordable housing in Eunice.”

Moore was especially happy with the affordability of the apartments.

“Oh, yeah,” he said. “It’s at an affordable market rate. We’re pretty happy, in fact.”

People earning 60 percent of Eunice’s median income or less will be eligible for six units. The remaining 10 units will be intended for people who make more than 120 percent of the area median income. Those working in the “essential services” field — like police or firefighters — would also have preference to rent the units, Herbert said.

Educators, healthcare workers and active members of the service are also eligible for the apartments. Under state guidelines at least six apartments have to be aimed at low-income earners and at least three units have to go to those in public safety, Herbert added.

“We’re hoping to break ground in June,” Herbert said, who added that the project is the first of its kind in Eunice. “We estimate completion by early 2016.”

Eunice Mayor Matt White explained the city has a tough time in keeping working professionals because of the housing shortage. A 16-unit apartment complex would ease the problem, he said.

“We’ve had trouble getting teachers (into the area) because there’s no housing,” White said. “And we’ve had trouble in the past getting police officers. I have a solid police force now, so it’s not as critical as it was. But we do have police officers living in trailers the city maintains for them. It’ll be nice, if someone wants to move out of their trailer. We’re excited
Gregg Fulfer, chairman of the Lea County Commission, said during the meeting he was glad that “we finally see something from the (NMFA),” and gave his best wishes to the project.

“We’re hoping that this is a success for Eunice,” Fulfer said.

Silvio Panta can be reached at 391-5446 or at court@hobbsnews.com
New housing in small towns also needed

THE ISSUE: Lea County and the City of Eunice are working together to bring more housing to southern Lea County

WHAT WE SAY: Given our crisis any new housing in Lea County is a good thing.

Despite the economy slowing down some, now is not the time to slow down when it comes to relieving the housing problems faced in many of our communities. One never knows when the oilfield will pick back up so preparation is key. Waiting until the next burst of oilfield activity to start means one is too late.

After a meeting last Thursday, Eunice now has an opportunity that will hopefully result in the 16 new apartments being built. Those apartments will be for police and firefighters as well as a few set aside for low income renters.

Lea County and the City of Eunice along with the New Mexico Mortgage Finance Authority and Eastern Regional Housing Authority are partnering to make the $2 million apartment project happen.

The need for good housing at affordable prices is still obvious. The project in Eunice is needed to relieve the strain on families and workers to have nice choices in where to live. It means some in Eunice could move out of their recreational vehicles and into a home with a foundation.

We applaud officials for continuing to move forward with this project in Eunice, which has an abundance of workers but not an abundance of affordable places to live. Private capital to invest in new apartments in small towns is difficult if not impossible to come by. This planning and cooperating by these government agencies mean the project just might get built.
'Community rebirth' begins with new housing

SEAN CZARNECKI
NEWS-SUN

City of Hobbs continues to pour money into subsidized housing projects to meet the need of its swelling population.

So far the City has given the green light to three different projects and made a pledge to finance 10 percent of each of their total costs.

“It’s certainly needed — affordable housing in our community,” Hobbs City Manager J.J. Murphy said. “And it will be instrumental in the ‘rebirth of the community,’ having a proper balance of affordable housing, especially for single parents.”

None of these projects were likely to be constructed without outside help.

The Albuquerque-based New Mexico Mortgage Finance Authority provided most of the money for these projects through low-income housing tax credits it awarded to the developers.

MFA communications manager Leann Kemp explained housing tax credits are vital sources of equity for low-income developments and can fund up to 75 percent of the total cost.

The three projects stand at different stages of development:

One has broken ground at 1621 Marland Ave. Another at Yeso and Jefferson is wading through the paperwork process. And another at East Dunnam, across from the Boys and Girls Club, is still being considered for funding by the MFA.

According to Michelle Den Bleyker, vice president of real estate development at YES Housing, the company anticipates construction to be finished in Jan. 2016. Leasing would begin leasing in fall 2015.

Playa Escondida is the name of the 60-unit affordable housing development at Yeso and Jefferson. The developer, Tierra Realty Trust, was not available for comment as of press time.

The last of the projects is a 65-unit structure named Parkside Terrance. It’s being developed by Chelsea Investment Corporation, who was not available for comment as of press time.

Lindsay Chism, the Hobbs director of communications, said the application review process for Parkside Terrance is still underway.

She also said the MFA will decide whether to fund the project in June 2015. The City of Hobbs will finance 10 percent of that project on the condition it receives low-income housing tax credits from the MFA.

According to Hobbs City Planner Kevin Robinson, the project will not break ground until 2016 or later.

The MFA awarded those low-income housing tax credits to the developers based on a complex scoring criteria.

Two factors weighed significantly in the scoring of the three Hobbs projects: demonstrated need and local funding. And Hobbs currently has a vacancy rate bobbing below and around the five percent mark, and the City is spending big money on the projects.

Lucky for the city, the MFA may continue to fund projects in Hobbs based on these two factors.

Den Bleyker also intimated that YES Housing might not be finished doing work in Hobbs yet

“We have another community being considered by the MFA for 2015 and the City also gave us a funding commitment if that moves forward. Keep your fingers crossed for us!”

This future project, Den Bleyker said, would also be constructed on Marland Avenue.

Sean Czarnecki can be reached at 391-5434 or reporter1@hobbsnews.com.
A visualization of the New Leaf Community being developed by YES Housing, Inc. on Marland Ave.
REAL ESTATE CONNECTION

Steady income, credit score open doors

First-time buyers key to bolstering local housing market

By Gary Sandler
Gary Sandler Inc. Realtors

MFA assists first-time buyers by providing down payment and closing cost funds required to bridge the gap between the normal down payment and closing costs associated with Conventional, FHA, VA and USDA loan programs, and MFA's minimum cash investment requirement of $500. A first-time buyer is defined as a person who has not owned a home in which they have lived during the 3-years preceding the purchase.

Here's how it works.

Let's say a buyer purchases a $150,000 home using an FHA loan that requires a 3.5 percent down payment, plus closing costs of $3,000. Without down payment and closing cost assistance, the buyer would have to plunk down a total of $8,250 ($5,250 down + $3,000 in costs). With MFA assistance, the buyer's total cash outlay can be as little as $500.

MFA makes up the $7,750 difference in the form of a second mortgage that requires a monthly payment of $6 for each $1,000 dollars borrowed. In this example, the monthly payment on the second mortgage would add $46.50 to each mortgage payment.

Lenders qualify borrowers using the normal guidelines associated with the Conventional, FHA, USDA or VA loan chosen by the buyer. MFA then provides the additional funding. This is where the 620 credit score and steady income come into play.

As I've mentioned many times before in this column, lenders are like shoe stores in that they are both retailers. As in most retail situations, not all lenders carry the same loan "products" and not all shoe stores carry the same shoe "products." This is especially true when MFA is involved.

While MFA requires buyers to have a minimum credit score of 620 to qualify for the programs, some lenders impose a 640 minimum. This could create a scenario in which a buyer with a 630 score would qualify at lender A's 620 minimum but would be ineligible under lender B's 640 minimum. That's one reason that it pays to shop around.

Some lenders that are eligible to tap into MFA's assistance program do not choose to carry the full lineup of MFA products. It's important that first-time buyers work with a lender that's ready, willing and able to utilize whichever MFA program (or combination of programs) is best for their situation.

It's not a "one size fits all" proposition.

Having enough steady income to cover the loan payment and other household costs is one of the basic tenets of qualifying for a mortgage. Wages, salaries, tips, commissions, social security and disability income may, in certain circumstances, all count towards qualifying as could child support, annuities, alimony and structured payouts. The lender must also follow specific guidelines in determining whether the total household income is within MFA's program allowances.

Income limits and maximum home prices for the programs are dependent upon the county in which the property is located. The maximum purchase price in Doña Ana County is $265,358. Maximum gross income for borrowers consisting of one to two family members is $54,200 annually. Families of three or more can make up to $62,330 before taxes.

MFA programs are significantly enhanced for borrowers who purchase a property located in a targeted census tract. A targeted census tract has been identified as an area of chronic economic distress wherein a majority of residents earn far below the Area Median Income. Currently, Doña Ana County contains seven
Among the benefits for a borrower purchasing in a targeted area is that they are not required to be a first-time buyer. Additionally, allowable income limits are increased to $65,040 for a one- or two-person household and $75,880 for a family of three or more. MFA also allows for a higher purchase price of $324,082. Perhaps the most attractive benefit is the fact that the borrower will be quoted the lowest interest rate MFA has offered in the preceding 12 months.

Well, there you have it. First-time buyers with $500 in cash, a 620 credit score and steady income may indeed be able to purchase a home today. For more information on down payments, targeted areas, and a list of eligible Las Cruces area MFA approved lenders, log on to www.housingnm.org.

See you at closing.

Gary Sandler has been reporting on local, state and national real estate trends for more than 15 years. He may be reached at 575-322-8228 or gary@garysandler.com.
Libraries to offer finance programs

The Albuquerque-Bernalillo County library system is presenting free programs on managing personal and business finances at six area libraries.

The Money Smart Week @ Your Library, to be held from April 20-24, will be aimed at teens, first-time homebuyers, small-business owners and those who want to better manage their finances.

The programs will include a free webinar by investment research and management firm Morningstar, a workshop at the main library aimed at entrepreneurs, teen credit programs and a presentation by the New Mexico Mortgage Finance Authority.

The program is a national initiative by the American Library Association and the Federal Reserve Bank of Chicago.

The events will be at the main library Downtown and at the Juan Tabo, South Valley, Lomas/Tramway and Alamosa branches. Register by calling the library branch.
March NM Tribal Homeownership Coalition Meeting

Thursday March 19
1 PM to 3 PM
Pueblo of Zia Housing Office

Exit Highway 44 NW toward Cuba/Farmington at Bernalillo. Zia Boulevard will be on the right approximately 18 miles from I-25. Take the right hand turn into Zia and go north on Zia until just past the Jemez River. Then left (west) on Riverside Drive and the Housing Office.

Welcome
Rachel Salas, Zia Housing Executive Director

TSR Processing Update
Eric Schmieder and Cheryl Cadotte (BIA Realty Invited)

NM Affordable Housing Tax Credit and OOHA Project

Roofing Projects at Zia
Rachel Salas and Sylviano Sanchez, ABC Roofing

Announcements and Next Meeting
MFA to Screen Webinar on NA Housing

Please Join us in the MFA board room to view on our big screen. Feel free to bring lunch to eat during the viewing. We will have a discussion afterward. Please RSVP to: eschmieder@housingnm.org

Despite improvements over the last two decades, Native Americans are more likely to live in homes that are crowded, physically inadequate, and unaffordable when compared to the nation as a whole. Many tribal communities lack a developed housing and lending market, leaving them almost totally dependent on federal funding to address housing need. Over the last 50 years, the federal government has sought to fulfill its obligation through a framework of self-determination, allowing tribes to develop and implement programs based on and conducive to local conditions and preferences. The speakers will mine data and illustrative best practices to offer a picture of how Native Americans are faring today.

Panelists:

- Rodger M. Boyd, Deputy Assistant Secretary, Office of Native American Programs, Moderator
- Nancy M. Pindus, Senior Fellow, Urban Institute
- Kevin Klingbeil, Managing Director, Big Water Consulting, Seattle
- Carol Gore, President and CEO, Cook Inlet Housing Authority, Anchorage

We also invite you to participate in the event via social media by following @HUDUSERnews and @PDRevents. We'll be tagging our updates with #PDRUpdate.

If you would like to sign up for a webcast of the film, or if you have the opportunity to attend the screening at HUD headquarters in Washington DC, you can register here:

Click Here to Register

Please note that Flash 9.0.115 or higher and high speed connection of 450kbps or higher are needed to view the webcast. Minimum system requirements and additional technical information can be found here.
Kara Bobroff ED at Native American Community Academy

Kara L. Bobroff is executive director of the Native American Community Academy, an Albuquerque charter school for grades 6 to 12 that focuses on helping Native American students find academic success from a strong foundation of health and personal identity.

For her work establishing NACA, Bobroff was recognized in 2009 by President Barack Obama as one of 100 top social innovators in the nation. She spoke with Business First about the school and how she and her staff work to prepare students for success in higher education and the workforce.

What's the mission of the Native American Community Academy, and how did the concept for the school come about? The mission is to engage the community to create a school that supports Native American students from adolescence to young adulthood. We focus on three outcomes — academic preparation for higher learning, developing a strong sense of identity and being healthy. School district data showed Native American students had the highest dropout rate and the lowest academic achievement rates. We drew in folks in the Albuquerque community from tribal leadership, business leaders, APS, parents, nonprofits — we engaged about 150 people around these questions. "Is there interest in a school like this?" And, "If we could do just one thing really well in a school like this, what would that be?"

We looked at why 75 percent of Native students who start college drop out in the first semester. And one of the things we found is how important it is to help students develop a sense of core values, which gives them a feeling of being grounded in their community and allows them to have a vision for the future.

How did you become a school administrator? One really concrete thing was that the principal and assistant principal where I was teaching asked me if I had ever thought about being an administrator. But the more influential factor was my parents. They were educators for their entire
careers. My mom taught middle school, and my dad taught middle school, was a principal and a superintendent as well. (Jack Bobroff was APS superintendent from 1988 to 1994.)

I taught at a high-performing blue ribbon school in San Rafael, Calif., for four years. And there were such differences in the quality of education there compared to what I had experienced as a student in Albuquerque. At that time, I would think about what I would do if I could take that same level of teachers, the same philosophies of working with community, the same enriching opportunities and put that in the middle of the Navajo Nation or Albuquerque.

Then I taught on the Navajo Nation, and I was asked by the superintendent if I would be a principal, because the situation was kind of dire. There was this disconnect between the community and the school. And that kept me engaged with thinking about how do we do this better? And then this discussion in Albuquerque about a school for Native American kids was happening.

What makes NACA different? There's such a collective vision and mission — the students feel it in their education, the teachers and administration feel it, the broader community feels it. There's so much alignment about people wanting to see this for kids in Native communities. It's the first time I've worked in an educational entity where it's so clear. There is a mission and vision we want for the kids, and we just built a school to meet that. It's taught me that you can engage community to do amazing things.

We have a very strong emphasis on college access and preparation. We offer a high level of advisement to each student. There's an internship requirement before they graduate.

How would you assess the results you are seeing? We send kids to college at four to five times the national rate for Native students. We were rated second for closing the achievement gap for Native students. We see our kids go to Ivy League schools — Yale, Brown — or all the different schools in New Mexico. We have one alumnus who's in Cuba right now studying trade relations between the Navajo Nation and Cuba. To me that is so NACA. The fact that she chose that specific thing is an indicator of success, I think.

How do you integrate the education and business components of your school? I think first and foremost, there has to be an unwavering commitment to do whatever it takes. And for me, part of that was to learn about operations and management — of facilities, finance and governance. I had a really great mentorship, and still do, from people like Mike Canfield at the Indian Pueblo Cultural Center, and I tap into their expertise. Who are the key partners who want to see us be successful I find that people in our city and state believe in this and are more than willing to help.

Kara L. Bobroff

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