NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
Sandia Resort & Casino (Eagle room) - 30 Rainbow Rd, Albuquerque, NM 87113
Wednesday, August 15, 2018 at 9:30 a.m.

Agenda

Chair Convenes Meeting
- Invocation (Lieutenant Governor Scott Paisano, Pueblo of Sandia)
- Roll Call (Jay Czar)
- Approval of Agenda – Board Action
- Approval of 7/18/18 Board Meeting Minutes – Board Action

Board Action Items

<table>
<thead>
<tr>
<th>Action Required?</th>
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<tbody>
<tr>
<td>YES</td>
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<td>YES</td>
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1. 6/30/18 Quarterly Financial Statement Review (Gina Hickman)
2. 6/30/18 Quarterly Investment Review (Kathy Keeler)
3. Next Home Program Policy Revisions (Jeff Payne)
4. Capital Magnet Fund grant application (Monica Abeita)

Contracted Services/Credit Committee

<table>
<thead>
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<tr>
<td>YES</td>
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5. Approval of 2018 HOME Rehab Request for Proposals (RFP) (Troy Cucchiara)
6. RFP Award or Purchase of Affordable Housing Rental Properties in Clayton, NM (Christi Wheelock)

Other

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<tr>
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<tbody>
<tr>
<td>YES</td>
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<td>YES</td>
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7. J.L. Gray NM South 2017 LLLP Bond Resolution - Rio Mimbres I - II, Series A and B (Shawn Colbert)
8. J.L. Gray NM South 2017 LLLP Bond Resolution - Columbus Apartments, Series A and B (Shawn Colbert)
9. J.L. Gray NM South 2017 LLLP Bond Resolution - Franklin Vista I – V, Series A and B (Shawn Colbert)

Other Board Items

Information Only

10. (Staff is available for questions)
- Staff Action Requiring Notice to Board
- FY 2018 Q3 Strategic Plan Dashboard
- 2018 Series B Single Family Bond Pricing Summary

Monthly Reports

No Action Required

11. (Staff is available for questions)
- Communications Department Reports

Quarterly Reports

No Action Required

12. (Staff is available for questions)
- Quarterly Board Report

Announcements and Adjournment

Discussion Only

Confirmation of Upcoming Board Meetings
- August 15-16, 2018 - Board Meeting/Retreat Wednesday - Thursday (Albuquerque – Sandia Resort)
- September 19, 2018 – Wednesday – 9:30 a.m. (Albuquerque – MFA)
- October 17, 2018 – Wednesday – 9:30 a.m. (Albuquerque – MFA)
- November 15, 2018 - moved up a week to Thursday (Albuquerque – MFA)
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1 6/30/18 Quarterly Financial Statement Review (Gina Hickman) - ongoing

2 6/30/18 Quarterly Investment Review (Kathy Keeler) - ongoing

3 Next Home Program Policy Revisions (Jeff Payne) - MFA Staff requests approval of revisions to the Next Home program and a new down payment assistance (“DPA”) second mortgage program (Next Down) to be used in conjunction with the Next Home program. These changes are intended to improve the long term viability of the Next Home program and allow MFA to offer more competitive rates on Next Home first mortgages.

4 Capital Magnet Fund grant application (Monica Abeita) - MFA requests approval to apply for a grant of up to $3 million dollars to the Capital Magnet Fund, U.S. Department of Treasury, for an affordable housing fund to be used as grant gap funding for difficult to develop LIHTC projects.

Contracted Services/Credit Committee

5 Approval of 2018 HOME Rehab Request for Proposals (RFP) (Troy Cucchiara) - Staff recommends approval of the 2018 HOME Rehabilitation Program RFP. The purpose of the program is to provide funding for the rehabilitation of homes occupied by eligible low-income homeowners in order to bring their homes back to code and meet safety and habitability standards. The total funding available for the 2018 HOME Rehabilitation Program is $3,060,250 to rehabilitate 46 homes. Priority will be given to Offerors that can provide services in the Colonias and underserved areas.

6 Request for Proposals (RFP) Award or Purchase of Affordable Housing Rental Properties in Clayton, NM (Christi Wheelock) - Staff recommends approval for the sale and transfer of the Clayton 5 to Golden Spread Rural Frontier Coalition, as this is in the best interest of MFA due to the ability and local presence of Golden Spread whom has the experience to manage the exigent need for repairs both in the occupied and unoccupied homes. Golden Spread is committed to the preservation of Affordable Housing, has the affordable housing experience to comply with Land Use Restrictions Agreements and the financial means to provide repairs and rehabilitation to maintain habitability requirements for UPCS.

Other

7 J.L. Gray NM South 2017 LLLP Bond Resolution- Rio Mimbres I - II, Series A and B (Shawn Colbert) - Staff requests approval of the attached Bond Resolution for JLG NM South Apartment Projects- Rio Mimbres I - II in order to pursue issuance of up to $2.9mm in tax exempt bonds that are expected to close in late August, 2018. Bond proceeds will fund the completion of the acquisition and rehabilitation of 60 units located on two contiguous sites in Deming, NM. Approval of this Bond Resolution will result in these units remaining affordable for an additional 50 years.

8 J.L. Gray NM South 2017 LLLP Bond Resolution - Columbus Apartments, Series A and B (Shawn Colbert) - Staff requests approval of the attached Bond Resolution for JLG NM South Apartment Projects- Columbus Apartments in order to pursue issuance of up to $550,000 in tax exempt bonds, which bonds are expected to close in
late August, 2018. Bond proceeds will fund the completion of the acquisition and rehabilitation of 24 units located in the town of Columbus, NM. Approval of this Bond Resolution will result in these units remaining affordable for an additional 50 years. YES

9 J.L. Gray NM South 2017 LLLP Bond Resolution - Franklin Vista I – V, Series A and B (Shawn Colbert) - Staff requests approval of the attached Bond Resolution for JLG NM South Apartment Projects- Franklin Vista I - V in order to pursue issuance of up to $5.55mm in tax exempt bonds that are expected to close in late August, 2018. Bond proceeds will fund the completion of the acquisition and rehabilitation of 136 units located at five contiguous sites in the town of Anthony, NM. Approval of this Bond Resolution will result in these units remaining affordable for an additional 50 years. YES

Other Board Items

10 (Staff is available for questions)
- Staff Action Requiring Notice to Board
- FY 2018 Q3 Strategic Plan Dashboard
- 2018 Series B Single Family Bond Pricing Summary

Monthly Reports

11 (Staff is available for questions)
- Communications Department Reports

Quarterly Reports

12 (Staff is available for questions)
- Quarterly Board Report

Announcements and Adjournment

Confirmation of Upcoming Board Meetings
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Minutes
Chair Burt convened the meeting on July 18, 2018 at 9:34 a.m. Secretary Czar called the roll. Members present: Chair Dennis Burt, Sally Malavé (designee for Attorney General Hector Balderas), Mark Van Dyke (designee for Lieutenant Governor John Sanchez), Treasurer Tim Eichenberg, Steven Smith and Randy McMillan (arrived during tab 1 at 9:35 a.m.). Absent: Angel Reyes. Czar informed the Board that everyone had been informed about today’s meeting in accordance with the New Mexico Open Meetings Act.

Approval of Agenda - Board Action. Motion to approve the July 18, 2018 Board agenda as presented: Malavé. Second: Van Dyke. Vote: 5-0.

Approval of June 13, 2018 Board Meeting Minutes – Board Action. Motion to approve the June 13, 2018 Board Meeting Minutes as presented: Malavé. Second: Van Dyke. Vote: 5-0.

Employee Introductions: Yvonne Segovia controller – Accounting Department introduced Accountant Kadie Creswell who joined the Accounting Department. Olivia Martinez homeownership manager introduced Secondary Market Processor Teresa Lloyd who joined the Homeownership Department.

Finance Committee

1 Budget Amendment FY2018 (Yvonne Segovia). Segovia reminded the Board that they had approved the FY 2018 budget at the September 2017 board meeting. She then provided additional information in regards to the need for the budget amendment as listed in the memo under discussion located behind tab one, which will become a part of the official board packet. Segovia stated that as a result of record single family mortgage loan production and implementation of a document management system, staff anticipates that we will not have sufficient expense and capital outlay budget to carry the organization through the end of the fiscal year. Therefore staff is proposing an amendment to increase expense and capital budget by $1,523,970 and increase revenue budget by $2,356,500 for a net total of $832,530. Motion to approve the Budget Amendment FY2018 as presented: Smith. Second: Eichenberg. Vote: 6-0.

2 Housing Opportunity Fund Appropriations (Yvonne Segovia). Segovia began her presentation with background information explaining that the Housing Opportunity Fund (HOF) was created in 1991 and total appropriations to date are $91.6 million; as indicated in the memo behind tab one, which will become a part of the official board packet. Segovia stated that the DPA Program will exhaust all available appropriations due to increased demand in the Single Family Mortgage Program resulting in a need for funds of $.5mm through September 30, 2018 to support anticipated demand. Due to this shortage, staff is presenting this recommendation outside of the annual budget cycle. In order to meet anticipated demand, Staff recommends $6.3mm be appropriated to the First Down DPA Loan Program, of which $2.5mm will be transferred from the Primero Program, $975k will be transferred from the Partners Program, $2.1mm will be transferred from the Access Program, resulting in $725k of new funds being appropriated to the Housing Opportunity Fund. As of May 31, 2018, MFA has $27,997,000 in General Fund reserves which have been designated for use in the Single Family and Multifamily housing programs. Hickman spoke to the discussion which took place with Finance Committee as requested by Chair Burt. She stated that the real driver of the success of the program is the competitiveness of our mortgage rates explaining that Kathy Keeler would explain this in her presentation under tab eight - 2018 C Bond issuance further on the agenda. The bond execution has come back which has allowed MFA to keep our mortgage rates at or below market, which is having a very positive impact on our program. Whereas in the past DPA had driven the program, now bond issuance has really made our interest rate very competitive. Hickman further informed the Board that in the near future the Board will see more bond issuances. Hernandez gave a brief overview of the programs and their purpose which comprise the Housing Opportunity Fund (HOF). Czar reminded the Board that the HOF programs are funded by MFA’s General Fund reserves through appropriations designated by the Board to support MFA’s legislative responsibility to provide decent, safe, and affordable housing programs to benefit all New Mexicans. Motion to approve the Housing Opportunity Fund Appropriations as presented: Malavé. Second: Eichenberg. Vote: 6 - 0.

3 Authorized Signatures Resolution (Yvonne Segovia). Segovia informed the Board that the Authorized Signatures Resolution is updated periodically as needed. She explained that as an approved Ginnie Mae issuer, staff is required to perform various selling and servicing functions, which require the use of a Ginnie Mae RSA SecureID Token. As
we move forward with the implementation of the next phase of the Servicing Expansion project and also to ensure adequate authorized staff to perform these functions, additional staff must apply to receive a token. In order to apply for the token, Ginnie Mae requires designated staff be listed on MFA’s Authorized Signatures Resolution, which is located behind the memo behind tab three and will become a part of the official board packet. Therefore staff is recommending the addition of the Assistant Director of Servicing and Secondary Market Manager as authorized signors of program and servicing documents to support servicing expansion. Motion to approve the Authorized Signatures Resolution as presented: McMillan. Second: Van Dyke. Vote: 6 - 0.

4 Approval of Broker/Dealers, Custodians and Depositories (Gina Hickman). Hickman explained that at least annually and as needed, MFA staff reviews and updates the list of brokers, dealers, custodians and depositories. The Broker/Dealer, Custodian and Depository List includes firms that are part of our Underwriting Team, other underwriters with local offices who have expressed interest in working with MFA by responding to our most recent underwriting request for proposal (RFP) and who meet the required criteria in the Investment Policy. Depository and custodial relationships are established as part of either an RFP process or are institutions utilized by the State of New Mexico. The one exception is the Federal Home Loan Bank of Dallas, a government-sponsored enterprise, which provides financial services to member institutions including Housing Finance Agencies. She further explained that a due diligence review was conducted and organizations meet established qualifications as stated in the MFA Investment Policy. Motion to approve the Approval of Broker/Dealers, Custodians and Depositories as presented: Smith. Second: McMillan. Vote: 6 - 0.

Contracted Services/Credit Committee& Housing Trust Fund Committee

5 Approval of Community Development Block Grant (CDBG) Service Providers and Funding (Gina Bell). Bell began by stating this request is for Service Providers and associated funding for the Community Development Block Grant (CDBG) program. Staff requests approval of two Service Providers, SW Regional Housing and Tierra Del Sol to provide Roof Replacements to 20 homes and Accessibility Upgrades to 13 homes. Total funding for the two activities is $427,965 stating that Rehab and Weatherization leveraging funding had already been awarded. The CDBG Housing Programs national objective is to assist low and moderate income homeowners with repair, rehabilitation, accessibility modifications, specific types of housing modernization, code enforcement, and historic preservation activities. MFA was awarded $500,000 of CDBG funding from the Department of Finance and Administration to provide housing services in the Colonias. In addition, MFA provided a cash match of $25,000 for a total of $525,000. A RFP for Offerors to provide Roof Replacements and Accessibility Upgrades to homes in the Colonias was released on May 16, 2018. RFP training was held on May 23, 2018 and responses to the RFP were due on June 13, 2018. MFA received 2 responses. One from SW Regional and one from Tierra Del Sol. The responses were reviewed and independently scored by three MFA team members. Bell further informed the Board that both agencies passed minimum threshold and presented the scoring for each agency as well as the allocation of funding. The MFA $25k cash match was also discussed. Motion to approve the Community Development Block Grant Service Providers and funding as presented: Van Dyke. Second: Smith. Vote: 5-0. (McMillan abstained).

Other

6 2018 Series C Single Family Bond Resolution (Kathy Keeler). Keeler presented a bond resolution for the 2018 Series C single family program. She explained that as indicated earlier demand for our single family loans has been very strong. She briefed the Board on MFA’s successes stating 2018 A bond issue closed on May 10th and utilized all the funds by the end of June, approximately 1.5 months early. Series B closed earlier this month and staff anticipates total origination by the end of August which was $65mm in new monies. She emphasized that MFA is going through the funds rather quickly. Staff is recommending the approval of the 2018 Series C Single Family Bond Resolution in the amount of $65 - $75mm; strictly based on the demand for our product. The Trustee is Zions Bank. The underwriters on this bond transaction will be RBC Capital Markets LLC as Senior Manager and Raymond James & Associates, Inc. as co-manager. Keeler noted that MFA will also be using a selling group to assist in the retail sale component since that strategy worked so well for 2018 Series A & B. Keeler reviewed Exhibit A highlighting the bond maximum parameters as follows: Maturity Date not to exceed January 1, 2052, Principal Amount not to exceed $75mm, Interest Rate not to exceed 5% and Authority Contribution not to exceed $1.3 mm. Motion to approve 2018 Series C Single Family Bond Resolution as presented: Malavé. Second: Van Dyke. Vote: 6-0.

7 MFA’s 2018 Open Meetings Resolution (Joshua Allison). Allison made reference to the Open Meetings Resolution located behind tab seven, explaining that this item comes to the Board on an annual basis. The resolution is
unchanged from the last couple of years. He mentioned that he and staff evaluated whether to provide for one publication of the Board’s regular meetings and are recommending instead continuing publish notice on a monthly basis in newspapers of general circulation of publication in New Mexico. He stated that there is enough deviation from general meetings with board trainings, study sessions, and meetings outside of Albuquerque, that publishing notice monthly is a better procedure for the organization. Motion to approve the MFA’s 2018 Open Meetings Resolution as recommended: Malavé. Second: Smith. Vote: 6-0.

**Other Board Items - Information Only**

8 There were no questions asked of staff.

- Staff Action Requiring Notice to Board

Chair Burt asked legal counsel Joshua Allison to report on the status of Commonweal Conservancy Inc. Allison made reference to the agreement made with Commonweal Conservancy Inc., which the Board approved at the May Board meeting. The key terms of that agreement, which would resolve the disputes related to Commonweal Conservancy, Inc.’s defaulted loan obligations are: Commonweal agreed to pay the full outstanding principal balance on its loan obligations to MFA, which results in a payment of $2,419,084, in two installments; Installment 1 is presently due no later than July 2, 2018 in the amount of $1mm and the second payment of the balance of $1,419,084 is due no later than January 3, 2019. The remaining terms are spelled out in the Conditional Settlement Agreement and Mutual Release Agreement approved by the Board. In effect, if the payments are made timely, the lawsuit will be dismissed and the mortgages and use restriction agreement will be released.

Allison informed the Board that there has been an update since then. He explained that he had received a call from the funder of the Commonweal settlement payments, asking if MFA would be willing to receive full payment of $2,419,084 on July 2, 2018. The only distinction that was made is that the funder requested an assignment of the mortgage and notes, as opposed to their release. After separate discussions with Board Chair Dennis Burt, Jay Czar, and other staff members, Allison advised that it was sufficiently within the Board’s previous approval to accept the funder’s proposal and effectuate the final settlement of those disputes. Allison and his law firm drafted those assignments and related documents in order to accommodate the funder’s request, and received full payment of the $2,419,084. The matter is now finally resolved.

Member Malavé asked why the funder would want the assignment of the mortgages. Allison explained that the funder wanted to leave those liens in place on the properties to ensure that they would be kept for a public purpose/public use of conservancy issues; in effect, the funder bought the mortgages. Czar thanked Chair Burt, Allison and his associate Werenko and MFA staff for their work in finalizing this payment, explaining that this happened very fast and was very fruitful for the organization. Chair Burt thanked Treasurer Eichenberg and Member Reyes for the benefit of their insights and teaching the Board something about negotiating skills.

**Monthly Reports - No Action Required**

9 There were no questions asked of staff

- 5/31/18 Financial Statements.
- Communications Department Reports

**Announcements and Adjournment - Confirmation of Upcoming Board Meetings.** Chair Burt informed the Board that the next Board of Directors meeting will be held on August 15, 2018 at Sandia Resort in conjunction with the Board Retreat from August 15-16.

There being no further business the meeting was adjourned at 10:24 p.m.

Approved: August 15, 2018

_________________________  ____________________________
Chair, Dennis Burt               Secretary, Jay Czar
Tab 1
NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting
Tuesday, August 13, 2018 at 1:00 p.m.

To dial in to the conference call dial: MFA (Abbott Hall) all participant dial in
(641) 715-3276 Participant Access Code: 561172#   MFA only/Host Access Code: 561172*

<table>
<thead>
<tr>
<th>Agenda Item</th>
<th>COMMITTEE RECOMMENDED</th>
<th>BOARD ACTION REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 FY2018 External Audit Entrance Conference (Aaron Hamilton and Janna Skinner - Moss Adams)</td>
<td>2-0</td>
<td>YES</td>
</tr>
</tbody>
</table>

Committee Members present:

- Steven Smith, Chair
  - present: ☐  absent: ☑  conference call: ☐
- Dennis Burt
  - present: ☑  absent: ☐  conference call: ☐
- Lieutenant Governor John Sanchez
  - present: ☐  absent: ☐  conference call: ☑

Proxy Mark Van Dyke
New Mexico Mortgage Finance Authority

Combined Financial Statements
and Schedules

June 30, 2018
SUMMARY OF NEW BOND ISSUES:

Single Family Issues: $45 mm 2017 Series B Bonds-New Money (November)
$12.3 mm 2017 Series B Bonds-Refunding (November)
$50 mm 2018 Series A Bonds-New Money (May)
$12.8 mm 2018 Series A Bonds-Refunding (May)

Multi-family Issues: None

COMPARATIVE YEAR-TO-DATE FIGURES (Dollars in millions):

<table>
<thead>
<tr>
<th></th>
<th>9 months to 6/30/18</th>
<th>9 months to 6/30/17</th>
<th>% Change Year/Year</th>
<th>Forecast to 6/30/18</th>
<th>Actual to 6/30/18</th>
<th>Forecast to 9/30/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRODUCTION</strong></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>1 Single family issues (new money):</td>
<td>$95.0</td>
<td>$50.0</td>
<td>90.0%</td>
<td>$74.0</td>
<td>28.4%</td>
<td>$111.0</td>
</tr>
<tr>
<td>2 Single family loans sold (TBA):</td>
<td>$202.3</td>
<td>$201.7</td>
<td>0.3%</td>
<td>$194.3</td>
<td>4.1%</td>
<td>$259.0</td>
</tr>
<tr>
<td>3 Total Single Family Production</td>
<td>$297.3</td>
<td>$251.7</td>
<td>18.1%</td>
<td>$268.3</td>
<td>10.8%</td>
<td>$370.0</td>
</tr>
<tr>
<td>4 Multifamily issues:</td>
<td>$0.0</td>
<td>$11.8</td>
<td>-100.0%</td>
<td>$20.0</td>
<td>-100.0%</td>
<td>$20.0</td>
</tr>
<tr>
<td>5 Single Family Bond MBS Payoffs:</td>
<td>$43.1</td>
<td>$49.7</td>
<td>-13.3%</td>
<td>$48.8</td>
<td>-11.7%</td>
<td>$65.1</td>
</tr>
<tr>
<td><strong>STATEMENT OF NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Avg. earning assets:</td>
<td>$956.4</td>
<td>$939.5</td>
<td>1.8%</td>
<td>$925.8</td>
<td>3.3%</td>
<td>$940.6</td>
</tr>
<tr>
<td>7 General Fund Cash and Securities:</td>
<td>$94.1</td>
<td>$77.6</td>
<td>21.3%</td>
<td>$83.3</td>
<td>13.0%</td>
<td>$81.6</td>
</tr>
<tr>
<td>8 General Fund SIC FMV Adj.:</td>
<td>$0.2</td>
<td>$0.2</td>
<td>0.0%</td>
<td>$0.0</td>
<td>N/A</td>
<td>$0.0</td>
</tr>
<tr>
<td>9 Total bonds outstanding:</td>
<td>$697.3</td>
<td>$674.1</td>
<td>3.4%</td>
<td>$685.4</td>
<td>1.7%</td>
<td>$698.0</td>
</tr>
<tr>
<td><strong>STATEMENT OF REVENUES, EXPENSES AND NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>10 General Fund expenses (excluding capitalized assets):</td>
<td>$11.1</td>
<td>$9.4</td>
<td>18.1%</td>
<td>$11.2</td>
<td>-0.9%</td>
<td>$15.0</td>
</tr>
<tr>
<td>11 General Fund revenues:</td>
<td>$17.3</td>
<td>$16.4</td>
<td>5.5%</td>
<td>$14.4</td>
<td>20.1%</td>
<td>$19.2</td>
</tr>
<tr>
<td>12 Combined net revenues (all funds):</td>
<td>$7.1</td>
<td>$8.6</td>
<td>-17.4%</td>
<td>$8.0</td>
<td>-10.7%</td>
<td>$10.6</td>
</tr>
<tr>
<td>13 Combined net position:</td>
<td>$231.3</td>
<td>$220.9</td>
<td>4.8%</td>
<td>$232.5</td>
<td>-0.4%</td>
<td>$235.2</td>
</tr>
<tr>
<td>14 Combined return on avg. earning assets:</td>
<td>0.99%</td>
<td>1.22%</td>
<td>-19.1%</td>
<td>1.13%</td>
<td>-12.6%</td>
<td>1.13%</td>
</tr>
<tr>
<td>15 Net TBA profitability:</td>
<td>1.62%</td>
<td>2.00%</td>
<td>-19.0%</td>
<td>1.70%</td>
<td>-4.7%</td>
<td>1.70%</td>
</tr>
<tr>
<td>16 Combined interest margin:</td>
<td>1.07%</td>
<td>0.97%</td>
<td>10.3%</td>
<td>1.06%</td>
<td>0.9%</td>
<td>1.06%</td>
</tr>
<tr>
<td><strong>MOODY’S BENCHMARKS</strong></td>
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<tr>
<td>17 Net Asset to debt ratio (5-yr avg):</td>
<td>29.58%</td>
<td>26.71%</td>
<td>10.7%</td>
<td>30.47%</td>
<td>-2.9%</td>
<td>30.47%</td>
</tr>
<tr>
<td>18 Net rev as a % of total rev (5-yr avg):</td>
<td>10.13%</td>
<td>9.29%</td>
<td>9.0%</td>
<td>10.39%</td>
<td>-2.5%</td>
<td>10.39%</td>
</tr>
<tr>
<td><strong>SERVICING</strong></td>
<td></td>
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<tr>
<td>19 Mortgage Operations net revenues:</td>
<td>$3.5</td>
<td>$4.3</td>
<td>-18.6%</td>
<td>$1.0</td>
<td>-13.7%</td>
<td>$1.0</td>
</tr>
<tr>
<td>20 Subserviced portfolio</td>
<td>$663.3</td>
<td>$290.8</td>
<td>128.1%</td>
<td>$584.9</td>
<td>13.4%</td>
<td>$749.8</td>
</tr>
<tr>
<td>21 Servicing Yield (subserviced portfolio)</td>
<td>0.39%</td>
<td>0.32%</td>
<td>21.9%</td>
<td>0.36%</td>
<td>8.3%</td>
<td>0.36%</td>
</tr>
<tr>
<td>22 Combined average delinquency rate (MFA serviced)</td>
<td>12.12%</td>
<td>12.96%</td>
<td>-6.5%</td>
<td>11.79%</td>
<td>2.8%</td>
<td>11.79%</td>
</tr>
<tr>
<td>23 DPA loan delinquency rate (all)</td>
<td>10.94%</td>
<td>12.52%</td>
<td>-12.6%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>24 Default rate (MFA serviced)</td>
<td>1.13%</td>
<td>0.87%</td>
<td>29.9%</td>
<td>1.61%</td>
<td>-29.8%</td>
<td>1.61%</td>
</tr>
<tr>
<td>25 Subserviced portfolio delinquency rate (first mortgages)</td>
<td>6.01%</td>
<td>2.94%</td>
<td>104.4%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>26 Purchased Servicing Rights Valuation Change (as of 6/30)</td>
<td>$2.7</td>
<td>$1.3</td>
<td>107.7%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Note:** General Fund budget amendment approved in July 2018 is not reflected.

**Legend:** Positive Impact, Negative Impact, Caution/Known Trend
SIGNIFICANT MONTHLY/QUARTERLY FINANCIAL VARIANCES:

► In comparison to FY2017 trends indicate improved production and prepayments as well as gains in interest margin and Moody’s ratios.
► FY2018 net revenues in comparison to FY2017 net revenues (Y/Y) reflect less gain on sale of assets of $1.0 mm and $.3 mm more provision for loan losses expense.
► FY2018 net revenues in comparison to the FY2018 forecast reflect less than estimated interest income of $2.4 mm on an annualized basis due to timing of mortgage and MBS forecasted balances.

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

► TBA transaction fees are currently exceeding budget by approximately $2.8 mm or 143% due to production trends. This additional revenue is offset by related lender compensation expense which is exceeding budget by $.7 mm or 66%. The budget amendment approved by the Board in July adjusts for these items.
► During this fiscal year there have been large swings in the State Investment Counsel (SIC) fair market values (FMV) on the General Fund investment portfolio. Changes in valuations have ranged from $.7 mm in gains and $.9 mm in losses. As of June 2018 MFA has experienced $.2 mm in gains. MFA classifies FMV adjustments on this portfolio as non-operating gains/losses.
► Servicing expansion continues to provide additional revenues as the subserviced portfolio and purchased servicing rights asset bases increase. This fiscal year MFA is providing a full mortgage warehouse line to Idaho Housing through the FHLB Loans Held for Sale program which will also provide additional revenues.
► Staff continues to have concerns over the MBS subserviced portfolio increased delinquency rates. The Compliance Officer and Director of Servicing are closely monitoring collections and foreclosure services provided by MFA’s subservicer and coordinating with them on risk management strategies. These delinquencies have an impact on the credit risk associated with MFA’s downpayment assistance (DPA) loan portfolio, however in March 2018 staff performed the semi-annual analysis and adjustment of the DPA portfolio loan loss reserves and adjusted accordingly for 1st mortgages in foreclosure and non-performing DPA loans.
► Based on the current Loan Loss Reserve (LLR) methodology, MFA’s portfolios are adequately reserved.
► The economics of the single family mortgage program have changed since the beginning of February when MFA began bonding for all FIRST HOME Program loans. The bond execution primarily produces long-term cash flows in comparison to the TBA markets one-time transaction fees. Additionally, spreads earned on the TBA sale of NEXT HOME securities have decreased due to changes in the markets and interest rate environment thus reducing profitability for that execution.
► Incurred $552k in single family bond cost of issuance expense for 2017 Series B (November). Transaction provided MFA $1.4 mm in net economic benefit (present value) over the life of the bonds. Incurred $580k in single family bond cost of issuance expense for 2018 Series A (May). Transaction provided MFA $3.5 mm in net economic benefit (present value).
► Fair market value for purchased servicing rights as of June 30, 2018 was $8.9 mm, an increase of approximately $2.7 mm over cost. GASB requires MFA to utilize “lower of cost or market” accounting for this asset. Therefore, no valuation adjustments are anticipated. Current purchased servicing rights are recorded at a cost of $6.1 mm as of June 30, 2018. Valuations are obtained on a quarterly basis.
► Based on Moody’s issuer credit rating scorecard, MFA’s 29.58% net asset ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining HFA’s creditworthiness under stressful circumstances (> 20%). The net revenue as a percent of total revenue measures performance and profitability and MFA’s 10.13% ratio (5-year average) points to a satisfactory profitability with consistent trends (5%-10% range).
► Moody’s Investor Services issued an updated credit opinion on MFA. They reaffirmed our Aa3 rating. Comments included strong asset to debt ratio, good profitability and low risk profile due to mortgage-backed security structure, multifamily risk share program and no exposure to variable rate debt.
MONTHLY FINANCIAL GRAPHS

Assets Under Management as of 9/30/2018
($ in thousands)

YTD Annualized Payoffs as a Percentage of Single Family Mortgage Portfolio as of 9/30/2018

YTD Excess Revenues over Expenses as of 6/30/2018

(1) Weatherization Assistance Programs; Emergency Shelter Grant; State Homeless; Housing Opportunities for People With AIDS; NM State Tax Credit; Governor's Innovations; EnergySaver; Tax Credit Assistance Program; Tax Credit Exchange; Neighborhood Stabilization Program; Section 811 PRA; Homeownership Preservation Program (2) NM Affordable Housing Charitable Trust Fund; Land Title Trust Fund; Housing Trust Fund
## ASSETS:

### CURRENT ASSETS:

<table>
<thead>
<tr>
<th>Description</th>
<th>YTD 6/30/18</th>
<th>YTD 6/30/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>$40,686</td>
<td>$29,125</td>
</tr>
<tr>
<td>Restricted Cash Held in Escrow</td>
<td>10,434</td>
<td>9,888</td>
</tr>
<tr>
<td>Short-Term Investments</td>
<td>7,540</td>
<td>-</td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>3,145</td>
<td>3,097</td>
</tr>
<tr>
<td>Mortgage Payment Clearing</td>
<td>-</td>
<td>177</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>2,492</td>
<td>1,688</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>64,297</td>
<td>43,976</td>
</tr>
<tr>
<td>Cash - Restricted</td>
<td>30,753</td>
<td>33,791</td>
</tr>
<tr>
<td>Long-Term &amp; Restricted Investments</td>
<td>65,389</td>
<td>59,331</td>
</tr>
<tr>
<td>Investments in Reserve Funds</td>
<td>229</td>
<td>112</td>
</tr>
<tr>
<td>FNMA, GNMA, &amp; FHLMC Securitized Mtg. Loans</td>
<td>594,682</td>
<td>577,780</td>
</tr>
<tr>
<td>Mortgage Loans Receivable</td>
<td>235,727</td>
<td>198,606</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>(2,323)</td>
<td>(2,652)</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>-</td>
<td>31,398</td>
</tr>
<tr>
<td>Fixed Assets, Net of Accum. Depn</td>
<td>1,212</td>
<td>969</td>
</tr>
<tr>
<td>Other Real Estate Owned, Net</td>
<td>402</td>
<td>435</td>
</tr>
<tr>
<td>Other Non-Current Assets</td>
<td>21</td>
<td>21</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>6,187</td>
<td>2,752</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>996,576</td>
<td>946,518</td>
</tr>
</tbody>
</table>

### DEFERRED OUTFLOWS OF RESOURCES:

<table>
<thead>
<tr>
<th>Description</th>
<th>YTD 6/30/18</th>
<th>YTD 6/30/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refundings of Debt</td>
<td>518</td>
<td>672</td>
</tr>
<tr>
<td><strong>Total Assets &amp; Deferred Outflows of Resources</strong></td>
<td>997,094</td>
<td>947,190</td>
</tr>
</tbody>
</table>

## LIABILITIES AND NET POSITION:

### LIABILITIES:

### CURRENT LIABILITIES:

<table>
<thead>
<tr>
<th>Description</th>
<th>YTD 6/30/18</th>
<th>YTD 6/30/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Interest Payable</td>
<td>6,603</td>
<td>7,103</td>
</tr>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>10,860</td>
<td>5,509</td>
</tr>
<tr>
<td>Escrow Deposits &amp; Reserves</td>
<td>10,341</td>
<td>9,928</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>27,804</td>
<td>22,539</td>
</tr>
<tr>
<td>Bonds Payable, Net of Unamortized Discount</td>
<td>697,314</td>
<td>674,089</td>
</tr>
<tr>
<td>Mortgage &amp; Notes Payable</td>
<td>40,144</td>
<td>29,461</td>
</tr>
<tr>
<td>Accrued Arbitrage Rebate</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>203</td>
<td>245</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>765,465</td>
<td>726,334</td>
</tr>
</tbody>
</table>

### NET POSITION:

<table>
<thead>
<tr>
<th>Description</th>
<th>YTD 6/30/18</th>
<th>YTD 6/30/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>1,212</td>
<td>969</td>
</tr>
<tr>
<td>Unappropriated Net Position (Note 1)</td>
<td>62,641</td>
<td>61,152</td>
</tr>
<tr>
<td>Appropriated Net Position (Note 1)</td>
<td>167,777</td>
<td>158,735</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>231,630</td>
<td>220,855</td>
</tr>
</tbody>
</table>

**Total Liabilities & Net Position**

<table>
<thead>
<tr>
<th>Description</th>
<th>YTD 6/30/18</th>
<th>YTD 6/30/17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Liabilities &amp; Net Position</strong></td>
<td>997,094</td>
<td>947,190</td>
</tr>
</tbody>
</table>
### New Mexico Mortgage Finance Authority

**Statement of Revenues, Expenses and Changes in Net Position**

*For the Nine Months Ended June 2018*

(Thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>YTD 6/30/18</th>
<th>YTD 6/30/17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Loans</td>
<td>$24,744</td>
<td>$25,716</td>
</tr>
<tr>
<td>Interest on Investments &amp; Securities</td>
<td>1,907</td>
<td>1,771</td>
</tr>
<tr>
<td>Loan &amp; Commitment Fees</td>
<td>960</td>
<td>520</td>
</tr>
<tr>
<td>Administrative Fee Income (Exp)</td>
<td>6,433</td>
<td>7,019</td>
</tr>
<tr>
<td>RTC, Risk Sharing &amp; Guaranty Income</td>
<td>87</td>
<td>117</td>
</tr>
<tr>
<td>Housing Program Income</td>
<td>751</td>
<td>991</td>
</tr>
<tr>
<td>Loan Servicing Income</td>
<td>1,902</td>
<td>896</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>Subtotal Operating Revenues</strong></td>
<td>36,784</td>
<td>37,032</td>
</tr>
</tbody>
</table>

| **Non-Operating Revenues:** |             |             |
| Arbitrage Rebate Income (Expense) | -           | 53          |
| Gain(Loss) Asset Sales/Debt Extinguishment | (116)   | 871         |
| Other Non-Operating Income | 47          | 21          |
| Grant Award Income         | 33,575      | 32,154      |
| **Subtotal Non-Operating Revenues** | 33,506   | 33,098     |

**Total Revenues**

|                           | 70,290      | 70,131      |

|                           |             |             |
| **Operating Expenses:**    |             |             |
| Administrative Expenses   | 9,673       | 8,193       |
| Interest Expense          | 18,942      | 20,604      |
| Amortization of Bond/Note Premium(Discount) | (1,541) | (1,790) |
| Provision for Loan Losses | 561         | 237         |
| Mortgage Loan & Bond Insurance | -         | -           |
| Trustee Fees              | 62          | 64          |
| Amort. of Serv. Rights & Depreciation | 205       | 143         |
| Bond Cost of Issuance     | 1,132       | 991         |
| **Subtotal Operating Expenses** | 29,035   | 28,443     |

| **Non-Operating Expenses:** |             |             |
| Capacity Building Costs    | 655         | 745         |
| Grant Award Expense        | 33,518      | 32,162      |
| Other Non-Operating Expense | 216        | 216         |
| **Subtotal Non-Operating Expenses** | 34,714   | 33,122     |

**Total Expenses**

|                           | 63,209      | 61,564      |

**Net Revenues**

|                           | 7,082       | 8,566       |

**Other Financing Sources (Uses)**

|                           | -           |           |

**Net Revenues and Other Financing Sources(Uses)**

|                           | 7,082       | 8,566       |

**Net Position at Beginning of Year**

|                           | 224,548     | 212,289     |

**Net Position at 6/30/18**

|                           | 231,630     | 220,855     |
NOTES TO FINANCIAL STATEMENTS
(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1)  MFA Net Position as of June 30, 2018:

UNAPPROPRIATED NET POSITION:
$ . 34,512 is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
$ 28,008 is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
$ 121 held for New Mexico Affordable Housing Charitable Trust.
$ 62,641 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:
$ 105,069 for use in the Housing Opportunity Fund ($86,625 in loans plus $18,444 unfunded, of which $3,512 is committed).
$ 30,085 for future use in Single Family & Multi-Family housing programs.
$ 9,763 for loss exposure on Risk Sharing loans.
$ 1,212 invested in capital assets, net of related debt.
$ 6,187 invested in mortgage servicing rights.
$ 3,744 for the future General Fund Operating Budget YE 9/30/18 ($17,873 total budget less $14,129 expended budget through 06/30/18.)

$ 156,060 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:
$ 12,928 for use in the federal and state housing programs administered by MFA.
$ 12,928 Subtotal - Housing Program
$ 168,988 Total appropriated Net Position

$ 231,630 Total combined Net Position at June 30, 2018

Total combined Net Position, or reserves, at June 30, 2018 was $231.6 million, of which $62.6 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $169.0 million of available reserves, with $94.1 million primarily liquid in the General Fund and in the federal and state Housing programs and $74.9 million illiquid -

- 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.
<table>
<thead>
<tr>
<th>REVENUES</th>
<th>ONE MONTH</th>
<th>YEAR TO DATE</th>
<th>YEAR TO DATE PRO RATA</th>
<th>UNDER/(OVER)</th>
<th>ANNUAL BUDGET</th>
<th>ANNUAL BUDGET</th>
<th>EXPENDED ANNUAL BUDGET PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING REVENUES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTEREST INCOME</td>
<td>736,841</td>
<td>5,789,647</td>
<td>6,171,289</td>
<td>381,641</td>
<td>8,228,385</td>
<td>2,438,738</td>
<td>70.38%</td>
</tr>
<tr>
<td>ADMIN INCOME</td>
<td>721,892</td>
<td>8,604,713</td>
<td>5,457,234</td>
<td>(3,147,479)</td>
<td>7,276,312</td>
<td>(1,328,401)</td>
<td>118.26%</td>
</tr>
<tr>
<td>OTHER OPERATING INCOME</td>
<td>369,058</td>
<td>2,749,973</td>
<td>2,770,165</td>
<td>20,192</td>
<td>3,693,553</td>
<td>943,580</td>
<td>74.45%</td>
</tr>
<tr>
<td>SUBTOTAL OPERATING REVENUES</td>
<td>1,827,791</td>
<td>17,144,333</td>
<td>14,398,688</td>
<td>(2,745,645)</td>
<td>19,198,250</td>
<td>2,053,917</td>
<td>89.30%</td>
</tr>
<tr>
<td>NON-OPERATING REVENUES</td>
<td>158,245</td>
<td>177,271</td>
<td>(20,925)</td>
<td>(198,196)</td>
<td>(27,900)</td>
<td>(205,171)</td>
<td>-635.38%</td>
</tr>
<tr>
<td>TOTAL REVENUES</td>
<td>1,986,037</td>
<td>17,321,604</td>
<td>14,377,763</td>
<td>(2,943,842)</td>
<td>19,170,350</td>
<td>1,848,746</td>
<td>90.36%</td>
</tr>
<tr>
<td>EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATING EXPENSES</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPENSATION</td>
<td>699,459</td>
<td>4,994,059</td>
<td>5,466,332</td>
<td>472,273</td>
<td>7,288,442</td>
<td>2,294,383</td>
<td>68.52%</td>
</tr>
<tr>
<td>TRAVEL &amp; PUBLIC INFO</td>
<td>14,760</td>
<td>211,694</td>
<td>358,202</td>
<td>146,508</td>
<td>477,603</td>
<td>265,909</td>
<td>44.32%</td>
</tr>
<tr>
<td>OFFICE EXPENSES</td>
<td>84,917</td>
<td>674,211</td>
<td>667,844</td>
<td>(6,368)</td>
<td>890,458</td>
<td>216,247</td>
<td>75.72%</td>
</tr>
<tr>
<td>OTHER OPERATING EXPENSES</td>
<td>476,562</td>
<td>3,900,942</td>
<td>3,464,210</td>
<td>(436,732)</td>
<td>4,618,946</td>
<td>718,004</td>
<td>84.46%</td>
</tr>
<tr>
<td>SUBTOTAL OPERATING EXPENSES</td>
<td>1,275,697</td>
<td>9,760,906</td>
<td>9,956,587</td>
<td>175,681</td>
<td>13,275,449</td>
<td>3,494,543</td>
<td>73.68%</td>
</tr>
<tr>
<td>NON-OPERATING EXPENSES</td>
<td>31,647</td>
<td>655,473</td>
<td>649,575</td>
<td>(5,898)</td>
<td>866,100</td>
<td>210,627</td>
<td>75.68%</td>
</tr>
<tr>
<td>SUBTOTAL OPERATING &amp; NON-OPERATING EXPENSES</td>
<td>1,307,344</td>
<td>10,436,378</td>
<td>10,606,162</td>
<td>169,784</td>
<td>14,141,549</td>
<td>3,705,171</td>
<td>73.80%</td>
</tr>
<tr>
<td>EXPENSED ASSETS</td>
<td>19,382</td>
<td>96,382</td>
<td>61,665</td>
<td>(34,717)</td>
<td>82,220</td>
<td>(14,162)</td>
<td>117.22%</td>
</tr>
<tr>
<td>NON-CASH ITEMS</td>
<td>31,923</td>
<td>566,326</td>
<td>555,947</td>
<td>(10,380)</td>
<td>741,262</td>
<td>174,936</td>
<td>76.40%</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>1,358,648</td>
<td>11,099,087</td>
<td>11,223,773</td>
<td>124,686</td>
<td>14,965,031</td>
<td>3,865,944</td>
<td>74.17%</td>
</tr>
<tr>
<td>NET REVENUES</td>
<td>627,388</td>
<td>6,222,517</td>
<td>3,153,989</td>
<td>3,068,528</td>
<td>4,205,319</td>
<td>2,017,198</td>
<td>52.03%</td>
</tr>
<tr>
<td>PURCHASED SERVICING &amp; CAPITAL OUTLAY</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PURCHASED SERVICING RIGHTS</td>
<td>336,596</td>
<td>2,786,625</td>
<td>2,062,500</td>
<td>(724,125)</td>
<td>2,750,000</td>
<td>(36,625)</td>
<td>101.33%</td>
</tr>
<tr>
<td>CAPITALIZED ASSETS</td>
<td>14,622</td>
<td>243,135</td>
<td>118,380</td>
<td>(124,755)</td>
<td>157,840</td>
<td>(85,295)</td>
<td>154.04%</td>
</tr>
<tr>
<td>TOTAL PURCHASED SERVICING &amp; CAPITAL OUTLAY</td>
<td>351,218</td>
<td>3,029,760</td>
<td>2,180,880</td>
<td>(848,880)</td>
<td>2,907,840</td>
<td>(121,920)</td>
<td>104.19%</td>
</tr>
<tr>
<td>TOTAL INCLUDING CAPITALIZED ITEMS</td>
<td>976,606</td>
<td>9,252,278</td>
<td>5,334,869</td>
<td>2,219,648</td>
<td>7,113,159</td>
<td>1,895,278</td>
<td>73.36%</td>
</tr>
</tbody>
</table>
New Mexico Mortgage Finance Authority

Effect of GASB31 on Financials

($ in millions)

GASB 31 Changes in Fair Value of Assets
2013-2018

Changes in Assets  5 Year Treasury  10 Year Treasury

MFA Income With and Without GASB 31 Adjustment,
2013 - 2018

Income with GASB 31  Income without GASB 31
Tab 2
June 30, 2018 Quarterly Investment Review
Agenda for Discussion at Finance Committee Meeting
Meeting Date: August 7, 2018

For reference:
Minutes of the May 8, 2018 investment discussion during the Finance Committee meeting.

For discussion:
Quarterly Investment Review of MFA General Fund investments
~Diversification and Asset Allocation Strategies – LGIP, bond ladder and SIC Investment Funds
~Market values and portfolio yield
New Mexico Mortgage Finance Authority  
Minutes of Quarterly Investment Review  
(Taking place during the Finance Committee May 8, 2018)

Present: Chair Steven Smith, Member Mark Van Dyke, Proxy for Lieutenant Governor John Sanchez  
MFA Staff Present: Jay Czar, Izzy Hernandez, Gina Hickman, Yvonne Segovia, Shawn Colbert, Tanya Birks, Theresa Garcia, George Maestas and Monica Abeita  
Quarterly Review of MFA General Fund investments:

- Report being presented is as of March 31, 2018.

- Compliance Report (Diversification and Asset Allocation): Keeler reviewed the portfolio compliance report and discussed the investment asset classes, balances, investment policy targets and ranges for each investment class. The Cash Held for Operations/Warehoused MBS and the MFA Mortgage Backed Security Portfolios for both intermediate term and long term investments are slightly out of compliance with the investment policy. Per the Ad Hoc Investment Committee meeting which was held on April 24, 2018 staff was directed to continue decreasing liquidity and invest in the bond ladder and/or purchase intermediate term MBS in the secondary market. In regards to the over allocation in long term MBS, staff has been directed to determine the market value of the assets and have PFM perform an analysis to determine whether it is most advantageous for MFA to sell a portion of that portfolio, take the upfront cash and invest in other fixed income asset classes at current interest rates or to hold those assets and continue earning interest at the current levels in support of operations.

- Portfolio Summary-Short & Intermediate Term Investments: Keeler informed the committee that MFA purchased three investments for the bond ladder during the quarter. Keeler reviewed book values, yields, and average life data for Cash Held, LGIP, the bond ladder, and the MBS portfolio. She also discussed sector components of the bond ladder.

- Portfolio Summary-Long Term Investments Including State Investment Council Investments: Keeler reviewed market values, rates of return and realized gain/loss data for the mortgage backed securities portfolio and the SIC funds.

- Portfolio Summary-Housing Trust Fund: Keeler reviewed market values, rates of return and realized gain/loss data for the SIC fund. She reminded the committee that 100% of the Housing Trust Fund is invested in the Core Bonds Plus Active fund.

- General Fund Investment Portfolio Metrics: Keeler referred committee members to the ratings, interest income and benchmark metrics. The committee was also provided with comparative economic indicators for their information. The Ad Hoc Investment Committee directed staff to evaluate the current portfolio benchmarks to determine their adequacy in the management of the investment portfolio.
• The Ad Hoc Investment Committee directed staff to determine if MFA is carrying underperforming portfolios and develop a strategy to improve performance in addition to continuing to evaluate PFM’s scope of work to determine if service level changes are warranted.

• Summary of March 31, 2018 balances and yields/rates of returns:

General Fund:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>3/31/18 Balance</th>
<th>Yield/Rate of Return</th>
<th>Average Life/ Maturity in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Held for Operations/Warehoused MBS</td>
<td>$17,079,683</td>
<td>Various</td>
<td>n/a</td>
</tr>
<tr>
<td>Local Government Investment Pool</td>
<td>4,512,333</td>
<td>1.50%</td>
<td>1.6*</td>
</tr>
<tr>
<td>Bond Ladder</td>
<td>18,042,313</td>
<td>1.57%</td>
<td>21</td>
</tr>
<tr>
<td>MFA’s Mortgage Backed Securities-Intermediate Term</td>
<td>1,911,033</td>
<td>6.38%</td>
<td>69</td>
</tr>
<tr>
<td>MFA’s Mortgage Backed Securities-Long Term</td>
<td>7,579,022</td>
<td>5.08%</td>
<td>190</td>
</tr>
<tr>
<td>Core Plus Bond Fund-Active (SIC)</td>
<td>7,969,034</td>
<td>0.13%</td>
<td>n/a</td>
</tr>
<tr>
<td>Core Plus Bond Fund-Index (SIC)</td>
<td>-0-</td>
<td>(0.22%)</td>
<td>n/a</td>
</tr>
<tr>
<td>Large Cap Index Equity Fund (SIC)</td>
<td>7,541,139</td>
<td>5.29%</td>
<td>n/a</td>
</tr>
<tr>
<td>Small/Mid Cap Fund (SIC)</td>
<td>3,314,730</td>
<td>(4.13%)</td>
<td>n/a</td>
</tr>
<tr>
<td>Non-US Developed Markets Fund (SIC)</td>
<td>4,076,690</td>
<td>(1.54%)</td>
<td>n/a</td>
</tr>
<tr>
<td>Non-US Emerging Markets Fund (SIC)</td>
<td>1,245,571</td>
<td>5.99%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Information as of February 2018.

Housing Trust Fund:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>3/31/18 Balance</th>
<th>Yield/Rate of Return</th>
<th>Average Life/ Maturity in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Plus Bond Fund-Active (SIC)</td>
<td>$8,970,578</td>
<td>(0.07%)</td>
<td>n/a</td>
</tr>
</tbody>
</table>
(1) During the third quarter of FY 2018, staff continued implementing the new asset allocation plan adopted at the October 2017 Board meeting as follows:

a. Three new securities totaling $4 million were purchased for the bond ladder utilizing funds from the Cash Held for Operations/Warehouse MBS asset class. In addition, MFA reserved approximately $3 million of MBS as long-term investments which will be purchased using Operations/Warehouse MBS funds beginning in August.

b. Staff worked with CSG Advisors to ascertain the breakout of MFA’s MBS portfolio between short-term and long-term investments. CSG’s analysis showed that based on prepayment speeds, the forecasted weighted average life of MFA’s MBS portfolio is 8.0 years which means that MFA’s current MBS portfolio is considered to be an intermediate term investment.

(2) Staff continues to work with PFM Advisors on several outstanding portfolio management concerns related to the bond ladder. First, they are assisting staff in determining a more accurate benchmark for measuring the bond ladder’s performance. Second, a swap analysis was conducted based on PFM Advisors guidance to determine if it would be beneficial to replace some lower interest rate bond ladder securities. The analysis did not support the trades due to the large losses that would be incurred related to the sale of those securities at a discount and the increased interest rate risk that would have occurred due to the current interest rate environment.

(3) As of June 30, 2018, MFA’s General Fund and Housing Trust Fund balances are as follows:
General Fund:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>6/30/18 Balance</th>
<th>Yield/Rate of Return</th>
<th>Average Life/ Maturity in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Held for Operations/Warehoused MBS</td>
<td>$16,857,083</td>
<td>Various</td>
<td>n/a</td>
</tr>
<tr>
<td>Local Government Investment Pool</td>
<td>4,531,198</td>
<td>1.81%</td>
<td>n/a</td>
</tr>
<tr>
<td>Bond Ladder</td>
<td>21,099,323</td>
<td>1.82%</td>
<td>21</td>
</tr>
<tr>
<td>MFA’s Mortgage Backed Securities-Intermediate Term</td>
<td>9,249,775</td>
<td>5.31%</td>
<td>96</td>
</tr>
<tr>
<td>MFA’s Mortgage Backed Securities-Long Term</td>
<td>-0-</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Core Plus Bond Fund-Active (SIC)</td>
<td>7,959,554</td>
<td>0.02%</td>
<td>n/a</td>
</tr>
<tr>
<td>Core Plus Bond Fund-Index (SIC)</td>
<td>-0-</td>
<td>(0.22%)</td>
<td>n/a</td>
</tr>
<tr>
<td>Large Cap Index Equity Fund (SIC)</td>
<td>7,809,439</td>
<td>9.24%</td>
<td>n/a</td>
</tr>
<tr>
<td>Small/Mid Cap Fund (SIC)</td>
<td>3,440,146</td>
<td>3.32%</td>
<td>n/a</td>
</tr>
<tr>
<td>Non-US Developed Markets Fund (SIC)</td>
<td>4,051,717</td>
<td>(2.78%)</td>
<td>n/a</td>
</tr>
<tr>
<td>Non-US Emerging Markets Fund (SIC)</td>
<td>1,142,446</td>
<td>(11.52%)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Housing Trust Fund:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>6/30/18 Balance</th>
<th>Yield/Rate of Return</th>
<th>Average Life/ Maturity in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Plus Bond Fund-Active (SIC)</td>
<td>$10,577,445</td>
<td>(0.18%)</td>
<td>n/a</td>
</tr>
</tbody>
</table>
GENERAL FUND INVESTMENT COMPLIANCE REPORT FOR JUNE 30, 2018

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>Policy Requirement</th>
<th>Policy Portfolio Carrying Value</th>
<th>Current Limit %</th>
<th>Within $ Range</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Investments (Less than 1 year)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Held for Operations/Warehoused MBS*</td>
<td>14%</td>
<td>$ 16,857,083</td>
<td>22%</td>
<td>No</td>
<td>Cash will be drawn down during the fourth quarter of FY 2018 to purchase Long Term MBS.</td>
</tr>
<tr>
<td>Local Government Investment Pool</td>
<td>6%</td>
<td>$ 4,531,198</td>
<td>6%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Intermediate Term Investments (1 to 10 years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Ladder</td>
<td>27%</td>
<td>$ 21,099,323</td>
<td>28%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Intermediate MFA Mortgage Backed Security Portfolio</td>
<td>13%</td>
<td>$ 9,249,775</td>
<td>12%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Long-Term Investments (More than 10 years)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term MFA Mortgage Backed Security Portfolio</td>
<td>4%</td>
<td>$ -</td>
<td>0%</td>
<td>No</td>
<td>Approximately $3 million of long term MBS will be purchase in the fourth quarter of FY 2018.</td>
</tr>
<tr>
<td>Core Plus Bond Funds-Active (SIC)</td>
<td>12%</td>
<td>$ 7,959,554</td>
<td>10%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Core Bonds Fund-Index (SIC)</td>
<td>0%</td>
<td>$ -</td>
<td>0%</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Domestic Large Cap Index Equity Fund (SIC)</td>
<td>11%</td>
<td>$ 7,809,439</td>
<td>10%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Small/Mid Cap Fund (SIC)</td>
<td>5%</td>
<td>$ 3,440,146</td>
<td>5%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Non-US Developed Markets Fund (SIC)</td>
<td>6%</td>
<td>$ 4,051,717</td>
<td>5%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Non-US Emerging Markets Fund (SIC)</td>
<td>2%</td>
<td>$ 1,142,446</td>
<td>2%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>$ 76,140,680</td>
<td>100.00%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Does not include capital borrowed for loan operations.

SIC FUND ALLOCATION

<table>
<thead>
<tr>
<th>SIC Fund Allocation</th>
<th>Policy</th>
<th>Actual*</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIC Core Plus Bond-Active</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>SIC Core Bonds-Index</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>SIC Large Cap Index Equity</td>
<td>31%</td>
<td>32%</td>
</tr>
<tr>
<td>Small/Mid Cap Index</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>Non-US Developed Markets</td>
<td>17%</td>
<td>17%</td>
</tr>
<tr>
<td>Non-US Emerging Markets</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

BOARD ACTIONS

- August 2005 - approved General Fund Investment
- February 2008 - approved new Large Cap Index ETF Pool
- January 2009 - approved Revision to Investment Policy
- October 2010 - Approved Revision to Investment Policy
- May 2011 - Approved revision to Investment Policy
- April 2012 - Approved revision to Investment Policy
- April 2013 - Approved revision to Investment Policy
- April 2016 - Approved revision to Investment Policy
- October 2017 - Approved revision to Investment Policy
PORTFOLIO SUMMARY - Short & Intermediate Investments

<table>
<thead>
<tr>
<th>General Fund</th>
<th>Book Value 6/30/2018</th>
<th>Book Value 6/30/2017</th>
<th>YTD Unrealized Gain/Loss 6/30/2018</th>
<th>Yield to Maturity 6/30/2018</th>
<th>Yield to Maturity 6/30/2017</th>
<th>Average Life/Maturity in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Held for Operations/Warehoused MBS*</td>
<td>$16,857,083</td>
<td>$8,399,925</td>
<td>N/A</td>
<td>Various</td>
<td>Various</td>
<td></td>
</tr>
<tr>
<td>Local Government Investment Pool</td>
<td>$4,531,198</td>
<td>$4,093,867</td>
<td>N/A</td>
<td>1.81%</td>
<td>0.85%</td>
<td>n/a</td>
</tr>
<tr>
<td>Intermediate-Term</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bond Ladder</td>
<td>$21,099,323</td>
<td>$16,014,497</td>
<td>$(195,823)</td>
<td>1.82%</td>
<td>1.34%</td>
<td>22</td>
</tr>
<tr>
<td>MFA Mortgage Backed Security Portfolio</td>
<td>$9,249,775</td>
<td>$10,363,492</td>
<td>$381,788</td>
<td>5.31%</td>
<td>5.36%</td>
<td>96**</td>
</tr>
<tr>
<td>Yield to Maturity for Intermediate-Term Investments</td>
<td>2.90%</td>
<td>2.92%</td>
<td>71</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Short &amp; Intermediate Term</td>
<td>$51,737,379</td>
<td>$38,871,781</td>
<td>$185,965</td>
<td>2.90%</td>
<td>2.92%</td>
<td>71</td>
</tr>
</tbody>
</table>

*Does not include capital borrowed for loan operations.  
**Weighted Average Life

---

**INVESTMENTS PURCHASED IN THE THIRD QUARTER OF FY 2018**

<table>
<thead>
<tr>
<th>Date Purchased</th>
<th>Security</th>
<th>Interest Rate</th>
<th>Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/12/2018</td>
<td>Federal Home Loan Bank</td>
<td>3.625%</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>4/27/2018</td>
<td>Federal Home Loan Bank</td>
<td>3.625%</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>5/18/2018</td>
<td>Federal Home Loan Bank</td>
<td>3.000%</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>

---

**BOND LADDER SECTOR ALLOCATION**

<table>
<thead>
<tr>
<th>Security</th>
<th>Book Value</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fannie Mae</td>
<td>$2,000,136</td>
<td>9%</td>
</tr>
<tr>
<td>Federal Farm Credit Bank</td>
<td>$3,005,309</td>
<td>14%</td>
</tr>
<tr>
<td>Federal Home Loan Bank</td>
<td>$12,088,747</td>
<td>57%</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>$4,005,131</td>
<td>19%</td>
</tr>
<tr>
<td>Total</td>
<td>$21,099,323</td>
<td>100%</td>
</tr>
</tbody>
</table>

---

**BOND LADDER TO CALL AND MATURITY AS OF JUNE 30, 2018**

- Bond Ladder to Maturity
- Bond Ladder to Call

---

### Diagram

- **Bond Ladder to Maturity**
- **Bond Ladder to Call**
## PORTFOLIO SUMMARY - Long Term Investments Including State Investment Council Investments

### General Fund

<table>
<thead>
<tr>
<th>MFA's Mortgage Backed Securities Portfolio</th>
<th>$ -</th>
<th>N/A</th>
<th>N/A</th>
<th>N/A</th>
<th>N/A</th>
<th>N/A</th>
<th>N/A</th>
</tr>
</thead>
</table>

### State Investment Council (SIC):

- **Core Plus Bond Fund-Active**: $7,959,554 | $8,849,504 | N/A | N/A | (209,588) | 0.02% | 1.21% | Not | N/A | N/A
- **Core Bonds Fund-Index**: $7,809,439 | $9,405,774 | Currently | (45,779) | -0.22% | -1.00% | Currently | N/A | N/A | N/A
- **Domestic Large Cap Index Equity Fund**: $7,809,439 | $5,170,289 | Available | 507,190 | 9.24% | 10.64% | Available | N/A | N/A | N/A
- **Small/Mid Cap Fund**: $3,440,146 | n/a | 55,533 | 3.32% | n/a | n/a | n/a | N/A | N/A | N/A
- **Non-US Developed Markets Fund**: $4,051,717 | n/a | (132,097) | -2.78% | n/a | n/a | n/a | N/A | N/A | N/A
- **Non-US Emerging Markets Fund**: $1,142,446 | n/a | (79,865) | -11.52% | n/a | n/a | n/a | N/A | N/A | N/A

**Total State Investment Counsel**: $24,403,301 | $23,425,567 | 95,394 | 2.22% | 2.45% | N/A | N/A | N/A | N/A | N/A

**Total Long-Term Investments**: $24,403,301 | $23,425,567 | 95,394

### ANNUAL RATE OF RETURN-SIC INVESTMENTS

**FY 2012 - 2018**

- **Core Plus Bonds- Active**: 26.48%
- **Core Bonds- Index**: 20.88%
- **Large Cap Index Equity**: 18.97%
- **Small/Mid Cap Index**: 9.24%
- **Non-US Dev. Mkts.**: 3.57%
- **Non-US Emerging Mkts**: -11.52%

*For FY 2018 QTR 3
## PORTFOLIO SUMMARY - Housing Trust Fund

<table>
<thead>
<tr>
<th>Housing Trust Fund</th>
<th>Market Value 6/30/2018</th>
<th>Market Value 6/30/2017</th>
<th>Total Cost</th>
<th>6/30/2018 YTD Realized Gain/Loss</th>
<th>Rate of Return 6/30/2018</th>
<th>Rate of Return 6/30/2017</th>
<th>Average Life/Maturity in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Trust Fund</td>
<td>$10,577,445</td>
<td>$9,538,942</td>
<td></td>
<td>$256,511</td>
<td>-0.18%</td>
<td>1.46%</td>
<td>Not Available</td>
</tr>
<tr>
<td>State Investment Council (SIC): Core Plus Bond Fund-Active</td>
<td>$10,577,445</td>
<td>$9,538,942</td>
<td></td>
<td>$256,511</td>
<td>-0.18%</td>
<td>1.46%</td>
<td>Not Available</td>
</tr>
<tr>
<td>Total State Investment Council</td>
<td>$10,577,445</td>
<td>$9,538,942</td>
<td></td>
<td>$256,511</td>
<td>-0.18%</td>
<td>1.46%</td>
<td>Not Available</td>
</tr>
</tbody>
</table>

### Return on Core Plus Bond Fund - Active

**FY 2011 - 2018**

*For FY 2018 QTR 1*

<table>
<thead>
<tr>
<th>Year</th>
<th>Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 12</td>
<td>9.54%</td>
</tr>
<tr>
<td>FY 13</td>
<td>0.22%</td>
</tr>
<tr>
<td>FY 14</td>
<td>6.14%</td>
</tr>
<tr>
<td>FY 15</td>
<td>1.28%</td>
</tr>
<tr>
<td>FY 16</td>
<td>7.44%</td>
</tr>
<tr>
<td>FY 17</td>
<td>2.76%</td>
</tr>
<tr>
<td>FY 18</td>
<td>-0.18%</td>
</tr>
</tbody>
</table>

*For 2018 QTR 3*
### General Fund Investment Portfolio - Metrics

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>S&amp;P Rating</th>
<th>Moody's Rating</th>
<th>Annual Interest Income (Budget)</th>
<th>Actual Annual Interest Income (YTD)</th>
<th>YTD % of Interest Earned of Total Budget</th>
<th>6/30/18 Yield to Maturity/Benchmark Rate of Return</th>
<th>Benchmark Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Held for Operations/Warehoused MBS</td>
<td>N/R</td>
<td>N/R</td>
<td>$92,064</td>
<td>$169,487</td>
<td>184%</td>
<td>Various</td>
<td>N/A</td>
</tr>
<tr>
<td>Local Government Investment Pool</td>
<td>AAAm</td>
<td>N/R</td>
<td>$18,233</td>
<td>$40,845</td>
<td>224%</td>
<td>1.81%</td>
<td>N/A</td>
</tr>
<tr>
<td>Bond Ladder</td>
<td>N/R</td>
<td>Aaa/ Stable</td>
<td>$244,483</td>
<td>$161,503</td>
<td>66%</td>
<td>1.83%</td>
<td>2.84%</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>N/R</td>
<td>Aaa/ Stable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>N/R</td>
<td>Aaa/ Stable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>MFA Mortgage Backed Security Portfolio</td>
<td>N/R</td>
<td>Aaa/ Stable</td>
<td>$493,034</td>
<td>$384,670</td>
<td>78%</td>
<td>5.31%</td>
<td>N/A</td>
</tr>
<tr>
<td>Intermediate Term</td>
<td>AA+</td>
<td>Aaa/ Stable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-Term</td>
<td>AA+</td>
<td>Aaa/ Stable</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>State Investment Council</td>
<td>N/R</td>
<td>N/R</td>
<td>$567,392</td>
<td>$444,753</td>
<td>78%</td>
<td>2.22%</td>
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<tr>
<td>Core Plus Bond Fund-Active</td>
<td>N/R</td>
<td>N/R</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Core Plus Bond Fund-Index</td>
<td>N/R</td>
<td>N/R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Large Cap Index Equity Fund</td>
<td>N/R</td>
<td>N/R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small/Mid Cap Fund</td>
<td>N/R</td>
<td>N/R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-US Developed Markets Fund</td>
<td>N/R</td>
<td>N/R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-US Emerging Markets Fund</td>
<td>N/R</td>
<td>N/R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$1,415,206</td>
<td>$1,201,257</td>
<td>85%</td>
<td></td>
<td></td>
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</table>

### Economic Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>6/30/2018</th>
<th>6/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Funds Rate</td>
<td>1.91%</td>
<td>1.06%</td>
</tr>
<tr>
<td>Consumer Price Index (yoy)</td>
<td>2.90%</td>
<td>1.60%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.00%</td>
<td>4.40%</td>
</tr>
<tr>
<td>Real GDP (yoy)</td>
<td>2.80%</td>
<td>2.10%</td>
</tr>
</tbody>
</table>

### US Treasury Yield Curve: Current, 1 Month Ago, 6 Months Ago, 1 Year Ago

- December 2017: 1.28% 1.39% 1.53% 1.76% 1.89% 1.98% 2.20% 2.33% 2.40% 2.74%
- March 2018: 1.63% 1.73% 1.93% 2.09% 2.27% 2.39% 2.56% 2.68% 2.74% 2.97%
- June 2018: 1.77% 1.93% 2.11% 2.33% 2.52% 2.63% 2.73% 2.81% 2.85% 2.98%

Source: U.S. Department of the Treasury
Tab 3
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee – August 7, 2018

Through: Policy Committee - July 24, 2018

FROM: Jeff Payne, Senior Director of Homeownership

DATE: August 15, 2018

SUBJECT: Next Home Program Policy Revisions

Recommendation: MFA staff requests approval of revisions to the Next Home program and a new down payment assistance (“DPA”) program to be used in conjunction with the Next Home program effective October 1, 2018. Next Down will replace the DPA grant that MFA has offered as part of this program.

Background: MFA currently provides two main programs for single family lending, First Home and Next Home. The Next Home program does not require borrowers to be first-time homebuyers, has more generous income and sales price limits and offers down payment assistance in the form of a three percent (3%) grant (no repayment required). Unlike the First Down DPA program which is funded from MFA’s general funds, the Next Home DPA grant is funded through a premium generated by higher interest rates in the TBA market that can be passed on to the borrower as a grant. As a result, the Next Home Program has a higher interest rate paid by the borrower than for our First Home program yet provides the benefit of a DPA grant.

Discussion: Next Home first mortgages and the accompanying DPA grant were designed to assist step up borrowers who meet income standards that are less restrictive than the First Home program. The 3% grant is not enough to cover all down payment and closing costs in a purchase transaction but provides significant assistance. Because the Next Home interest rates are higher than other loans that don’t provide the DPA grant, many borrowers close on their Next Home first mortgage, receive the 3% grant funds and subsequently choose to take advantage of streamline refinance opportunities to lower their rate. As a consequence, the program experiences higher than normal prepayment speeds which negatively affect MFA’s investment in servicing rights for such loans. In addition, the high prepayment speeds cause investors to be hesitant to invest in mortgage backed securities made of these higher interest rate loans with grants. Investors pay a premium for these securities due to their higher
coupon and if prepaid in a short period of time, they are unable to earn that premium back. This impacts MFA’s market for such MBS and has been an issue with many HFAs nationwide.

Currently, to offer competitive mortgage rates, MFA has been forced to sell these loans at a reduced price which cannot be sustained over the long term. Instead, staff proposes a new DPA program that is designed to bring prepayment speeds back in line with investor expectations and allow MFA to lower the interest rate charged to borrowers while maintaining program profitability. The funding for the Next Down program will continue to come from TBA premium pricing. Because this program can be utilized by non-first-time homebuyers, it cannot be funded by tax exempt bonds; however, staff is currently exploring funding with taxable bonds as an alternative funding execution. Staff will utilize the best execution available.

By adding a DPA second mortgage, it has been demonstrated that borrowers are much less likely to refinance because the second mortgage loan balance is then due and payable at time of refinance of the first mortgage. With the prepayment speeds slowed, investors will be willing to pay more for the Next Home loans which will assist in sustaining the program. MFA will also recover the DPA funds as loans pay off in the future and be able to re-use those funds for future DPA. The second mortgage will be fully forgiven after 15 years. Forgiveness will be graduated annually. Beginning on the 11th anniversary of the note date, 20% of the original loan balance will be forgiven each year until the loan is fully forgiven after the 15th anniversary.

In addition to creating the second mortgage, staff is recommending that the grant be reduced from 3% to 2.5%. This reduction is assistance level will allow for a more favorable mortgage interest rate on the first mortgage as well as support sustainability of the program. As the Next Home borrowers are typically non-first time homebuyers they should be coming into transaction with equity from their previous home as well as higher income thus able to contribute more to the down payment and closing costs required.

Staff believes the proposed changes to the Next Home DPA program will slow prepayments making the program more attractive for MBS investors. This will improve profitability, allow MFA to provide a more competitive mortgage rate, increase the balance sheet and assist in preserving the long-term servicing annuity/revenue associated with the first mortgage. In addition to the financial reasons for the change, some HFAs have chosen to shift their DPA programs from grants to second mortgages due to criticism at the national level of HFA loan programs that offer borrowers a DPA assistance grant with a higher interest rate on the first mortgage.

There will be some impact on the operational side due to these program changes. Based on current production Homeownership and Servicing will be processing and administering approximately 60 more DPA loans a month; this is about a 34% increase. Staff does anticipate that the investment in new software over the next 6 months will provide some efficiency in the process flow in general and minimize the impact of this new process.
Proposed loan terms are summarized as follows:

<table>
<thead>
<tr>
<th></th>
<th>Next Home and Next Down Revisions Summary</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loan Amount</strong></td>
<td>2.5% of loan balance</td>
<td>Reduction in assistance level from 3% to 2.5% will allow more favorable interest rates for borrower on the first mortgage</td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>0% interest rate</td>
<td>Helps affordability by eliminating the expense of interest</td>
</tr>
<tr>
<td><strong>Loan Term</strong></td>
<td>15 years, loan balance forgiven 20% per year at anniversaries 11 through 15.</td>
<td>Borrower will sign a note and second mortgage</td>
</tr>
<tr>
<td><strong>Loan Payments</strong></td>
<td>No monthly payments.</td>
<td>Payment of the outstanding loan balance is required upon sale, transfer or refinance prior to 15 year loan term</td>
</tr>
<tr>
<td><strong>Property</strong></td>
<td>Owner occupied, single family residences as designated by the appraiser</td>
<td>Adds clarification of property type and bases the determination upon the appraisal</td>
</tr>
</tbody>
</table>

**Summary:** MFA Staff requests approval of revisions to the Next Home program and a new down payment assistance ("DPA") second mortgage program (Next Down) to be used in conjunction with the Next Home program. These changes are intended to improve the long term viability of the Next Home program and allow MFA to offer more competitive rates on Next Home first mortgages.
“Next Down” Program Policy

October 1, 2018

Program Summary:

The Next Down program (“Next Down”) is a second mortgage loan that provides Down Payment and Closing Cost Assistance (“DPA”) for the purchase of a primary residence. Next Down can be combined with a Next Home first mortgage loan. Qualification/eligibility guidelines are uniform throughout the state of New Mexico and do not vary by location.

Eligible Mortgage Lenders:

Mortgage Lenders must be approved by MFA (“Participating Lender”) to originate Next Down program loans. Only Participating Lenders will be eligible to originate Next Down program loans. A list of eligible Participating Lenders is published on the MFA website. (www.housingnm.org/homebuyers/find-a-participating-lender)

Availability of Funds:

Next Down program funds are made available on a continuous basis and may be reserved in conjunction with a Next Home program loan through MFA’s online reservation system, which can be accessed on MFA’s website (www.housingnm.org/lenders_realtors/online-reservations).

Next Down Fund Use:

Next Down is available to homebuyers who obtain first mortgage loan financing through the Next Home program. Next Down may only be used to finance the minimum down payment and/or eligible closing costs. Eligible closing costs may include, but are not restricted to “reasonable and customary” lender fees (underwriting, document preparation, processing, etc.), mortgage insurance premiums, pre-paid interest, property taxes, homeowners/flood insurance, title insurance policies/premiums, appraisals and home inspections, if applicable.

Mortgage Loan Term:

Next Down is a 15-year, fixed term, non-amortizing, second mortgage requiring no monthly payments. Next Down loans do not carry a prepayment penalty. Payment of the outstanding loan balance is required upon sale, transfer or refinance. The loan balance is forgiven 20% each year beginning with the eleventh anniversary of the note date until fully forgiven at the 15th year anniversary.
Reservation/Extensions/Late fees:

Loan reservation, loan extension and late fee guidelines can be found on MFA’s website. (www.housingnm.org/lenders_realtors/online-reservations)

Maximum Loan to Value (“LTV”) and Combined Loan to Value (“CLTV”)

- FHA/VA/USDA-RHS: as determined within the underwriting/insurance eligibility criteria for each loan type.
- Fannie Mae HFA Preferred: 97%/105%.

Interest Rate:

The Next Down program interest rate is zero percent (0.000%).

Maximum Loan Amount:

The maximum Next Down loan amount is two and one-half percent (2.50%) of the Next Home loan balance.

Fees:

Participating Lenders may charge the borrower an origination fee of one hundred dollars ($100.00) in conjunction with a Next Down loan.

Other allowable fees that may be charges in conjunction with a Next Down loan include the recording fees mortgagee title insurance policy premiums, settlement/closing fees and daily interest charges. No other fees may be charged in conjunction with the Next Down loan.

Eligible Properties:

- Properties must be owner-occupied and specified as a single family residence by the appraiser.
- Property types eligible for financing under the Next Down program include Single family detached properties, townhomes, condominiums, and homes in Planned Unit Developments and manufactured homes on permanent foundations.
- Properties financed with the Next Down program must not exceed the Acquisition Cost limits set forth in Exhibit A.

Borrower Eligibility:
• The Next Down program **does not** require the borrower to be a first-time homebuyer.

• Household Income Limits as specified in Exhibit A.

• Minimum credit score of 620.

• Homebuyers must occupy the property within 60 days of closing.

**Homebuyer Counseling:**

• Required for First-time Homebuyers, only.

• eHome America Online pre-purchase homebuyer counseling or face to face/group pre-purchase homebuyer counseling provided through a HUD approved Housing Counseling agency.
### Exhibit A

Next Down Program Income Limits

<table>
<thead>
<tr>
<th>Area</th>
<th>Household Income Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>All areas of the State</td>
<td>$91,000</td>
</tr>
</tbody>
</table>

Next Down Program Acquisition Cost Limits

<table>
<thead>
<tr>
<th>Area</th>
<th>Acquisition Cost Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>All areas of the state</td>
<td>$340,000</td>
</tr>
</tbody>
</table>
“Next Home” Program Policy

March 1October 1, 2018

Program Description:

The Next Home Program (“Next Home”) is designed to increase homeownership opportunities for low-to-moderate income families and individuals throughout the state of New Mexico. Next Home is a combination first mortgage (purchase) loan and Down Payment and Closing Cost Assistance (“DPA”) grant—second mortgage—which features simplified qualification/eligibility guidelines as well as reduced documentation requirements. There is no First-time homebuyer requirement for the Next Home program.

Eligible Mortgage Lenders:

Mortgage Lenders must be approved by MFA (“Participating Lender”) to originate Next Home program loans. Only Participating Lenders will be eligible to originate Next Home program loans. MFA publishes a list of eligible Participating Lenders on the MFA website (www.housingnm.org/homebuyers/find-a-participating-lender).

Availability of Funds:

Next Home program funds are made available on a continuous basis and may be reserved for homebuyers through MFA’s online reservation system, which can be accessed on MFA’s website (www.housingnm.org/lenders_realtors/online-reservations).

First Mortgage Loan Term:

30 year, fixed term with full amortization, paid in equal monthly installments of principal and interest. Next Home loans do not carry a pre-payment penalty.

Mortgage Loan Types:

FHA

- 203(b), 203(k) and in accordance with FHA guidelines.

VA

- In accordance with VA guidelines.
USDA-RHS

- In accordance with USDA guidelines.

Fannie Mae: HFA Preferred

- In accordance with FNMA and Primary Mortgage Insurance guidelines.
- HFA Preferred term sheets and program descriptions are available on the MFA website. (www.housingnm.org/lenders_realtors/program-information)

HUD-Section 184

- In accordance with HUD-Section 184 guidelines.

**Interest Rate:**

Next Home program interest rates are set and published each day on MFA’s website. (www.housingnm.org/lenders_realtors/lenders-current-rates)

**Reservation/Extension/Late Fee:**

Loan reservation, loan extension and late fee guidelines can be found on MFA’s website. (www.housingnm.org/lenders_realtors/online-reservations)

**Maximum Loan to Value (“LTV”) and Combined Loan to Value (“CLTV”)**

- FHA/VA/USDA-RHS: as determined within the underwriting/insurance eligibility criteria for each loan type.
- Fannie Mae HFA Preferred: 97%/105%.

**Down Payment Assistance GrantSecond Mortgage:**

The Next Home program loans DPA grants may be used in conjunction with the Next Down second mortgage program loans. The DPA is used, in addition to the borrower’s own funds, to finance the minimum down payment, eligible closing costs (including prepaid items), and, in some cases, additional down payment on the first mortgage loan. Next Down DPA program guidelines can be found on the MFA website (www.housingnm.org/lenders_realtors/program-information).

- The Next Home grant is 3.00% of the final loan amount.
• The Next Home grant is not required to be repaid.

• Borrower must use the full 3.00% of the Next Home grant within the purchase transaction.

• Borrowers may not receive any grant funds as cash back at closing.

Fees:

• Participating lenders may charge an Origination Fee of no more than .5% to the borrower. No discount fee may be charged to the borrower.

• Participating Lenders will be paid a 1% origination fee by the Contracted Service Provider at the time of loan purchase.

• Participating Lenders will be paid a 1.50% Service Release Premium by the Contracted Service Provider at the time of loan purchase.

• Participating Lenders may charge additional fees to the borrower (underwriting, document preparation, processing, etc.) as long as such fees are “reasonable and customary”.

Eligible Properties:

• Properties must be owner-occupied and specified as a single family residence by the appraiser.

• Properties must be owner-occupied, single family residences.

• Property types eligible for financing under the Next Home program include single family detached properties, townhomes, condominiums, and homes in Planned Unit Developments and manufactured homes on permanent foundations.

• Acquisition Cost Limits as specified in Exhibit A.

Borrower Eligibility:

• There is no First-time homebuyer requirement under the Next Home program.

• Household Income Limits (not to exceed 140% AMI), as specified in Exhibit A.

• Acquisition Cost Limits as specified in Exhibit A.
• Borrower contribution of at least $500, which must be the borrowers own funds and cannot be derived from any type of gift, grant or DPA.

• Minimum credit score of 620.

• Homebuyers must occupy the property within 60 days of closing.

**Homebuyer Counseling:**

• Required for First-time Homebuyers, only.

• eHome America Online pre-purchase homebuyer counseling or face to face/group pre-purchase homebuyer counseling provided through a HUD approved Housing Counseling agency.
**Exhibit A**

**Next Home Program Household Income Limits**

<table>
<thead>
<tr>
<th>Area</th>
<th>Household Income Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>All areas of the State</td>
<td>$91,000</td>
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</tbody>
</table>

**Next Home Program Acquisition Cost Limits**

<table>
<thead>
<tr>
<th>Area</th>
<th>Acquisition Cost Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>All areas of the state</td>
<td>$340,000</td>
</tr>
</tbody>
</table>
Tab 4
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – July 31, 2018

FROM: Monica Abeita

DATE: August 15, 2018

SUBJECT: Capital Magnet Fund—Grant Opportunity

Recommendation:

Allow MFA to apply for up to $3 million dollars to the Capital Magnet Fund, U.S. Department of Treasury, for an affordable housing fund to be used as grant gap funding for difficult to develop low-income housing tax credit (LIHTC) projects.

Background:

The Capital Magnet Fund (CMF) is administered by the CDFI Fund in the U.S. Department of Treasury. Established by the Housing and Economic Recovery Act of 2008, it is funded similarly to the National Housing Trust Fund based on a percentage of unpaid principal balances of total new business purchases by Fannie Mae and Freddie Mac. There have been three rounds of funding by CMF, the first in FY 2010, the second in FY 2016, and the third was last year in FY 2017. MFA applied and was successfully awarded its first CMF grant to help provide down payment assistance for $3.6 million.

Details of the FY 2018 CMF grant are as follows:

1. Deadline: SF-424 due on August 20, 2018 with full application due on September 17, 2018.
2. Type of funding: Grant funding that once awarded must be deployed within two years.
3. Funding amount: The CDFI Fund has budgeted approximately $142.9 million in grants for the FY 2018 round. This is $22.9 million more than in FY 2017.
   • The CDFI Fund notes that in the FY 2017 CMF round, the statutory cap was $18 million. The largest amount awarded was $7.5 million, while the average award was $3 million.
4. Direct administrative expenses: Up to 5 percent of award
5. Eligible uses:
   • Loan loss reserves
   • Capitalization of a revolving loan fund or affordable housing fund
   • Capitalization of a fund to support economic development activities (up to 30 percent of award)
   • Risk-sharing loans
   • Loan guarantees

6. 2018 priorities:
   • Projects that target a minimum of 20 percent of all affordable housing rental units financed with CMF funds to very low-income families
   • Projects that target a minimum of 20 percent of affordable housing homeownership units to low-income families
   • Applications that leverage a higher amount of private capital
   • Applications that serve geographically diverse areas of economic distress, including metropolitan areas and underserved rural areas.
     o The priority for geographic diversity includes funding highly qualified applications that serve states not included in the service areas of recipients in the past two CMF rounds (FY 2016 and FY 2017). These areas include Iowa, Maine, North Dakota and Wyoming as well as the U.S. Virgin Islands, Guam, the Northern Mariana Islands, American Samoa and Puerto Rico.
     o The CDFI Fund seeks to fund highly qualified applications proposing to serve areas “most impacted and distressed” resulting from a major disaster declared in 2017.

7. Leverage: The CMF award must result in eligible project costs (leveraged costs plus the CMF award) that equal at least 10 times the amount of the CMF award. Leveraged capital may include loans from banks, investments from foundations, equity through LIHTCs or funds contributed by the applicant or from state or local governments.

Discussion:
Due to MFA’s ongoing ramp-up for use of the FY 2017 CMF grant for homeownership, MFA has determined that it will not apply for additional money for down payment assistance or homeownership purposes in the FY 2018 round. Therefore, this discussion considers whether or not MFA would pursue a FY 2018 application for multifamily purposes. These are the primary considerations in making such a request:

1. Large leverage requirement: Due to the leverage required to obtain a grant that would be worth MFA’s time and investment in applying, MFA would need to leverage LIHTC equity, as well as other project funding, such as gap sources, bank debt and local government donations. The implications of this are as follows:

   • MFA’s options for a CMF application would be limited to a loan fund or affordable housing fund for LIHTC projects. Here are some examples:

     o A $2 million grant request would require $20 million in LIHTC equity as leverage, which if spread over two years would likely represent one LIHTC project per year.

     o A $3 million grant request would require $30 million in LIHTC equity as leverage, which if spread over two years would represent one or two LIHTC projects per year.

     o If MFA decides to submit a grant application, it can make some assumptions about other project funding and donations that could potentially decrease the needed leverage in LIHTC
equity. However, it should be noted that CMF prioritizes **private** leverage, such as equity and bank financing, above other sources.

- Because MFA already has a substantial number of loan products that serve as gap financing for LIHTC, staff recommends that MFA consider an affordable housing fund that could be deployed as grants for difficult to develop projects, such as projects serving persons below 30% AMI or Permanent Supportive Housing (PSH) projects. In addition to addressing a need in our gap sources, such an application would be more compelling because it targets lower income households and high need populations. The risk associated with this is that there is no guarantee that applications for these types of projects will be competitive enough to be among the LIHTC awards for the two-year period of the grant.

2. **Timeframe to spend the funds:** CMF gap funding would need to be used for 2019 and 2020 LIHTC projects to meet the two-year timeframe for the grant. Unfortunately, the timeframe to expend the CMF grant does not match up well with our current LIHTC deadlines. Last year, the CMF awards were announced in March, which would be after the 2019 LIHTC round has closed. As mentioned earlier, there is a risk here if MFA cannot use CMF grant funding as a gap source for at least one project in the 2019 LIHTC round.

3. **Geographic priorities:** New Mexico does not appear to have an advantage in the criteria involving “geographically diverse areas of economic distress,” because the CDFI Fund is defining those areas as those that have not received CMF awards in the past and areas impacted by a major disaster in 2017. Staff can draft the application so that MFA can garner some of these points because of New Mexico’s high poverty rates and low incomes, but there is no guarantee the CDFI Fund will score it that way. A related consideration is that while the CDFI Fund has identified geographic priorities that do not include New Mexico, they also have $22.9 million more in funding to award in FY 2018 vs FY 2017. This may mean that they will have to reach beyond their geographic priorities, and if they do, New Mexico would likely fare well in meeting a broader definition of “geographically diverse areas of economic distress.”

4. **Capacity to submit the grant application:** MFA has a grant writer on contract that is available and well-versed on the proposed scope of work.

**Summary:** MFA requests approval to apply for a grant of up to $3 million dollars to the Capital Magnet Fund, U.S. Department of Treasury, for an affordable housing fund to be used as grant gap funding for difficult to develop LIHTC projects.
Tab 5
NEW MEXICO MORTGAGE FINANCE AUTHORITY
Contracted Services/Credit Committee Meeting
Tuesday, August 7, 2018 @ 10:00 am
MFA – Albuquerque

To dial in to the conference call dial: MFA (Abbott Hall) all participant dial in
(641) 715-3276 Participant Access Code: 561172# MFA only/Host Access Code: 561172*

<table>
<thead>
<tr>
<th>AGENDA ITEM</th>
<th>COMMITTEE RECOMMENDED</th>
<th>BOARD ACTION REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Vado New Horizons - HOME Singe Family Development loan request (George Maestas)</td>
<td><strong>Defer</strong></td>
<td>YES</td>
</tr>
<tr>
<td>2 Approval of 2018 HOME Rehab Request for Proposals (RFP) (Troy Cucchiara)</td>
<td><strong>3-0</strong></td>
<td>YES</td>
</tr>
<tr>
<td>3 RFP Award or Purchase of Affordable Housing Rental Properties in Clayton, NM (Christi Wheelock)</td>
<td><strong>3-0</strong></td>
<td>YES</td>
</tr>
</tbody>
</table>

Committee Members present:

Angel Reyes, Chair □ present □ absent □ conference call
Attorney General Hector Balderas or Sally Malavé □ present □ absent □ conference call
Randy McMillan □ present □ absent □ conference call

Secretary: [Signature]
8/17/18
MEMORANDUM

TO: MFA Board of Directors

Through: Contracted Services Committee – August 7, 2018

Through: Policy Committee – July 31, 2018

FROM: Troy Cucchiara, Program Manager

DATE: August 15, 2018

SUBJECT: 2018 HOME Rehabilitation Program RFP

Recommendation:
Staff recommends approval of the 2018 HOME Rehabilitation Program RFP.

Background:
MFA allocates a portion of the Federal HOME Investment Partnerships Program ("HOME") funds to the HOME Rehabilitation Program. The estimated HOME funding available for the 2018 HOME Rehabilitation Program is $3,000,000. MFA also received $60,250 in Community Development Block Grant (CDBG) funding which is administered by the NM State Department of Finance (DFA). The CDBG funding will be used as leverage funding for 10 homes which must be located within the Colonias. Total funding for the program is $3,060,250 and will enable rehabilitation for approximately 46 homes. A block grant will be awarded to service providers based on the outcome of the responses to the RFP.

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Amount</th>
<th>Number of Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>HUD- HOME Funds</td>
<td>$3,000,000.00</td>
<td>45</td>
</tr>
<tr>
<td>HUD- CDBG Funds</td>
<td>$ 60,250.00</td>
<td>1</td>
</tr>
<tr>
<td>Combined Total</td>
<td>$3,060,250.00</td>
<td>46</td>
</tr>
</tbody>
</table>

Discussion:
The HOME Rehabilitation Program provides funding for the rehabilitation of homes occupied by eligible low-income homeowners, whose annual household income does not exceed 60 percent of the area median income, adjusted for family size, in order to bring their homes back to code and meet safety and habitability standards. The purpose of the RFP is to select service providers that are capable of providing rehabilitation services to homeowners. Priority is given to agencies that can provide services in underserved areas and the Colonias. A map is provided of the underserved areas as part of the RFP.

Offerors must meet the minimum qualifications and requirements listed below in order to advance to the scoring portion of the RFP:

- Offeror must submit an application form specifying they are applying for the program;
- Offeror must submit proof of status as a non-profit, for profit, Community Action Agency (CAA), or other public entity;
- Offeror must be in “good standing” with MFA as of the date this RFP;
- Offeror must provide a current board resolution and board member list;
• Offeror must show proof of having a functioning accounting system that is operated in accordance with Generally Accepted Accounting Principles (GAAP);
• Offeror must show proof of having been in operation for a minimum of one year;
• Offeror must provide current resumes of all management and administrative team personnel;
• Offeror must not be “suspended,” or “debarred” from doing business with the federal government;
• Offeror must describe any material, current or pending litigations;
• Offeror must certify that all information provided in the RFP response is true and correct;
• Offeror not subject to the audit requirements of 2 CFR 200 must obtain independent yellow book audits prepared by a third party CPA in accordance with Generally Accepted Government Auditing Standards (GAGAS);
• For Offerors that did not receive funding from MFA in PY 2017-2018, Offeror must provide either an audit to the above standards or an independent CPA’s review of financial statements;
• Proof of a Commercial General Liability Insurance policy.

RFP will be scored by the categories listed below. Offerors must obtain a minimum score of 65:

<table>
<thead>
<tr>
<th>Category</th>
<th>Maximum Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Capacity</td>
<td>15</td>
</tr>
<tr>
<td>Finance</td>
<td>15</td>
</tr>
<tr>
<td>Construction Experience</td>
<td>15</td>
</tr>
<tr>
<td>Rehabilitation Program Implementation Plan</td>
<td>10</td>
</tr>
<tr>
<td>Waiting List</td>
<td>10</td>
</tr>
<tr>
<td>Identified Projects in the Colonias</td>
<td>15</td>
</tr>
<tr>
<td>Identified Underserved County Projects</td>
<td>15</td>
</tr>
<tr>
<td>New Agency</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total Maximum Points</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Upon MFA board approval, staff will proceed with the below timeline to ensure that contacts can be executed in a timely manner. All funding must be fully expended by December 2019.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA Published RFP</td>
<td>8/15/2018</td>
</tr>
<tr>
<td>RFP FAQ’s on Website</td>
<td>8/16/2018</td>
</tr>
<tr>
<td>RFP Training</td>
<td>8/22/2018</td>
</tr>
<tr>
<td>Deadline for Receipt of Proposals</td>
<td>9/10/2018</td>
</tr>
<tr>
<td>Deficiency Correction Period Begins</td>
<td>9/12/2018</td>
</tr>
<tr>
<td>Deficiency Correction Period Ends</td>
<td>9/19/2018</td>
</tr>
<tr>
<td>Preliminary Award Notice Sent to Service Providers</td>
<td>9/25/2018</td>
</tr>
<tr>
<td>Protest Period Begins</td>
<td>9/25/2018</td>
</tr>
<tr>
<td>Protest Period Ends</td>
<td>10/01/2018</td>
</tr>
<tr>
<td>Present Award Recommendations to MFA Board (If no protest)</td>
<td>10/17/2018</td>
</tr>
<tr>
<td>Final Notification of Awards Upon Board Approval</td>
<td>10/17/2018</td>
</tr>
<tr>
<td>Contracts to Service Providers</td>
<td>10/24/2018</td>
</tr>
</tbody>
</table>

**Summary:**
Staff recommends approval of the 2018 HOME Rehabilitation Program RFP. The purpose of the program is to provide funding for the rehabilitation of homes occupied by eligible low-income homeowners in order to bring their homes back to code and meet safety and habitability standards. The total funding available for the 2018 HOME Rehabilitation Program is $3,060,250 to rehabilitate 46 homes. Priority will be given to Offerors that can provide services in the Colonias and underserved areas.
HOME Rehabilitation Program

Program Year 2018/2019

Expanding the view of affordable housing

August 15, 2018
Welcome and thank you for your interest in responding to MFA’s HOME Rehabilitation RFP. MFA is committed to choosing the best qualified Offerors and this information will provide the best opportunity to do so.

**Part I – General Information**
The general information part of the RFP provides background information about MFA, general proposal requirements and RFP standards. It is provided to the Offeror for informational purposes only.

**Part II – Program-Specific Criteria**
Part II of the RFP requires responses from the Offeror. It is designed to provide program specific criteria such as program background; purpose of the RFP; RFP training; Q & A information; performance agreement terms; timelines; minimum qualifications; geographic area to which the RFP would apply; evaluation criteria; program standards and compliance with federal requirements.

In an effort to provide clarification or answers to questions to this RFP, an FAQ link will be available on MFA’s website after the RFP training. Please refer to the timeline noted in Part II for the training date.
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<td>9</td>
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<td>Performance Agreement Term</td>
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<td>9</td>
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<tr>
<td>10</td>
<td>Minimum Qualifications and Requirements</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>Geographic area to which this RFP applies</td>
<td>12</td>
</tr>
<tr>
<td>12</td>
<td>EVALUATION CRITERIA</td>
<td>12</td>
</tr>
<tr>
<td>12.1</td>
<td>Scoring Criteria</td>
<td>12</td>
</tr>
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<td>13</td>
<td>Program Standards</td>
<td>15</td>
</tr>
<tr>
<td>14</td>
<td>Compliance with Other Federal Requirements</td>
<td>19</td>
</tr>
<tr>
<td>15</td>
<td>RFP Forms</td>
<td>21</td>
</tr>
</tbody>
</table>
PART I: GENERAL INFORMATION

1 BACKGROUND INFORMATION

1.1 INTRODUCTION

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. MFA will endeavor to ensure, in every way possible, that small, women-owned business enterprises and/or labor surplus area firms (collectively Disadvantaged Business Enterprises [DBE]) shall have every opportunity to participate in submitting proposals and providing services. DBE businesses are encouraged to submit proposals. MFA will not discriminate against any business on grounds of race, color, religion, gender, national origin, age or disability. It is MFA’s policy that suppliers of goods or services adhere to a policy of equal employment opportunity and demonstrate an affirmative effort to recruit, hire and promote regardless of race, color, religion, gender, national origin, age or disability.

1.2 PURPOSE

The purpose of this Request for Proposal (RFP) is to solicit proposals, in accordance with MFA’s Procurement Policy, from qualified applicants, which by reason of their skill, knowledge, and experience are able to furnish services for MFA in connection with the program for which they are applying (“Offerors”).

2 GENERAL PROPOSAL REQUIREMENTS

2.1 PROPOSAL SUBMISSION

All Offeror proposals must be received for review and evaluation by MFA by 4 p.m. Mountain Time on the deadline of the proposal outlined in Part II Section 9, Timeline of the RFP. Proposals shall be in sealed envelopes marked “Proposal to Offer Services” and list the name of the program being applied for.

Submit proposals to:

Community Development Department
Administrative Assistant
New Mexico Mortgage Finance Authority
344 Fourth Street, SW
Albuquerque, NM 87102

Proposals may be delivered by mail, other shipping service or by hand. Facsimile or electronic transmissions will not be accepted. Proposals received after the proposed due date outlined in the timeline will not be considered for funding.
2.2 **PROPOSAL TENURE**

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

2.3 **PROPOSAL FORMAT**

Proposals should be printed on standard 8 ½ x 11 paper, double-sided, with each copy fastened using paper clips or binder clips and **with tabs** identifying each minimum threshold item and evaluation criteria item. **Please do not spiral bind your proposals.** All proposals must be self-contained.

- Proposals and forms may be downloaded from MFA’s website: [http://www.housingnm.org/community_development/owner-occupied-rehab](http://www.housingnm.org/community_development/owner-occupied-rehab)
- Offeror(s) must submit **one copy** of the most recent agency financial audit or a letter from MFA indicating that we have already received and approved your audit.
- Offeror(s) must submit an **original and three copies** of the proposal form and all required schedules and attachments, for a total of four proposal packages.
- Proposals must include the program-specific forms attached to this proposal package and all schedules and attachments pertaining thereto.
- MFA forms released with this proposal (proposals, budgets, certifications, schedules) must be used when provided by MFA. No substitutions will be accepted.

2.4 **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, in Part II Section 9, Timeline, cannot be waived under any circumstances.

2.5 **EVALUATION OF PROPOSALS**

Responses will be evaluated by an internal review committee of MFA staff using the scoring criteria as described in Part II Section 12, Evaluation Criteria. The review committee will present award recommendations to MFA management and MFA’s Board. Final selection will be made by MFA’s Board of Directors at the regularly scheduled monthly meeting.

MFA does not guarantee and is not obligated to make an award. Awards will be based on availability of funds, Offeror’s demonstrated need, and Offeror’s score on the scoring criteria and/or for any of the other reasons set forth herein.

2.6 **DEFICIENCY CORRECTION PERIOD**

Upon receipt of all timely submitted proposals, MFA staff members will review all proposals to verify that all are complete in accordance with the requirements of this RFP. Should any proposal be missing a threshold requirement in the RFP, it will be deemed incomplete. MFA will notify Offerors if any corrections are needed during the deficiency period. The deficiency correction period may not be used to increase the Offeror’s score.
Items eligible for correction or submission during the deficiency correction period include missing or incomplete items required in the Minimum Qualifications and Requirements section of this proposal.

MFA shall communicate proposal deficiencies to each Offeror’s designated contact person within seven calendar days of the RFP proposal submission date via e-mail. Applicants shall have five business days after the date of the e-mail delivery notice to submit the required information. All items must be submitted no later than 4 p.m. Mountain Time on the due date. The response due date will be noted on the deficiency notice. If the information requested is not provided within the timeframe provided or is submitted, but remains deficient, the proposal will be rejected without any further review.

Upon expiration of the deficiency correction period, MFA will not accept Offeror’s submission of any items still missing from the proposal.

3 RFP STANDARDS

3.1 PROTEST

Any Offeror who is aggrieved in connection with this RFP or the notification of preliminary selection to this RFP may protest to MFA. A protest must be based on an allegation of a failure to adhere to the evaluation process as designated in the RFP, including MFA’s evaluation of proposals. The protest must be written and addressed to:

Community Development Department
Administrative Assistant
New Mexico Mortgage Finance Authority
344 Fourth Street, SW
Albuquerque, NM 87102

The protest must be delivered to MFA within five calendar days after the preliminary notice of award. Upon the timely filing of a protest, the administrative assistant 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 calendar days of notice of protest. The protest process shall consist of review of all documentation and any testimony provided in support of the protest by the Contracted Services/Credit Committee of MFA’s Board of Directors, which shall thereafter make a recommendation to the full Board of Directors regarding the disposition of the protest.

MFA’s Board of Directors shall make a final determination regarding the disposition of the protest. Offerors or their representatives shall not communicate with MFA’s 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 the 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.

3.2 RFP REVISIONS AND SUPPLEMENTS

Should revisions or additional information be necessary to clarify any provision of this RFP, the revision or additional information will be provided to all offerors via MFA’s website.
3.3 INCURRED EXPENSES

MFA will 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 Offeror.

3.4 RESPONSIBILITY OF OFFERORS

If an Offeror, who otherwise would have been awarded a contract, is found not to be a responsible Offeror, a determination 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 the Offeror’s financial resources, production or service facilities, personnel, service 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.

In addition to the terms respecting the services to be performed, the contract between MFA and the successful Offeror (herein “Service Provider”) shall include, but may not be limited to, terms substantially similar to the following.

Indemnity. Service Provider accepts full responsibility and liability for the Scope of Work and for the proper obligation and expenditure of Program Funds under this Agreement and shall defend, hold harmless and indemnify MFA and HUD against any and all claims or liabilities, including attorneys’ fees and costs of litigation, arising out of Service Provider’s performance of or failure to perform the Scope of Work or arising out of any Project developed under the Scope of Work or for which Program Funds have been expended.

Subcontracting Prohibited. The Service Provider shall not subcontract any portion of the services to be performed under this Agreement without the prior written approval of MFA. If approved by MFA, the Service Provider shall be solely responsible for the performance of any subcontractor under such subcontract(s). Use of a subcontractor shall not relieve Service Provider of any obligation under this Agreement for any reason, including but not limited to a subcontractor's bankruptcy, insolvency or other inability to perform the services required under any subcontract.

Required Records. The Service Provider will maintain adequate financial accounting, Program and Project records for no less than seven years after the expiration date or termination date of the agreement, whichever is later.

Cost Reimbursements/Budget. Payment under cost reimbursable contract provisions shall be made upon MFA’s receipt from the Service Provider of certified and documented invoices for actual expenditures allowable under the terms of this Agreement. Reimbursements will be made in accordance with the Budget.

Commercial General Liability Insurance. A commercial general liability insurance policy with combined limits of liability for bodily injury or property damage will be required to include the limits below:

$1,000,000 Per Occurrence
$1,000,000 Policy Aggregate
$1,000,000 Products Liability/Completed Operations (if applicable)
$1,000,000 Personal and Advertising Injury
$ 50,000 Damage to Rented Premises (if applicable)
$ 5,000  Medical Payments
$1,000,000  Builder’s Risk Insurance for any construction projects (if applicable)
          Bond or Employee Dishonesty Insurance (25% of award)
          Workers’ Compensation Insurance

Said policy or policies of insurance must include coverage for all operations performed for MFA by the Service Provider and contractual liability coverage shall specifically insure and hold harmless provisions of this Agreement.

Privacy and Confidentiality. The Service Provider shall exert all reasonable effort to advise MFA at the time of delivery of data furnished under this Agreement, of all invasions of the right of privacy contained therein, and of all portions of such data copied from work not composed or produced in the performance of this Agreement and not licensed under this Agreement. Service Provider shall indemnify and hold MFA harmless from and against any loss, cost, liability, or expense arising out of the violation or alleged violation of any patent, copyright, trade secret or other property right of any third party.

Equal Opportunity Data. The Service Provider will maintain data relative to "Equal Opportunity" as related to Minority Business Enterprises ("MBE") and Women Business Enterprises ("WBE"). At a minimum, such data shall include the number and dollar value of MBE/WBE contracts and subcontracts awarded. This data is required to be reported to MFA annually in the format prescribed MFA and is due to MFA each year at a time to be determined by MFA in its sole discretion.

Termination at Will. The Agreement may be terminated by MFA with the consent of Service Provider or by Service Provider pursuant to the applicable provisions of 2 CFR 200.339 by such termination, neither party may nullify any obligation already incurred prior to the date of termination.

Independent Service Provider. The Service Provider, its agents and employees are independent contractors performing professional services for MFA and are not employees of MFA or the state of New Mexico. The Service Provider and its agents and employees, shall not accrue leave, retirement, insurance, bonding or any other benefits afforded to employees of MFA or the state of New Mexico.

Awards to Other Service Providers. The Service Provider shall not assign or transfer any rights, duties, obligations or interest in or to the proceeds of this Agreement without the prior written approval of MFA. If approved, any assignee will be subject to all terms, conditions and provision of this Agreement. No such approval by MFA of any assignment shall obligate MFA for payment of amounts in excess of the Program Funds. In accordance with 2 CFR 200.213, Service Provider shall not make any awards or permit any award (subcontract or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible to participate in Federal assistance programs under Executive Order 12549 and 12689, "Debarment and Suspension."

Amendment. The Agreement shall not be altered, changed or amended except by instrument in writing executed by the parties hereto.

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

Service Provider Shall Not Bind MFA. Service Provider shall not purport to bind MFA, its officers or employees nor the state of New Mexico to any obligation not expressly authorized herein unless MFA has expressly given Service Provider MFA permission to do so in writing.

The Agreement shall be governed by the laws of the state of New Mexico and by applicable Federal law. The Service Provider consents to the jurisdiction of the Courts of the state of New Mexico. If any term or provision of
this Agreement shall be found to be illegal or unenforceable then, notwithstanding, this Agreement shall remain in full force and effect and such term or provision shall be deemed to have no effect.

3.5 CANCELLATION OF RFP OR REJECTION OF PROPOSALS

This RFP may be canceled and any and all proposals may be rejected when it is in the best interest of the state of New Mexico and/or MFA. In addition, MFA may reject any or all proposals which are not responsive. Offeror may also cancel their proposal at any time during the proposal process.

3.6 AWARD NOTICE

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

3.7 PROPOSAL CONFIDENTIALITY

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.

3.8 CODE OF CONDUCT

No Board member or employee of MFA shall have any direct or indirect interest in any contract with the Offeror nor shall any contract exist between Offeror or its affiliate and 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 $250 (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 MFA’s Board of Directors in the last three 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 the contract entered into with MFA pursuant to this RFP. Offeror shall at all times conduct itself in a manner consistent with MFA’s Code of Conduct and MFA’s Anti-Harassment Policy. A copy of MFA’s Code of Conduct and MFA’s Anti-Harassment Policy is posted on MFA’s website for review at http://www.housingnm.org/rfp. Upon request by MFA, Offeror shall disclose information MFA may reasonably request relating to conflicts or potential conflicts of interest.

3.9 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, §57-3A-1 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 10 calendar days of the notice, the proposal will be so disclosed.
PART II: PROGRAM-SPECIFIC CRITERIA

4. PROGRAM BACKGROUND

New Mexico Mortgage Finance Authority (MFA) has received Federal HOME Investment Partnerships Program funding from the U.S. Department of Housing and Urban Development (HUD), and Community Development Block Grant (CDBG) from the local government division for Colonias specific areas. MFA has allocated a portion of each of these funds for a HOME Rehabilitation Program. The HOME Rehabilitation Program provides assistance to low-income home owners who lack the resources necessary to make home repairs. This assistance can be used to bring the home up to code, ordinance compliance, essential improvements, energy saving improvements, hazard reduction, disabled persons accessibility, repair or replacement of major housing systems, utility connections, and general property improvements that are non-luxury in nature. This program is administered by the local HUD office.

Funds are available to eligible nonprofit, for profit organizations and local participating cities (service providers) to assist MFA in its mission to provide services to low-income residents. The program provides funding to service providers for home rehabilitation in units occupied by eligible home owners. Home owners must have an annual household income that does not exceed 60 percent of the area median income, adjusted for family size.

The total funding available for the 2018 HOME Rehabilitation Program is $3,060,250 and will be issued in block grants based on the scoring and outcome of this RFP. The maximum amount of funding that can be applied for is $975,000. Sources include:

HOME Investment Partnerships Program: $3,000,000
Community Development Block Grant: $ 60,250

5. PURPOSE OF RFP

The purpose of this Request for Proposal (RFP) is to select qualified service providers for MFA’s HUD funded HOME Rehabilitation and CDBG Programs. This RFP is issued pursuant to MFA’s procurement policy to solicit applications from qualified Offerors capable of providing HOME Rehabilitation service in all NM counties. Awards will be made through a scoring process to eligible Offerors with priority being given to underserved counties and Colonias.

Scoring will be based on organization capacity, finance capacity, construction experience, implementation plan, wait list, projects located in underserved areas, and projects located in the Colonias.

If other funds become available to MFA during the contract period for activities similar to the work performed under the Program, additional funding may, at the option of MFA, be offered to the successful Offerors without a new RFP. MFA retains sole discretion to make the judgment as to the need for additional RFPs. Satisfactory performance will be a prerequisite for consideration of additional funding.

Offerors may not obligate funds, incur expenses, or otherwise implement program services prior to execution of a contract with MFA. Funding is anticipated to be available for future program years at similar levels, but is subject to change. Funding is not guaranteed to any given Offeror in any given amount.
6. RFP TRAINING

All interested Offerors must attend a mandatory RFP training in order to apply for this RFP. Training is scheduled for August 22, 2018 from 9:30am to 11:30am in MFA’s board room, 344 Fourth Street SW, Albuquerque, NM 87102. The date is posted on the MFA website and is also located in Section 9, Timeline of this proposal. Pre-registration is required. To register, visit http://housingnm.org/. After the RFP training, questions will only be answered through MFA’s formal RFP Q&A process detailed in Section 7 of this RFP.

7. RFP Q&A

Questions pertaining to this RFP and application must be submitted via MFA’s website at http://www.housingnm.org/rfp under “Current RFP’s”. Select the HOME Rehabilitation RFP. On the services tab of the RFP select the “Services FAQs” link. Questions will be answered on a regular basis. The FAQ will open the day after the RFP is issued and will close two days prior to the RFP due date. To submit questions, scroll down to the “Ask a Question” section, enter your name, email address, type your question in the “Question” box, enter the two words in the CAPTCHA box and click on “Send my question”. MFA will make every attempt to answer questions within two business days.

8. CONTRACT TERM

Once an Offeror has been approved for Service Provider status, MFA will issue an award letter. The contract will be effective from the day the contract is executed by both parties and will be effective for a maximum period of time for of 18 months. Contracts may be amended to include additional eligible projects as long as funding is still available. The maximum amount available for any one agency is $975,000.

Eligible partners shall not subcontract the management services to be performed under this agreement without the prior written approval of MFA. The only exceptions are for an Environmental Protection Agency Certified Lead Paint Based Assessors, a certified public accountant and construction crews.

9. TIMELINE

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA Published RFP</td>
<td>08/15/2018</td>
</tr>
<tr>
<td>RFP FAQ’s on Website</td>
<td>08/16/2018</td>
</tr>
<tr>
<td>RFP Training</td>
<td>08/22/2018</td>
</tr>
<tr>
<td>Deadline for Receipt of Proposals</td>
<td>09/10/2018</td>
</tr>
<tr>
<td>Deficiency Correction Period Begins</td>
<td>09/12/2018</td>
</tr>
<tr>
<td>Deficiency Correction Period Ends</td>
<td>09/19/2018</td>
</tr>
<tr>
<td>Preliminary Award Notice Sent to Service Providers</td>
<td>09/25/2018</td>
</tr>
<tr>
<td>Protest Period Begins</td>
<td>09/25/2018</td>
</tr>
<tr>
<td>Protest Period Ends</td>
<td>10/01/2018</td>
</tr>
<tr>
<td>Present Award Recommendations to MFA Board</td>
<td>10/17/2018</td>
</tr>
<tr>
<td>Final Notification of Awards Upon Board Approval</td>
<td>10/17/2018</td>
</tr>
<tr>
<td>Contracts to Service Providers</td>
<td>10/24/2018</td>
</tr>
</tbody>
</table>
Offerors must meet the basic eligibility criteria specified in the “Minimum Qualifications and Requirements” section of this RFP. In addition responses to the RFP must meet the requirements enumerated below. Waivers to “Proposal Requirements” may be approved by MFA’s Policy Committee. These criteria must be met by all Offerors to be considered for funding. All MFA forms released with this application under Section 15 RFP Forms must be used. No substitutions will be accepted. Applications and forms may be obtained from MFA website at: www.housingnm.org/community_development/(HOMERehabilitation).

The following criteria must be met by Offerors to be considered for selection to provide services for the Home Rehabilitation Program:

Offeror must submit application form specifying they are applying for “HOME Rehabilitation Program” (Form provided in Section 15 RFP Forms);

- Offeror must submit proof of status as a non-profit, for profit, Community Action Agency (CAA), or other public entity (e.g., unit of local government);

- Offeror must be in “good standing” with MFA as of the date this RFP. In order to be in good standing, Offeror must have no unresolved findings from any prior MFA monitoring. This is not applicable for new agencies;

- Offeror must provide a current board resolution not older than 12 months from the date of the application showing approval for the agency to apply for the 2018 HOME Rehabilitation Program. If Offeror is a tribal entity, a current tribal resolution showing approval for the agency to apply for the 2018 HOME Rehabilitation Program is needed (does not apply to for profit entities);

- Offeror must provide a current list of all board members, including their names, employers and term lengths, if applicable;

- Offeror must show proof, in the form of current financial policies and procedures, of having a functioning accounting system that is operated in accordance with Generally Accepted Accounting Procedures (GAAP) or has designated an entity that will maintain such an accounting system that is consistent with GAAP;

- Offeror must show proof of having been in operation for a minimum of one year;

- Offeror must provide current resumes of all management and administrative team personnel;

- Offeror must not have a “suspended,” “debarred” or HUD’s Limited Denial of Participation status conferred upon it by MFA and/or other state or federal funding sources. Offeror must provide a print screen from https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp as proof of compliance within 30 days of the application date;

- Offeror must describe any material, current or pending litigation, administrative proceedings or investigations that could impact the reputation or financial viability of the firm. (Form provided in Section 15 RFP Forms);
• Offeror must certify that all information provided in the RFP response is true and correct and that the individual signing has the authority to bind the Offeror Certification (Form provided in Section 15 RFP Forms);

• Offerors not subject to the audit requirements of 2 CFR 200 must obtain independent yellow book audits prepared by a third party CPA in accordance with Generally Accepted Government Auditing Standards (GAGAS) covering financial and compliance audits. Offeror must provide either an independent CPA’s auditors report (audit) or audited financial statements conducted in accordance with Government Auditing Standards (GAS). The GAS Audit or audited financial statements will include the following:
  ✓ An independent auditors report on financial statements;
  ✓ An independent auditors report on internal control over financial reporting and compliance;
  ✓ Auditor’s management letter if appropriate and the Offeror’s response to any audit or audited financial statement findings;

• The following types of audit or audited financial findings may disqualify Offeror from funding:
  ✓ Repeat or unresolved audit findings, as determined by MFA;
  ✓ If Offeror has received greater than $750,000 in the fiscal year ending in 2017 and the single audit did not meet the requirements of the 2 CFR 200.250 Subpart F;
  ✓ For Single Audit, no proof of federal audit clearinghouse submission (FORM SF-SAC);
  ✓ If governmental entity, proof is not included of current audit submission to the Office of the New Mexico State Auditor;
  ✓ If referenced in audit as a separate communication, no submission of Management Response Letter and management response to concerns noted in the management letter;
  ✓ If any findings, no submission of management response to findings;

• Any Offerors that did not receive funding from MFA in PY 2017-2018 must provide either an audit to the above standards or an independent CPA’s review of financial statements;

• Proof of a Commercial General Liability Insurance policy with combined limits of liability for bodily injury or property damage as follows:

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Per Occurrence</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Policy Aggregate</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Products Liability/Completed Operations</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Personal and Advertising Injury</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Damage to Rented Premises</td>
<td>$50,000</td>
</tr>
<tr>
<td>Medical Payments</td>
<td>$5,000</td>
</tr>
<tr>
<td>Builder’s Risk Insurance (Applicable Construction Practices)</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Bond or Employee Dishonesty Insurance (25% of award)</td>
<td></td>
</tr>
<tr>
<td>Workers’ Compensation Insurance</td>
<td></td>
</tr>
</tbody>
</table>
11. GEOGRAPHIC AREA TO WHICH THIS RFP APPLIES

The geographic area to which this RFP applies is all counties of New Mexico, excluding the cities of Albuquerque and Las Cruces. Priority is given to underserved, high-need areas and the Colonias. A map with the underserved counties and tribal areas is included in this RFP.

Colonias are rural communities and neighborhoods located within 150 miles of the U.S.-Mexican border that lack adequate sewer, water, and/or housing. These areas also typically lack other basic services like electricity, garbage service, water drainage, schools and community facilities. The Colonias of New Mexico are located in the counties of Catron, Chavez, Dona Ana, Eddy, Grant, Hidalgo, Lincoln, Luna, Sierra, Otero and Socorro.

12. EVALUATION CRITERIA

MFA will award performance agreements to the Offerors whose proposals score the highest and are most advantageous to MFA with respect to the evaluation criteria. Proposals will only be evaluated if Offeror meets the minimum threshold requirements. Offeror’s documentation should address the following criteria in addition to complying with minimum threshold requirements and demonstration of organization capacity and financial stability. Proposals will be scored on a scale from 1 to 100 based on the criteria listed below. A serious deficiency in any one criterion may be grounds for rejection, regardless of overall score.

Scoring will be determined based on the responses to the criteria listed below. Awards will be determined based on an Offeror’s request for funding and their score related to all qualified Offerors scores.

Offeror must obtain a minimum score of 65.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Maximum Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Capacity</td>
<td>15</td>
</tr>
<tr>
<td>Finance</td>
<td>15</td>
</tr>
<tr>
<td>Construction Experience</td>
<td>15</td>
</tr>
<tr>
<td>Rehabilitation Program Implementation Plan</td>
<td>10</td>
</tr>
<tr>
<td>Waiting List</td>
<td>10</td>
</tr>
<tr>
<td>Identified Colonias Projects</td>
<td>15</td>
</tr>
<tr>
<td>New Agency</td>
<td>5</td>
</tr>
<tr>
<td>Identified Underserved County Projects</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total Maximum Points</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Organization Capacity – 15 Possible Points**

Provide a brief outline of management staff, organization chart, and list of board of directors. (1 point)

Provide current resumes for each of the key positions listed below:

Executive Director/Owner experience

Less than 2 years (1 point)

2 to 5 years (2 points)

5 or more years (3 points)

Fiscal Manager experience
Complete the administrative and financial management capacity form provided in Section 15 RFP Forms.

Program/Construction Manager experience
Less than 2 years (1 point)
2 to 5 years (2 points)
5 or more years (3 points)

Administrative staff responsible for reporting, invoicing, intake and outreach
Less than 2 years with Offeror Agency (1 point)
2 to 5 years with Offeror Agency (2 points)
5 or more years (3 points)

Staff or Agency Certifications (2 points)
A total of 2 points will be awarded for field staff certifications in the field of construction:
Examples Include:
- Environmental Protection Agency (EPA) Renovation;
- Repair and Painting (RRP) Certification for field staff and/or Certified Firm status;
- OSHA 10 or 30 hour Construction Health and Safety certification;
- AHERA (Asbestos Hazard Emergency Response Act);
- Mechanical licenses;

Finance — 15 Possible Points

External Audit — a maximum of 5 points will be awarded based on the results of Offeror’s independent audit or audited financial statements for their most recent completed fiscal year not ending earlier than 2017.

Audit materials must include management’s response to any findings and corrective action to clear the finding or provide details on the current status of a finding.

0 Current Findings (5 points)
Previous Years Findings Cleared (3 points)
Unresolved Findings (0 points)

Financial Management (up to 10 points)
- Provide a proposed budget for the Offeror’s HOME Rehabilitation Program support costs (4 points)
- Provide the policy for the Offeror’s system of internal controls for fiscal management as documented in a policies and procedures manual approved by the Offeror’s Board of Directors/Owner (4 points)
- Offeror’s by-laws requiring Board of Director’s/Owners fiscal oversight (2 points)

Construction Experience — 15 Possible Points

Provide organization chart and current resumes of staff that would be managing the program. In addition, complete the Field Experience and Capacity form provided in Section 15 RFP Forms.

25 years of combined experience (5 points)
15 to 24 years of combined experience (4 points)
Less than 15 years of combined experience (3 points)

Experience administering MFA’s HOME Rehabilitation Program (5 points)
Experience administering federally funded rehabilitation programs or programs that involve environmental modification or ADA compliance measures such as ramp installation, grab bars, door widening, roofs, etc. (5 points)

### HOME Rehabilitation Program Implementation Plan – 10 Possible Points

**Executive Summary and Plan** (1 page – up to 5 points)
- Executive Summary of the agency detailing what comprises the agency and the agency’s mission statement (1 point)
- Provide an explanation of how HOME Rehabilitation fits into the agency mission and why this program will support the mission (2 points)
- Quality Assurance plan that thoroughly describes how Offeror will ensure the highest level of service (2 points)

**Production Schedule** (1 page – up to 5 points)
- Projected timeline of project completion. Timeline should answer the question below: Will projects overlap or will they be staggered and how will that work? (3 points)
- Estimated number of hours staff members will devote to program (2 points)

### Waiting List – 10 Possible Points

**Eligible Projects** - Provide list of clients on your existing waiting list. (up to 10 possible points)
- One eligible project (2 points)
- Two eligible projects (4 points)
- Three eligible projects (6 points)
- Four eligible projects (8 points)
- Five or more eligible projects (10 points)

### Colonia Eligible Projects – 15 Possible Additional Points

**Eligible Projects** - Provide list of projects located in a designated Colonias. (up to 15 points)
- One eligible project (3 points)
- Two eligible projects (6 points)
- Three eligible projects (9 points)
- Four eligible projects (12 points)
- Five eligible projects (15 points)

### New Agency Only (No HOME rehab contracts with MFA over last 36 months) - 5 Additional Points

**Underserved County Eligible Projects – 15 Possible Additional Points**

**Eligible Projects** - Provide projects that are located in counties listed below where the HOME Rehabilitation Program has not served clients in the last 24 months. (up to 15 points)
- One eligible project (3 points)
- Two eligible projects (6 points)
- Three eligible projects (9 points)
- Four eligible projects (12 points)
- Five eligible projects (15 points)
### Underserved Counties and Tribes

<table>
<thead>
<tr>
<th>San Juan</th>
<th>Rio Arriba</th>
<th>Taos</th>
<th>Los Alamos</th>
<th>Colfax</th>
<th>Union</th>
<th>Grant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mora</td>
<td>Harding</td>
<td>San Miguel</td>
<td>Guadalupe</td>
<td>Torrance</td>
<td>McKinley</td>
<td>Eddy</td>
</tr>
<tr>
<td>Cibola</td>
<td>Catron</td>
<td>Sierra</td>
<td>Lincoln</td>
<td>De Baca</td>
<td>Roosevelt</td>
<td>Hidalgo</td>
</tr>
<tr>
<td>Quay</td>
<td>Curry</td>
<td>Chaves</td>
<td>Lea</td>
<td>Jemez</td>
<td>Acoma</td>
<td>Laguna</td>
</tr>
<tr>
<td>Nambe</td>
<td>Pojoaque</td>
<td>Zuni</td>
<td>Isleta</td>
<td>Santa Clara</td>
<td>Navajo Nation</td>
<td>Jicarilla Apache</td>
</tr>
</tbody>
</table>

### 13 PROGRAM STANDARDS

#### Eligible Borrowers

To be eligible for HOME and CDBG funding, the current annual household income of the borrower(s) must be at or below 60% of Area Median Income (AMI) adjusted for family size as determined by the U.S. Department of Housing and Urban Development (HUD) and calculated pursuant to the HUD Part 5, Section 8 guidelines. The incomes of all household members over 18 years of age are needed to determine income eligibility.

#### Property Eligibility

The home must be owned and occupied by the applicants as evidenced by a title search and a deed. Title to the property must be held as fee simple ownership or a 99-year leasehold. Homes located on Tribal/Pueblo land may have a 99-year lease. All property taxes must be current for non-Tribal/Pueblo land.

The value of the home (as determined by appraisal or other method approved by MFA, such as a market analysis) cannot exceed the HUD published 95% AMI after rehabilitation value for the unit size, after rehabilitation. The combination of an existing mortgage loan and HOME award cannot exceed the after rehabilitation value of the HOME. On Tribal/Pueblo land, MFA will accept a property valuation in lieu of a third party appraisal.

In order to meet MFA’s construction standards and HOME regulatory requirements, the minimum subsidy per unit is $1,500. The property must meet all construction standards upon final funding of the loan.

Properties with a home equity mortgage lien and properties located within the city limits of Las Cruces and Albuquerque are not eligible for this funding.

#### Structure for Terms of Assistance

The form of assistance for households earning no more than 60 percent AMI will be a non-amortizing, zero percent interest subordinate loan. A lien will be placed on the property in the amount of actual hard construction costs only. Soft costs, administration fees and lead based paint activities will not be passed on to the home owner. Each home
owner enters into an Award and Restrictive Covenants Agreement or Tribal Land Award Agreement herein; “TLAA" provided by MFA and must be signed and notarized by the homeowner. The agreement will be a non-amortizing, zero percent interest award that is due on sale, transfer or refinance during the affordability period. If the total of the principal amount of the award is from $1 to $40,000, then the Affordability Period is 10 years. If the total of the principal amount of award is greater than $40,000, the Affordability Period is 15 years. The loan will be forgiven at a rate of 20 percent of the principal amount per year during the last five years of the affordability period (1/5 per year for five years). At project completion, the Agreement is to be recorded at the County Clerk’s office or Bureau of Indian Affairs (BIA) where the property is located and delivered to MFA.

**Buyer Equity**

The pre-rehabilitation value of the home must be determined by appraisal or MFA accepted method such as market analysis before any rehabilitation work is performed. Award and restrictive covenants, or Tribal/Pueblo land award agreements will be placed on the property that permits the home owner’s investment to be recovered from the proceeds of sale or transfer of the property prior to any repayment of the HOME loan.

**Maximum Value Limits**

The value of the home (as determined by appraisal or other method approved by MFA such as a market analysis) cannot exceed the HUD published value for the unit size, after rehabilitation. Agencies must use the HUD 95 percent after rehabilitation median values which are available online at: [http://www.housingnm.org/community_development/owner-occupied-rehab](http://www.housingnm.org/community_development/owner-occupied-rehab)

**Leveraging Match Resources**

MFA realizes that it may take more than the “maximum” amount of HOME funds to adequately rehabilitate the home. Our intent and priority under this program is to provide HOME funds to the lower income borrowers (0-60 percent AMI). In order to increase the number of families assisted with the limited HOME funds, MFA highly encourages leveraging with other resources such as USDA-Rural Development loans. Whenever possible, eligible partners should coordinate with MFA’s NM Energy$mart providers to incorporate weatherization with all rehabilitation projects.

**Construction (Hard) Costs**

Construction costs for agency contracts must have a per unit average of no more than $55,000. Hard costs are direct physical construction costs that include eligible materials and labor required to meet the minimum rehabilitation standards.

**Invoicing Subject to the Following**

Initial interim funding is subject to the following: (i) the submission of field inspection report including photos, (ii) copies of contractor payment request and/or material receipts, (iii) copy of print screen from [SAM.gov](http://www.samy.gov) and HUD’s Limited Denial of Participation for homeowner, agency and contractor(s) and, (iv) if invoicing for project management as a soft cost submission of employee timesheets. Projects that have not drawn any funds within 60 days date of the project approval letter may be canceled by MFA. The project must be completed within 180 days from the receipt of a project number from MFA. Approval from MFA with supporting documentation is necessary to waive this requirement.

**Final Invoicing**
The invoice for each project is subject to the following; (i) the submission of a HOME Completion Report, (ii) the submission of a copy of the Certificate of Occupancy and/or final inspection from the proper code enforcement agency signed by the home owner, (iii) the submission of the Release of Liens Certification from the contractor, (iv) the submission of the original recorded award and Restrictive Covenants Agreement or Tribal Land Award Agreement (TLAA).

In addition to the documents noted above, the following documents must be maintained in the Eligible Partner’s client file:

- Original recorded award and restrictive covenants agreement;
- Evidence of property ownership (Fee Simple or 99-year leasehold interest only);
- Print screen of SAM.Gov search of home owner, agency, and contractors;
- Evidence of flood insurance (if applicable);
- Copy of bid documents and advertisement;
- Copy of executed construction contract with scope of work attached as an exhibit;
- Copies of lead-based paint risk assessment, notification certification(s), and clearance (if applicable);
- Resource efficiency checklist;
- Punch list (if applicable);
- Environmental Reviews;
- Proof of license of contractor;
- Before and after photos of work performed;
- Copies of material invoices;
- Certified timesheets for actual work performed;
- Certificate of Occupancy.

**Administrative and Soft Costs**

MFA may pay an eligible partner up to three percent of the total project cost (hard and soft costs) as administrative costs for all projects. Soft costs are capped at $13,000 for projects located more than 60 miles from the agency’s home office and $10,000 for projects located within the 60 mile range of the agency’s home office. These must be accompanied with a detailed general ledger and supporting documentation. The administrative costs for the program may be used for non-direct project related activities that contribute to the agency’s rehabilitation program. All direct project related activities such as the wages for the project manager must be charged as soft costs and not to the administrative costs. The administrative costs and soft costs cannot be passed to the borrower and must be listed on the general ledger with the of request for reimbursement.

**Servicing**

MFA will retain the original award/loan documents and maintain the award/loan records. All payments, if applicable, will be made directly to MFA.

**Income Limits**

The method to determine income limits to be used to determine eligibility shall be those established by HUD and published annually.

**Manufactured Homes**

Mobile or manufactured homes are eligible for rehabilitation under this program. HOME funds may be used to purchase mobile or manufactured homes to replace homes that are too costly to rehabilitate. Under this program,
eligible manufactured housing must comply with all construction standards and MFA’s Resource Efficiency Standards located in the HOME Rehabilitation Program Manual. Mobile home rehabilitations or replacements are eligible only if the land they are set on has a minimum 99-year ground lease or is owned by the home owner. The mobile home is ineligible for this rehabilitation program if it is located in a mobile home park where a monthly lot fee is paid.

All work must meet MFA and HUD Construction Standards, local building codes and manufacturer’s warranty requirements, **AND MUST BE PERFORMED BY A CONTRACTOR LICENSED FOR MANUFACTURED HOMES**. Mobile homes must be secured to a permanent foundation prior to completion of work. HOME funds can be used to secure a manufactured home to a permanent foundation.

**Flood Insurance**

Owners of properties located in flood plains or wetlands as identified by the Federal Emergency Management Agency shall be required to obtain and maintain flood insurance as a condition of receiving funding. At initial intake, agencies must contact MFA for verification that a property is not located in a flood plain.

**Lead-Based Paint**

HUD has revised and consolidated its lead-based paint regulations, which are listed in 24 CFR Part 35. The changes enacted by the new regulation affect rehabilitation. Major changes under the new lead-based paint regulation include notification, lead hazard evaluation, lead hazard reduction, ongoing maintenance, and addressing children with Environmental Intervention Blood Lead Levels.

All eligible partners must certify and comply with applicable lead-based paint regulations listed in 24 CFR Part 35. Fees for testing and abatement are invoiced to a separate set-aside fund specifically for lead based paint activities. These fees are not passed to the home owner.

**Environmental Reviews (ERs)**

All projects are subject to an ER and must receive appropriate clearance prior to reimbursement, including soft costs and lead based paint costs. MFA is the responsible entity for all projects being performed by non-profit organizations and tribal housing authorities. Local governments and Tribal/Pueblo entities (not tribal housing authorities) are their own responsible entity and are required to perform their own ERs and sign as a responsible entity. All ERs must be included in all reimbursement requests. Local governments and Tribal/Pueblo entities must submit their Request for Release of Funds to MFA for approval (not to HUD). MFA will issue the Authority to Use Grant Funds.

**Other Program Requirements**

1. Refinances are not eligible under this program.

2. There is no limit to the amount of projects that a Service Provider may have open at one time, however, projects must be completed within 180 days of start date. The maximum award allowed under this RFP is $975,000, an average of 15 projects. Service Providers may not receive funding for the full amount requested. Projects located in underserved areas and Colonias will receive first priority as listed in the scoring section of this RFP.

3. All projects must pass eligibility criteria.
4. The amount of HOME funds invested in a project may not exceed maximum limits as established by HUD. Determination of the maximum limits for after rehabilitation value of the homes must be obtained by an appraisal or other method approved by MFA such as a market analysis. The combination of an existing mortgage loan and HOME loan cannot exceed the after rehabilitation value of the home.

5. In the event that compliance monitoring indicates deficiencies in any of the units, funding may be immediately discontinued on all pending projects, and the Service Provider may be liable to reimburse MFA for any determined ineligible costs.

14. COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS

Offerors must comply with all applicable federal, state and local codes, statutes, laws and regulations which include, but are not limited to:

- HOME Investment Partnership Program (24 CFR 92)
- Regulations of the U.S. Department of Housing and Urban Development found at (24 CFR Part 570)
- Office of Management and Budget (2 CFR 200)
- Standards for Financial and Program Management (2 CFR 200.300-200.309)
- Cost Principles (2 CFR 200 Subpart E)
- Financial Internal Controls (2 CFR 200.303)
- Protected Personally Identifiable Information (2 CFR 200.82)
- Title VI of the Civil Rights Act of 1964, as amended (42 USC 2000d, et seq. and 24 CFR Part 1)
- Fair Housing Act (42 USC 3601 et seq.)
- Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12892 and 24 CFR Part 107)
- Age Discrimination Act of 1975, as amended (42 USC 6101 et. seq.)
- American with Disabilities Act (42 USC 12101 et seq.)
- Equal Employment Opportunity, Executive Order 11246, as amended (24 CFR 570.607)
- Fair Labor Standards Act of 1938, as amended (29 USC 201, et seq.)
- Contract Work Hours and Safety Standards Act, as amended (40 USC 3701 et seq.)
- Anti-Kickback Act of 1986 (41 USC 8701-8707)
- Section 3 of the Housing and Urban Development Act of 1968 (12 USC 1701u)
- Minority/Women’s Business Enterprises, Executive Orders 11525, 12138 and 12432
- Section 504 of the Rehabilitation Act of 1973 as amended (29 USC 794)
- Lead-Based Paint Poisoning Act (42 USC §4822 and 24 CFR Part 35)
- Environmental Reviews (24 CFR Part 92.352)
- National Environmental Policy Act (NEPA) of 1968 (24 CFR Parts 50 and 58)
- Property Inspections (Uniform Physical Condition Standards) (24 CFR Part 5.703)(24 CFR 92.251)
- Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended by 42 USC 4601 and the regulations at 49 CFR Part 24, Subpart C
- Debarment & Suspension (Executive Order 12549, 51 Fed. Reg. 6370)
- Affirmative Outreach (24 CFR 576.407)
- Participation in HUD programs by Faith-Based Organizations (24 CFR 5.109)

Should any federal regulations be changed during and/or after the release of the RFP, MFA will update those regulations (citations) promptly. An addendum to those changes, if applicable, will be provided to offerors.
HOME Rehabilitation
Request for Proposals
FORMS
2018 Funding

As outlined in section 2.3 Proposal Format

- Proposals and forms may be obtained from MFA’s website: http://www.housingnm.org/community_development/owner-occupied-rehab
- Proposals must include the program-specific forms attached to this proposal package and all schedules and attachments pertaining thereto.
- MFA forms released with this proposal must be used when provided by MFA. No substitutions will be accepted.
SUBMISSION CHECKLIST
HOME PROGRAM PROPOSAL

AGENCY: ____________________________________________

By initialing on this list, Offeror is certifying enclosed are the following items as defined in this RFP. Items should be attached in the order listed.

Submit 1 original and 3 copies of the application package with all items below.

MINIMUM QUALIFICATIONS AND REQUIREMENTS
Allowable Deficiency Correction items

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<tr>
<th>Initial</th>
<th>Item Required</th>
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<tr>
<td></td>
<td>Proposal submitted as outlined in Part 1- “General Information” – “General Proposal Requirements”</td>
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<td>Offeror must submit application form provided in Section 15 RFP Forms – Offeror must specify the geographical region projects are located</td>
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<td>Offeror must submit proof of status as a non-profit, for profit, CAA, or other public entity (e.g., unit of local government)</td>
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<td>Statement that proposal is valid for a period of 90 days</td>
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<td>Offeror must be in “good standing” with MFA as of the date this RFP. In order to be in good standing Offeror must have no unresolved findings from MFA monitoring’s.</td>
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<td>Proof that Offeror has not been “suspended,” “debarred” or HUD’s Limited Denial of Participation</td>
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<td>Offerors must describe any material, current or pending litigation, administrative proceedings or investigations that could impact the reputation or financial viability of the firm. (Agency Certification Form provided in Section 15 “RFP Forms”)</td>
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<td>One copy of Agency’s Independent Audit or Audited Financial Statements</td>
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<td>Proof of Insurance Coverage</td>
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Other Requests for Information

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<th>Initial</th>
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<td>Estimated list of eligible projects</td>
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<td>Board of Director list (Form Provided in Section 15 RFP Forms) – if applicable</td>
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<td>HOME Rehabilitation Program Implementation Plan</td>
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<td>Provide Organization chart of staff</td>
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<td>Provide Resumes of staff that will be working with the Home Rehab Program</td>
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<td>List of names and addresses of homes Offeror has provided construction work including, rehabilitation, remodeling, weatherization, minor repairs or other categories.</td>
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<td>Executive Summary (Up to 1 page)</td>
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<td>Production Schedule (Up to 1 page)</td>
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<td></td>
<td>Description of Construction Services (Up to 1 page)</td>
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<td>Funding amount requested (listed on application)</td>
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HOME Rehabilitation

Application / General Information

Date of Application: Funding amount request for this proposal:

Agency Name

Entity Type
☐ Nonprofit
☐ Local Unit of Government
☐ Tribal Government
☐ For Profit

Is this a faith-based organization? ☐ Yes ☐ No

Federal Tax ID Number DUNS Number

Contact Person Title

Telephone Number Ext. Fax Number

E-Mail Address

Mailing Address

City NM Zip

Signature of Authorized Official on behalf of Offeror Date

Printed Name

Title

Program RFP
Provide funding amount and a waiting list of projects for scoring

Funding amount requested in this proposal:

Total number of homes to be rehabilitated with requested funding:

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<tr>
<th>Client Name</th>
<th>Address</th>
<th>Site Built or Mobile Home</th>
<th>Colonia (Yes or No)</th>
<th>Underserved County or Tribe (List)</th>
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I HEREBY CERTIFY THAT ________________________________________________(NAME OF OFFEROR) HAS THE ABILITY TO COMPLETE THESE HOMES WITHIN THE 18 MONTH PERIOD SPECIFIED IN THIS RFP, AND THAT I HAVE THE AUTHORITY TO BIND THE OFFEROR TO THE ASSURANCES, AS WITNESSED BY MY SIGNATURE BELOW.

__________________________________________________________
Signature of Authorized Official on behalf of Offeror

__________________________
Date

__________________________________________________________
Printed Name

__________________________________________________________
Title

__________________________________________________________
Offeror Name
### Current Board Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Home Address</th>
<th>Employer</th>
<th>Position on Board</th>
<th>Area of Expertise/Qualification</th>
<th>Years on Board</th>
<th>Term Expiration Date</th>
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Organizational and Financial Management Capacity

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<tr>
<th>Program/Staff Name</th>
<th>Title</th>
<th>Yrs. of Experience</th>
<th>Capacity/Role/Services Offered</th>
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Field Experience and Capacity

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<tr>
<th>Names and years of experience for Individuals that will be managing the program</th>
<th>Years of Experience</th>
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AGENCY CERTIFICATION

Offeror Name

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

No ______ (There is no material, current or pending litigation, administrative proceedings or investigation that could impact the reputation or financial viability of the firm.

Yes ______ (explain)

__________________________  __________________________
Signature of Authorized Official on behalf of Offeror             Date

__________________________
Printed Name

__________________________
Title
OFFEROR CERTIFICATION

(“Offeror”) is submitting a proposal to the Mortgage Finance Authority (“MFA”) to be a Service Provider under the HOME Rehabilitation Program.

Offeror certifies that:

- It will abide by all applicable federal and state of New Mexico laws and all applicable statutory, regulatory, and judicially created rules and guidelines.
- It understands that MFA will monitor its performance and compliance.
- It is in good standing with all its funding sources.
- It complies with Equal Employment Law and complies fully with all government regulations regarding nondiscriminatory employment practices.
- It understands and represents that any contract it enters into with MFA will be binding in all respects.
- It has a current registration with the New Mexico Attorney General’s Registry of Charitable Organizations, if applicable.

This proposal shall be valid until contract award or 90 calendar days from the proposal due date, whichever is longer.

I HEREBY CERTIFY THAT ALL INFORMATION PROVIDED IN THE PROPOSAL IS TRUE AND CORRECT, AND THAT I HAVE THE AUTHORITY TO BIND THE OFFEROR TO THE ASSURANCES, AS WITNESSED BY MY SIGNATURE BELOW.

______________________________  __________________________
Signature of Authorized Official on behalf of Offeror                  Date

______________________________
Printed Name

______________________________
Title
CAMPAIGN CONTRIBUTION DISCLOSURE FORM

Pursuant to the Procurement Code, Sections 13-1-28, et seq., NMSA 1978 and NMSA 1978, § 13-1-191.1 (2006), as amended by Laws of 2007, Chapter 234, any prospective contractor seeking to enter into a contract with any state agency or local public body for professional services, a design and build project delivery system, or the design and installation of measures the primary purpose of which is to conserve natural resources must file this form with that state agency or local public body. This form must be filed even if the contract qualifies as a small purchase or a sole source contract. The prospective contractor must disclose whether they, a family member or a representative of the prospective contractor has made a campaign contribution to an applicable public official of the state or a local public body during the two years prior to the date on which the contractor submits a proposal or, in the case of a sole source or small purchase contract, the two years prior to the date the contractor signs the contract, if the aggregate total of contributions given by the prospective contractor, a family member or a representative of the prospective contractor to the public official exceeds two hundred and fifty dollars ($250) over the two year period.

Furthermore, the state agency or local public body may cancel a solicitation or proposed award for a proposed contract pursuant to Section 13-1 -181 NMSA 1978 or a contract that is executed may be ratified or terminated pursuant to Section 13-1-182 NMSA 1978 of the Procurement Code if: 1) a prospective contractor, a family member of the prospective contractor, or a representative of the prospective contractor gives a campaign contribution or other thing of value to an applicable public official or the applicable public official's employees during the pendency of the procurement process or 2) a prospective contractor fails to submit a fully completed disclosure statement pursuant to the law.

The state agency or local public body that procures the services or items of tangible personal property shall indicate on the form the name or names of every applicable public official, if any, for which disclosure is required by a prospective contractor.

THIS FORM MUST BE INCLUDED IN THE REQUEST FOR PROPOSALS AND MUST BE FILED BY ANY PROSPECTIVE CONTRACTOR WHETHER OR NOT THEY, THEIR FAMILY MEMBER, OR THEIR REPRESENTATIVE HAS MADE ANY CONTRIBUTIONS SUBJECT TO DISCLOSURE.
The following definitions apply:

“Applicable public official” means a person elected to an office or a person appointed to complete a term of an elected office, who has the authority to award or influence the award of the contract for which the prospective contractor is submitting a competitive sealed proposal or who has the authority to negotiate a sole source or small purchase contract that may be awarded without submission of a sealed competitive proposal.

“Campaign Contribution” means a gift, subscription, loan, advance or deposit of money or other thing of value, including the estimated value of an in-kind contribution, that is made to or received by an applicable public official or any person authorized to raise, collect or expend contributions on that official's behalf for the purpose of electing the official to statewide or local office. "Campaign Contribution" includes the payment of a debt incurred in an election campaign, but does not include the value of services provided without compensation or unreimbursed travel or other personal expenses of individuals who volunteer a portion or all of their time on behalf of a candidate or political committee, nor does it include the administrative or solicitation expenses of a political committee that are paid by an organization that sponsors the committee.

"Family member" means spouse, father, mother, child, father-in-law, mother-in-law, daughter-in-law or son-in-law of (a) a prospective contractor, if the prospective contractor is a natural person; or (b) an owner of a prospective contractor.

"Pendency of the procurement process" means the time period commencing with the public notice of the request for proposals and ending with the award of the contract or the cancellation of the request for proposals.

“Prospective contractor” means a person or business that is subject to the competitive sealed proposal process set forth in the Procurement Code or is not required to submit a competitive sealed proposal because that person or business qualifies for a sole source or a small purchase contract.

“Representative of a prospective contractor” means an officer or director of a corporation, a member or manager of a limited liability corporation, a partner of a partnership or a trustee of a trust of the prospective contractor.

Name(s) of Applicable Public Official(s) if any: ______________________________________
DISCLOSURE OF CONTRIBUTIONS BY PROSPECTIVE OFFEROR:

Contribution Made By:_____________________________________________________

Relation to Prospective Contractor: __________________________________________

Date Contribution(s) Made: ________________________________________________

Amount(s) of Contribution(s)_______________________________________________

Nature of Contribution(s)__________________________________________________

Purpose of Contribution(s) ________________________________________________

(Attach extra pages if necessary)

____________________________________________               ________________

Signature                                           Date

____________________________________________               ________________

Title (position)

--OR--

NO CONTRIBUTIONS IN THE AGGREGATE TOTAL OVER TWO HUNDRED FIFTY DOLLARS ($250) WERE MADE to an applicable public official by me, a family member or representative.

____________________________________________               ________________

Signature                                           Date

____________________________________________               ________________

Title (position)
HOME Rehabilitation
Underserved Territory Map

Tribal Underserved
Cibola
Acoma
Laguna
Zuni
Santa Fe
Santa Clara
Nambe
Pojoaque
Valencia
Isleta
Rio Arriba
Jicarilla Apache
Taos
Taos
Otero
Mescalero
Navajo Nation

Completed Tribal within last 24 months
Sandoval
Cochiti
Sandia
San Felipe
Santa Ana
Santo Domingo
Zia
Santa Fe
San Ildefonso
Tesuque
Rio Arriba
Ohkay Owingeh
Taos
Picuris

Underserved areas

Completed Rehab projects within the last 24 months

Program RFP
Page 32
Tab 6
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – August 2, 2018
Through: Contract Services – August 7, 2018

FROM: Christi Wheelock, Housing Programs Analyst

DATE: August 15, 2018

SUBJECT: Request for Approval of Purchase of Affordable Housing Rental Property in Clayton, NM by Golden Spread Rural Frontier Coalition

Recommendation:
Staff requests an approval for Golden Spread Rural Frontier Coalition to purchase affordable rental properties in Clayton, NM for the sum of $10,000, as per the Request for Proposal (RFP). Ferdinand Garcia, Chairman of the Board for Golden Spread has committed to provide funds for the homes in line with habitability and Uniform Physical Condition Standards (UPCS) requirements, maintain the affordability as per the LURA (MFA loan #HM026) and manage the community within the New Mexico Owners/Resident Relations Act. Golden Spread Rural Frontier Coalition has the resources, the experience and the desire to maintain the homes in affordable, decent, safe and sanitary condition.

Background:
The affordable rental property, Clayton Rental Property, MFA loan #HM026 was part of the now defunct (February 2014) Eastern Plains Housing Development Corporation. MFA, due to its loan interest and an interest to preserve affordable housing, acted to ensure property operations were maintained. On February 7, 2018, the 8th Judicial District Court, Union County, NM (Court) awarded MFA a final Default Judgement for Appointment of Receiver, Foreclosure and Alternative Sale Process. The Court has final approval authority over the sale of the Clayton Rental Property.

On May 9, 2017 Golden Spread Rural Frontier Coalition was contracted to assist MFA to stabilize the houses, formerly under the control of the defunct Eastern Plains Housing Development Corporation. The stabilization services include complying with all financial requirements, statutes, ordinance, laws, rules, regulations and requirement of any federal, state or local government in matters respecting the use and occupancy of the assets; arrange for utilities, vermin extermination, trash removal and other services necessary for the operation of the assets and perform other duties as assigned and mutually agreed upon by both MFA and Golden Spread Rural Frontier Coalition. The agreement will terminate upon completion of a judicial process transferring title to the new owner.

A RFP was published on May 16, 2018 with a deadline for submission of June 15, 2018. No proposals were received by the deadline. An extension to the RFP was granted by the Policy Committee and MFA
reissued the RFP on June 27, 2018 with a deadline of July 5, 2018. On July 2, 2018 a proposal was received at MFA from Golden Spread Rural Frontier Coalition. As this was the only proposal that was reasonably likely to be selected, we worked with the respondent to revise their proposal prior to award, for purposes of obtaining the final and best offer.

The five properties identified below are tied to the HM026 Loan and the balance is $200,000 which matures in July 2042.

- 210 Monroe, Clayton, NM 88415 MFA Loan # HM026-A. Resident making monthly payments of $300.00
- 124 Cherry, Clayton, NM 88415 MFA Loan #HM026-B. Resident making monthly payment of $140.00 with Eastern Regional Housing Authority assistance of $341 monthly.
- 113 Cherry, Clayton, NM 88415 MFA Loan #HM026C. Vacant
- 117 Cherry, Clayton, NM 88415 MFA Loan #HM026D. Vacant
- 121 Cherry, Clayton, NM 88415 MFA Loan # HM026E. Vacant

Discussion:
Staff received evidence that Golden Spread is a fiscally responsible agency, with the experience needed to manage the exigent requirement for repairs in the homes listed above. Staff believes that it is in MFA’s best interested to transfer ownership to Golden Spread as MFA is not in a position to manage properties or provide the oversight for the required repairs to restore habitability. To date, MFA has advanced $25,911.84, (maintenance repairs-$2739.30, attorney fees-$7968.81, property taxes-$15,030.07 and utilities-$173.66); there is rental income of $12,415, creating a deficit of $13,496.84.

Golden Spread Frontier Rural Coalition has provided the following documents, as required by the RFP:

- Inventory of Golden Spread’s Portfolio
- Organizational Chart and Staff Bios for Board Members
- Copies of Monitoring Reports
- Letter of Financial Commitment
- Financial and Compliance Plan to Restore the Homes to UPCS requirements
- Commitment to Affordability as outlined in the LURA; the outstanding $200,000 loan will be deferred if the affordability period is maintained as it will have met all of the HUD and LURA requirements.

Summary:
Staff recommends approval for the sale and transfer of the Clayton 5 to Golden Spread Rural Frontier Coalition, as this is in the best interest of MFA due to the ability and local presence of Golden Spread whom has the experience to manage the exigent need for repairs both in the occupied and unoccupied homes. Golden Spread is committed to the preservation of Affordable Housing, has the affordable housing experience to comply with Land Use Restrictions Agreements and the financial means to provide repairs and rehabilitation to maintain habitability requirements for UPCS.
Tab 7
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – July 31, 2018

FROM: Shawn Colbert, Housing Development Department Director

DATE: August 15, 2018

SUBJECT: Bond Resolution- J.L. Gray South Apartment Projects- Rio Mimbres I-II, Series A & B

Recommendation:

Staff requests approval of the attached Bond Resolution.

Background:

MFA received an application for 4% low income housing tax credits and $9.0 mm of tax exempt bond volume cap for the development of J.L. Gray NM South 2017, an existing 220 unit Project located on separate sites in the Cities of Anthony, Columbus and Deming, NM. The developer is Community Preservation Partners (“CPP”), LLC, located in Irvine, CA. The owner of the project is JLG NM South 2017 LLLP, which consists of JLG Properties, LLC as the general partner and WNC Entity (fund to be determined) as the limited partner. MFA previously issued tax exempt bonds in 2016 for Dona Ana 6, another rehabilitation project wherein CPP served as the developer.

The first “official action” required of MFA as the bond issuer is to adopt an Inducement Resolution communicating intent to issue bonds for a specific activity. An Inducement Resolution for those properties located in the south portfolio was adopted by the Board of Directors (“MFA Board”) on January 24, 2018.¹ Staff then made application to the NM State Board of Finance for an allocation of private activity bond volume cap for all three project portfolios, [south, central and north], and volume cap was approved for all three portfolios at their February meeting. The J.L. Gray NM South portfolio received a total volume cap allocation of $9.0mm.

Discussion:

Bond counsel has determined that a separate Bond Resolution is needed for each of the three sites in the J.L. Gray NM South portfolio. With regard to that portion of the south portfolio known as Rio Mimbres I – II and located in Deming, NM, staff has reviewed the proposed rehabilitation, including

¹ The MFA Board also approved Inducement Resolutions for those properties located in their central and north portfolios, and bond resolutions for these portfolios will be presented for approval at a later date.
area market studies, appraisals and the developer's pro forma spreadsheets, and has determined the proposed financing for Rio Mimbres I – II, is financially feasible. This property receives a subsidy through a Rental Assistance Agreement with USDA RD. Rio Mimbres I – II operates at a stabilized occupancy rate, maintains a wait list, and will continue to satisfy a portion of the demand for low income units in Deming, NM. The additional work to be performed is reasonable and will enable full completion of this project. Both the Series A and Series B bonds for Rio Mimbres I – II will be purchased by Foothills Bank.

Summary:

Staff requests approval of the attached Bond Resolution for JLG NM South Apartment Projects- Rio Mimbres I - II in order to pursue issuance of up to $2.9mm in tax exempt bonds that are expected to close in late August, 2018. Bond proceeds will fund the completion of the acquisition and rehabilitation of 60 units located on two contiguous sites in Deming, NM. Approval of this Bond Resolution will result in these units remaining affordable for an additional 50 years.
CERTIFICATE REGARDING THE RESOLUTION

OF THE AUTHORITY

I, the undersigned, Jay Czar, Executive Director and 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 August 15, 2018, 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 15th day of August, 2018.

__________________________________
Jay Czar,
Executive Director and Secretary
New Mexico Mortgage Finance Authority

(SEAL)
RESOLUTION

A RESOLUTION OF THE NEW MEXICO MORTGAGE FINANCE AUTHORITY (THE “AUTHORITY”) AUTHORIZING THE ISSUANCE AND SALE BY THE AUTHORITY OF ITS MULTIFAMILY HOUSING REVENUE BONDS (JLG SOUTH APARTMENT PROJECTS - RIO MIMBRES I - II) SERIES A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $2,371,061 AND ITS MULTIFAMILY HOUSING REVENUE BONDS (JLG SOUTH APARTMENT PROJECTS - RIO MIMBRES I - II) SERIES B IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $528,939, AUTHORIZING THE EXECUTION BY THE AUTHORITY OF A TRUST INDENTURE, BOND PURCHASE AGREEMENT, LOAN AGREEMENT, TAX REGULATORY AGREEMENTS, INVESTMENT AGREEMENT 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 Authority is authorized by the Constitution and the laws of the State of New Mexico, particularly Chapter 58, Article 18, NMSA 1978, as amended (the “Act”) (a) to issue revenue bonds for the purpose of making project mortgage loans to finance the acquisition, construction or rehabilitation of multifamily housing facilities; (b) to issue refunding bonds to refund outstanding bonds of the Authority, (c) to enter into agreements for the purpose of providing revenues to pay such revenue bonds upon such terms and conditions as the Authority may deem advisable; (d) to secure the payment of such revenue bonds; and (e) to otherwise participate fully in federal government housing programs to secure for the people of New Mexico the benefits of such programs; and

WHEREAS, to provide decent, safe and sanitary residential housing facilities for low or moderate income persons within the State of New Mexico (the “State”) who are eligible under the Act, and after having determined that mortgage loans are not otherwise available upon reasonably equivalent terms and conditions from private lenders, the Authority has developed rules and regulations with respect to the issuance by the Authority of multifamily revenue bonds to finance the acquisition, construction or rehabilitation and equipping of multifamily residential facilities intended for rental to eligible persons located in the State; and
WHEREAS, JLG NM Central 2017 LLLP, a New Mexico limited liability limited partnership (the “Borrower”) and JLG Properties, LLC, a New Mexico limited liability company, the general partner of the Borrower have asked the Authority to issue its Multifamily Housing Revenue Bonds (JLG South Apartment Projects - Rio Mimbres I - II) Series 2018A (the “Series 2018A Bonds”) and its Multifamily Housing Revenue Bonds (JLG South Apartment Projects – Rio Mimbres I - II) Series 2018B (the “Series 2018B Bonds” and together with the Series 2018A Bonds, the “Bonds”); and

WHEREAS, in furtherance of the purposes of the Authority, it has been deemed appropriate and necessary that the Authority authorize the issuance and sale of the Bonds and prescribe and establish conditions and other appropriate matters with respect to the issuance thereof; and

WHEREAS, the Bonds shall be special limited obligations of the Authority payable solely from and secured by the proceeds, moneys, revenues, rights, interest and collections pledged therefor under the Indenture, as hereinafter defined; and

WHEREAS, there has been presented to the Authority at this meeting a form of Trust Indenture (the “Indenture”) to be entered into between the Authority and the entity named therein (the “Trustee”), a form of Bond Purchase Agreement (the “Bond Purchase Agreement”) to be entered into among the Authority, Foothills Bank or any other entity named therein as purchaser of the Bonds (the “Purchaser”) and the Borrower, a form of the Tax Regulatory Agreements (the “Regulatory Agreements”) to be entered into among the Authority, the Trustee and the Borrower and a form of Loan Agreement (the “Loan Agreement”) to be entered into among the Borrower, the Trustee and the Authority under which the Borrower will agree to repay the loan of the proceeds of the Bonds and to use such proceeds to finance or refinance the acquisition, rehabilitation and equipping of each of the multifamily housing projects identified in Exhibit A attached hereto (collectively, the “Projects”).

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

Section 1. Words used in the foregoing recitals shall have the same meanings when used in the body of this resolution.

Section 2. The Authority hereby finds, determines and declares that the issuance of the Bonds to finance the acquisition, construction or rehabilitation and equipping of the Projects is in furtherance of the public purposes set forth in the Act and is in compliance with the provisions of the Act, and that the issuance of the Bonds is therefore in the public interest.

Section 3. The Indenture, the Loan Agreement, and the Regulatory Agreements (collectively, the “Authority Documents”) in substantially the forms presented to this meeting are in all respects authorized, approved and confirmed. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy
Director of Finance and Administration or the Assistant Secretary of the Authority are hereby authorized to execute, attest, seal and deliver the Authority Documents in the forms 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 herein.

Section 4. For the purpose of providing decent, safe and sanitary residential housing for low or moderate income persons within the State of New Mexico, all as authorized under the Act, the Authority shall issue the Bonds in an aggregate principal amount not to exceed $2,900,000 which shall be designated, unless otherwise provided by an officer of the Authority pursuant to Section 12 hereof, New Mexico Mortgage Finance Authority Multifamily Housing Revenue Bonds (JLG South Apartment Projects - Rio Mimbres I - II) Series 2018A in an aggregate principal amount of $2,371,061 and the Authority’s Multifamily Housing Revenue Bonds (JLG South Apartment Projects - Rio Mimbres I - II) Series 2018B in an aggregate principal amount of $528,939; provided that the principal amounts of the Series 2018A Bonds and the Series 2018B Bonds may be modified so long as the total thereof does not exceed $2,900,000 of the aggregate principal amount of the Bonds. The Series 2018A Bonds shall be issued only in fully registered form and shall mature on or before December 1, 2054. The Series 2018B Bonds shall be issued only in fully registered form shall have a maturity of twelve (12) months with an automatic extension of three (3) months for an additional fee of $1,322.35 (reflecting 1/4% of the outstanding principal amount of the Series 2018B Bonds) due and payable at the date of the extension. The weighted average interest rate on the Bonds shall not exceed 8.25% per annum.

Section 5. The form, terms and provisions of the Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption, tender and number shall be as set forth in the Indenture. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the 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.

Section 6. 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 7. The Bonds shall be sold to the Purchaser at a price not less than 100% of the principal amount thereof plus accrued interest, if any, in accordance with the provisions of the Bond Purchase Agreement. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary of the Authority are hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form presented to the Board at this meeting, for and on behalf of the Authority. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration
or the Assistant Secretary are hereby authorized to specify and agree as to the interest rates and maturities of the Bonds for and on behalf of the Authority by the execution of the Bond Purchase Agreement and the Indenture, provided such terms are within the parameters set by this resolution.

Section 8. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary of the Authority are, and each of them is, hereby authorized to enter into an investment agreement or agreements (“Investment Agreement”), in form and substance satisfactory to such officer or to direct the Trustee to enter into an Investment Agreement. 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 Agreement for the periods, and at the interest rates, specified therein.

Section 9. The appropriate officers of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary, are authorized to take all action necessary or reasonably required by the Bond Purchase Agreement to carry out, give effect to and consummate the transactions as contemplated thereby.

Section 10. Upon their issuance, the Bonds will constitute special limited 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 or of the Bond Purchase Agreement, the Authority Documents, the Bonds or any other instrument, shall be construed as creating a general obligation of the Authority, or as creating a general obligation of the State of New Mexico or any political subdivision thereof, or as incurring or creating a charge upon the general credit of the Authority.

Section 11. The appropriate officials of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary are authorized to make any alterations, changes or additions in the Authority Documents, the Bonds, the Bond Purchase Agreement or any other document herein authorized or that may be made pursuant to the Act which may be necessary or desirable. In addition, to the extent that the mortgage loans to be made to the Borrower with proceeds of the Bonds are unable to be closed prior to the expiration of the volume cap allocations for the Bonds, as determined by the appropriate officials of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary, such appropriate officials of the Authority are authorized to make any alterations, changes or additions in the Authority Documents, the Bonds, the Bond Purchase Agreement or any other document herein as may be necessary or desirable to issue the Bonds prior to expiration of the volume cap allocations and invest the proceeds thereof in permitted investments as provided under the Indentures for a period of no more than a
year until such Bonds can be refunded or remarked and the proceeds thereof be used to make mortgage loans to the Borrower.

Section 12. The appropriate officials of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary, 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 13. After any of the Bonds are delivered by the Trustee to the Purchaser and upon receipt of payment therefore, 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 14. Except as otherwise disclosed to the governing board of the Authority prior to the adoption of this resolution, no member or employee of the Authority has any interest, direct or indirect, in the transactions contemplated by the Authority herein.

Section 15. 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 16. All resolutions of the Authority or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency.

Section 17. This resolution shall become effective immediately upon its adoption.
PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY THIS 15th DAY OF AUGUST, 2018.

________________________________________
Chair

(SEAL)

ATTEST:

________________________________________
Executive Director
The Projects are described below:

Rio Mimbres I-II Apartments consisting of a total of 60 units collectively:
   a. Rio Mimbres I Apartments located at approximately 400 West Florida Street, Deming, New Mexico; and
   b. Rio Mimbres II Apartments located at approximately 1608 South Tin Street, Deming, New Mexico
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – July 31, 2018

FROM: Shawn Colbert, Housing Development Department Director

DATE: August 15, 2018

SUBJECT: Bond Resolution- J.L. Gray South Apartment Projects- Columbus Apts., Series A & B

Recommendation:

Staff requests approval of the attached Bond Resolution.

Background:

MFA received an application for 4% low income housing tax credits and $9.0 mm of tax exempt bond volume cap for the development of J.L. Gray NM South 2017, an existing 220 unit Project located on three separate sites in the Cities of Anthony, Columbus and Deming, NM. The developer is Community Preservation Partners (“CPP”), LLC, located in Irvine, CA. The owner of the project is JLG NM South 2017 LLLP, which consists of JLG Properties, LLC as the general partner and WNC Entity (fund to be determined) as the limited partner. MFA previously issued tax exempt bonds in 2016 for Dona Ana 6, another rehabilitation project wherein CPP served as the developer.

The first “official action” required of MFA as the bond issuer is to adopt an Inducement Resolution communicating intent to issue bonds for a specific activity. An Inducement Resolution for those properties located in the south portfolio was adopted by the Board of Directors (“MFA Board”) on January 24, 2018.¹ Staff then made application to the NM State Board of Finance for an allocation of private activity bond volume cap for all three project portfolios, [south, central and north], and volume cap was approved for all three portfolios at their February meeting. The J.L. Gray NM South portfolio received a total volume cap allocation of $9.0mm.

Discussion:

Bond counsel has determined that a separate Bond Resolution is needed for each of the three project sites in the J.L. Gray NM South portfolio. With regard to that portion of the south portfolio known as Columbus Apartments and located in Columbus, NM, staff has reviewed the proposed rehabilitation,

¹ The MFA Board also approved Inducement Resolutions for those properties located in their central and north portfolios, and bond resolutions for these portfolios will be presented for approval at a later date.
including area market studies, appraisals and the developer’s pro forma spreadsheets, and has determined the proposed financing for Columbus Apartments is financially feasible. This property receives a subsidy through a Rental Assistance Agreement with USDA RD. The Columbus Apartments operate at a stabilized occupancy rate, maintains a wait list, and will continue to satisfy a portion of the demand for low income units in Columbus, NM. The additional work to be performed is reasonable and will enable full completion of this project. Both the Series A and Series B bonds for Columbus Apartments will be purchased by Foothills Bank.

**Summary:**

Staff requests approval of the attached Bond Resolution for JLG NM South Apartment Projects- Columbus Apartments in order to pursue issuance of up to $550,000 in tax exempt bonds, which bonds are expected to close in late August, 2018. Bond proceeds will fund the completion of the acquisition and rehabilitation of 24 units located in the town of Columbus, NM. Approval of this Bond Resolution will result in these units remaining affordable for an additional 50 years.
CERTIFICATE REGARDING THE RESOLUTION

OF THE AUTHORITY

I, the undersigned, Jay Czar, Executive Director and 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 August 15, 2018, 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 thereof 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 15th day of August, 2018.

__________________________________
Jay Czar,
Executive Director and Secretary
New Mexico Mortgage Finance Authority

(SEAL)
RESOLUTION

A RESOLUTION OF THE NEW MEXICO MORTGAGE FINANCE AUTHORITY (THE “AUTHORITY”) AUTHORIZING THE ISSUANCE AND SALE BY THE AUTHORITY OF ITS MULTIFAMILY HOUSING REVENUE BONDS (JLG SOUTH APARTMENT PROJECTS - COLUMBUS) SERIES A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $345,912 AND ITS MULTIFAMILY HOUSING REVENUE BONDS (JLG SOUTH APARTMENT PROJECTS - COLUMBUS) SERIES B IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $204,088, AUTHORIZING THE EXECUTION BY THE AUTHORITY OF A TRUST INDENTURE, BOND PURCHASE AGREEMENT, LOAN AGREEMENT, TAX REGULATORY AGREEMENTS, INVESTMENT AGREEMENT 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 Authority is authorized by the Constitution and the laws of the State of New Mexico, particularly Chapter 58, Article 18, NMSA 1978, as amended (the “Act”) (a) to issue revenue bonds for the purpose of making project mortgage loans to finance the acquisition, construction or rehabilitation of multifamily housing facilities; (b) to issue refunding bonds to refund outstanding bonds of the Authority, (c) to enter into agreements for the purpose of providing revenues to pay such revenue bonds upon such terms and conditions as the Authority may deem advisable; (d) to secure the payment of such revenue bonds; and (e) to otherwise participate fully in federal government housing programs to secure for the people of New Mexico the benefits of such programs; and

WHEREAS, to provide decent, safe and sanitary residential housing facilities for low or moderate income persons within the State of New Mexico (the “State”) who are eligible under the Act, and after having determined that mortgage loans are not otherwise available upon reasonably equivalent terms and conditions from private lenders, the Authority has developed rules and regulations with respect to the issuance by the Authority of multifamily revenue bonds to finance the acquisition, construction or rehabilitation and equipping of multifamily residential facilities intended for rental to eligible persons located in the State; and

WHEREAS, JLG NM Central 2017 LLLLP, a New Mexico limited liability limited partnership (the “Borrower”) and JLG Properties, LLC, a New Mexico limited liability
company, the general partner of the Borrower have asked the Authority to issue its Multifamily Housing Revenue Bonds (JLG South Apartment Projects - Columbus) Series 2018A (the “Series 2018A Bonds”) and its Multifamily Housing Revenue Bonds (JLG South Apartment Projects – Columbus) Series 2018B (the “Series 2018B Bonds” and together with the Series 2018A Bonds, the “Bonds”); and

WHEREAS, in furtherance of the purposes of the Authority, it has been deemed appropriate and necessary that the Authority authorize the issuance and sale of the Bonds and prescribe and establish conditions and other appropriate matters with respect to the issuance thereof; and

WHEREAS, the Bonds shall be special limited obligations of the Authority payable solely from and secured by the proceeds, moneys, revenues, rights, interest and collections pledged therefor under the Indenture, as hereinafter defined; and

WHEREAS, there has been presented to the Authority at this meeting a form of Trust Indenture (the “Indenture”) to be entered into between the Authority and the entity named therein (the “Trustee”), a form of Bond Purchase Agreement (the “Bond Purchase Agreement”) to be entered into among the Authority, Foothills Bank or any other entity named therein as purchaser of the Bonds (the “Purchaser”) and the Borrower, a form of the Tax Regulatory Agreements (the “Regulatory Agreements”) to be entered into among the Authority, the Trustee and the Borrower and a form of Loan Agreement (the “Loan Agreement”) to be entered into among the Borrower, the Trustee and the Authority under which the Borrower will agree to repay the loan of the proceeds of the Bonds and to use such proceeds to finance or refinance the acquisition, rehabilitation and equipping of each of the multifamily housing projects identified in Exhibit A attached hereto (collectively, the “Projects”).

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

Section 1. Words used in the foregoing recitals shall have the same meanings when used in the body of this resolution.

Section 2. The Authority hereby finds, determines and declares that the issuance of the Bonds to finance the acquisition, construction or rehabilitation and equipping of the Projects is in furtherance of the public purposes set forth in the Act and is in compliance with the provisions of the Act, and that the issuance of the Bonds is therefore in the public interest.

Section 3. The Indenture, the Loan Agreement, and the Regulatory Agreements (collectively, the “Authority Documents”) in substantially the forms presented to this meeting are in all respects authorized, approved and confirmed. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary of the Authority are hereby authorized to execute, attest, seal and deliver the Authority Documents in the
forms 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 herein.

Section 4. For the purpose of providing decent, safe and sanitary residential housing for low or moderate income persons within the State of New Mexico, all as authorized under the Act, the Authority shall issue the Bonds in an aggregate principal amount not to exceed $550,000 which shall be designated, unless otherwise provided by an officer of the Authority pursuant to Section 12 hereof, New Mexico Mortgage Finance Authority Multifamily Housing Revenue Bonds (JLG South Apartment Projects-Columbus) Series 2018A in an aggregate principal amount of $345,912 and the Authority’s Multifamily Housing Revenue Bonds (JLG South Apartment Projects - Columbus) Series 2018B in an aggregate principal amount of $204,088; provided that the principal amounts of the Series 2018A Bonds and the Series 2018B Bonds may be modified so long as the total thereof does not exceed $550,000 of the aggregate principal amount of the Bonds. The Series 2018A Bonds shall be issued only in fully registered form and shall mature on or before December 1, 2054. The Series 2018B Bonds shall be issued only in fully registered form and shall have a maturity of twelve (12) months with an automatic extension of three (3) months for an additional fee of $510.22 (reflecting 1/4% of the outstanding principal amount of the Series 2018B Bonds) due and payable at the date of the extension. The weighted average interest rate on the Bonds shall not exceed 8.25% per annum.

Section 5. The form, terms and provisions of the Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption, tender and number shall be as set forth in the Indenture. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the 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.

Section 6. 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 7. The Bonds shall be sold to the Purchaser at a price not less than 100% of the principal amount thereof plus accrued interest, if any, in accordance with the provisions of the Bond Purchase Agreement. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary of the Authority are hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form presented to the Board at this meeting, for and on behalf of the Authority. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary are hereby authorized to specify and agree as to the interest rates and maturities of the Bonds for and on behalf of the Authority by the execution of
the Bond Purchase Agreement and the Indenture, provided such terms are within the parameters set by this resolution.

Section 8. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary of the Authority are, and each of them is, hereby authorized to enter into an investment agreement or agreements (“Investment Agreement”), in form and substance satisfactory to such officer or to direct the Trustee to enter into an Investment Agreement. 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 Agreement for the periods, and at the interest rates, specified therein.

Section 9. The appropriate officers of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary, are authorized to take all action necessary or reasonably required by the Bond Purchase Agreement to carry out, give effect to and consummate the transactions as contemplated thereby.

Section 10. Upon their issuance, the Bonds will constitute special limited 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 or of the Bond Purchase Agreement, the Authority Documents, the Bonds or any other instrument, shall be construed as creating a general obligation of the Authority, or as creating a general obligation of the State of New Mexico or any political subdivision thereof, or as incurring or creating a charge upon the general credit of the Authority.

Section 11. The appropriate officials of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary are authorized to make any alterations, changes or additions in the Authority Documents, the Bonds, the Bond Purchase Agreement or any other document herein authorized or that may be made pursuant to the Act which may be necessary or desirable. In addition, to the extent that the mortgage loans to be made to the Borrower with proceeds of the Bonds are unable to be closed prior to the expiration of the volume cap allocations for the Bonds, as determined by the appropriate officials of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary, such appropriate officials of the Authority are authorized to make any alterations, changes or additions in the Authority Documents, the Bonds, the Bond Purchase Agreement or any other document herein as may be necessary or desirable to issue the Bonds prior to expiration of the volume cap allocations and invest the proceeds thereof in permitted investments as provided under the Indentures for a period of no more than a year until such Bonds can be refunded or remarketed and the proceeds thereof be used to make mortgage loans to the Borrower.
Section 12. The appropriate officials of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary, 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 13. After any of the Bonds are delivered by the Trustee to the Purchaser and upon receipt of payment therefore, 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 14. Except as otherwise disclosed to the governing board of the Authority prior to the adoption of this resolution, no member or employee of the Authority has any interest, direct or indirect, in the transactions contemplated by the Authority herein.

Section 15. 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 16. All resolutions of the Authority or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency.

Section 17. This resolution shall become effective immediately upon its adoption.
PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY THIS 15th DAY OF AUGUST, 2018.

Chair

(SEAL)

ATTEST:

Executive Director
EXHIBIT A

PROJECTS

The Projects are described below:

Columbus Apartments located at approximately 60 Botanico Avenue, Columbus, New Mexico, consisting of 24 units.
Tab 9
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – July 31, 2018

FROM: Shawn Colbert, Housing Development Department Director

DATE: August 15, 2018

SUBJECT: Bond Resolution- J.L. Gray South Apartment Projects- Franklin Vista I – V, Series A & B

Recommendation:

Staff requests approval of the attached Bond Resolution.

Background:

MFA received an application for 4% low income housing tax credits and $9.0 mm of tax exempt bond volume cap for the development of J.L. Gray NM South 2017, an existing 220 unit Project located on three separate sites in the Cities of Anthony, Columbus and Deming, NM. The developer is Community Preservation Partners (“CPP”), LLC, located in Irvine, CA. The owner of the project is JLG NM South 2017 LLLP, which consists of JLG Properties, LLC as the general partner and WNC Entity (fund to be determined) as the limited partner. MFA previously issued tax exempt bonds in 2016 for Dona Ana 6, another rehabilitation project wherein CPP served as the developer.

The first “official action” required of MFA as the bond issuer is to adopt an Inducement Resolution communicating intent to issue bonds for a specific activity. An Inducement Resolution for those properties located in the south portfolio was adopted by the Board of Directors (“MFA Board”) on January 24, 2018.1 Staff then made application to the NM State Board of Finance for an allocation of private activity bond volume cap for all three project portfolios, [south, central and north], and volume cap was approved for all three portfolios at their February meeting. The J.L. Gray NM South portfolio received a total volume cap allocation of $9.0mm.

Discussion:

Bond counsel has determined that a separate Bond Resolution is needed for each of the three sites in the J.L. Gray NM South portfolio. With regard to that portion of the south portfolio known as Franklin Vista I – V and located in Anthony, NM, staff has reviewed the proposed rehabilitation, including area

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1 The MFA Board also approved Inducement Resolutions for those properties located in their central and north portfolios, and bond resolutions for these portfolios will be presented for approval at a later date.
market studies, appraisals and the developer's pro forma spreadsheets, and has determined the proposed financing for Franklin Vista I – V is financially feasible. This property receives a subsidy through a Rental Assistance Agreement with USDA RD. Franklin Vista I – V operates at a stabilized occupancy rate, maintains a wait list, and will continue to satisfy a portion of the demand for low income units in Anthony, NM. The additional work to be performed is reasonable and will enable full completion of this project. Both the Series A and Series B bonds for Franklin Vista I – V will be purchased by Foothills Bank.

Summary:

Staff requests approval of the attached Bond Resolution for JLG NM South Apartment Projects- Franklin Vista I - V in order to pursue issuance of up to $5.55mm in tax exempt bonds that are expected to close in late August, 2018. Bond proceeds will fund the completion of the acquisition and rehabilitation of 136 units located at five contiguous sites in the town of Anthony, NM. Approval of this Bond Resolution will result in these units remaining affordable for an additional 50 years.
CERTIFICATE REGARDING THE RESOLUTION
OF THE AUTHORITY

I, the undersigned, Jay Czar, Executive Director and 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 August 15, 2018, 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 15th day of August, 2018.

__________________________________
Jay Czar,
Executive Director and Secretary
New Mexico Mortgage Finance Authority

(SEAL)
BOND RESOLUTION
Franklin Vista I Apartments
Franklin Vista II Apartments
Franklin Vista III Apartments
Franklin Vista IV Apartments
Franklin Vista V Apartments

RESOLUTION

A RESOLUTION OF THE NEW MEXICO MORTGAGE FINANCE AUTHORITY (THE “AUTHORITY”) AUTHORIZING THE ISSUANCE AND SALE BY THE AUTHORITY OF ITS MULTIFAMILY HOUSING REVENUE BONDS (JLG SOUTH APARTMENT PROJECTS - FRANKLIN VISTA I - V) SERIES A IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $3,475,475 AND ITS MULTIFAMILY HOUSING REVENUE BONDS (JLG SOUTH APARTMENT PROJECTS - FRANKLIN VISTA I - V) SERIES B IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $2,074,525, AUTHORIZING THE EXECUTION BY THE AUTHORITY OF A TRUST INDENTURE, BOND PURCHASE AGREEMENT, LOAN AGREEMENT, TAX REGULATORY AGREEMENTS, INVESTMENT AGREEMENT 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 Authority is authorized by the Constitution and the laws of the State of New Mexico, particularly Chapter 58, Article 18, NMSA 1978, as amended (the “Act”) (a) to issue revenue bonds for the purpose of making project mortgage loans to finance the acquisition, construction or rehabilitation of multifamily housing facilities; (b) to issue refunding bonds to refund outstanding bonds of the Authority, (c) to enter into agreements for the purpose of providing revenues to pay such revenue bonds upon such terms and conditions as the Authority may deem advisable; (d) to secure the payment of such revenue bonds; and (e) to otherwise participate fully in federal government housing programs to secure for the people of New Mexico the benefits of such programs; and

WHEREAS, to provide decent, safe and sanitary residential housing facilities for low or moderate income persons within the State of New Mexico (the “State”) who are eligible under the Act, and after having determined that mortgage loans are not otherwise available upon reasonably equivalent terms and conditions from private lenders, the Authority has developed rules and regulations with respect to the issuance by the Authority of multifamily revenue bonds to finance the acquisition, construction or
rehabilitation and equipping of multifamily residential facilities intended for rental to eligible persons located in the State; and

WHEREAS, JLG NM Central 2017 LLLP, a New Mexico limited liability limited partnership (the “Borrower”) and JLG Properties, LLC, a New Mexico limited liability company, the general partner of the Borrower have asked the Authority to issue its Multifamily Housing Revenue Bonds (JLG South Apartment Projects- Franklin Vista I - V) Series 2018A (the “Series 2018A Bonds”) and its Multifamily Housing Revenue Bonds (JLG South Apartment Projects – Franklin Vista I - V) Series 2018B (the “Series 2018B Bonds” and together with the Series 2018A Bonds, the “Bonds”); and

WHEREAS, in furtherance of the purposes of the Authority, it has been deemed appropriate and necessary that the Authority authorize the issuance and sale of the Bonds and prescribe and establish conditions and other appropriate matters with respect to the issuance thereof; and

WHEREAS, the Bonds shall be special limited obligations of the Authority payable solely from and secured by the proceeds, moneys, revenues, rights, interest and collections pledged therefor under the Indenture, as hereinafter defined; and

WHEREAS, there has been presented to the Authority at this meeting a form of Trust Indenture (the “Indenture”) to be entered into between the Authority and the entity named therein (the “Trustee”), a form of Bond Purchase Agreement (the “Bond Purchase Agreement”) to be entered into among the Authority, Foothills Bank or any other entity named therein as purchaser of the Bonds (the “Purchaser”) and the Borrower, a form of the Tax Regulatory Agreements (the “Regulatory Agreements”) to be entered into among the Authority, the Trustee and the Borrower and a form of Loan Agreement (the “Loan Agreement”) to be entered into among the Borrower, the Trustee and the Authority under which the Borrower will agree to repay the loan of the proceeds of the Bonds and to use such proceeds to finance or refinance the acquisition, rehabilitation and equipping of each of the multifamily housing projects identified in Exhibit A attached hereto (collectively, the “Projects”).

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

Section 1. Words used in the foregoing recitals shall have the same meanings when used in the body of this resolution.

Section 2. The Authority hereby finds, determines and declares that the issuance of the Bonds to finance the acquisition, construction or rehabilitation and equipping of the Projects is in furtherance of the public purposes set forth in the Act and is in compliance with the provisions of the Act, and that the issuance of the Bonds is therefore in the public interest.

Section 3. The Indenture, the Loan Agreement, and the Regulatory Agreements (collectively, the “Authority Documents”) in substantially the forms
presented to this meeting are in all respects authorized, approved and confirmed. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary of the Authority are hereby authorized to execute, attest, seal and deliver the Authority Documents in the forms 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 herein.

Section 4. For the purpose of providing decent, safe and sanitary residential housing for low or moderate income persons within the State of New Mexico, all as authorized under the Act, the Authority shall issue the Bonds in an aggregate principal amount not to exceed $5,550,000 which shall be designated, unless otherwise provided by an officer of the Authority pursuant to Section 12 hereof, New Mexico Mortgage Finance Authority Multifamily Housing Revenue Bonds (JLG South Apartment Projects - Franklin Vista I - V) Series 2018A in an aggregate principal amount of $3,475,475 and the Authority’s Multifamily Housing Revenue Bonds (JLG South Apartment Projects - Franklin Vista I - V) Series 2018B in an aggregate principal amount of $2,074,525; provided that the principal amounts of the Series 2018A Bonds and the Series 2018B Bonds may be modified so long as the total thereof does not exceed $5,550,000 of the aggregate principal amount of the Bonds. The Series 2018A Bonds shall be issued only in fully registered form and shall mature on or before December 1, 2054. The Series 2018B Bonds shall be issued only in fully registered form and shall have a maturity of twelve (12) months with an automatic extension of three (3) months for an additional fee of $5,186.31 (reflecting 1/4% of the outstanding principal amount of the Series 2018B Bonds) due and payable at the date of the extension. The weighted average interest rate on the Bonds shall not exceed 8.25% per annum.

Section 5. The form, terms and provisions of the Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption, tender and number shall be as set forth in the Indenture. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the 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.

Section 6. 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 7. The Bonds shall be sold to the Purchaser at a price not less than 100% of the principal amount thereof plus accrued interest, if any, in accordance with the provisions of the Bond Purchase Agreement. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary of the Authority are hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form presented to the Board at this
meeting, for and on behalf of the Authority. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary are hereby authorized to specify and agree as to the interest rates and maturities of the Bonds for and on behalf of the Authority by the execution of the Bond Purchase Agreement and the Indenture, provided such terms are within the parameters set by this resolution.

Section 8. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary of the Authority are, and each of them is, hereby authorized to enter into an investment agreement or agreements (“Investment Agreement”), in form and substance satisfactory to such officer or to direct the Trustee to enter into an Investment Agreement. 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 Agreement for the periods, and at the interest rates, specified therein.

Section 9. The appropriate officers of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary of the Authority are authorized to take all action necessary or reasonably required by the Bond Purchase Agreement to carry out, give effect to and consummate the transactions as contemplated thereby.

Section 10. Upon their issuance, the Bonds will constitute special limited 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 or of the Bond Purchase Agreement, the Authority Documents, the Bonds or any other instrument, shall be construed as creating a general obligation of the Authority, or as creating a general obligation of the State of New Mexico or any political subdivision thereof, or as incurring or creating a charge upon the general credit of the Authority.

Section 11. The appropriate officials of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary are authorized to make any alterations, changes or additions in the Authority Documents, the Bonds, the Bond Purchase Agreement or any other document herein authorized or that may be made pursuant to the Act which may be necessary or desirable. In addition, to the extent that the mortgage loans to be made to the Borrower with proceeds of the Bonds are unable to be closed prior to the expiration of the volume cap allocations for the Bonds, as determined by the appropriate officials of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary, such appropriate officials of the Authority are authorized to make any alterations, changes or additions in the Authority Documents, the Bonds, the Bond Purchase Agreement or any other document herein as may be necessary or desirable to issue the Bonds prior to expiration of the volume cap allocations and invest the proceeds thereof in
permitted investments as provided under the Indentures for a period of no more than a year until such Bonds can be refunded or remarketed and the proceeds thereof be used to make mortgage loans to the Borrower.

Section 12. The appropriate officials of the Authority, including without limitation the Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Programs, Deputy Director of Finance and Administration or the Assistant Secretary, 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 13. After any of the Bonds are delivered by the Trustee to the Purchaser 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 14. Except as otherwise disclosed to the governing board of the Authority prior to the adoption of this resolution, no member or employee of the Authority has any interest, direct or indirect, in the transactions contemplated by the Authority herein.

Section 15. 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 16. All resolutions of the Authority or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency.

Section 17. This resolution shall become effective immediately upon its adoption.
PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY THIS 15th DAY OF AUGUST, 2018.

______________________________________________
Chair

(SEAL)

ATTEST:

______________________________________________
Executive Director
EXHIBIT A

PROJECTS

The Projects are described below:

1 Franklin Vista I - V Apartments consisting of a total of 136 units collectively:
   a. Franklin Vista I Apartments located at approximately 820 Hettinga Lane, Anthony, New Mexico,
   b. Franklin Vista II Apartments located at approximately 840 Hettinga Lane, Anthony, New Mexico,
   c. Franklin Vista III Apartments located at approximately 925 Hettinga Lane, Anthony, New Mexico,
   d. Franklin Vista IV Apartments located at approximately 705 Curry Court, Anthony, New Mexico,
   e. Franklin Vista V Apartments located at approximately 505 Curry Court, Anthony, New Mexico;
Tab 10
<table>
<thead>
<tr>
<th>Department and Program</th>
<th>Project</th>
<th>Action Taken</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Servicing</td>
<td>May 2018 Loan Servicing Quality Control Review</td>
<td>Approval of report issued by REDW. No findings.</td>
<td>Approved by Policy Committee on July 9, 2018</td>
</tr>
<tr>
<td>Housing Development – HOME Rental Program</td>
<td>Hooghan Hozho</td>
<td>Loan modified to extend construction period from March 31, 2018 to September 30, 2018</td>
<td>Approved by Isidoro Hernandez on July 27, 2018</td>
</tr>
<tr>
<td>Policy and Planning</td>
<td>2020-2024 Consolidated Plan</td>
<td>Recommendation of Internal Review Committee consultant selection</td>
<td>Approved by Policy Committee on July 31, 2018</td>
</tr>
<tr>
<td>Mortgage Operations – Servicing</td>
<td>Emergency Procurement for MFA Legal Services</td>
<td>Emergency Procurement for MFA Legal Services for representation on MFA’s Down Payment Assistance loan portfolio. MFA entered into contract with Smidt, Reist &amp; Keleher through 12/31/18.</td>
<td>Approved by Policy Committee 7/31/18 MFA was advised that Attorney under current contract; Weinstein &amp; Riley PA can no longer provide legal services on MFA Down Payment Assistance second mortgage in which they represent the plaintiff. MFA will complete RFP process and procure 3 firms to represent MFA in order to avoid this occurrence in the future.</td>
</tr>
</tbody>
</table>
Goal 1 - Respond to New Mexico's affordable housing needs.

Benchmark: 1
Provide mortgage financing for 1,900 homebuyers

Q1 On Target | MFA financed 696 homebuyers.
Q2 On Target | Financed 677 this quarter for YTD total of homebuyers financed of 1,373.
Q3 Met | Financed 735 this quarter for YTD total of homebuyers financed of 2,108.

Benchmark: 2
Attain mortgage product utilization of 20% of all FHA loans recorded in New Mexico

Q1 Caution | There is a 60-day lag from quarter end in obtaining data to calculate market utilization. Market utilization in the prior fiscal year was 29.3%.
Q2 Caution | MFA staff has obtained a new data source for measuring this metric. There is a 60-day lag from quarter end in obtaining data to calculate market utilization. Market utilization as of 12/31/17 is 19.5% for FHA purchase money loans originated in New Mexico.
Q3 On Target | Market utilization as of 03/31/18 is 29.70% for FHA purchase money loans originated in New Mexico, for a combined fiscal year to date total of 23.39%.

Benchmark: 3
Finance 975 rental units

Q1 On Target | 162 new units funded.
Q2 On Target | 210 new units funded for a YTD total of 372.
Q3 Caution | 16 new units funded for a YTD total of 390. Anticipated closing of 655 units for MOAB 20 in Q2 or Q3, but delays in the process have moved the closings further out on the timeline.

Benchmark: 4
Achieve annual combined average loan delinquencies of MFA serviced portfolio below 11.8 percent

Q1 Caution | The average combined delinquency rate was 13.89%. MFA Servicing staff is pursuing collection initiatives to meet benchmark delinquency rate.
Q2 Caution | The Q2 average combined delinquency rate was 11.57% and the average YTD combined delinquency rate was 12.73%.
Q3 Caution | The Q3 average combined delinquency rate was 10.79% and the average YTD combined delinquency rate was 12.12%.

Benchmark: 5
Implement MFA housing summit and open house
## MFA Strategic Plan Benchmarks
### FY 2018

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Target</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>On Target</td>
<td>Initial stages of summit planning have begun, including branding, budget, programing and speakers.</td>
</tr>
<tr>
<td>Q2</td>
<td>On Target</td>
<td>Agenda is nearing completion with just over 50 sessions. Keynotes have been secured. Website development is in progress. Approximately half of necessary sponsorships have been raised.</td>
</tr>
<tr>
<td>Q3</td>
<td>On Target</td>
<td>Amount of sponsorships raised was an all-time high. Developing printed program and finalizing summit logistics such as signage, staging, A/V and food. Attendee registration is on track; will make push for more registrations.</td>
</tr>
</tbody>
</table>

### Benchmark: 6
Create or expand on at least one digital marketing or social media effort

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Target</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>On Target</td>
<td>Meeting with LinDigital scheduled for February to discuss digital marketing and/or search engine optimization.</td>
</tr>
<tr>
<td>Q2</td>
<td>On Target</td>
<td>Met with LinDigital to discuss their proposal for digital marketing and for our Facebook page. Discussing internally. Working with Homeownership to develop training videos; researching vendors to help with this.</td>
</tr>
<tr>
<td>Q3</td>
<td>On Target</td>
<td>A year-long digital marketing campaign has been launched on AHRN, a military relocation website. Five ads will rotate in one banner and one box ad on relocation websites for Cannon, Kirtland and Holloman AFBs. Reviewing a proposal for assistance with creating an expanded Facebook page. Updating Eunice's Facebook page regularly.</td>
</tr>
</tbody>
</table>

### Benchmark: 7
Evaluate at least one new specialty product or significant program or product improvement

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Target</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Met</td>
<td>Two program improvements have been evaluated and are underway: Partners program changes were approved by the Board in December and provisions to allow smaller homeowner rehabs through CDBG funding are in place. Evaluation of homeless programs alignment has begun.</td>
</tr>
<tr>
<td>Q2</td>
<td>Met</td>
<td>Policies and manual for one specialty product, HOME single family development program, were drafted. The product improvement includes policies and application process for loan modifications and restructuring that were drafted, approved by Policy Committee and are being used to restructure financing for three projects that have made formal requests.</td>
</tr>
<tr>
<td>Q3</td>
<td>Met</td>
<td>HOME single family development program approved by the Board with four projects in the pipeline. On the servicing side, an automated borrower contact process has been implemented to streamline collections and support delinquency prevention.</td>
</tr>
</tbody>
</table>

### Goal 2 - Ensure prudent stewardship of affordable housing resources.

**Benchmark: 8**
Obtain unmodified opinion on MFA financial statements and no material weakness in internal control over financial reporting or major programs, excluding first-time audits

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Target</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Met</td>
<td>MFA obtained an unmodified opinion on the audited financial statements with no material weaknesses. The audit was presented to the Board in January, 2018 for approval.</td>
</tr>
</tbody>
</table>
### Benchmark: 9
**Maintain or improve credit rating**

**Q1** On Target  
The annual issuer credit rating process has not started other than the quarterly rating surveillance activity.

**Q2** On Target  
Ongoing quarterly rating agency surveillance continues. In addition, Moody's has begun updating their credit opinions on the single family bond indentures and the issuer credit rating. Expect release of both in April.

**Q3** Met  
Moody's Investor Services issued an updated credit opinion and reaffirmed MFA's Aa3 issuer credit rating. Comments included strong asset to debt ratio, good profitability and low risk profile due to mortgage-backed security structure, multifamily risk share program and no exposure to variable rate debt. Ongoing quarterly rating agency surveillance continues.

### Benchmark: 10
**Achieve operating performance and profitability equal to net revenues over total revenues of at least 10.4 percent, based on five-year average**

**Q1** On Target  
MFA's operating performance and profitability ratio was 7.9%.

**Q2** On Target  
MFA's operating performance and profitability ratio was 10.3%.

**Q3** On Target  
MFA's operating performance and profitability ratio was 10.1%.

### Benchmark: 11
**Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least 30.5 percent, based on five-year average**

**Q1** On Target  
MFA's balance sheet strength ratio was 28.2%.

**Q2** On Target  
MFA's balance sheet strength ratio was 29.9%.

**Q3** On Target  
MFA's balance sheet strength ratio was 29.6%.

### Benchmark: 12
**Realize administrative fee of at least 18 basis points on all bond issues**

**Q1** On Target  
The administrative fee for 2017 Series B which closed on November 16, 2017 is .25%.

**Q2** On Target  
Began working on 2018 Series A which is anticipated to have an admin fee of .18% and is expected to sell in April and close in May.

**Q3** On Target  
2018 Series A sold in April and closed in May with an administrative fee of 18 basis points. 2018 Series B sold in June and is scheduled to close in July with an anticipated administrative fee of 18 basis points.

### Benchmark: 13
**Realize profitability of 1.3 percent on TBA executions**

**Q1** On Target  
Realized profitability for TBA executions was 1.34%.
MFA Strategic Plan Benchmarks
FY 2018

Q2 On Target  Realized profitability for TBA executions was 1.73%.
Q3 On Target  Realized profitability for TBA executions was 1.62%.

Benchmark: 14
Maintain servicing fee yield at an average of 0.36 percent of the purchased servicing portfolio
Q1 On Target  Servicing yield for sub-serviced portfolio was .39%
Q2 On Target  Servicing yield for sub-serviced portfolio was .39%
Q3 On Target  Servicing yield for sub-serviced portfolio was .39%

Benchmark: 15
Earn 100 percent base fees for PBCA contract
Q1 On Target  All PBCA tasks were completed as required by the contract. Signed a new PBCA contract for the calendar year 2018.
Q2 On Target  All PBCA tasks were completed as required by the contract for this quarter.
Q3 On Target  All PBCA fees were earned for Q3 per the PBCA contract.

Benchmark: 16
Yield a collection rate of 95 percent or greater for compliance monitoring fees
Q1 On Target  Sent out invoices for compliance monitoring fees.
Q2 On Target  Have received 86% of compliance monitoring fees. Will start the follow up payment phone calls in Q3 for those that have not provided their compliance fee.
Q3 Met  MFA received 98.7% of compliance monitoring fees.

Benchmark: 17
Meet commitment and expenditure requirement of 95 percent of grant funding
Q1 On Target  MFA met 99% of the grant commitment and expenditure requirement.
Q2 On Target  As of 3/31/18 MFA continued to meet 99% of commitment and expenditure requirement.
Q3 On Target  As of 6/30/18 MFA continued to meet 98% of commitment and expenditure requirement.

Benchmark: 18
Increase contributions made through the state affordable tax credit program over last year\'s total of $364,000
Q1 Met  Received $53,263 in donations to the Affordable Housing Charitable Trust and $462,500 in donations for two Habitat for Humanity projects totaling 16 units.
### Benchmark: 19
**Evaluate at least one new business model or financial tool**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Met</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Met</td>
<td>The new General Fund investment policy related to asset allocation discussed at the Board Retreat in August was approved by the Board in October. Implementation of that new policy has begun. MFA has continued evaluation of the Tax Exempt Mortgage-backed Security (TEMS) program for both single family and multifamily. In November the structure and benefits of the single family TEMS program were presented to the Board and a staff training was held for the TEMS multifamily program. Evaluation of the funding execution continues.</td>
<td></td>
</tr>
<tr>
<td>Q2 Met</td>
<td>Staff continues implementation of the new asset allocation strategy and is already seeing positive results. The Board Ad-Hoc Investment Committee will meet in April to discuss the levels of investment in MFA intermediate and long term mortgage backed securities as well as any other strategic changes we might consider based on current market conditions. This will be an ongoing activity. During this quarter it has been determined that the Single Family TEMS program is no longer a feasible execution due to the change in market conditions. The Board approved a Community Development Lending Program to support MFA down payment assistance needs that will be implemented over the course of this year.</td>
<td></td>
</tr>
<tr>
<td>Q3 Met</td>
<td>The Board Ad-Hoc Investment Committee met in April and provided staff guidance and next steps to finalize implementation of the new investment asset allocation strategy. Finance has also begun development of a Resource Allocation Study that will assist in assessing reserve adequacy and fiscal health leading to a more comprehensive approach for making long term decisions for the organization. In addition, due to the commitment to own mortgage servicing rights, systems are being developed and implemented to oversee valuations and risk associated with holding a larger servicing asset. These systems will be ongoing.</td>
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</table>

### Benchmark: 20
**Increase funding by at least one new source**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Met</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Met</td>
<td>New source of colonias infrastructure funding secured. MFA received an advisory letter from the Attorney General, stating that these funds can be used for affordable housing. Additional activities to increase funding include: letter of intent to the Freeport McMoRan Foundation (declined), proposal to El Paso Electric (pending), and hiring of a contractor to help write proposal for the draft PBCA procurement.</td>
<td></td>
</tr>
<tr>
<td>Q2 Met</td>
<td>One new source of funding was received: MFA received a $3.6 million grant from the Capital Magnet Fund for down payment assistance. Additional activities to increase funding include application to Fannie Mae Sustainable Communities Innovation Challenge for $250,000 for rural communities revitalization project and discussions with the NM Department of Health about Ryan White funding for HOPWA.</td>
<td></td>
</tr>
<tr>
<td>Q3 Met</td>
<td>Submitted $1 million application for Veterans Home Rehabilitation and Modification grant to HUD. Initiated a $125,000</td>
<td></td>
</tr>
</tbody>
</table>
proposal for homebuyer counseling with Freddie Mac. Finalized recommended policy and application changes for the Colonias Infrastructure Fund so that funds may be made available for housing infrastructure. Received notice on funding opportunities that were pending: El Paso Electric proposal was denied, Fannie Mae Sustainable Communities Innovation Challenge grant was denied, NM Department of Health funding for HOPWA was not received by NMDOH, and the PBCA procurement was postponed.

**Goal 3 - Strengthen affordable housing partners.**

**Benchmark: 21**

Expand services of at least one program to an underserved area of the state

- **Q1 On Target**
  CDBG funding for homeowner rehabilitation is being implemented in the colonias. Other efforts to expand services include the upcoming HOPWA RFP and the addition of NM Energy$mart programs and provider.

- **Q2 On Target**
  New RFPs were developed to add service providers for the HOPWA and NM Energy$mart programs and thereby expand services in underserved areas.

- **Q3 On Target**
  Through RFPs issued in Q2, procured two additional service providers for HOPWA and maintained our two existing service providers for NM Energy$mart. Both programs previously provided services statewide and will continue to do so.

**Benchmark: 22**

Assist at least five local or tribal governments with affordable housing plans, implementation or programs

- **Q1 Met**
  Assisted the following local governments with affordable housing activities: City of Gallup (plan review), City of Santa Rosa (implementation), City of Las Cruces (implementation), Los Alamos County (ordinance and implementation). Provided information to all tribal housing authorities on MFA rental development programs, assisted the Taos Pueblo Housing Authority with preliminary steps to become a MFA rehab service provider and assisted Ohkay Owingeh housing authority with a fundraising event.

- **Q2 Met**
  Assisted San Felipe Pueblo Housing Authority with environmental review process for House-by-House Reservation Rehab program; Pueblo of Zia on becoming a MFA rehab service provider and City of Las Cruces with ordinance compliance, land bank/land trust implementation and contributions for an emergency youth shelter.

- **Q3 Met**
  Assisted the City of Carlsbad with ordinance review for use of fee waivers and entities interested in developing an affordable housing plan for Lincoln County and/or Ruidoso Downs. Los Alamos County finalized and adopted its new affordable housing ordinance with assistance from MFA since Q1. Attended Tamaya Housing Inc. Housing Fair to distribute information on MFA homeownership programs.

**Benchmark: 23**

Provide at least five formal training opportunities for property owners, developers and/or service providers

- **Q1 Met**
  Low-income housing tax credit fundamentals and Qualified Action Plan trainings held in November. MFA provided monthly lender training webinars in October, November and December. Webinar training for WCMS held for owners and agents.

- **Q2 Met**
  Joint webinar with Fannie Mae and MFA approved lenders held in January, NM Energy$mart peer exchange meeting held in February, WAP PAC meeting and impartial Continuum of Care review committee meeting held in March.
Q3 Met Held Peer exchange meeting with WAP providers and funders, HOPWA training and CDBG trainings in Q3. Developed and held a National Housing Trust Fund environmental review training webinar in June. Provided custom technical assistance to the Supportive Housing Coalition of NM and the Northern Regional Housing Authority.

Benchmark: 24
Improve at least one MFA process or resource

Q1 Met Improvements to Community Development RFPs were approved and are being implemented. Strategic plan efficiencies have been realized through use of Intranet work plans and benchmark reporting. Began preliminary work to develop county profiles that standardize affordable housing plan data and lessen work for local governments that are producing plans.

Q2 Met RFQ for on-call grant writing services was finalized and two vendors responded and were selected.

Q3 Met Oversaw a pilot of the grant writing program with the successful completion of the Veterans Home Rehabilitation and Modification grant. Continued work on the New Mexico affordable housing plan, which will enable MFA to standardize data to assist communities that are developing affordable housing plans.

Goal 4 - Provide robust technology solutions.

Benchmark: 25
Maintain a low risk in semi-annual vulnerability scans

Q1 On Target MFA’s internal and external penetration testing was completed on 10/27/17. MFA received a security posture of 7 for Internal and 8 for External (7 - Secure, 8 - Highly Secure)

Q2 On Target MFA’s vulnerability scans are now conducted on a weekly basis and our vulnerability risk rating is 818. The rating range is from 300 (high risk) to 850 (low risk).

Q3 On Target Our current vulnerability risk rating is 805. The rating range is from 300 (high risk) to 850 (low risk).

Benchmark: 26
Maintain system availability at 99 percent

Q1 On Target MFA did not experience any full system outages and maintained system availability of 100%.

Q2 On Target MFA did not experience any full system outages in Q2 and maintained system availability of 100%.

Q3 On Target MFA did not experience any full system outages in Q3 and maintained system availability of 100%.

Benchmark: 27
Implement new software solutions

Q1 On Target Vendor demos completed on software for homeownership. Site visits scheduled for January and February. HDS meeting held for multifamily and Section 8 upcoming functionalities that will be implemented in their next software release.

Q2 On Target Site visits completed with Utah Housing and Washington Housing for new Homeownership core software and document
management software. Next steps will be moving into the procurement process of software selected.

Q3  On Target  Homeownership selected Power Lender for its core software and VirPack was selected for a organizational wide document management software. Contracts have been reviewed by legal and signed. Next steps will be moving into the implementation process of software selected.

**Goal 5 - Foster a dynamic work environment.**

<table>
<thead>
<tr>
<th>Benchmark: 28</th>
<th>Achieve employee satisfaction of 85 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1  On Target</td>
<td>Survey will take place in April 2018.</td>
</tr>
<tr>
<td>Q2  On Target</td>
<td>Survey invitations will be sent on April 9, 2018. Data to be received late May.</td>
</tr>
<tr>
<td>Q3  Not Met</td>
<td>Our score went from 84.4% to 82.28%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benchmark: 29</th>
<th>Complete compensation survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1  On Target</td>
<td>Study will be underway in late February and early March.</td>
</tr>
<tr>
<td>Q2  Caution</td>
<td>Commencement of study delayed due to 401k conversion. Study will begin in the 3rd quarter.</td>
</tr>
<tr>
<td>Q3  On Target</td>
<td>Commencement of study delayed due to 401k conversion. Study will begin in the 3rd quarter.</td>
</tr>
</tbody>
</table>
MEMORANDUM

TO: MFA Board of Directors

Through: N/A

FROM: Kathleen M. Sysak-Keeler

DATE: August 15, 2018

SUBJECT: Single Family Mortgage Bonds 2018 Series B – Pricing Summary

The 2018 Series B transaction is a new money bond issue which closed on July 11, 2018. The following is a summary of the bond sale:

~Structure: The bond issue is a $65.0 million tax-exempt traditional bond issue which provides for non-AMT serial bonds, term bonds and a premium planned amortization class (“PAC”) bond.

~Marketing: In order to enhance the marketing of bonds to retail investors, four selling group members participated in the underwriting syndicate, namely, D.A. Davidson & Co., Fidelity Capital Markets, Stifel Nicholas & Company, Inc. and UBS. New Mexico retail investors had first priority followed by national retail investors. The underwriting syndicate submitted $6.7 million in orders and was allotted $5.4 million of bonds. Total orders for the bond issue were $140 million for both retail and institutional investors. The institutional investors were very interested in PAC bonds and the term bonds.

~Use of Bond Proceeds: The $65.0 million is being used to originate new mortgage loans and to roll forward a subsidy generated from prior bond issues which helped maintain competitive mortgage rates. The weighted average mortgage rates are as follows:

<table>
<thead>
<tr>
<th>Program</th>
<th>Government</th>
<th>Conventional</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIRST HOME</td>
<td>4.67%</td>
<td>4.847%</td>
</tr>
</tbody>
</table>

~Spread: The spread on the transaction is 1.122%. 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 benefit of the transaction is $1.8 million, or approximately 2.8% of the amount of the bond issue.
~Investment of Bond Proceeds: Funds from the new money portion of the bond issue are invested in Federated Government Obligations Fund Institutional Shares through Zions Bank, the General Indenture Trustee.

The attached Exhibit 1 contains a table summarizing more detailed information about the 2018 Series B bond as well as bond issue characteristics from other recent single family issuances for comparative purposes.

Following Exhibit 1 is a comprehensive in-depth “Post-Sale Analysis” prepared by MFA’s Financial Advisor, CSG Advisors.
## New Mexico Mortgage Finance Authority

### Summary of Recent Bond Issue Characteristics

<table>
<thead>
<tr>
<th>Type of Structure</th>
<th>2016C</th>
<th>2017A</th>
<th>2017B</th>
<th>2018A</th>
<th>2018B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>New Money &amp; Refunding</strong></td>
<td>Taxable Refunding</td>
<td>Taxable Refunding</td>
<td>Taxable Refunding</td>
<td>Taxable Refunding</td>
<td>Taxable Refunding</td>
</tr>
<tr>
<td><strong>Tax-Exempt</strong></td>
<td>Traditional</td>
<td>Pass Through</td>
<td>Traditional</td>
<td>Traditional</td>
<td>Traditional</td>
</tr>
<tr>
<td><strong>1 Tax Exempt Bonds</strong></td>
<td>$50,000,000</td>
<td>n/a</td>
<td>$45,000,000</td>
<td>$50,000,000</td>
<td>$65,000,000</td>
</tr>
<tr>
<td><strong>Taxable Bonds</strong></td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Tax-Exempt Refunding Bonds</strong></td>
<td>12,250,000</td>
<td>n/a</td>
<td>12,250,000</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Taxable Refunding Bonds</strong></td>
<td>n/a</td>
<td>$27,898,301</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total Amount of Bonds Issued</strong></td>
<td>$68,250,000</td>
<td>$27,898,301</td>
<td>$57,250,000</td>
<td>$62,000,000</td>
<td>$65,000,000</td>
</tr>
<tr>
<td><strong>2 Bond Issue(s) Refunded</strong></td>
<td>2007A and B</td>
<td>2007C, D and E</td>
<td>2008A and B</td>
<td>2008C and D</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>3 MFA Subsidy/Benefit-(New Available)/ Present Value Economic Benefit</strong></td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>4 Original Bond Ratings:</strong> Standard &amp; Poor's</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Moody's</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
</tr>
<tr>
<td><strong>5 Pricing Date(s)</strong></td>
<td>10/25/2016</td>
<td>5/2/2017</td>
<td>10/3/2017</td>
<td>4/3/2018</td>
<td>6/6/2018</td>
</tr>
<tr>
<td><strong>6 Bond Closing Date</strong></td>
<td>11/23/2016</td>
<td>5/18/2017</td>
<td>11/16/2017</td>
<td>5/10/2018</td>
<td>7/11/2018</td>
</tr>
<tr>
<td><strong>7 Serial Bond Maturities AMT</strong></td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>1/1/19-1/1/22</td>
<td>None</td>
</tr>
<tr>
<td></td>
<td>Non-AMT</td>
<td>None</td>
<td>None</td>
<td>9/1/18-9/1/29</td>
<td>7/1/22-7/1/30</td>
</tr>
<tr>
<td></td>
<td>Taxable</td>
<td>None</td>
<td>None</td>
<td>None</td>
<td>7/1/19-7/1/30</td>
</tr>
<tr>
<td><strong>8 Term Bond Maturities</strong></td>
<td>9/1/31, 9/1/36, 9/1/41</td>
<td>8/1/2038</td>
<td>9/1/32, 9/1/37, 7/1/33, 7/1/38, 3/1/48</td>
<td>7/1/33, 7/1/38, 7/1/43, 7/1/48, 7/1/43, 7/1/48, 7/1/43, 7/1/48, 3/1/48</td>
<td></td>
</tr>
<tr>
<td><strong>9 Premium PAC Maturity</strong></td>
<td>3/1/45, 3/1/45</td>
<td>None</td>
<td>3/1/48</td>
<td>1/1/49</td>
<td>1/1/49</td>
</tr>
<tr>
<td><strong>10 Split Between FIRST HOME Government and Conventional Loans Government</strong></td>
<td>91%</td>
<td>n/a</td>
<td>90%</td>
<td>87%</td>
<td>80%</td>
</tr>
<tr>
<td><strong>Conventional</strong></td>
<td>9%</td>
<td>n/a</td>
<td>10%</td>
<td>13%</td>
<td>20%</td>
</tr>
<tr>
<td><strong>11 Weighted Average Loan Rates+</strong> FIRST HOME - Government</td>
<td>3.501%</td>
<td>n/a</td>
<td>3.878%</td>
<td>4.681%</td>
<td>4.670%</td>
</tr>
<tr>
<td>FIRST HOME - Conventional</td>
<td>3.882%</td>
<td>n/a</td>
<td>3.797%</td>
<td>4.940%</td>
<td>4.847%</td>
</tr>
<tr>
<td><strong>12 10-Year Treasury Rate at Pricing</strong></td>
<td>1.76%</td>
<td>2.29%</td>
<td>2.32%</td>
<td>2.77%</td>
<td>2.97%</td>
</tr>
<tr>
<td><strong>13 GIC Rates</strong> Acquisition Fund Rate</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Float Fund Rate</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>14 MFA Contribution at Closing Cost of Issuance (COI)</strong></td>
<td>$645,000</td>
<td>$350,000</td>
<td>$565,000</td>
<td>$595,000</td>
<td>$610,000</td>
</tr>
<tr>
<td><strong>As a % of Bonds Issued</strong></td>
<td>0.95%</td>
<td>1.25%</td>
<td>0.99%</td>
<td>0.96%</td>
<td>0.94%</td>
</tr>
<tr>
<td><strong>Negative Arbitrage Deposit</strong></td>
<td>$880,000</td>
<td>n/a</td>
<td>$460,000</td>
<td>$500,000</td>
<td>$460,000</td>
</tr>
<tr>
<td><strong>15 Yield Spread</strong></td>
<td>1.122%</td>
<td>n/a</td>
<td>1.122%</td>
<td>1.122%</td>
<td>1.122%</td>
</tr>
<tr>
<td><strong>16 Administrative Fee (to MFA)</strong></td>
<td>0.250%</td>
<td>2.534%</td>
<td>0.250%</td>
<td>0.180%</td>
<td>0.180%</td>
</tr>
<tr>
<td><strong>17 Bond Allocation System Followed</strong>*</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

*Subsidy was generated by a prior bond issue.
+Weighted average rate of loans in the pipeline.
**The Guaranteed Investment Contract is competitively bid.
***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.
$65,000,000  
New Mexico Mortgage Finance Authority  
Single Family Mortgage Program Class I Bonds  
2018 Series B (Non-AMT)  

POST-SALE ANALYSIS

KEY RESULTS FOR MFA

Purpose. This transaction is a traditional single-family bond issue with semi-annual interest and principal, though bonds can be redeemed quarterly from excess revenues. Its purpose, like similar prior new money transactions is to:

1. Finance new loan production at attractive interest rates for homebuyers,  
2. Provide beneficial economics to MFA with as close to the maximum yield spread permitted by the IRS as possible,  
3. Use as few of MFA’s zero participation loans as needed, and  
4. Keep negative arbitrage to a minimum.

Additionally, this transaction reallocates zero participation loans from prior series (2018 Series A) well within the required time of 18 months for which to reallocate loans.

Approach and Strategy. Recently, MFA has used traditional bond structures; most recently with 2018 Series A—to finance new production coupled with refunding older bonds in conjunction with the new issue. Unlike such transactions, 2018 Series B is the first all new-money transaction issued by MFA in the last 5 years that did not need a refunding component in order to generate full spread economics. This is a significant milestone in providing MFA with a balance sheet solution for new production without a form of subsidy whether refundings or zero participation loans.

From a strategic point of view, MFA has been:

1. Reserving loans each week since mid-April 2018; taking into account current expected rates on a traditional bond 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 approximately $10.2 million of zero participations (prior to issuing 2018B) as possible to achieve full spread, thus preserving more zero participations for future production, and,  
3. Raise bond premium in order to generate proceeds to help fund the purchase of the MBS from the servicer at 101%, to fund cash flow lag, and to fund a portion of the negative arbitrage and costs of issuance of the transaction.

Structure. The 2018 Series B bonds:

- Included bond proceeds sufficient to finance $65,000,000 of new pipeline production and provide sufficient proceeds to use and store zero participations,
• Were structured with serials (both AMT and Non-AMT), term bonds and Planned Amortization Class (PAC) bonds,

• Sold the PAC bonds with a total premium of $1,457,155, which provides additional funds to purchase the MBS as well as fund a majority of the costs of issuance,

• Were priced 5 weeks prior to closing, enabling MFA to finance more of its pipeline production and lock in rates sooner, thus reducing both interest rate risk and negative arbitrage,

• Allowed for either GNMA or FNMA MBS depending on MFA’s loan pipeline,

• Provided MFA with an optional par call in just less than 9 years if it proves profitable to redeem the bonds in the future,

• In combination with Authority funds, deposited $460,000 in a negative arbitrage account for securities – including those to be financed by the zero participations – that had not yet been originated by bond closing. We expect most or all of these funds to be transferred back to MFA after 2018B is fully originated which is expected to occur no later than October 2018.

Results. The bond structure consisted of three major components: non-AMT serial bonds, term bonds and a premium PAC bond.

Investor interest for the PAC bonds was good, particularly given PAC investor interest being more timid the week prior. The PAC received 6 orders for end investors (including 1 for all) totaling $60.18 million (2.3x subscribed) for the $26.35 million PAC bonds. As a result, the yield on the PAC bonds was left unchanged.

1. Yields. The bond yield (true interest cost) was 3.47% assuming 100% FHA prepayments.

2. Use of Zero Participations. In order to achieve full spread, 2018B used approximately $72 thousand in zeros, leaving $9.1 million in zeros for future bond issues (assuming participation with future issue in 12 months).

3. Net Economic Benefits. The transaction’s projected net present value before zeros was $2.0 million at 150% PSA prepayment speed. Including the zeros used, the net present value was $1.8 million (including the effect of the timing of zeros in and out), or approximately 2.8% of the bonds issued.

Bond Results. Following are key highlights:

1. Timing. The bonds were priced on Wednesday, June 6th with a retail order period in the morning followed by an institutional order period that afternoon.

   During the pricing, the 10-year Treasury rose by 0.05%, from 2.92% on June 5th to 2.97% on June 6th. The municipal market in terms of MMD rates was adjusted higher by 0.02 to 0.04% higher on Wednesday, June 6th. See “Market Details” below for a full description of the market leading up to the pricing date.

2. Retail Interest. A separate 2.5-hour retail order period was established with first priority to orders from New Mexico retail investors and second priority to national retail investors. This resulted in $16.9 million of retail orders, down from the $22.4 million realized in 2018A, but greater than the $14.2 million in 2017B and significantly greater than the retail orders achieved in 2016C and 2016A ($9.9 million and $6.6 million of total retail orders, respectively). The orders were particularly strong through the first 6 years of serial bonds as well as the 2028 to 2030 serial bonds. Of the $9.9 million of serial bonds, a total of $11.8 million of retail orders were received. This continues the strong retail
demand seen most recently with 2018A. Given that the 7/1/19 serial bond was more than 3x subscribed, its coupon was reduced by 0.05%.

3. **Institutional Interest.** There was sufficient institutional interest in the $26.35 million in PAC bonds as noted above, with the PAC Bonds subscribed at 2.2 times excluding stock orders ($59 million in orders). In addition, institutions came in with orders totaling $40.5 million for the (4) term bonds, such that combined with retail orders, all term bonds with the exception of the 2038 term bond were oversubscribed at levels from 1.4 times to 2.4 times. The 2038 term bond had a total of $4.6 million in orders ($4 million institutional) to achieve a subscription level of 0.70 and as such, RBC underwrote the $2.0 million unsold bond balance with no adjustment to the yield.

4. **Selling Group.** To enhance the order flow particularly with retail investors, four selling group members were included in the underwriting syndicate for 2018B. Selling group members included D.A. Davidson, Fidelity Capital Markets, Stifel Nicolaus, and UBS, all of which also participated in the 2018A issuance. See below for orders and allotments from the selling group, of which Fidelity brought the most orders to the pricing:

**RETAIL ORDERS BY SELLING GROUP MEMBER (THOUSANDS):**

<table>
<thead>
<tr>
<th>Selling Group Member</th>
<th>Orders</th>
<th>Allotments</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.A. Davidson &amp; Company</td>
<td>$695</td>
<td>$695</td>
</tr>
<tr>
<td>Fidelity Capital Markets</td>
<td>2,830</td>
<td>2,145</td>
</tr>
<tr>
<td>Stifel Nicolaus</td>
<td>1,545</td>
<td>905</td>
</tr>
<tr>
<td>UBS</td>
<td>1,620</td>
<td>1,620</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$6,690</td>
<td>$5,365</td>
</tr>
</tbody>
</table>

The selling group was very helpful to the issuance in terms of generating additional retail interest, with Fidelity accounting for 42% of the orders.

5. **Comparable Transactions.** The 2018B PAC bonds and the 4 term bonds priced especially well compared to other HFA issues in the market, while the serials bonds were largely in-line with comparable issues. The most direct comparable for the 2018B bonds was Maine’s $40.0 million non-AMT issue that priced the week prior. All of MFA’s serials bonds priced at spreads to MMD within 0.05% of the Maine transaction, whereas MFA’s term bonds were at spreads at least 0.08% lower than Maine. MFA’s PAC bond priced at a spread of +79 to MMD, significantly better than PAC bonds sold the week prior which achieved spreads to MMD of +81, +86, and +87. RBC was able to price a PAC bond for Minnesota the day after MFA at a spread of +77 to MMD. PAC investors have recently required more yield on PAC bonds as demand from insurance companies has waned in light of tax reform passed last year.

See **Section 3** for detailed pricing comparables of all recent tax-exempt traditional bond issues priced around 2018 Series B.

**MARKET DETAILS**

**Key Dates:**  Pricing Date: Wednesday, June 6th, 2018  Closing Date: Wednesday, July 11th, 2018

**Economic Calendar.** The week prior to the sale, political uncertainty in the European Union centered around the Italian election caused US Treasury yields to drop significantly by the middle of the week,
then retrace higher on strong domestic economic data and news that Italy had formed a new government. Non-farm payroll reflected 223,000 in new jobs, well above the consensus of 190,000, with an unemployment rate dipping to 3.8%, its lowest level since 1969. Several Federal Reserve officials have continued speeches indicating that the Fed will likely raise short-term rates at least 2 more times in 2018, and possibly 3 times. In fact, at the FOMC meeting held on June 12th and 13th after 2018B priced, the FOMC increased short-term rates another 0.25%, and indicated its very likely they will continue through the year with possibly 2 additional hikes later in 2018. On the day prior to the sale, the ISM manufacturing index was released stronger factory activity than forecast despite recent concerns that tariffs could cut into economic activity.

**Treasuries.** The 10-year Treasury started the year at 2.46%, and increased on strong domestic economic data through the spring. After rising as high as 2.95% in February, it settled down to 2.77% by the pricing date of 2018A on April 3rd. By the middle of May, it again rose as higher as 3.11% before falling back down to 2.97% by the time 2018B was priced. Faster growth, the risk of some amount of inflation and Fed tightening have been the driving themes, pushing up Treasury rates and worrying stock markets. December’s federal tax changes and recent proposals for increased fiscal stimulus and federal budget deficits have been keys to this shift in investor outlook, albeit somewhat tempered by the concern that trade tariffs may affect growth across the globe.

**Municipals.** Municipals have outperformed Treasuries since December, in part because of the lack of supply in the municipal market. The municipal volume was very high at the end of 2017 as issuers sought to meet end of the year deadlines in the proposed tax bill, including the end of advance refundings. The result has been modest levels of new issuance throughout the first half of 2018. Unanticipated impacts post-tax law changes have been positive inflows to municipal mutual funds in most weeks throughout 2018. Additional factors include:

- Through June 15, 2018, new muni bond issuance is down 19% compared to the same period last year.
- Positive net mutual fund inflows throughout 2018 have helped to absorb new issue supplies and kept muni yields improving relative to treasuries. Through May 2018, municipal bond funds received $4.8 billion in net investment.
- Spreads relative to treasuries remain compressed due to the absolute low level of rates.
  - Despite recent improvement (see Table 1 below), the ratios of the 10- and 30-year MMD indices to their respective treasury bond yields still remain above their long term historical averages of around 80% to 90%.
TABLE 1: COMPARISON OF RATES IN RECENT TRANSACTIONS

<table>
<thead>
<tr>
<th>Issue</th>
<th>Date</th>
<th>10 Year Treasury</th>
<th>10 Year MMD</th>
<th>MMD to Treasury Ratio</th>
<th>30 Year Treasury</th>
<th>30 Year MMD</th>
<th>MMD to 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>5/9/13</td>
<td>1.81%</td>
<td>1.75%</td>
<td>96.7%</td>
<td>3.01%</td>
<td>2.87%</td>
<td>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>
<tr>
<td>2016 A</td>
<td>3/15/16</td>
<td>1.97%</td>
<td>1.88%</td>
<td>95.4%</td>
<td>2.73%</td>
<td>2.84%</td>
<td>104.0%</td>
</tr>
<tr>
<td>2016 C</td>
<td>10/26/16</td>
<td>1.79%</td>
<td>1.72%</td>
<td>96.1%</td>
<td>2.53%</td>
<td>2.55%</td>
<td>100.8%</td>
</tr>
<tr>
<td>2017 B</td>
<td>10/3/17</td>
<td>2.33%</td>
<td>2.01%</td>
<td>86.3%</td>
<td>2.87%</td>
<td>2.82%</td>
<td>98.3%</td>
</tr>
<tr>
<td>2018 A</td>
<td>4/3/18</td>
<td>2.77%</td>
<td>2.43%</td>
<td>87.7%</td>
<td>3.01%</td>
<td>2.96%</td>
<td>98.3%</td>
</tr>
<tr>
<td>2018 B</td>
<td>6/6/18</td>
<td>2.97%</td>
<td>2.46%</td>
<td>82.8%</td>
<td>3.13%</td>
<td>2.98%</td>
<td>95.2%</td>
</tr>
</tbody>
</table>

Change from 2018A to 2018B:  
+ 20 bps  
+ 3 bps  
-4.9%  
+ 12 bps  
+ 2 bps  
-3.1%

UNDERWRITING

Underwriter. RBC Capital Markets served as senior managing underwriter and Raymond James as co-manager. As described above, we also had a four firm selling group.

Underwriting Fees. The underwriter discount of $6.67 per $1,000 bonds is reasonable compared to other similarly sized issues in the market.

Performance. RBC Capital Markets as book-running senior manager and Raymond James as co-manager worked well together and achieved good order flow as described above. The strong order flow was evidenced by the ability to:

1) Produce sufficient orders for all term bonds,
2) Provide sufficient orders for the PAC bond to price at spreads to MMD better than HFAs who priced the week prior, and
3) Generate a strong amount of retail orders ($16.9 million) continuing the strength last seen in the 2018A transaction. The four firm selling group also enhanced the sale of the bonds by bringing in $6.7 million in retail orders. We would recommend a selling group on the next traditional bond issuance as well.
Tab 11
July 11 – August 8

MEDIA COVERAGE

7-11 Los Alamos Monitor  
*DP Road apartment complex gets green light*

7-13 Multi-Family Housing News  
*Another Affordable Property Opens in ABQ*

7-20 Albuquerque Business First  
*Albuquerque’s crime rate is impacting security companies*

7-27 Albuquerque Business First  
*New apartment building opens Downtown*

7-28 Albuquerque Journal  
*Downtown apartment opening celebrated*

PRESS RELEASES, NEWSLETTERS and LENDER MEMOS

7-12 Lender memo 18-10  
Webinar: HFA Preferred and MFA Single Family

7-17 Tribal Homeownership Coalition  
Coalition meeting July 26

7-24 Lender memo 18-11  
MFA Lender Training with Fannie Mae

7-27 E-blast to mailing list  
Early bird pricing ends soon

7-27 Press release  
Sterling Downtown Opens in Albuquerque

7-27 E-blast to mailing list  
Early bird pricing ends soon

8-1 E-blast to mailing list  
Discounted rates end August 8, 2018

8-6 E-blast to mailing list  
Early bird registration ends Wednesday
Los Alamos is one step closer to the realization of a 70-unit, affordable housing apartment complex on the west end of DP Road.

In June the project’s developer, Bethel Development, Inc., based in Dublin, Ohio, was told the Mortgage Finance Authority of New Mexico had approved its application for low-income housing tax credits.

“That is probably the only major federal program that actually provides capital money towards affordable housing projects,” said Los Alamos County Community Development Director Paul Andrus. “It’s a competitive process and is administered through the state. They award those to projects that are either new construction or acquisition and rehabilitation.”

Andrus said Bethel put in “a tremendous application,” which ended up being the top-rated application in the state for new construction. This essentially means, Andrus said, that planning for the project can begin.

“We’ll be keeping track of that in terms of anticipating at such time under our development agreement with them to donate that property to the project,” he said. “That’s the county’s contribution. Under our donation ordinance for affordable housing that’s basically our one major thing that we can do as a county to make affordable housing happen.”

Before the county donates the property to Bethel, the development company will work on design and transfer issues, which should be completed by November. Then, once the property is officially in Bethel’s possession, the company will have to finish construction and have the units rented by January of 2020.

“That’s exciting,” said Andrus. “It’s going to be 70 new units of rental with affordable, competitive rents and one-, two- and three-bedroom units.”

The complex, which is being called Canyon Walk Apartments, will consist of four buildings on four acres between Los Alamos Fire Station No. 2 and Canyon Rim Trail on the north side of DP Road.

“From what I’ve seen it will be situated back from the trail giving (the complex) a community space for the tenants,” Andrus said. “They will have direct access to enjoy the trail, will be close to Smith’s and downtown where all the services – and essentially the jobs – are and there’s a transit stop there, too, so they can get on that circulator and get to where they want to go.”

The renter income mix, which is subject to change, will be between 40 and 60 percent of the area’s median income with an affordability period of 35 years.

Andrus said the project would address several goals set forth by the county council. One is to promote the creation of a variety of housing options for all segments of the Los Alamos community as well as producing a development that is located downtown, near employment and retail establishments as well as being close to public transportation.

It could also serve as a catalyst for future development in the area for new construction.

According to its website, Bethel Development has concentrated its efforts predominantly in the development of affordable housing and, to date, has developed 29 affordable housing projects totaling 2,013 units.

Bethel has developed projects in Ohio, Arizona and New Mexico.

Qualcon Builders, LLC, a subsidiary of Bethel Development, Inc., is the general contractor and is licensed in New Mexico, Arizona and Ohio.
The affordable apartment complex, which is being called Canyon Walk Apartments, will consist of four buildings on four acres between Los Alamos Fire Station No. 2 and Canyon Rim Trail on the north side of DP Road. Monitor File Photo
Another Affordable Property Opens in ABQ

Sterling Downtown is the first WELL-registered multifamily property in the Southwest. The property was designed to achieve LEED Platinum certification.

by Jeff Hamann

The Greater Albuquerque Housing Partnership has opened Sterling Downtown, an affordable 107-unit community in Albuquerque, N.M. The opening marks the second fully affordable property to come online in the city over the past month.

Three different lenders provided a total of $14.2 million to fund construction of the four-story building. Citibank provided an $8.6 million mortgage, with the New Mexico Mortgage Finance Authority issuing a supplemental $1 million in funding, according to Yardi Matrix. The owner took an additional, self-funded loan of $4.6 million.

The Dekker Perich Sabatini-designed development is the first WELL-registered multifamily property in the Southwest, according to the project’s architect, and the asset was designed to achieve LEED Platinum certification. The building’s plan incorporates a number of energy efficiency measures, including an array of solar panels above some of the community’s on-site parking. Community amenities include a fitness center, a business center and a community room, per Yardi Matrix data.

Located at 800 Silver Ave. S.W. in the city’s Downtown/South Valley submarket, the property is positioned half a mile from the bustling Central Avenue S.W. retail corridor. Two bus routes operate a couple blocks from the development, providing access throughout Albuquerque.
Albuquerque’s crime rate is impacting security companies

As Albuquerque’s crime rate has risen, so has the number of clients for Lawrence Security.

Kris and Mitch Lawrence started their company 13 years ago with the two of them handling all of their security business. Today, the family company has grown to 22 employees working for 20 properties across Albuquerque.

“The need for security has grown,” Kris Lawrence said. “We love our job.”

Kris Lawrence attributes that growth to more businesses being proactive with security measures.

She said a greater number of businesses, particularly in Downtown Albuquerque, have found the presence of an on-site security guard to be effective in preventing crimes, as opposed to just having a security camera and having to wait for police presence and identifying perpetrators after the fact. She also said there’s a heightened comfort level from employees with an officer in proximity.

Jay Czar, president of the New Mexico Mortgage Finance Authority, implemented tighter security measures, including hiring Lawrence Security, after a number of homeless people found their way into his office building Downtown. The problem wasn’t so much during the workday, but in the hours before and after the start and end of the day, homeless people began filtering in to sleep.

Now, with floodlights, security officer presence in the parking area and a receptionist buzzing in all guests, crime-related activities and the number of homeless people coming into the building have dropped drastically for MFA.

Czar also attributes the lower amount of crime he’s seeing to better community policing.

“Overall, the police have been responsive and the problem has gotten better,” he said.

Mayor Tim Keller warned the city to prepare for a hot summer marked in part by crime and homelessness at a NAIOP luncheon in May, but Czar has found the summer thus far to be manageable, only requiring security presence a few times a week.

Jay Czar

Aaron Jones launched International Protective Service in June 2006, starting with himself and two employees in Albuquerque. Now, IPS has over 150 employees and expanded to Scottsdale, Arizona about five years ago. Jones attributes the growth to police not being able to be proactive and having slower response times.

“Most of them were not interested in armed security,” Jones said of businesses in IPS’ early days. “Fortunately, they’ve become more receptive because unarmed security is worthless.”

The need for security has grown.

Kris Lawrence
Lawrence Security
New apartment building opens Downtown

Jul 27, 2018, 3:40pm MDT

Nearly two years after securing funding, the Sterling Downtown apartment building has officially opened.

On Friday, the four-story, 78,000-square-foot development officially opened in Downtown Albuquerque. The project was funded through a $8.6 million multifamily housing revenue bond from Bernalillo County, $4 million from the city of Albuquerque Workforce Housing Trust Fund, nearly $600,000 from a New Mexico Mortgage Finance Authority tax credit and $1 million through the New Mexico Housing Trust Fund.

The building, developed by the Greater Albuquerque Housing Partnership, has 101 units, with six more that are ADA-accessible. Sterling Downtown will be home to individuals and families with incomes at or below 30 to 60 percent of the Albuquerque median income, according to a news release. Business First reported in September 2016 that rents will range from $291 for a studio to $776 for a two-bedroom, depending on income levels.

“Providing affordable housing opportunities in our community is critical to getting a handle on some of our homelessness and housing challenges,” Mayor Tim Keller said in a statement. “Not only does this project meet the needs of many families, it is also conveniently located near transit and amenities.”
Amenities for the Sterling include a washer and dryer, bike storage and repair space, an exercise room, bulk storage and a fourth-floor internet café with a rooftop deck. The building is the first in the state to be registered with the WELL Building Institute, meaning the building's design and construction are intended to help support the health and well-being of residents, according to a release from the city.

Sterling has been designed to meet LEED certification, which was created by the U.S. Green Building Council for "buildings, homes and communities that are designed, constructed, maintained and operated for improved environmental and human health performance."

“Enhancing the quality of life for our residents is the core work of our commission, and the realization of the Sterling Downtown Apartment Complex is an example of that work,” Bernalillo County Commissioner Debbie O’Malley said in a statement. “I’m pleased to support this and many other worthwhile projects that provide high-quality affordable housing options, as well as construction jobs, across Bernalillo County.”

Albuquerque's Dekker/Perich/Sabatini was the architect and Bradbury Stamm was the project's general contractor.

Ron Davis
Reporter
Albuquerque Business First
Downtown apartment opening celebrated

107-unit Sterling project
a joint city-county effort

BY STEVE SINOVIC
JOURNAL STAFF WRITER

City and county leaders and developers celebrated the completion of the $13.6 million mixed-income Sterling Downtown apartment project Friday with a ceremonial ribbon cutting.

The 107-unit apartment building at 800 Silver Ave SW, was developed by the Greater Albuquerque Housing Partnership, thanks to financial backing from the city of Albuquerque and Bernalillo County.

The building has 28 efficiency, 67 one-bedroom, and 12 two-bedroom units.

Move-ins began two weeks ago, and the Sterling Downtown already is 37 percent occupied and 57 percent leased, said a GAHP spokesman.

According to GAHP, the four-story Sterling is home to individuals and families with incomes at or below 30 to 60 percent of the Albuquerque median income.

To help fund construction, the county issued an $8.6 million Multifamily Housing Revenue Note; the city contributed $4 million through the Workforce Housing Trust Fund; and the New Mexico Mortgage Finance Authority awarded $1 million through the New Mexico Housing Trust Fund.

The architect was Dekker/Perich/Sabatini, and the general contractor was Bradbury Stamm.

Resident amenities include bike storage and repair space, indoor dog wash area, exercise room, bulk storage and a 4th-floor internet café with a rooftop deck. The lobby area includes a coffee shop that will be operated by Plata Coffee.

Each apartment home includes a washer and dryer, a built-in desk and stainless-steel appliances.

The Sterling Downtown is aimed at mixed-income individuals and families.
TO: Participating Lenders

FROM: Rene Acuna, Director of Homeownership

DATE: July 12, 2018

RE: Memo No. 18-10

HFA Preferred and MFA Single Family Webinar Trainings

- MFA single family and DPA programs regular monthly training - July 17
- SAVE THE DATE - FNMA HFA Preferred training - July 31

MFA is hosting its regular webinar training for the MFA single family and down payment assistance (DPA) programs.

This training is designed for staff whose duties involve originating, processing, closing and shipping MFA loans. This technical training provides Participating Lenders with the information needed to efficiently originate, fund and deliver loans under the current programs guidelines.

Single Family and DPA Programs Webinar Training Date:

- Tuesday, July 17, 2018 9:30 am-11:00 am MDT

To Participate:
Register via the MFA lender training link [http://www.housingnm.org/lender-training](http://www.housingnm.org/lender-training).

In order for MFA to e-mail registered individuals the training materials and to track attendance, please register **no later than 5 pm MDT** on the business day prior to the training.

Below is the call in number, access code and link for the webinar. **Please sign in at least five minutes before the scheduled webinar time to accommodate any software requirements.**

- Conference Dial-in Number: (415) 655-0002
- Participant Access Code: 806 656 355
- [https://housingnm.webex.com/join/aracicot](https://housingnm.webex.com/join/aracicot)

**SAVE THE DATE for FNMA HFA Preferred Training:**

**FNMA is currently working on a flyer that will have the registration and login information. MFA will send out a notice when received.**

- **Tuesday, July 31, 2018**    **To Be Determined**

Thank you for participating in MFA’s program. Should you have any questions, please contact a MFA homeownership representative.

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New Mexico Tribal Homeownership Coalition Meeting

on 7/26/18 at NM Mortgage Finance Authority
344 4th St SW, Albuquerque, NM 87102

Last day to register if attending in-person is 7/20/18 at
http://housingnm.org/developers/nm-tribal-homeownership-coalition-meeting
If you wish to call in for the meeting please RSVP and we will send out the call-in info the
day of the meeting.

Agenda

11:30 – 12:30 pm  Registration and Luncheon
Retirement Recognition for Marvin Ginn, Executive Director of Native Community Finance

12:30 – 12:45 pm  Welcome and Introductions
Gina Hickman, Deputy Director Finance and Administration, MFA
Ariel Cisneros, Senior Advisor, Federal Reserve Bank of Kansas City
Marvin Ginn, Executive Director, Native Community Finance

12:45 – 1:30 PM  Homebuyer Education/Financial Fitness Best Practices
Moderator Ariel Cisneros, Federal Reserve of Kansas City, Denver
  Rose Marquez, Deputy Director, Native Community Finance
  Elena Gonzales, Director, Homestart, Homewise

1:30 – 1:50 pm  Review the “Borrowing Guide for Tribal Members”
  Rose Marquez, Deputy Director, Native Community Finance

1:50 – 2:10 pm  MFA Weatherization Programs and Funding Updates
  Amy Gutierrez, Program Manager, NME$, MFA

2:10 – 2:30 pm  IHBG and ICDBG—Training Updates
  Cheryl Dixon Zuni, Deputy Administrator, Southwest Office of Native American Programs

2:30 – 2:50 pm  Fannie and Freddie—Native American Products
  Marvin Ginn, Executive Director, Native Community Finance

2:50 – 3:00 pm  Announcements—Upcoming Events
  Ed Rosenthal, Consultant, Enterprise Community Partners – Enterprise Homeownership Academy

3:00 pm  Adjourn
TO: Participating Lenders

FROM: Rene Acuna, Director of Homeownership

DATE: July 24, 2018

RE: Memo No. 18-11

- MFA Lender Training with Fannie Mae

When helping your borrowers choose the right mortgage option, it helps to know all the facts.

In this training session you will hear from subject matter experts at New Mexico Mortgage Finance Authority (MFA), and Fannie Mae in a joint lender training designed to help loan origination staff understand the benefits of conventional lending.

- Learn more about Fannie Mae’s HFA Preferred™ product and hear how you can help homebuyers obtain cost savings over the long term.
- Hear how they can get access to down payment funds available through MFA.
- Learn best practices and tips so you can get funded quicker.
- Discuss comparisons between FHA, Home Ready and HFA Preferred
- Learn important LTV/CLTV requirements for specific situations (i.e. manufactured homes, cosigners, co-borrowers, alternative credit)
- Discuss alternative credit and HFA Preferred considerations
If you're a loan officer or mortgage lender interested in participating in the MFA's homeownership program, we've got important resources and information available on this training to help you. Let us help you reach growing market segments and close more loans.

Join us for an informative webinar on:

- **Tuesday, July 31st from 10:00AM to 11:30AM MDT**

Training materials will be sent to all registered participants via email approximately 30 minutes prior to our scheduled start time.

[Click here to register for this free training event.](#)

Thank you for participating in MFA's program. Should you have any questions, please contact an MFA Homeownership Representative.

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Early bird discounted pricing ends soon!

Register by August 8 and Save $50. Register now >

Event Highlights
- Keynote speakers Elliot Eisenberg, Steven Michael Quezada and Jimmy Wayne
- Tuesday night meetup at Ponderosa Brewing Co.
- 40 Vendors
- Reception with music by the Burt Dalton Trio
- CE classes for REALTORS

For complete summit information, go to: 2018 NM Housing Summit >

Sessions include:
- The Latest and Greatest from D.C. Joseph Pigg
- Fundraising Jean Block
- Lifecycle of a Multifamily Project Panel Gloria Marcott
- Everyday Safe Launi DeYoung
- Twists and Turns of the Tax Code Novogradac
- Effective Teams Dr. Drew Dooley
- Healthy Homes for Tenants Panel

Our Partners

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STERLING DOWNTOWN OPENS IN ALBUQUERQUE

New Development Provides Affordable Housing for Low-Income Families

ALBUQUERQUE: Mayor Tim Keller and Bernalillo County Commissioner Debbie O’Malley opened the Sterling Downtown today at a ribbon-cutting celebration. The new apartment community at Eighth and Silver in Albuquerque is made up of 28 efficiency, 67 one-bedroom, and 12 two-bedroom apartments. Sterling Downtown is home to individuals and families with incomes at or below 30 to 60 percent of the Albuquerque median income. Six units are ADA accessible and the remaining 101 units are adaptable for individuals with disabilities. Six units have been set-aside for households with special housing needs and are being leased in partnership with Help New Mexico.

“Providing affordable housing opportunities in our community is critical to getting a handle on some of our homelessness and housing challenges,” stated Mayor Tim Keller. “Not only does this project meet the needs of many families, it is also conveniently located near transit and amenities.”

“Enhancing the quality of life for our residents is the core work of our Commission, and the realization of the Sterling Downtown Apartment Complex is an example of that work,” says County Commissioner Debbie O’Malley. “I’m pleased to support this and many other worthwhile projects that provide high quality affordable housing options, as well as construction jobs, across Bernalillo County.”

To fund the project, Bernalillo County issued an $8.6 million Multifamily Housing Revenue Note and City of Albuquerque contributed $4 million through the Workforce Housing Trust Fund. The New Mexico Mortgage Finance Authority awarded $594,218 in Low Income Housing Tax Credits and $1 million through the New Mexico Housing Trust Fund. The developer was the Greater Albuquerque Housing Partnership, the architect was Dekker/Perich/Sabatini and the general contractor was Bradbury Stamm.
“Today we are excited for all the residents who have chosen to call Sterling Downtown their home,” said Felipe Rael, Executive Director of the Greater Albuquerque Housing Partnership. “The best part is that residents will keep more money in their pockets thanks to the energy efficient design and affordable rents.”

Sterling Downtown is designed to achieve LEED certification incorporating water saving measures, locally sourced building materials, low VOC sealants, solar hot water heaters, and a 48kW solar carport.

Sterling is the first building in New Mexico to be registered with the WELL Building Institute. WELL combines best practices in design and construction with evidence-based medical and scientific research to harness buildings as vehicles that can support the health and well-being of residents.

Resident amenities include bike storage and repair space, indoor dog wash area, exercise room, bulk storage and a 4th-floor internet café with a rooftop deck. The lobby area includes a coffee shop that will be operated by Plata Coffee.

Each apartment home includes a washer and dryer, built-in desk and stainless-steel appliances. The zoo and downtown growers market are within walking distance of Sterling.

###
Discounted Early Bird Rates End August 8!

The New Mexico Housing Summit brings you the latest housing information and training and the most informative and educational speakers.

But wait -- there's more!

Enjoy the sounds of the Burt Dalton Trio at the opening reception. And join your friends the next evening at Ponderosa Brewery for a fun, relaxed meetup sponsored by Pavilion Construction.

Register now! >

For complete information about the Housing Summit, go to our website at summit.housingnm.org

New Mexico Mortgage Finance Authority, 344 Fourth St. SW, Albuquerque, NM 87102
505.843.6880 800.444.6880
Early Bird Registration Ends Wednesday!
Register by August 8 to get the lowest registration rate.

REGISTER ONLINE NOW >
Tab 12
Quarterly Report to the MFA Board of Directors
Q3 FY2018

Production Statistics

<table>
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<tr>
<th></th>
<th>Current Quarter</th>
<th>Same Quarter Last Year</th>
<th>Year to Date</th>
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<tr>
<td><strong>Homeownership</strong></td>
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<tr>
<td>Number of loans reserved</td>
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<td>Amount of SF loans/grants</td>
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<td>$0</td>
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<td>Amount of TC: LIHTC (MF) &amp; State (MF &amp; SF)</td>
<td>$120,000</td>
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<td>Number of MF units</td>
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<td>Number of SF units</td>
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<td><strong>Housing Rehab &amp; Weatherization</strong></td>
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<td>Amount of rehab expenditures</td>
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<td>Number of units rehabilitated</td>
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<td>Number of units weatherized</td>
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<td><strong>Homeless Programs</strong></td>
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<td>Amount of shelter service expenditures</td>
<td>$192,333</td>
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<td>Number of persons housed</td>
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<td>Amount of rental assistance</td>
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<td>Number of households assisted</td>
<td>512</td>
<td>348</td>
<td>1,471</td>
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The need for MFA mortgage products:
MFA borrowers have an average annual income of $50,583 and purchase homes with an average price of $147,428. 27 percent are single-parent households; 41 percent are minorities.
MFA targets below market mortgage rates, and all first-time homebuyers receive pre-purchase counseling. MFA provides down payment assistance to 99 percent of its borrowers. Without these programs, many borrowers could not buy a home.

The need for housing development:
Only 4 percent of New Mexico’s housing units are located in apartment complexes of 20 units or more. Many of these are old and in poor condition.
50 percent of renters are cost-burdened, about half pay between 30 percent and 49 percent of their income on rent; the other half pay more than 50 percent.

The need for housing rehabilitation and weatherization:
New Mexico has aging housing stock. 47 percent of its homes were built before 1980; only 18.4 percent were built after 2000.
Many low-income homeowners are at risk because of health and safety hazards in their homes and pay high utility bills because they cannot afford to make energy-efficiency improvements.

The New Mexico Coalition to End Homelessness estimates that 17,000 New Mexicans experience homelessness in a year. In 2017, approximately 14,000 homeless New Mexicans sought assistance at HUD-funded agencies.
Emergency assistance with rent and utilities can help people at risk of
## Quarterly Report to the MFA Board of Directors
### Q3 FY2018

<table>
<thead>
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<th>Servicing</th>
<th>Current Quarter</th>
<th>Same Quarter Last Year</th>
<th>Target Rate</th>
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<td>Partners Program delinquency rate</td>
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<td>DPA loan delinquency rate</td>
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<td>Multifamily loan delinquency rate</td>
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<td>Combined delinquency rate - Current Month</td>
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<td>12.24</td>
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<td>Combined average delinquency rate-FY</td>
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<td>Default rate (writeoffs/foreclosure losses)</td>
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<td>Master Servicing MBS delinquency rate</td>
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<td>REO Inventory - # of loans</td>
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<td>23</td>
<td></td>
</tr>
<tr>
<td>REO Inventory - Exposure</td>
<td>$1,110,300</td>
<td>$1,239,445</td>
<td></td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Monitoring</th>
<th>Current Quarter</th>
<th>Year to Date</th>
<th>Fiscal Year Monitoring Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of properties monitored</td>
<td>32</td>
<td>112</td>
<td>146</td>
</tr>
<tr>
<td>Number of units inspected</td>
<td>338</td>
<td>1209</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of PBCA activities</td>
<td>304</td>
<td>912</td>
<td>N/A</td>
</tr>
</tbody>
</table>

| Community Development                                                     |                 |              |                                 |
| Number of contracts monitored                                             | 10              | 58           | 73                              |

### MFA's Servicing Department:
- Provides servicing for approximately 12,000 loans with a principal balance of almost $360 million.
- Many of the loans MFA services are for internal programs that target higher risk borrowers. MFA’s Mortgage-Backed Securities (MBS) portfolio is serviced by master servicers. Delinquency rates in this portfolio can be benchmarked to Mortgage Banker Association FHA averages - 9.09 percent in New Mexico and 10.38 percent in the U.S. for Quarter 4 2017.

### MFA's Asset Management Department:
- Monitors 274 properties and 18,036 units of housing financed by MFA, providing unit inspections and review of records and finances on a regular basis. Asset Management also supports 87 properties and 5,230 units under MFA’s HUD Project Based Contract Administrator (PBCA) contract.

### MFA's Community Development Department:
- Manages nine programs with 12 different funding sources and approximately 70 partners across the state. Our partners deliver housing to more than 11,000 individuals and receive approximately $10 million in funding. Monitoring is performed on a regular basis to ensure program compliance.