NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, May 16, 2018 at 9:30 a.m.

AGENDA

Chair Convenes Meeting
➤ Roll Call (Jay Czar)
➤ Approval of Agenda – Board Action
➤ Approval of 4/18/18 Board Meeting Minutes – Board Action
➤ Approval of 4/18/18 Board Study Session Minutes - REO (Real Estate Owned) Policy Review – Board Action

Board Action Items

<table>
<thead>
<tr>
<th>Finance Committee</th>
<th>Action Required?</th>
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</thead>
<tbody>
<tr>
<td>1 3/31/18 Quarterly Financial Statements (Gina Hickman)</td>
<td>YES</td>
</tr>
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<td>7 Approval of CDBG RFP (Gina Bell)</td>
<td>YES</td>
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<tr>
<td>8 Approval of 2017/2018 DOE Annual and Master State Plans (Amy Gutierrez and Troy Cucchiara)</td>
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<tr>
<td>9 Real Estate Owned (REO) Disposition-Loss Approval (Theresa Laredo Garcia)</td>
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<td>10 RFP for Purchase of Affordable Housing Rental Properties in Clayton, NM (Christine Wheelock and Izzy Hernandez)</td>
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<td>13 MFA Strategic Plan Update: PBCA Procurement (Izzy Hernandez)</td>
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Closed Session

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Open Session

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Other Board Items

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<tr>
<td>▪ Staff Action Requiring Notice to Board</td>
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<td>▪ Strategic Plan Dashboard</td>
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Monthly Reports

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<td>▪ Communications Department Reports</td>
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Monthly Reports

No Action Required

18 (Staff is available for questions)

- Quarterly Board Report

Announcements and Adjournment

Discussion Only

Confirmation of Upcoming Board Meetings

- June 13, 2018 – Wednesday 9:30 a.m. (MFA) (moved one week earlier)
- July 18, 2018 – Wednesday, 9:30 a.m. (MFA)
- August 15-16, 2018 – Wednesday – 9:30 a.m. (Albuquerque – Location TBD)
- August 16-17, 2017 – Board Retreat Wednesday - Thursday (Albuquerque – Location TBD)
NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
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AGENDA SUMMARY

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<td>YES</td>
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<td>3 Policies and Procedures Manual Revisions (Theresa Laredo Garcia/Jeff Payne) - Staff has re-evaluated and is recommending revisions to MFA’s Transaction Authorization and Real Estate Owned policies in the Policies and Procedures Manual. Changes recommended will streamline the disposition of REO properties and minimize losses to MFA while providing more transparency to the Board related to credit risk and loss exposure.</td>
<td>YES</td>
</tr>
<tr>
<td>4 Delegations of Authority Update (Gina Hickman) - Over the last several months staff has been evaluating the acquired property portfolio management policy. Proposed changes were discussed in depth with the Board at the April 18th Board Study Session. Based on input from the Board staff is proposing revisions to the Delegations of Authority to support the proposed changes to the Policies and Procedures manual. These updates support clearer, more transparent reporting and acquired property portfolio management processes. Staff is also recommending removal of the lender delegations line item to correspond with the Authorized Signatures Resolution currently in place. In addition, the National Housing Trust Fund program (N-HTF) is being added. Staff recommends approval of the Delegations of Authority as revised.</td>
<td>YES</td>
</tr>
<tr>
<td>5 HUD Veterans Rehabilitation Grant (Izzy Hernandez/Monica Abeita) - Staff recommends that MFA submit an application for $1,000,000 for HUD’s Veterans Housing Rehabilitation and Modification (VHRM) Pilot Program. If received, this funding will allow MFA to improve more homes through its existing NM Energy$mart and rehabilitation programs.</td>
<td>YES</td>
</tr>
<tr>
<td>6 HOME Single Family Development Program Policy (George Maestas) - Staff is seeking approval of the updated HOME Single Family Development Program Policy from MFA’s Board of Director’s.</td>
<td>YES</td>
</tr>
</tbody>
</table>

**Contracted Services/Credit Committee**

7 Approval of CDBG RFP (Gina Bell) - Staff is requesting approval for the release of a Request for Proposal for Community Development Block Grant Service Providers. Upon approval, approximately $415,500 in funding would be awarded to agencies to provide accessibility upgrades to 13 homes and new roofs to 20 homes located in the Colonias. | YES |

8 Approval of 2017/2018 DOE Annual and Master State Plans (Amy Gutierrez and Troy Cucchiara) - The NM Energy$mart program helps low-income New Mexicans save money on utility bills. Homeowners and renters who qualify for the program receive an average of $6,000 in weatherization measures. The Department of Energy is the primary funding source because they set the rules and regulations for the program and they are the only funding source that provide for vehicles and equipment and a training and technical assistance budget. In order to receive the funding the “State Plan” must be submitted no later than May 4, of every year. The Department of Energy (DOE) funding for the 2018/2019 program year is $2,125,643.00. We are projecting that Territory 1 will weatherize 125 homes, Territory 3 will weatherize 44 homes and Territory 2 (New Agency - TBD) will train and weatherize 18 homes for a total of 187 homes with this funding. | YES |

9 Real Estate Owned (REO) Disposition-Loss Approval (Theresa Laredo Garcia) - Staff is recommending Board approval for losses greater than $50,000 on Hobbs WorkForce, Habitat for Humanity Valencia County and Tierra De Esparanza (Roswell) REO properties. MFA expects to realize losses of approximately $677,046.29. Staff is requesting approval of said losses. In accordance with Generally Accepted Accounting Principles (GAAP), these REO properties have been written down a combined $714,283.05 to their fair market value since acquired. If all three
REO properties are sold during FY2018, based on the net proceeds projected, MFA would recognize a gain of $37,236.76 in FY2018. YES

10  RFP for Purchase of Affordable Housing Rental Properties in Clayton, NM (Christine Wheelock and Izzy Hernandez) - Staff is requesting approval for the release of a Request for Proposal regarding Clayton Rental Property, MFA Loan #HM026, to solicit proposals for purchase due to a Default Judgement in which MFA was appointed as Receiver and retains an interest. YES

Other

11  2018 Series B Single Family Bond Resolution (Kathy Keeler) - To authorize future bonding activity and to ensure MFA can continue using the bond market to fund Single Family mortgage loans, Staff is requesting approval of the 2018 Series B Single Family Bond Resolution in the aggregate amount of not to exceed $75 million. YES

12  Amendments to the 2018-2022 MFA Strategic Plan (Monica Abeita) - Staff recommends approval of eight amendments to the MFA FY 2018-2022 Strategic Plan. Seven of the amendments pertain to benchmarks for FY 2018 due to revised methodology, the revised financial forecast or needed clarifications. YES

13  MFA Strategic Plan Update: PBCA Procurement (Izzy Hernandez) - HUD cancelled both the national and regional draft Requests for Proposals (RFPs) to replace the current Performance-Based Contract Administration (PBCA) program. NO

Closed Session

14  Legal Matters

   ▪  Closed Session to be held Pursuant to Section 10-15-1(H) (7) of the Open Meetings Act – Threatened or Pending Litigation: Discuss Status of Litigation Against Commonweal Conservancy, Inc. (Izzy Hernandez/Joshua Allison)

   (Motion and affirmative vote are required to close the meeting for this limited purpose)

Open Session

15  Legal Matters

   ▪  Approval of Compromise regarding Litigation against Commonweal Conservancy, Inc. (Izzy Hernandez/Joshua Allison)

Other Board Items

16  (Staff is available for questions)

   ▪  Staff Action Requiring Notice to Board
   ▪  Strategic Plan Dashboard
   ▪  Moody’s Investor Service Credit Opinion

Monthly Reports

17  (Staff is available for questions)

   ▪  Communications Department Reports

Announcements and Adjournment

Confirmation of Upcoming Board Meetings

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Minutes
NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting Minutes
344 4th St. SW, Albuquerque, NM
Wednesday, April 18, 2018 at 9:30 a.m.

Chair Burt convened the meeting on April 18, 2018 at 9:33 a.m. Secretary Czar called the roll. Members present: Chair Dennis Burt, Angel Reyes, Sally Malavé (designee for Attorney General Hector Balderas), Lieutenant Governor John Sanchez (Mark Van Dyke took his place at the beginning of tab seven 11:32 a.m.), Steven Smith and Treasurer Tim Eichenberg (arrived during the closed session tab 6).Absent: Randy McMillan. 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 April 18, 2018 Board agenda as presented: Malavé. Second: Sanchez. Vote: 5-0.

Approval of 3/21/18 Board Meeting Minutes – Board Action. Motion to approve the 3/21/18 Board Meeting Minutes as presented: Smith. Second: Reyes. Vote: 5-0.

Employee Introductions: Shawn Colbert, Director of Housing Development introduced Tana Birks, Assistant Director of Housing Development – Housing Development Department. Jeff Payne, Senior Director of Homeownership introduced Olivia Martinez, Homeownership Manager – Homeownership Department.

Contracted Services/Credit Committee
1 National Housing Trust Fund Change to 2018 New Mexico Annual Action Plan (Izzy Hernandez). Hernandez informed the board that staff has developed and is seeking approval of a change to the National Housing Trust Fund (N-HTF) award limit in the 2018 New Mexico Annual Action Plan. He reminded the board that the 2018 New Mexico Annual Action Plan was approved by the MFA Board and the Community Development Council (CDC) in January, 2018. According to the regulations, the Action Plan for FY 2018 is due to HUD by November 15, 2017. However, the submission is delayed because the federal government only recently passed a FY 2018 budget and formula grant allocations have not been announced. He referenced the memo located behind tab one, which will become a part of the official board packet. He reviewed the background information provided. He further informed the board that MFA has two years to commit the N-HTF funds. Currently, the maximum amount of N-HTF funds that may be awarded to nine percent low-income housing tax credits (LIHTC) projects is $400,000. The suggested change would allow for larger awards when needed to satisfy N-HTF deadlines and avoid the need to return unused funds, or to increase funding for a particular project that would further MFA’s mission. The change will enable MFA to award more than $400,000 per project for projects receiving nine percent LIHTCs. Those awards would come to the board and be consistent with our delegations of authority. Discussion ensued regarding a cap on the amount, funds used for projects already in the pipeline or projects coming up, deadlines and qualified projects. Motion to approve the National Housing Trust Fund Change to 2018 New Mexico Annual Action Plan as presented: Malavé. Second: Reyes. Vote: 5-0.

2 Request for Proposal (RFP) for Service Providers for the 2018/2019 NM EnergySmart Program (Amy Gutierrez). Gutierrez began her presentation stating that staff requests approval to issue the NM EnergySmart Program (RFP) for program years 2018-2019. She reviewed the background information as provided in the memo behind tab two, which will become a part of the official board packet. She informed the board that MFA had received comments from MFA funders, which include DOE, NM Gas and PNM, regarding the need for additional Service Providers. The NM EnergySmart Program is at risk with only two Service Providers for the entire state. Therefore, it is imperative to release an RFP this year in an effort to expand the state from two to three service territories. Based on our past experience of growing an agency to a point of success, we are proposing phasing in a new agency over a three year period. This will allow the proper time to train to DOE standards and obtain all the necessary certifications needed to work in the field the first year, become proficient in the second year and be a comparable Service Provider in the third year. We anticipate funding for the 2018/2019 program year to be in the amount of $5,888,442. Gutierrez reviewed the chart in the memo which provides a breakdown of the proposed split of the regions over the next three years based on this year’s anticipated funding. In addition she reviewed the distribution table by county and associated funding as well as scoring. Motion to approve the Request for Proposal (RFP) for Service Providers for the 2018/2019 NM EnergySmart Program as presented: Sanchez. Second: Malavé. Vote: 5-0.

3 Housing Opportunities for Persons with AIDS (HOPWA) RFP (Natalie Michelback). Michelback stated that staff requests approval to issue the Housing Opportunity for People with AIDS (HOPWA) Program (RFP) for program year (PY) 2018-2019 with potential extensions for PY 2019-2020 and 2020-2021. She reviewed background
information as provided in the memo behind tab three, which will be made a part of the official board packet. Michelback further informed the board that it is estimated that there will be approximately $713,488 of available HOPWA funding for the 2018-2019 program year. She further stated that DOH (Department of Health) had applied for further funding in the form of a grant from the Ryan White fund in order to provide additional funding to support this population. This is why MFA is looking to further expand this program which currently has one service provider to three. She reviewed the Regions, Scoring and timeline. Motion to approve the Housing Opportunities for Persons with AIDS (HOPWA) RFP as presented: Smith. Second: Reyes. Vote: 5-0.

Other

4 Appointment of the Nominating Committee to Elect Officers (Chair, Dennis Burt). Chair Burt stated that he has appointed a Nominating Committee to Elect Officers. The Nominating Committee appointed include the following members: Lieutenant Governor John Sanchez, Attorney General Hector Balderas and himself. He further informed the board that they would elect officers in the near future. No action required.

5 Single Family TBA Program and Market Update (Mike Awadis, Managing Director, Hilltop Securities). Awadis thanked the Board for the opportunity to present stating he would give an update on the TBA market. He spoke of how TBA has changed the world of HFA’s. He reminded the board that Hilltop has been MFA’s administrator since 2013. He noted that Hilltop Securities has purchased approximately one billion in MBS’ from MFA stating that the program has been a tremendous success. Awadis then discussed the presentation located behind tab five which is an official part of the board packet and included the following information: The Current Environment for HFAs, Program Benefits When Compared to MRB, How Are Your Peers Doing – Production Trends, A Few Words About the Housing and Mortgage Markets, Pricing Sensitivity/Market Volatility and MFA’s TBA Program. In addition MCC’s (Mortgage Credit Certificates) and competing products were discussed. No action required.

Closed Session

Executive Session to be held Pursuant to Section 10-15-1(H) (7) of the Open Meetings Act – Threatened or Pending Litigation: Discuss Status of Litigation Against Commonweal Conservancy, Inc. (Izzy Hernandez/Joshua Allison). Motion to go into closed session for the sole purpose of discussing the status of the litigation against Commonweal Conservancy, Inc.: Smith. Second: Sanchez. Vote: 5-0. (Burt, Malavé, Sanchez, Reyes and Smith voting for; no members voting against).

Secretary Czar called the Roll. Members present for Closed Session: Chair Dennis Burt, Angel Reyes, Sally Malavé (designee for Attorney General Hector Balderas), Lieutenant Governor John Sanchez and Mark Van Dyke (designee for Lieutenant Governor Sanchez), and Steven Smith. Also present: Jay Czar, Gina Hickman, Izzy Hernandez, and legal counsel Joshua A. Allison and Eleanor C. Werenko. The Board discussed the status of the litigation against Commonweal Conservancy, Inc. with its legal counsel.

10:37 a.m. Eichenberg joined the closed session meeting.

11:32 a.m. Sanchez left the meeting (Van Dyke took his place).

11:35 a.m. Eichenberg left the meeting.

Open Session

Motion to come into open session: Smith. Second: Malavé. Vote: 5-0.

Chair Burt confirmed that we are back in open session and the webcast is running and minutes are being recorded.

Chairman Burt made a statement that the only issue discussed in closed session were attorney-client privileged discussions related to the status of the litigation against Commonweal Conservancy, Inc. No other issues were discussed, and no actions were taken.

Other Board Items - Information Only

8 There were no questions asked of staff
Staff Action Requiring Notice to Board

Monthly Reports - No Action Required

- 02/28/2018 Financial Statements
- Communications Department Reports

11:38 a.m. Eichenberg joined the meeting.

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Burt informed the Board that the next Board of directors meeting will be on May 16, 2018 at the offices of the MFA at 9:30 a.m.

There being no further business the meeting was adjourned at 11:39 p.m.

Approved: May 16, 2018

____________________________________  ______________________________________
Chair, Dennis Burt                               Secretary, Jay Czar
The meeting convened at 11:50 a.m. Members present: Chair Dennis Burt, Angel Reyes, Sally Malavé (Designee for Attorney General Hector Balderas), Mark Van Dyke (Designee for Lt. Governor John Sanchez), Treasurer Tim Eichenberg, and Steven Smith. Members Absent: Randy McMillan. The public has been informed about today’s meeting, in accordance with the New Mexico Open Meetings Act.

Staff in attendance included: Jay Czar, Gina Hickman, Jeff Payne, Yvonne Segovia, Theresa Laredo-Garcia, Shawn Colbert, Sandra Marez and General Counsel Joshua Allison.

On Wednesday, April 18, 2018 the Board of Directors of the New Mexico Mortgage Finance Authority (“MFA”) conducted a study session following the MFA Board of Directors meeting to review the REO policies and receive direction from the Board.

Hickman began by welcoming the Board and stated she wanted to provide an overall perspective of our general risk profile and review the objective trying to be accomplished through this study session. She commented that staffs objectives are to clarify the REO processes and develop a framework for insuring our ability to properly manage and dispose of REO’s while providing the Board the appropriate level of information and reporting. We have to find that balance. Management and the Boards decisions related to this function in the past have been directed by the real estate market itself. A couple of the properties in question are a result of loans that turned upside down and development that was postponed or delayed primarily as a result of the recession. We have made decisions as management to land bank those vacant properties. We are now in a position to make recommendations in order to move forward with disposing of those properties. Hickman made reference to Theresa Laredo-Garcia’s Board presentation at the March Board meeting regarding a loss which brought forth a lot inquiries as well as suggestions. Hickman distributed and reviewed the MFA watch list which at one point was included in the Board packet. She explained that in an effort to streamline the Board reports as requested by the Board at a Board retreat approximately three years ago the watch list reporting was eliminated in the Board packet and delinquency reporting is now included in the organization-side Quarterly Board Report. Hickman stated that she wanted to provide the Board reassurance that staff is managing this information and policy committee still reviews it on a quarterly basis. She expressed that it is very important in this meeting to receive the Board’s feedback in order to move forward and bring these properties for loss approval in order to move forward with recommended disposition. She encouraged the Board to ask questions throughout the presentation.

Theresa Laredo-Garcia reviewed the Real Estate Owned (REO) Portfolio which included, total exposure as well as the most recent valuation for each of the properties listed. Yvonne Segovia reminded the Board that we had discussed the financial impact of the REO properties at the February Board meeting and reiterated that MFA is required by GAAP (Generally Accepted Accounting Policies) to hold these REO properties at FMV (Fair Market Value). She explained the annual process for the allowance for loan loss analysis as well as the REO adjustment and what GAAP allows. She also informed the Board that the amount reflected on the financial statements for these particular REOS is the net exposure less the previous write downs.

Board counsel Josh Allison offered the Board advice and how they can fulfill their obligation to the organization with regards to the REOs (Real Estate Owned Properties).

Jeff Payne and Theresa Laredo Garcia reviewed the REO draft policies that were revised with a focus on ensuring the Board receives information in a timely manner, that the REO management processes are transparent and to have a clear policy that staff can base procedures on in order for us to fulfill our responsibilities. Hickman then reviewed the Proposed Delegation of Authority document which correlates to the changes made to the REO policies.
The Board asked questions, provided feedback and suggestions on the following topics: early warning systems, delinquency reporting, obtaining multiple opinions of value to maximize recovery and recognizing losses on non-performing loans earlier.

Theresa-Laredo Garcia explained that at the March Board meeting additional information was requested from staff for the Property Disposition – Hobbs Workforce/Pasitos and was forwarded to the Board immediately following the March meeting. Staff wanted to follow up to see if the Board requires additional information or if they are satisfied with what staff provided. Discussions ensued regarding the listing for Hobbs Workforce Housing and the Pasitos subdivision.

There being no further business the meeting was adjourned at 1:49 p.m.

Approved: May 16, 2018

________________________________________  ___________________________
Chair, Dennis Burt                      Secretary, Jay Czar
Tab 1
**NEW MEXICO MORTGAGE FINANCE AUTHORITY**
Finance/Operations Committee Meeting
Tuesday, May 8, 2018 at 1:30 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*

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Committee Members present:

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<th>Name</th>
<th>Present</th>
<th>Absent</th>
<th>Conference Call</th>
</tr>
</thead>
<tbody>
<tr>
<td>Steven Smith, Chair</td>
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<td>Dennis Burt</td>
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<tr>
<td>Lieutenant Governor John Sanchez or Proxy Mark Van Dyke</td>
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She/Secretary: 5/18/18
New Mexico Mortgage Finance Authority

Combined Financial Statements
and Schedules

March 31, 2018
NEW MEXICO MORTGAGE FINANCE AUTHORITY  
FINANCIAL REVIEW  
For the six-month period ended March 31, 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)  
Multi-Family Issues:  None

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

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<thead>
<tr>
<th></th>
<th>6 months</th>
<th>6 months</th>
<th>% Change</th>
<th>Forecast</th>
<th>Actual to Forecast</th>
<th>Forecast/Target</th>
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<tr>
<td></td>
<td>3/31/18</td>
<td>3/31/17</td>
<td>Year / Year</td>
<td>3/31/18</td>
<td>9/30/18</td>
<td></td>
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<td>PRODUCTION</td>
<td></td>
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<tr>
<td>1 Single family issues (new money):</td>
<td>$45.0</td>
<td>$50.0</td>
<td>-10.0%</td>
<td>$45.0</td>
<td>0.0%</td>
<td>$111.0</td>
</tr>
<tr>
<td>2 Single family loans sold (TBA):</td>
<td>$156.9</td>
<td>$105.8</td>
<td>48.3%</td>
<td>$129.5</td>
<td>21.2%</td>
<td>$259.0</td>
</tr>
<tr>
<td>3 Total Single Family Production</td>
<td>$201.9</td>
<td>$155.8</td>
<td>29.6%</td>
<td>$174.5</td>
<td>15.7%</td>
<td>$370.0</td>
</tr>
<tr>
<td>4 Multifamily issues:</td>
<td>$0.0</td>
<td>$0.0</td>
<td>0.0%</td>
<td>$0.0</td>
<td>0.0%</td>
<td>$20.0</td>
</tr>
<tr>
<td>5 Single Family MBS Payoffs:</td>
<td>$27.9</td>
<td>$35.1</td>
<td>-20.5%</td>
<td>$32.6</td>
<td>-14.3%</td>
<td>$65.1</td>
</tr>
<tr>
<td>STATEMENT OF NET POSITION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Avg. earning assets:</td>
<td>$912.7</td>
<td>$943.1</td>
<td>-3.2%</td>
<td>$926.2</td>
<td>-1.5%</td>
<td>$940.6</td>
</tr>
<tr>
<td>7 General Fund Cash and Securities:</td>
<td>$75.4</td>
<td>$73.5</td>
<td>2.6%</td>
<td>$83.3</td>
<td>-9.5%</td>
<td>$81.6</td>
</tr>
<tr>
<td>8 General Fund SIC FMV Adj.:</td>
<td>$0.2</td>
<td>($0.1)</td>
<td>300.0%</td>
<td>$0.0</td>
<td>N/A</td>
<td>$0.0</td>
</tr>
<tr>
<td>9 Total bonds outstanding:</td>
<td>$654.3</td>
<td>$688.7</td>
<td>-5.0%</td>
<td>$666.3</td>
<td>-0.3%</td>
<td>$698.0</td>
</tr>
<tr>
<td>STATEMENT OF REVENUES, EXPENSES AND NET POSITION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 General Fund expenses (excluding capitalized assets):</td>
<td>$6.8</td>
<td>$5.6</td>
<td>21.4%</td>
<td>$7.5</td>
<td>-9.3%</td>
<td>$15.0</td>
</tr>
<tr>
<td>11 General Fund revenues:</td>
<td>$11.9</td>
<td>$9.8</td>
<td>21.4%</td>
<td>$9.6</td>
<td>24.0%</td>
<td>$19.2</td>
</tr>
<tr>
<td>12 Combined net revenues (all funds):</td>
<td>$5.5</td>
<td>$5.7</td>
<td>-3.5%</td>
<td>$5.3</td>
<td>3.8%</td>
<td>$10.6</td>
</tr>
<tr>
<td>13 Combined net position:</td>
<td>$230.1</td>
<td>$218.0</td>
<td>5.6%</td>
<td>$229.8</td>
<td>0.1%</td>
<td>$235.2</td>
</tr>
<tr>
<td>14 Combined return on avg. earning assets:</td>
<td>1.21%</td>
<td>1.20%</td>
<td>0.8%</td>
<td>1.13%</td>
<td>7.1%</td>
<td>1.13%</td>
</tr>
<tr>
<td>15 Net TBA profitability:</td>
<td>1.73%</td>
<td>2.04%</td>
<td>-15.2%</td>
<td>1.70%</td>
<td>1.8%</td>
<td>1.70%</td>
</tr>
<tr>
<td>16 Combined interest margin:</td>
<td>1.11%</td>
<td>0.95%</td>
<td>16.8%</td>
<td>1.06%</td>
<td>4.7%</td>
<td>1.06%</td>
</tr>
<tr>
<td>MOODY’S BENCHMARKS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 Net Asset to debt ratio (5-yr avg):</td>
<td>29.87%</td>
<td>26.61%</td>
<td>12.3%</td>
<td>30.47%</td>
<td>-2.0%</td>
<td>30.47%</td>
</tr>
<tr>
<td>18 Net rev as a % of total rev (5-yr avg):</td>
<td>10.32%</td>
<td>9.06%</td>
<td>13.9%</td>
<td>10.39%</td>
<td>-0.7%</td>
<td>10.39%</td>
</tr>
<tr>
<td>SERVICING</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 Mortgage Operations net revenues:</td>
<td>$2.9</td>
<td>$2.4</td>
<td>20.8%</td>
<td>$0.7</td>
<td>346.2%</td>
<td>$1.3</td>
</tr>
<tr>
<td>20 Subserviced portfolio</td>
<td>$565.7</td>
<td>$198.0</td>
<td>185.7%</td>
<td>$516.5</td>
<td>9.5%</td>
<td>$749.8</td>
</tr>
<tr>
<td>21 Servicing Yield (subserviced portfolio)</td>
<td>0.39%</td>
<td>0.37%</td>
<td>5.4%</td>
<td>0.36%</td>
<td>8.3%</td>
<td>0.36%</td>
</tr>
<tr>
<td>22 Combined delinquency rate (MFA serviced)</td>
<td>10.90%</td>
<td>11.01%</td>
<td>-1.0%</td>
<td>11.79%</td>
<td>-7.5%</td>
<td>11.79%</td>
</tr>
<tr>
<td>23 DPA loan delinquency rate (all):</td>
<td>11.04%</td>
<td>11.39%</td>
<td>-3.1%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>24 Default rate (MFA serviced):</td>
<td>0.69%</td>
<td>0.41%</td>
<td>68.3%</td>
<td>1.61%</td>
<td>-57.1%</td>
<td>1.61%</td>
</tr>
<tr>
<td>25 Subserviced portfolio delinquency rate (first mortgages):</td>
<td>3.75%</td>
<td>2.09%</td>
<td>-79.4%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>26 Purchased Servicing Rights Valuation Change (as of 3/31):</td>
<td>$2.6</td>
<td>$1.0</td>
<td>160.0%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

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

► The financial forecast was revised in March 2018 and those new estimates are reflected in this report. Assumptions related to the warehousing function and mortgage loan balances were corrected, and production estimates were increased based on current demand. These updates provide a much more accurate financial picture for the next few years. The updated financial forecast was presented to the Finance Committee at its May meeting for review and discussion.
► In comparison to FY2017 trends indicate improved production and prepayments as well as gains in return on average earning assets, interest margin and Moody’s ratios.
► Incurred a large month over month fluctuation in State Investment Counsel (SIC) FMV adjustments on the General Fund investment portfolio. In February 2018 the portfolio experienced $.7 mm in FMV gains and in March 2018 the portfolio experienced $.9 mm in FMV losses. The stock market has been very volatile this quarter. MFA classifies FMV adjustments on this portfolio as non-operating gains/losses. YTD SIC FMV adjustments are $.2 mm gain as of March 31, 2018.
► The Loan Loss Reserve (LLR) was increased for Commonweal by $.2 mm based on new broker opinion of value information obtained. The total LLR for Commonweal as of March 31, 2018 is now approximately $.5 mm. In March 2018 staff performed the semi-annual analysis and adjustment of the down payment assistance loan loss reserves for all 1st mortgages in foreclosure and non-performing down payment assistance loans. This represented loan loss expense in March 2018 of approximately $.3 mm.
► 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.

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

► TBA transaction fees are currently exceeding budget by approximately $2.2 mm or 173% due to production trends. This additional revenue is offset by related lender compensation expense which is exceeding budget by $.3 mm or 46%.
► 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.
► Incurred $552k in single family bond cost of issuance expense for 2017 Series B. The refunding component of this issue is estimated to generate approximately $1.4 mm (net present value) of benefit over time to MFA.
► Fair market value for purchased servicing rights as of March 31, 2018 was $7.9 mm, an increase of approximately $2.6 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 $5.4 mm as of March 31, 2018. Valuations are obtained on a quarterly basis.
► Based on Moody’s issuer credit rating scorecard, MFA’s 29.87% 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 10.32% ratio (5-year average) points to a satisfactory profitability with consistent trends (5%-10% range).
### MONTHLY FINANCIAL GRAPHS

#### Assets Under Management as of 9/30/2018

($ in thousands)

<table>
<thead>
<tr>
<th>Year</th>
<th>Subserviced Portfolio</th>
<th>Other Grants (1)</th>
<th>HOME</th>
<th>Section 8</th>
<th>Low Income Housing Tax Credit</th>
<th>Trusts (2)</th>
<th>General Housing Program</th>
<th>Section 811 PRA</th>
<th>Homeownership Preservation Program</th>
<th>Book Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$2,530,234</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>$2,549,825</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>$2,649,500</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>$3,029,148</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>$3,279,915</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

#### YTD Excess Revenues over Expenses as of 3/31/2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Payoffs/Portfolio</th>
<th>10 year Treasury rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Yield Targets 9/30/2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Target 2017-2018</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans Effective yield</td>
<td>4.11%</td>
<td>4.36%</td>
<td>4.38%</td>
</tr>
<tr>
<td>Cash &amp; Investments Effective yield</td>
<td>2.19%</td>
<td>1.91%</td>
<td>2.25%</td>
</tr>
<tr>
<td>Rate of Return on Average Earning Assets</td>
<td>1.21%</td>
<td>1.32%</td>
<td>1.13%</td>
</tr>
</tbody>
</table>

(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
NEW MEXICO MORTGAGE FINANCE AUTHORITY  
COMBINED STATEMENT OF NET POSITION  
MARCH 31, 2018  
(THOUSANDS OF DOLLARS)  

<table>
<thead>
<tr>
<th></th>
<th>YTD 3/31/18</th>
<th>YTD 3/31/17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>$27,978</td>
<td>$24,898</td>
</tr>
<tr>
<td>Restricted Cash Held in Escrow</td>
<td>$10,690</td>
<td>$9,686</td>
</tr>
<tr>
<td>Short-Term Investments</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>$3,132</td>
<td>$3,259</td>
</tr>
<tr>
<td>Mortgage Payment Clearing</td>
<td>-</td>
<td>$67</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>$1,603</td>
<td>$2,276</td>
</tr>
<tr>
<td>Administrative Fees Receivable (Payable)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Inter-Fund Receivable (Payable)</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$43,404</td>
<td>$40,186</td>
</tr>
<tr>
<td>Cash - Restricted</td>
<td>$23,399</td>
<td>$25,841</td>
</tr>
<tr>
<td>Long-Term &amp; Restricted Investments</td>
<td>$60,765</td>
<td>$59,911</td>
</tr>
<tr>
<td>Investments in Reserve Funds</td>
<td>$53</td>
<td>$21</td>
</tr>
<tr>
<td>FNMA, GNMA, &amp; FHLMC Securitized Mtg. Loans</td>
<td>$562,978</td>
<td>$596,405</td>
</tr>
<tr>
<td>Mortgage Loans Receivable</td>
<td>$235,202</td>
<td>$201,846</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>($2,474)</td>
<td>($2,782)</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>-</td>
<td>$28,955</td>
</tr>
<tr>
<td>Fixed Assets, Net of Accum. Depn</td>
<td>$1,197</td>
<td>$981</td>
</tr>
<tr>
<td>Other Real Estate Owned, Net</td>
<td>$510</td>
<td>$435</td>
</tr>
<tr>
<td>Other Non-Current Assets</td>
<td>$21</td>
<td>-</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>$5,405</td>
<td>$1,916</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$930,458</td>
<td>$953,714</td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOWS OF RESOURCES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refundings of Debt</td>
<td>$548</td>
<td>$712</td>
</tr>
<tr>
<td>Total Assets &amp; Deferred Oflows of Resources</td>
<td>$931,006</td>
<td>$954,426</td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET POSITION:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>$2,340</td>
<td>$2,916</td>
</tr>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>$6,357</td>
<td>$4,852</td>
</tr>
<tr>
<td>Escrow Deposits &amp; Reserves</td>
<td>$10,591</td>
<td>$9,686</td>
</tr>
<tr>
<td>Total Current Liabilities</td>
<td>$19,288</td>
<td>$17,453</td>
</tr>
<tr>
<td>Bonds Payable, Net of Unamortized Discount</td>
<td>$654,251</td>
<td>$688,724</td>
</tr>
<tr>
<td>Mortgage &amp; Notes Payable</td>
<td>$27,144</td>
<td>$30,011</td>
</tr>
<tr>
<td>Accrued Arbitrage Rebate</td>
<td>-</td>
<td>$22</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>$245</td>
<td>$245</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$700,927</td>
<td>$736,456</td>
</tr>
<tr>
<td><strong>NET POSITION:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>$1,197</td>
<td>$981</td>
</tr>
<tr>
<td>Unappropriated Net Position (Note 1)</td>
<td>$62,214</td>
<td>$66,000</td>
</tr>
<tr>
<td>Appropriated Net Position (Note 1)</td>
<td>$166,669</td>
<td>$150,990</td>
</tr>
<tr>
<td>Total Net Position</td>
<td>$230,079</td>
<td>$217,971</td>
</tr>
<tr>
<td>Total Liabilities &amp; Net Position</td>
<td>$931,006</td>
<td>$954,426</td>
</tr>
<tr>
<td>Description</td>
<td>YTD 3/31/18</td>
<td>YTD 3/31/17</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>-------------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Loans</td>
<td>$16,395</td>
<td>$17,270</td>
</tr>
<tr>
<td>Interest on Investments &amp; Securities</td>
<td>1,229</td>
<td>1,218</td>
</tr>
<tr>
<td>Loan &amp; Commitment Fees</td>
<td>450</td>
<td>520</td>
</tr>
<tr>
<td>Administrative Fee Income (Exp)</td>
<td>4,637</td>
<td>4,037</td>
</tr>
<tr>
<td>RTC, Risk Sharing &amp; Guaranty Income</td>
<td>53</td>
<td>32</td>
</tr>
<tr>
<td>Housing Program Income</td>
<td>557</td>
<td>598</td>
</tr>
<tr>
<td>Loan Servicing Income</td>
<td>1,178</td>
<td>612</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtotal Operating Revenues</td>
<td>24,500</td>
<td>24,286</td>
</tr>
<tr>
<td><strong>NON-OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arbitrage Rebate Income (Expense)</td>
<td>-</td>
<td>30</td>
</tr>
<tr>
<td>Gain(Loss) Asset Sales/Debt Extinguishment</td>
<td>(59)</td>
<td>464</td>
</tr>
<tr>
<td>Other Non-Operating Income</td>
<td>36</td>
<td>11</td>
</tr>
<tr>
<td>Grant Award Income</td>
<td>21,964</td>
<td>20,891</td>
</tr>
<tr>
<td>Subtotal Non-Operating Revenues</td>
<td>21,941</td>
<td>21,396</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>46,442</td>
<td>45,682</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>6,243</td>
<td>5,041</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>12,571</td>
<td>14,020</td>
</tr>
<tr>
<td>Amortization of Bond/Note Premium/Discount</td>
<td>(1,127)</td>
<td>(1,346)</td>
</tr>
<tr>
<td>Provision for Loan Losses</td>
<td>517</td>
<td>205</td>
</tr>
<tr>
<td>Mortgage Loan &amp; Bond Insurance</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trustee Fees</td>
<td>41</td>
<td>43</td>
</tr>
<tr>
<td>Amort. of Serv. Rights &amp; Depreciation</td>
<td>126</td>
<td>90</td>
</tr>
<tr>
<td>Bond Cost of Issuance</td>
<td>552</td>
<td>652</td>
</tr>
<tr>
<td>Subtotal Operating Expenses</td>
<td>18,923</td>
<td>18,703</td>
</tr>
<tr>
<td><strong>NON-OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Building Costs</td>
<td>75</td>
<td>205</td>
</tr>
<tr>
<td>Grant Award Expense</td>
<td>21,912</td>
<td>20,876</td>
</tr>
<tr>
<td>Other Non-Operating Expense</td>
<td></td>
<td>216</td>
</tr>
<tr>
<td>Subtotal Non-Operating Expenses</td>
<td>21,988</td>
<td>21,297</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>40,910</td>
<td>40,000</td>
</tr>
<tr>
<td><strong>NET REVENUES</strong></td>
<td>5,531</td>
<td>5,681</td>
</tr>
<tr>
<td>Other Financing Sources (Uses)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Revenues and Other Financing Sources(Uses)</td>
<td>5,531</td>
<td>5,681</td>
</tr>
<tr>
<td>Net Position at Beginning of Year</td>
<td>224,548</td>
<td>212,289</td>
</tr>
<tr>
<td><strong>NET POSITION AT 3/31/18</strong></td>
<td>230,079</td>
<td>217,971</td>
</tr>
</tbody>
</table>
(Note 1) MFA Net Position as of March 31, 2018:

**UNAPPROPRIATED NET POSITION:**

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 34,203</td>
<td>held by Bond Program Trustees and is pledged to secure repayment of the Bonds.</td>
</tr>
<tr>
<td>$ 27,890</td>
<td>held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.</td>
</tr>
<tr>
<td>$ 121</td>
<td>held for New Mexico Affordable Housing Charitable Trust</td>
</tr>
<tr>
<td>$ 62,214</td>
<td>Total unappropriated Net Position</td>
</tr>
</tbody>
</table>

**APPROPRIATED NET POSITION: GENERAL FUND**

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

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 105,069</td>
<td>for use in the Housing Opportunity Fund ($85,424 in loans plus $19,645 unfunded, of which $4,374 is committed).</td>
</tr>
<tr>
<td>$ 24,802</td>
<td>for future use in Single Family &amp; Multi-Family housing programs.</td>
</tr>
<tr>
<td>$ 9,705</td>
<td>for loss exposure on Risk Sharing loans.</td>
</tr>
<tr>
<td>$ 1,197</td>
<td>invested in capital assets, net of related debt.</td>
</tr>
<tr>
<td>$ 5,404</td>
<td>invested in mortgage servicing rights.</td>
</tr>
<tr>
<td>$ 8,897</td>
<td>for the future General Fund Operating Budget Y E 9/30/18 ($17,873 total budget less $8,976 expended budget through 03/31/18.)</td>
</tr>
<tr>
<td>$ 155,074</td>
<td>Subtotal - General Fund</td>
</tr>
</tbody>
</table>

**APPROPRIATED NET POSITION: HOUSING**

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

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ 12,792</td>
<td>for use in the federal and state housing programs administered by MFA.</td>
</tr>
<tr>
<td>$ 12,792</td>
<td>Subtotal - Housing Program</td>
</tr>
<tr>
<td><strong>$ 167,866</strong></td>
<td>Total appropriated Net Position</td>
</tr>
<tr>
<td><strong>$ 230,079</strong></td>
<td>Total combined Net Position at March 31, 2018</td>
</tr>
</tbody>
</table>

Total combined Net Position, or reserves, at March 31, 2018 was $230.1 million, of which $62.2 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $167.9 million of available reserves, with $75.4 million primarily liquid in the General Fund and in the federal and state Housing programs and $92.5 million illiquid in the programs of the General Fund, have been

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

MFA's general plan for bond program reserves as they may become available to MFA over the next 30 years is to use the reserves for future programs, loss exposure coverage, and operations.
### Revenues

**Operating Revenues**

- **Interest Income**
  - Actual: 639,996
  - Budget: 3,763,824
  - Actual YTD: 4,114,193
  - Pro Rata Annual Budget: 350,368
  - Annual Budget: 8,228,385
  - Under/(Over): 4,464,561
  - Percentage: 45.74%

- **Admin Income**
  - Actual: 1,174,975
  - Budget: 6,096,052
  - Actual YTD: 3,638,156
  - Pro Rata Annual Budget: (2,457,896)
  - Annual Budget: 7,276,312
  - Under/(Over): 1,180,260
  - Percentage: 83.78%

- **Other Operating Income**
  - Actual: 266,692
  - Budget: 1,788,105
  - Actual YTD: 1,846,777
  - Pro Rata Annual Budget: 58,671
  - Annual Budget: 3,693,553
  - Under/(Over): 1,905,448
  - Percentage: 48.41%

**Subtotal Operating Revenues**

- **Total Operating Revenues**
  - Actual: 2,081,662
  - Budget: 11,647,981
  - Actual YTD: 9,599,125
  - Pro Rata Annual Budget: (2,048,856)
  - Annual Budget: 19,198,250
  - Under/(Over): 7,550,269
  - Percentage: 60.67%

**Non-Operating Revenues**

- Amount: (870,511)

- **Total Revenues**
  - Actual: 1,211,151
  - Budget: 11,872,000
  - Actual YTD: 9,585,175
  - Pro Rata Annual Budget: (2,286,825)
  - Annual Budget: 19,170,350
  - Under/(Over): 7,298,350
  - Percentage: 61.93%

### Expenses

**Operating Expenses**

- **Compensation**
  - Actual: 500,810
  - Budget: 3,206,159
  - Actual YTD: 3,644,221
  - Pro Rata Annual Budget: 438,062
  - Annual Budget: 7,288,442
  - Under/(Over): 4,082,283
  - Percentage: 43.99%

- **Travel & Public Info**
  - Actual: 28,250
  - Budget: 157,056
  - Actual YTD: 238,802
  - Pro Rata Annual Budget: 81,745
  - Annual Budget: 477,603
  - Under/(Over): 320,547
  - Percentage: 32.88%

- **Office Expenses**
  - Actual: 64,499
  - Budget: 468,287
  - Actual YTD: 445,229
  - Pro Rata Annual Budget: (23,058)
  - Annual Budget: 890,458
  - Under/(Over): 422,171
  - Percentage: 52.59%

- **Other Operating Expenses**
  - Actual: 445,945
  - Budget: 2,397,174
  - Actual YTD: 2,309,473
  - Pro Rata Annual Budget: (87,701)
  - Annual Budget: 4,618,946
  - Under/(Over): 2,221,772
  - Percentage: 51.90%

**Subtotal Operating Expenses**

**Non-Operating Expenses**

- Actual: 3,945

- **Subtotal Operating & Non-Operating Expenses**
  - Actual: 1,043,450
  - Budget: 6,304,058
  - Actual YTD: 6,637,725
  - Pro Rata Annual Budget: 409,048
  - Annual Budget: 13,275,449
  - Under/(Over): 7,046,772
  - Percentage: 46.62%

**Expensed Assets**

- Actual: 14,286

**Non-Cash Items**

- Actual: 320,510

**Total Expenses**

- Actual: 1,378,246

**Net Revenues**

- Actual: (167,094)

### Purchased Servicing & Capital Outlay

**Purchased Servicing Rights**

- Actual: 217,859

**Capitalized Assets**

- Actual: 49,462

**Total Purchased Servicing & Capital Outlay**

- Actual: 267,320

**Total Including Capitalized Items**

- Actual: 100,226
**HOUSING OPPORTUNITY FUND**  
March 31, 2018

| Total | General Fund Dollars Allocated: | $105,069,194 | Outstanding: at an average yield of | 5.48% |

| Original Allocation | $5,824,041 | $0 | $350,000 | $6,838,000 | $2,500,000 | $32,437,739 | $10,000,000 | $1,550,000 | $32,143,000 | $91,642,781 |

| Transfers | $1,293,000 | $925,000 | ($350,000) | ($1,835,000) | ($2,500,000) | $10,243,002 | ($7,222,002) | ($1,550,000) | $996,000 | ($0) |

| 3rd Party Award | $2,363,000 | $4,125,000 | $0 | $6,938,413 | $13,118,109 | $0 | $76,881,620 | $9,258,705 | $0 | $31,522,224 | $151,396,894 |

| Current Allocation | $9,480,041 | $5,050,000 | $0 | $5,003,000 | $0 | $49,619,155 | $2,777,998 | $0 | $33,139,000 | $105,069,194 |

| Funded/Committed | 3,425 | 138 | n/a | 251 units | 105 units | 13,994 | 63 units | None | 1,649 | 19,623 units |

| Repayments | $11,470,150 | $83,508 | $35,000 | $8,797,612 | $0 | $32,239,970 | $6,480,707 | 0 | $2,491,069 | $61,588,016 |

| Available | $2,360,789 | $3,141,674 | $0 | $682,503 | $0 | $4,977,506 | ($0) | $0 | $4,107,845 | $15,270,316 |

| Subsidy/Unit | $5,428 | $14,645.84 | n/a | $52,263 | $0 | $5,494 | $146,964 | n/a | $19,116 | $7,715 |

| Outstanding & Yield | 1,446 | 138 | 0 | 179 | None | 7,877 | 28 | None | 1,526 | 11,187 |

| Collateral | 1st or 2nd mtg on SF or MF development | 1st or 2nd mtg on MF development | 1st mortgage on SF rentals | 2nd mortgage on SF or MF development | 2nd mortgage on SF homes | 1st mortgage on SF homes | n/a | 1st mortgage on MF development |

| AMI Served | 51% at 60% or below | 49% at 80% or above | Up to 120% | 30% or below in Taos, SF & LA and 10 lowest household counties. | 54% at 60% or below | 46% at 80% or above | Until 2003: Up to 80% & 95% Since 2003: M$VR limits | Up to 140% | n/a | 91% at 60% or below |

| Geographic Distribution | 62% Albuq, SF & LC MSAs | 38% Tribal & Rural | n/a | 61% Albuq, SF & LC MSAs | 39% Rural | 15% Albuquerque | 84% Albuq, SF & LC MSAs | 16% Rural | Teachers, Police, Firefighters, Nurses, Military |

| Delinquency Rate | 10.69% | 0.00% | 0.00% | 15.47% | 0.00% | 11.00% | 8.70% | n/a | 0.00% | 8.05% |

| Default Rate | 3.17% | 0.00% | 0.00% | 0.00% | 0.00% | 0.23% | 0.00% | n/a | 0.00% | 8.01% |

| Loan Loss Allowance | 70,000 | - | - | - | - | - | - | - | - | 1,458,970 |
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
For reference:
Minutes of the February 13, 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>
New Mexico Mortgage Finance Authority
Minutes of Quarterly Investment Review
(Taking place during the Finance Committee February 13, 2018)

Present: Chair Steven Smith, Member Dennis Burt
MFA Staff Present: Jay Czar, Izzy Hernandez, Gina Hickman, Yvonne Segovia, Dolores Wood

Quarterly Review of MFA General Fund investments:

● The new asset allocation strategy that the Board approved at its’ October meeting is now being reflecting the December 31, 2017 reporting.

● Report being presented is as of December 31, 2017.

● 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. It was noted that funds were totally moved out of the Core Plus Bonds Fund-Index and reallocated among the other SIC funds as per PFM Asset Management recommendations and the new investment policy asset allocation strategy. 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. Staff will be reducing the Cash Held for Operations/Warehoused MBS and reallocating those funds to the Local Government Investment Pool and the bond ladder during the second quarter of FY 2018. SIC balances will be reallocated to comply with the Investment Policy during January 2018. In addition, at the March Ad Hoc Investment Committee meeting, the allocation of the MFA Mortgage Backed Security Portfolios will be discussed due to the split between intermediate and long-term investments.

● Portfolio Summary-Short & Intermediate Term Investments: Keeler informed the committee that MFA did not purchase any bond ladder securities during the first quarter of FY 2018. 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.

• Summary of December 31, 2017 balances and yields/rates of returns:

General Fund:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>12/31/17 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>$16,825,328</td>
<td>Various</td>
<td>n/a</td>
</tr>
<tr>
<td>Local Government Investment Pool</td>
<td>3,110,709</td>
<td>1.15%</td>
<td>1.7*</td>
</tr>
<tr>
<td>Bond Ladder</td>
<td>16,010,833</td>
<td>1.34%</td>
<td>19</td>
</tr>
<tr>
<td>MFA’s Mortgage Backed Securities-Intermediate Term</td>
<td>2,047,606</td>
<td>6.37%</td>
<td>72</td>
</tr>
<tr>
<td>MFA’s Mortgage Backed Securities-Long Term</td>
<td>7,889,533</td>
<td>5.07%</td>
<td>193</td>
</tr>
<tr>
<td>Core Plus Bond Fund-Active (SIC)</td>
<td>10,705,824</td>
<td>0.84%</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>9,388,340</td>
<td>5.35%</td>
<td>n/a</td>
</tr>
<tr>
<td>Small/Mid Cap Fund (SIC)</td>
<td>1,645,975</td>
<td>1.94%</td>
<td>n/a</td>
</tr>
<tr>
<td>Non-US Developed Markets Fund (SIC)</td>
<td>1,999,306</td>
<td>3.93%</td>
<td>n/a</td>
</tr>
<tr>
<td>Non-US Emerging Markets Fund (SIC)</td>
<td>672,545</td>
<td>6.7%</td>
<td>n/a</td>
</tr>
</tbody>
</table>

*Information as of November 2017.

Housing Trust Fund:

<table>
<thead>
<tr>
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<tr>
<td>Core Plus Bond Fund-Active (SIC)</td>
<td>$9,357,855</td>
<td>0.78%</td>
<td>n/a</td>
</tr>
</tbody>
</table>
(1) During the second quarter of FY 2018, Staff continued implementing the new asset allocation plan adopted at the October 2017 Board meeting. In January the SIC reallocated funds by percentage among MFA’s SIC funds. In addition, three new securities totaling $3 million were purchased for the bond ladder utilizing funds from the Cash Held for Operations/Warehoused MBS asset class. One bond ladder security did mature and funds were reinvested in April 2018.

(2) In conjunction with the implementation of the new asset allocation plan, staff continues to perform an in-depth analysis of MFA’s Mortgage Backed Securities portfolio in order to bifurcate the portfolio into intermediate-term and long-term portfolios. In performing the initial bifurcation of the portfolio for the first quarter of FY 2018, staff discovered that only $2.0 million of the portfolio is actually intermediate-term with $7.9 million of the portfolio being long-term. For the second quarter of FY 2018, $1.9 million of the portfolio is intermediate-term with $7.6 million being long term. The portfolio is not within the Investment Policy asset allocation ranges. The Ad Hoc Investment Committee and PFM Investment Advisors were to meet after the March Board meeting. However, that meeting was rescheduled to April 24 due to the length of the March Board meeting.

(3) At the Ad Hoc Investment Committee meeting on April 24, PFM Advisors reviewed MFA’s asset allocation plan and current market conditions with the committee. PFM provided advice on how to align the intermediate and long term mortgage-backed security (MBS) portfolios to the new investment strategy. Based on the committee’s discussion the next steps are as follows: (1) continue decreasing liquidity and invest in the bond ladder and/or purchase intermediate term MBS in the secondary market, (2) determine the market value of the long term MBS portfolio; 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, (3) evaluate current portfolio benchmarks to determine their adequacy in the management of the investment portfolio, (4) determine if MFA is carrying underperforming portfolios and develop an strategy to improve performance, and (5) continue to evaluate PFM’s scope of work and determine if service level changes are warranted.
As of March 31, 2018, MFA’s General Fund and Housing Trust Fund balances are as follows:

### General Fund:

<table>
<thead>
<tr>
<th>Asset Class</th>
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<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>
# GENERAL FUND INVESTMENT COMPLIANCE REPORT FOR MARCH 31, 2018

## Portfolios

### Short-Term Investments (Less than 1 year)

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Current Carrying Value</th>
<th>Current %</th>
<th>Within $ Limit %</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Held for Operations/Warehoused MBS*</td>
<td>$17,079,683</td>
<td>23%</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Local Government Investment Pool</td>
<td>$4,512,333</td>
<td>6%</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

### Intermediate Term Investments (1 to 10 years)

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Current Carrying Value</th>
<th>Current %</th>
<th>Within $ Limit %</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Ladder</td>
<td>$18,042,313</td>
<td>25%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Intermediate MFA Mortgage Backed Security Portfolio</td>
<td>$1,911,033</td>
<td>3%</td>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>

### Long-Term Investments (More than 10 years)

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Current Carrying Value</th>
<th>Current %</th>
<th>Within $ Limit %</th>
<th>Action Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-Term MFA Mortgage Backed Security Portfolio</td>
<td>$7,579,022</td>
<td>10%</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Core Plus Bond Funds-Active (SIC)</td>
<td>$7,969,034</td>
<td>11%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Core Bonds Fund-Index (SIC)</td>
<td>$7,541,139</td>
<td>10%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Domestic Large Cap Index Equity Fund (SIC)</td>
<td>$3,314,730</td>
<td>5%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Small/Mid Cap Fund (SIC)</td>
<td>$4,076,690</td>
<td>6%</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Non-US Developed Markets Fund (SIC)</td>
<td>$1,245,571</td>
<td>2%</td>
<td>Yes</td>
<td></td>
</tr>
</tbody>
</table>

### SIC Fund Allocation

<table>
<thead>
<tr>
<th>SIC Fund</th>
<th>Policy</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Plus Bond-Active</td>
<td>33%</td>
<td>33%</td>
</tr>
<tr>
<td>Core Bonds-Index</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Large Cap Index Equity</td>
<td>31%</td>
<td>31%</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>3/31/2018</th>
<th>3/31/2017</th>
<th>YTD Unrealized Gain/Loss</th>
<th>Yield to Maturity</th>
<th>Yield to Maturity</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>$17,079,683</td>
<td>$5,071,391</td>
<td>N/A</td>
<td>Various</td>
<td>Various</td>
<td></td>
</tr>
<tr>
<td>Local Government Investment Pool</td>
<td>$4,512,333</td>
<td>$3,084,232</td>
<td>N/A</td>
<td>1.50%</td>
<td>0.59%</td>
<td>1.6 months**</td>
</tr>
</tbody>
</table>

| Intermediate-Term |          |           |                         |                  |                  |                               |
| Bond Ladder       | $18,042,313 | $16,016,320 | $(202,613)              | 1.57%            | 1.34%            | 21                            |
| MFA Mortgage Backed Security Portfolio | $1,911,033 | n/a | $124,613 | 6.38% | n/a | 69 |

Yield to Maturity for Intermediate-Term Investments: 2.03% n/a 29

Total Short & Intermediate Term | $41,545,362 | $24,171,943 | $(78,000)

*Does not include capital borrowed for loan operations.
**Information is as of February 2018.

---

### 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>$3,000,180</td>
<td>17%</td>
</tr>
<tr>
<td>Federal Farm Credit Bank</td>
<td>$3,006,640</td>
<td>17%</td>
</tr>
<tr>
<td>Federal Home Loan Bank</td>
<td>$8,028,973</td>
<td>45%</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>$4,006,520</td>
<td>22%</td>
</tr>
<tr>
<td>Total</td>
<td>$18,042,313</td>
<td>100%</td>
</tr>
</tbody>
</table>

---

### INVESTMENTS PURCHASED IN THE SECOND QUARTER OF FY 2018

<table>
<thead>
<tr>
<th>Date Purchased</th>
<th>Security</th>
<th>Dollar Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>3/1/2018</td>
<td>Federal Farm Credit Bank</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>3/1/2018</td>
<td>Federal Home Loan Bank</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>3/7/2018</td>
<td>Freddie Mac</td>
<td>$1,000,000</td>
</tr>
</tbody>
</table>
PORTFOLIO SUMMARY - Long Term Investments Including State Investment Council Investments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA’s Mortgage Backed Securities Portfolio</td>
<td>$7,579,022</td>
<td>N/A</td>
<td>$335,705</td>
<td>5.08%</td>
<td>n/a</td>
</tr>
<tr>
<td>State Investment Council (SIC):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Core Plus Bond Fund-Active</td>
<td>$7,969,034</td>
<td>$8,702,564</td>
<td>Not</td>
<td>$(137,076)</td>
<td>0.13%</td>
</tr>
<tr>
<td>Core Bonds Fund-Index</td>
<td>$ -</td>
<td>$9,271,361</td>
<td>Currently</td>
<td>$(45,779)</td>
<td>-0.22%</td>
</tr>
<tr>
<td>Domestic Large Cap Index Equity Fund</td>
<td>$7,541,139</td>
<td>$5,017,486</td>
<td>Available</td>
<td>$275,162</td>
<td>5.29%</td>
</tr>
<tr>
<td>Small/Mid Cap Fund</td>
<td>$3,314,730</td>
<td>n/a</td>
<td>$(72,898)</td>
<td>-4.13%</td>
<td>n/a</td>
</tr>
<tr>
<td>Non-US Developed Markets Fund</td>
<td>$4,076,690</td>
<td>n/a</td>
<td>$(61,474)</td>
<td>-1.54%</td>
<td>n/a</td>
</tr>
<tr>
<td>Non-US Emerging Markets Fund</td>
<td>$1,245,571</td>
<td>n/a</td>
<td>$31,182</td>
<td>5.99%</td>
<td>n/a</td>
</tr>
<tr>
<td>Total State Investment Counsel</td>
<td>$24,147,164</td>
<td>$22,991,411</td>
<td>$(10,883)</td>
<td>1.17%</td>
<td>0.76%</td>
</tr>
<tr>
<td>Total Long-Term Investments</td>
<td>$31,726,186</td>
<td>$22,991,411</td>
<td>$324,822</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

ANNUAL RATE OF RETURN-SIC INVESTMENTS FY 2012 - 2018*

*For FY 2018 QTR 2

- Return on SIC
- Core Plus Bonds- Active
- Core Bonds- Index
- Large Cap Index Equity
- Small/Mid Cap Index
- Non-US Emerging Mkts
## PORTFOLIO SUMMARY - Housing Trust Fund

<table>
<thead>
<tr>
<th>Housing Trust Fund</th>
<th>Market Value</th>
<th>Market Value</th>
<th>Total Cost</th>
<th>3/31/2018 YTD</th>
<th>Rate of Return</th>
<th>Rate of Return</th>
<th>Average Life/Maturity in Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8,970,578</td>
<td>$10,072,185</td>
<td>$167,285</td>
<td>$-0.07%</td>
<td>$-0.18%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

State Investment Council (SIC): Not Available
Core Plus Bond Fund-Active
- Total State Investment Council
  - $8,970,578
  - $10,072,185
  - $167,285
  - $-0.07%
  - $-0.18%

<table>
<thead>
<tr>
<th>SIC FUND ALLOCATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIC Core Plus Bond-Active</td>
</tr>
</tbody>
</table>

### Return on Core Plus Bond Fund - Active
**FY 2011 - 2018***

*For FY 2018 QTR 1*

*For 2018 QTR 2*
## 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 Interest Income (YTD)</th>
<th>YTD % of Interest Earned of Total Budget</th>
<th>3/31/18 Yield to Maturity/Rate of Return</th>
<th>Benchmark Yield/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>$119,936</td>
<td>130%</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>$21,416</td>
<td>117%</td>
<td>1.50%</td>
<td>N/A</td>
</tr>
<tr>
<td>Bond Ladder</td>
<td>N/R</td>
<td>Aaa/Stable</td>
<td>$244,483</td>
<td>$104,731</td>
<td>43%</td>
<td>1.57%</td>
<td>2.48%</td>
</tr>
<tr>
<td>Fannie Mae</td>
<td>N/R</td>
<td>Aaa/Stable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Barclay’s US Agency Index</td>
</tr>
<tr>
<td>Federal Farm Credit Bank</td>
<td>N/R</td>
<td>Aaa/Stable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Federal Home Loan Bank</td>
<td>N/R</td>
<td>Aaa/Stable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Freddie Mac</td>
<td>N/R</td>
<td>Aaa/Stable</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>MFA Mortgage Backed Security Portfolio</td>
<td>N/R</td>
<td>Aaa/Stable</td>
<td>$493,034</td>
<td>$261,011</td>
<td>53%</td>
<td>6.38%</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>5.08%</td>
</tr>
<tr>
<td>Long-Term</td>
<td>AA+</td>
<td>Aaa/Stable</td>
<td>$567,392</td>
<td>$286,512</td>
<td>50%</td>
<td>1.17%</td>
<td>RV Kuhns 12/31/17</td>
</tr>
<tr>
<td>State Investment Council</td>
<td>N/R</td>
<td>N/R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Core Plus Bond Fund-Active</td>
<td>N/R</td>
<td>N/R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2.33%</td>
</tr>
<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>1.06%</td>
</tr>
<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>RV Kuhns 12/31/17</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>RV Kuhns 12/31/17</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>RV Kuhns 12/31/17</td>
</tr>
<tr>
<td>Non-US Emerging Markets Fund</td>
<td>N/R</td>
<td>N/R</td>
<td>$1,415,206</td>
<td>$793,606</td>
<td>56%</td>
<td>5.99%</td>
<td>RV Kuhns 12/31/17</td>
</tr>
</tbody>
</table>

### Economic Indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>3/31/2018</th>
<th>3/31/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Funds Rate</td>
<td>1.68%</td>
<td>0.82%</td>
</tr>
<tr>
<td>Consumer Price Index (yoy)</td>
<td>2.40%</td>
<td>2.40%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.10%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Real GDP (yoy)</td>
<td>2.30%</td>
<td>1.90%</td>
</tr>
</tbody>
</table>

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

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

TO: MFA Board of Directors

Through: Finance Committee – May 8, 2018

Through: Policy Committee – May 1, 2018

FROM: Jeff Payne, Senior Director of Homeownership
       Theresa Laredo-Garcia, Director of Servicing

DATE: May 16, 2018

SUBJECT: Policy and Procedures Manual Revisions

Recommendation: Staff recommends approval of proposed revisions to Section 1.5 – Transaction Authorizations and Section 4 – Program Policies of MFA’s Policy and Procedures Manual.

Background: MFA staff has re-evaluated current Real Estate Owned “REO” policies and procedures and is recommending updates to Section 1.5 – Transaction Authorizations and Section 4 – Program Policies to expedite the disposition of REO properties and minimize losses to MFA. The policy is updated to ensure compliance with MFA’s delegation of authority directly related to REO property management and will provide more transparency to the Board on credit risk and loss exposure.

Staff has also added some clarifying language in other areas of Section 4 as noted below.

Department desktop procedures will be updated to incorporate these changes upon approval from the Board.

Discussion: The following is a summary of substantive changes incorporated for consideration:

<table>
<thead>
<tr>
<th>Page # (redline)</th>
<th>Section</th>
<th>Proposed Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Transaction Authorizations-Authorized Signatures on Contracts: Section 1.5 - C</td>
<td>Added language to authorize additional staff to enter into contracts directly related to REO property management in accordance with the Authorized Signatures Resolution approved by Board 3/22/2017.</td>
</tr>
<tr>
<td>1</td>
<td>Program Policies: Section 4</td>
<td>Updated Program list</td>
</tr>
<tr>
<td>2</td>
<td>Program Policies- Single Family and Multifamily</td>
<td>Added reference to Single Family and Multifamily properties</td>
</tr>
</tbody>
</table>
|   | Program Policies - Single Family and Multifamily Acquired Properties: Section 4.2 – Para 1 | Policy has been updated to streamline the REO approval process.  
• MFA staff will obtain necessary approvals\(^1\) based on the “**projected loss amount**” to move forward with the marketing and sale of the property.  
• Added Footnote 1 - Exhibit E, P&P Manual – Delegation of Authority.  
• Changes were incorporated to clarify the existing policy. |
|---|---|---|
| 2, & 3 | Program Policies - Single Family and Multifamily Acquired Properties: Section 4.2.A.1 through 4.2.A.7 | Updated guidelines for REO property disposition.  
• Added Footnote 2 – MFA staff will attempt to obtain at least two (2) valuations from different sources.  
• Added “Auction” as an additional disposition option for REO properties.  
• Added guidelines to dispose of REO properties quickly and added “investor sales will be considered”  
• Added REO’s will be managed in accordance with Investor and regulatory requirements. Added Footnote 3 – Defining Investors  
• Added guidelines for reporting to the Board – MFA staff will report REO inventory and exposure on a quarterly basis and a REO portfolio update annually.  
• Added language to authorize MFA management to have authority to negotiate terms and approve final disposition of REO properties. |
| 3 | Program Policies - Single Family and Multifamily Acquired Properties: Section 4.2.B | Added reporting guidelines requiring quarterly Board updates on REO inventory and exposure and an annual Board portfolio review. |

\(^1\) Exhibit E, Policies & Procedures Manual – Delegations of Authority: Approvals and Review Process Requirements
<table>
<thead>
<tr>
<th>Section</th>
<th>Added or Changed Policy Details</th>
</tr>
</thead>
</table>
| 4.3.A through 4.3.C | - Added language to clarify existing policy and address Single Family vs Multifamily policy.  
  - Updated Down Payment Assistance programs.  
  - Changes were incorporated to clarify the existing policy. Added Footnote 5 - referencing Exhibit E, P&P Manual – Delegation of Authority.  
  - Added language to policy “MFA follows HUD’s foreclosure guidelines and complies with all state and federal regulatory requirements”. Added Footnote 6 – to reference policy to HUD’s timelines and regulatory requirements.  
  - Updated policy to remove specific dollar amounts/percentages. (updated policy refers to Delegation of Authority)  
  - Section added for Multifamily Mortgage Procedures. Added language to policy “MFA follows HUD’s foreclosure guidelines and complies with all state and federal regulatory requirements”. Added required reporting to MFA Board on Multifamily property delinquencies exceeding 120 days. |
| 4.4 | - Added new policy for nonaccrual status of delinquent Single Family and Multifamily Mortgage loans based on current practices. |
| 4.6 | - Changed definition of non-performing DPA loans to be delinquency of 12 or more months from prior definition of 24 months. |
| 4.8 | - Added reporting requirements to Contracted Services Committee for review of annual loan loss reserve analysis and related valuation adjustments on REO properties. |

The redlined document is included for your review.

**Summary:** Staff has re-evaluated and is recommending revisions to MFA’s Transaction Authorization and Real Estate Owned policies in the Policies and Procedures Manual. Changes recommended will streamline the disposition of REO properties and minimize losses to MFA while providing more transparency to the Board related to credit risk and loss exposure.
1.5 Transaction Authorizations

A. **Authorized Signatures on Program Transactions.** Members of Management or Employees designated by Management are authorized to sign documents and/or instruments required in performing program activities, subject to the approvals and review process requirements set forth in the Delegations of Authority chart that is Exhibit E to this manual and individual employee Delegations of Authority that are established by management based on the details specified in this manual, the Authorized Signature Resolution, the Delegations of Authority chart (Exhibit E), department budgets and employee responsibilities.

B. **Authorized Signatures on Bank Accounts.** The Chair, Vice-Chair, and Treasurer of the Board, Members designated by the Chair, Executive Director, Deputy Director(s), and Controller are authorized to sign on bank accounts and related banking documents.

C. **Authorized Signatures on Contracts.** The Chair of the Board and members of Management are authorized to sign contracts entered into on behalf of MFA. All contracts to be signed by members of Management shall be recommended for Management approval as indicated by signature of the appropriate manager. Members of management are authorized to sign contracts entered into on behalf of MFA. In addition, the Sr. Director of Homeownership or Director of Servicing are each authorized to sign contracts entered into on behalf of MFA directly related and limited to the management and sale of MFA’s Real Estate Owned (REO) portfolio. MFA’s in-house Attorney will retain a copy of all contracts, with the exception of loan and personnel related contracts. Original loan documents will be kept in their departments of origin or the Servicing Department as appropriate, and a scanned copy of each document will be maintained in an electronic file on MFA’s computer system. Personnel-related contracts will be retained in the Human Resources Department. All contracts must comply with MFA Procurement Policies.

D. **Authorized Delegations of Authority.** Management and staff are allowed to appoint an “Acting” in their absence in accordance with their designated Delegations of Authority for program transaction approval. Bank account and contract authority cannot be delegated. Appointments must be approved by the Executive Director or Deputy Director as appropriate. Notification must include Management (as defined in Section 1.2.C) and the Controller.

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1 The Delegations of Authority that are included in Exhibit E of this manual are those that have most recently been approved by the Board of Directors at any given time. The Board of Directors may separately amend or modify the Delegations of Authority without amending any remaining provisions of this manual. If the Delegations of Authority are separately modified or amended by the Board of Directors, the most current version of the Delegations of Authority will automatically become Exhibit E of this manual.
SECTION 4 - PROGRAM POLICIES

MFA Board will, from time to time, promulgate and approve formal Program Policies for all ongoing Programs. The following policies and procedures for the following programs are incorporated into this manual by reference.

A. First Home
B. Next Home
C. HOME Single Family Development
D. HOME Rental
E. Risk Sharing
F. Partners
G. MortgageSaver
H. Primero Investment Fund
I. Low Income Housing Tax Credits/Qualified Allocation Plan (QAP)
J. HERO
K. Land Title Trust Fund
L. New Mexico Housing Trust Fund
M. New Mexico Affordable Housing Tax Credit
N. HOME and Community Development Block Grant – House by House Rehab
O. EnergySavers
P. Neighborhood Stabilization Program
Q. Tax Credit Assistance Program
R. Tax Credit Exchange Program
S. National Housing Trust Fund
T. Capital Magnet Fund
U. Building Trust Program
V. Other Board-approved programs.

4.1 Single Family Mortgage Loans

MFA has a legitimate, recognized interest in fostering its public purpose as set forth in Section 58-18-2 of the Mortgage Finance Authority Act, in limiting assumptions of its loans to those persons whom the New Mexico Legislature intended to benefit by establishing MFA's public purpose of providing homeownership to persons of low or moderate income who intend to occupy the home as a principal residence.

A. Transfer/Assumption. Single Family Mortgage Loans may be transferred to or assumed by another person so long as the following criteria, among other applicable program requirements and policies, are satisfied:

1. The transferee/assumptor is a “person of Low or Moderate Income” as defined in the single family, homeownership programs.

2. The transferee/assumptor intends to occupy the mortgaged property as the principal residence of the transferee/assumptor, and does so occupy the mortgage property for a period of time not inconsistent with such intent.
B. **Occupancy Waiver.** A borrower or assumptor faced with financial hardship may be forced to vacate the mortgaged property within six months of closing, but may do so only with a written owner occupancy waiver from MFA. The criteria for granting such a waiver are as follows:

1. Adverse change in the borrower’s employment status (i.e., transfer, layoff, demotion);
2. Adverse change in marital status (i.e., divorce or death of spouse); or
3. Serious illness affecting borrower or borrower’s family.

The Executive Director or Deputy Director(s) has the authority to approve or deny a request for a waiver of the owner-occupancy requirement. If approved, the waiver will have a term of no more than six months unless later extended. The Executive Director or Deputy Director(s) may also require the borrower to market the property for sale.

Once the borrower has occupied the property for six months, MFA’s permission to vacate is no longer required.

### 4.2 Single Family and Multifamily Acquired Properties (Real Estate Owned “REO”)

Occasionally MFA will acquire ownership of “real” property through judicial foreclosure action or acquires ownership by accepting a deed-in-lieu of foreclosure (DIL). Multifamily and Single Family Development foreclosures or accepting a DIL require Board approval. After MFA acquires title to the property, a market valuation is obtained (unless MFA has obtained a market valuation in the preceding six months) to estimate MFA’s projected loss amount (unpaid principal balance plus accrued interest, escrow advances, fees and other costs; less projected sales proceeds) based on the current property value. Upon determination of the current market value, staff will obtain necessary approvals, based on the resulting projected loss amount to move forward with the marketing and sale of said property, which may or may not be subject to the first mortgage.

The purpose of obtaining approval based on projected loss amount is to provide MFA staff authorization to list the property at a sale price in line with the current market value. Without required approval prior to listing, the approval process will likely delay MFA’s ability to negotiate a sale and may result in lost opportunities to sell and additional REO holding cost to MFA.

A. **Disposition.** In disposing of said properties, the staff will select a qualified real estate broker; obtain his/her written opinion of the properties’ value or an appraisal from a qualified independent fee appraiser. An appraisal is necessary when the value of the home property is below 80% or less of MFA’s exposure (including cost of repairs and improvements, net of anticipated hazard and/or mortgage insurance claim proceeds). In addition, MFA staff may utilize an auction service provider for the disposition of REO properties. The property disposition strategy will be to make ready and market properties in such a manner as to:

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2 MFA staff will attempt to obtain at least two (2) valuations from different sources
1. Maximize recovery to MFA by obtaining the highest net realizable value, considering the cost of repairs or improvements and their anticipated effects on marketing time, other liens, maintenance, and other holding costs, and local market conditions; and/or

2. Maximize the benefits available under any policy or policies of mortgage insurance or loan guarantees.

3. MFA will make reasonable efforts to dispose of REO properties quickly and in accordance with MFA’s affordable housing mission. However, in order to expedite the disposition of a property, investor sales offers will be considered.

4. MFA staff will manage the property and the sale of the property in accordance with Investor and regulatory requirements including oversight of MFA’s sub-serviced REO properties. With regard to multifamily properties, MFA will ensure compliance with special affordability requirements and terms of the multifamily loan documents.

5. MFA staff must obtain prior approval for repairs or improvements to REO properties.

6. After sale or final disposition of the property, MFA staff will report actual gains or losses to the Board.

7. MFA Management will have the authority to negotiate terms and approve final disposition of REO property.

B. Reporting. MFA staff will provide total REO inventory and exposure on a quarterly basis and a complete REO portfolio update on an annual basis to the Board. and/or

4. Obtain the highest net realizable value, considering the cost of repairs or improvements and their anticipated effects on marketing time, maintenance and other holding costs, and local market conditions.

MFA will make all reasonable efforts to market acquired properties to individuals and families who intend to occupy the property as a primary dwelling.

In disposing of acquired properties that are not, or are no longer subject to a policy or policies of mortgage pool insurance, the property disposition staff may:

Authorize any and all repairs relating to and necessary for the protection and preservation of the property;

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3 HUD, Ginnie Mae, Fannie Mae or Freddie Mac, private mortgage insurors or future investors

1. Authorize repairs or improvements in the aggregate amount(s) not to exceed $10,000, which may be
necessary or desirable in order to effectively market the property;

2. Enter into listing agreement(s) at 90% or more of MFA's estimated exposure (including cost of repairs
and improvements, net of anticipated hazard and/or mortgage insurance claim payments); and

3. Negotiate sales offers at 95% or more of the list price.

Advance approval must be obtained from a member of Management for repairs or improvements in
excess of $10,000, listings at less than 90% of MFA's net exposure, and sales at less than 95% of the list
price.

The staff shall provide the Board with a report identifying a gain or loss in excess of $10,000 for
each property disposed of in accordance with these policies.

4.3 Single Family Second Mortgage Default, Foreclosure, and Deeds in Lieu of Foreclosure (DIL),
Short Sales, Bankruptcies, etc.

A. Down Payment Assistance. MFA currently has nine types of down payment assistance (DPA) loans:

1. First Down
2. HELP;
3. Payment$aver;
4. Helping Hand;
5. Smart Choice
6. Take 5;
7. MortgageBooster
7-8. Capital Magnet Fund;
8. HERO; and
9. Tax Credit Loan Program.

B. Down Payment Assistance Loan Defaults. The following procedures will be followed to
maximize recovery and minimize MFA’s potential exposure when the DPA loan defaults. All legal
notifications and/or proceedings will be forwarded to and handled by MFA’s counsel regardless
of loan balance.

1. General Fund DPA Loans (Amortizing Loan). General Fund DPA loan mortgagors generally As
described in MFA Single Family program policy, a default of MFA’s by defaulting on the first
mortgage triggers a default on MFA’s second mortgage DPA loan. MFA will be informed of
such default by the first mortgage Servicer and/or legal notification (i.e. Complaint for
Foreclosure). Upon receipt of default notification, MFA will forward appropriate
documentation to its Mortgage Servicing legal counsel to Answer or Disclaim MFA’s interest in
the mortgage and note. The decision to Answer or to Disclaim will be determined by MFA staff after evaluating exposure, loan to value, legal fees and the likelihood of
collection.
2. **DIL/Short Sales.** MFA’s general fund does not bear a loss on the foreclosure of first mortgages funded with the proceeds of the sale of bonds which have been securitized by an MBS. Under the whole loan programs (first mortgage with pre-1994 bond issues) the bond issue will generally incur a loss of $1,500 - $2,000 on a FHA, VA or RHS first mortgage foreclosure. This should be taken into consideration while evaluating the exposure. Therefore, MFA’s only concern is the exposure on the General Fund DPA loan. Accordingly, releasing the General Fund DPA loan to accommodate a DIL or Short Sale on the first mortgage will not be automatic. MFA staff should work with the first mortgage Servicer to mitigate the exposure of loss on the property.

3. **PaymentSaver, Helping Hand, Smart Choice and Other HOME-Funded DPA Loans.** MFA will take the same approach with HOME funded DPA loans as it does with General Fund DPA loans. Although they are not funded with General Fund monies, MFA must proceed with due diligence and continued collection efforts to avoid repayment of funds to HUD. DPA loan write-offs and foreclosure approvals\(^5\) will be handled consistent with MFA’s Delegations of Authority approved by the Board.

### C. First Mortgage Procedures

MFA follows the foreclosure guidelines\(^6\) of the U.S. Department of Housing and Urban Development (“HUD”) and complies with all state and federal regulatory requirements.

1. **MBS Program.** MFA does not bear any loss on the foreclosure of the first mortgage. Therefore, MFA’s only concern is the exposure on the General Fund DPA loan. Accordingly, releasing the General Fund DPA loan to accommodate a DIL or Short Sale on the first mortgage is not normally an option.

Upon notification of foreclosure, foreclosure complaint filed by the Servicer and MFA being served (as second lien holder), MFA will notify its Mortgage Servicing legal counsel to respond to the complaint. Staff will send out demand letters as appropriate, and determine the amount of equity in the property by reviewing and comparing the current loan balance to the original loan amount and appraisal.

#### a) Options

1) If the review shows sufficient equity to cover principal and interest balance of the first mortgage, principal and interest balance of the second mortgage, repairs and an additional 10% to cover selling costs, MFA will then bid the amount of the first and second mortgage plus interest and expenses, or take the property into REO, repair and market for sale at no less than 110% of the exposure.

2) If the review shows insufficient equity to cover the principal and interest balance of the first mortgage, principal and interest balance of the second mortgage, repairs and an additional 10% to cover selling costs, MFA will proceed to evaluate its legal remedies in the foreclosure action, including an assessment of whether MFA should disclaim its interest. The decision to participate in the foreclosure proceeding or to

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\(^6\) Timelines and regulatory requirements
disclaim will be determined by MFA staff after evaluating exposure, loan to value, legal fees and the likelihood of collection.

2. **Whole Loan Program.** The same procedures outlined above should be followed while keeping in mind that MFA would bear a portion of the loss on the foreclosure due to and an additional $1,500-$2,000 of unreimbursable expenses on government loans, should be included in the analysis for determining MFA’s exposure.  

3. **DIL or Short Sales** can and should be considered in cases when the exposure on pursuing a foreclosure is greater.

Each loan will be different and will be analyzed individually, keeping in mind our goals of maximizing recovery to MFA and minimizing our potential exposure. Losses incurred on final claim settlements in excess of $10,000 will be reported to the Board on a monthly basis.

**D. Multifamily Mortgage Procedures**

MFA follows HUD’s foreclosure guidelines and complies with all state and federal regulatory requirements; however staff will be required to inform the Board of any delinquencies exceeding 120 days.

4.4 **Nonaccrual Status of Delinquent Single Family and Multifamily Mortgage Loans**

The mortgage loan system automatically accrues interest on all mortgage loans. Once mortgage loans are 90 days or more delinquent, they will be placed on nonaccrual status and interest income will not be recognized. The collection of interest on loans which are on nonaccrual status is considered doubtful.

4.5 **Single Family Second Mortgage Write-Offs**

MFA General Fund Second Mortgage loans normally go into default as a result of a first mortgage foreclosure, short sale or deed in lieu. All legal notifications and/or proceedings naming MFA are handled by MFA’s Mortgage Servicing Legal Services Attorney. The Attorney will act on MFA’s behalf to protect our interest in the property.

A. **Foreclosure.** When the first mortgage loan is disposed through foreclosure, staff will receive notice and documentation from the attorney of the final outcome of the foreclosure with a recommendation to close MFA’s case.

B. **Short Sale.** Through mortgage industry defined loss mitigation initiatives, the borrower will have the opportunity to sell the property in order to avoid foreclosure. In most instances, the amount of the sales proceeds will not be sufficient to repay MFA’s Second Mortgage in full. The first mortgage lender will contact MFA to obtain an approval to accept less than the total amount due and release MFA’s lien in order to proceed with the sale.

C. **Deed in Lieu.** In order to avoid foreclosure, the borrower may opt to deed the property back to the first mortgage lender. In order to exercise this option, all subordinate liens must be
removed prior to the acceptance of the deed in lieu by the first mortgage lender. The first mortgage lender will contact MFA to obtain approval to accept less than the total amount due and release MFA’s lien to accept the deed in lieu.

Once any of the aforementioned actions has been completed, staff will prepare a write-off recommendation for the remaining unpaid principal balance and include the reason for write-off. The recommendation will be presented to the Write-off Approval Committee. Write-off approvals will be handled consistent with MFA’s Delegations of Authority approved by the Board.

4.6.5 Single Family DPA Non-Performing Loan Write-Offs.

Non-performing Loans for MFA’s purposes are defined as second mortgage DPA loans upon which the borrower has not made his or her scheduled payments for at least twenty-four (12) months and all collection efforts have been exhausted. A non-performing loan is not in any stage of legal action (i.e. foreclosure or bankruptcy) or in review for short sale or deed in lieu.

A. Once an MFA second mortgage loan is deemed non-performing, the odds/likelihood that it will be repaid in full are considerably low. However, because these loans are secured by the property, MFA holds a lien on the property which will remain in place until the debt is settled with MFA.

B. Staff will periodically evaluate Second Mortgage loans that fall under the definition of a non-performing loan. Staff will prepare a write-off recommendation for the remaining unpaid principal balance and include the default status and the reason further collection efforts are futile.

The recommendation will be presented to the Write-off Approval Committee. Write-off approvals will be handled consistent with MFA’s Delegations of Authority approved by the Board.

4.7.6 Single Family HOME Program Loan Write-offs

MFA will take the same approach with HOME funded second mortgage loans as it does with General Fund Second Mortgages. Once a foreclosure, short sale or deed in lieu has been completed, staff will prepare a write-off recommendation for the remaining unpaid principal balance and include the reason for write-off.

The recommendation will be presented to the HOME Program Manager for approval. Write off approvals will be handled consistent with MFA’s Delegations of Authority approved by the Board.

4.8
Allowance for Loan Loss and Contingent Liabilities – Single Family and Multifamily Portfolios

The purpose of the Allowance for Loan Loss Policy is to maintain a systematic, approved approach to calculate an Allowance for Loan Loss reserve to fully cover losses incurred in all loan categories within each portfolio and to emphasize to the MFA’s management its significant responsibility to maintain a satisfactory allowance.

Per GASB Statement 62 if ultimate recovery of the carrying amount of a mortgage loan is doubtful and the impairment is considered to be other than temporary, the carrying amount of the loan should be reduced to its expected collectible amount. Accounting literature provides guidance that the use of historical statistics, present value of future cash flows, a loan’s observable market price, or the fair value of the collateral are all valid methods for measuring the impairment.

A. On at least an annual basis, management will conduct a thorough analysis of all loan portfolios to determine whether there is any risk of loss. A reserve will be recorded in accordance with generally accepted accounting principles. Consideration factors included in the analysis of each portfolio may include:

1. Historical loss rates based on a three year look back period
2. Delinquency history on individual or groups of loans
3. Property valuation reports
4. Current Loan to Value
5. Specialized portfolio analysis
6. Specific Reserves
7. Consideration of characteristics inherent to individual portfolios
8. Consideration of any current economic developments that may affect the portfolio

In addition, management will review the loan portfolio delinquency and impairment at least quarterly. Adjustments to the allowance for loan loss will be made as needed based on information available to management.

B. Loan Portfolios addressed and methodologies used are summarized as follows:

1. **Single Family Whole Loan Portfolios**: The historical loss rate is used to estimate reserve; if there were no losses incurred during the look back period, no reserve is necessary.
2. **Multi-Family Portfolios (excluding Risk Sharing Loans)**: The historical loss rate is used to estimate reserve; delinquencies are reviewed for the last twelve months and specific identification of impaired loans is reserved.
3. **Real Estate Owned ("REO")**: The reserve amount is based on the difference between current book value and current property valuation reports. The property valuation reports include Broker’s Price Opinion (“BPO”), Broker’s Opinion of Value (“BOV”) or appraisal; are current within two years; and are prepared by third parties.
4. **Risk Sharing Loans**: The historical loss rate is reviewed; financial analysis is performed to determine Net Operating Income (“NOI”) Value and Liquidation Value and specific identification of impaired loans is reserved.
5. **Down Payment Assistance ("DPA") Loan Portfolios**: The historical loss rate is used to estimate reserve, except if the first mortgage is non-performing or in
foreclosure/bankruptcy. The reserve will be updated monthly because this is an originating portfolio that fluctuates monthly. For non-performing loans (defined in section 4.5) and loans with the first mortgage in foreclosure/bankruptcy, 100% of the outstanding loan balance is impaired and is reserved. Given the risk and economic conditions surrounding the DPA portfolio, the loan loss will be adjusted semi-annually for loans with the first mortgage in foreclosure/bankruptcy.

C. Contingent Liabilities: Occasionally, circumstances in other areas of MFA operations may arise that necessitate a specific reserve to be established. For example, funds on housing programs may be disbursed inappropriately by a sub-recipient, but MFA still bears responsibility for the return of the funds to the funding agency. As soon as these situations are recognized, a specific reserve must be established on MFA’s books. All potential liabilities of this nature must be reviewed and disclosed, at minimum, on an annual basis.

D. Peer Group Comparisons: As a benchmark, the overall MFA allowance for loan loss as a percentage of loan balances should be compared to representative HFA’s and the banking industry for reasonableness.

-Review/Approval: The Allowance for Loan Loss analysis for all portfolios is prepared by Accounting Department staff, with support by Housing Development Department staff for the multifamily portfolio. The methodology and results are then reviewed by the Loan Loss Allowance Committee consisting of the Controller, the Deputy Director of Finance and Administration, the Director of Servicing and the Director of Housing Development. Any changes recommended by the Committee are then submitted for final review and approval by the Policy Committee. Upon completion of the annual loan loss analysis, MFA staff will present to MFA’s Contracted Services Committee for review along with REO valuation adjustments.
Tab 4
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee – May 8, 2018

Through: Policy Committee – May 1, 2018

FROM: Gina Hickman

DATE: May 16, 2018

SUBJECT: Delegations of Authority Update

Recommendation: Staff recommends approval of the Delegations of Authority revisions associated with the Policy and Procedures Manual updates related to acquired properties to support clearer, more transparent reporting and portfolio management processes. Staff is also recommending removal of new lender approval delegations. Lastly, the National Housing Trust Fund (N-HTF) program is being added. Staff recommends approval of the Delegations of Authority as revised.

Background: At least annually or as needed, MFA staff reviews and updates the Delegations of Authority which is Exhibit E of the Policies and Procedures Manual. This document is revised as needed for changes related to compliance, audit findings, clarifications and changes in general practices or policies. Over the last several months staff has been evaluating the acquired property portfolio management policy. Proposed changes were discussed in depth with the Board at the April 18th Board Study Session.

Discussion: Based on input from the Board, staff is proposing the following revisions to the Delegations of Authority to support the proposed changes to the Policies and Procedures manual as well as two general updates:

<table>
<thead>
<tr>
<th>Line # (redline)</th>
<th>Related Section of the P&amp;P Manual</th>
<th>Proposed Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Section 4.2-Program Policies: Acquired Properties</td>
<td>Added Deeds in Lieu of Foreclosure to delegations related to single family foreclosure approval requirements.</td>
</tr>
<tr>
<td></td>
<td>Section 4.2-Program Policies: Acquired Properties</td>
<td>Added Deeds in Lieu of Foreclosure to delegations related to multifamily foreclosure approval requirements. In addition, the delegations of authority was clarified to include single family development properties.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>6</td>
<td>Section 4.2-Program Policies: Acquired Properties</td>
<td>(1) Updated to reflect new methodology related to Real Estate Owned (REO) losses. Losses will now be estimated at the time a new REO property is acquired. Losses greater than $100,000 will require Board approval. (2) Added note 19 which will require all final REO losses be reported to the Board upon final disposition. (3) Added note 20 which delegates authority to Management to negotiate sales terms and final disposition of REO properties. This is a clarification not new authority.</td>
</tr>
<tr>
<td>7</td>
<td>Section 4.2-Program Policies: Acquired Properties</td>
<td>Added a new line related to repairs and improvements to REO properties. The executive director and deputy directors will have the authority to approve repairs and improvements less than or equal to $25,000. All repairs or improvements to REO properties greater than $25,000 require Policy Committee approval.</td>
</tr>
<tr>
<td>8</td>
<td>N/A</td>
<td>Approval of new lenders has now been delegated to the Senior Director of Homeownership in accordance with the Authorized Signatures Resolution approved by Board 3/22/2017.</td>
</tr>
<tr>
<td>15-21</td>
<td>N/A</td>
<td>Added the new National Housing Trust Fund (N-HTF) to the delegations document; the program is included with other HUD loan and grant programs for consistency.</td>
</tr>
</tbody>
</table>

**Summary:** Over the last several months staff has been evaluating the acquired property portfolio management policy. Proposed changes were discussed in depth with the Board at the April 18th Board Study Session. Based on input from the Board staff is proposing revisions to the Delegations of Authority to support the proposed changes to the Policies and Procedures manual. These updates support clearer, more transparent reporting and acquired property portfolio management processes. Staff is also recommending removal of the lender delegations line item to correspond with the Authorized Signatures Resolution currently in place. In addition, the National Housing Trust Fund program (N-HTF) is being added. Staff recommends approval of the Delegations of Authority as revised.
**DELEGATIONS OF AUTHORITY: APPROVALS AND REVIEW PROCESS REQUIREMENTS**

As approved by Board 5/16/2018

<table>
<thead>
<tr>
<th>ITEM REVIEWED / APPROVED</th>
<th>EXECUTIVE DIRECTOR OR DEPUTY DIRECTOR APPROVAL REQUIRED</th>
<th>POLICY COMMITTEE (2) REVIEW OR APPROVAL REQUIRED</th>
<th>BOARD COMMITTEE (1) REVIEW AND BOARD APPROVAL REQUIRED</th>
<th>BOARD APPROVAL REQUIRED</th>
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<tr>
<td>Program Policies</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
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<tr>
<td>Watch List &amp; Non-Compliance Reports</td>
<td>yes (quarterly)</td>
<td>yes (quarterly)</td>
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<td>no</td>
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<tr>
<td>Foreclosures and Deeds in Lieu of Foreclosure - Single Family</td>
<td>yes</td>
<td>no</td>
<td>no</td>
<td>no</td>
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<td>Single Family, Multi Family and DPA Loan Write Offs</td>
<td>yes if &lt;= $10,000</td>
<td>yes if &gt; $10,000</td>
<td>yes if &gt; $50,000</td>
<td>yes if &gt; $50,000</td>
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<td>REO Projected Losses if &gt; $10,000 (6) (19) (20)</td>
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<td>yes if &gt; $40,000,000</td>
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<td>Repairs or Improvements to REO Properties</td>
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<td>yes if &gt; $25,000</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Lender Approvals</td>
<td>yes</td>
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<td>no</td>
<td>no</td>
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<tr>
<td>Small Purchases per Procurement Policy, RFQ/Informal Bids (Advance and Selections Approvals) for all procurement and modifications</td>
<td>yes if &lt; $50,000</td>
<td>yes if &gt; $50,000</td>
<td>no</td>
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<tr>
<td>Emergency, Limited Source and State Contract procurements and modifications (6) (Per Contract Limit)</td>
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<td>yes if &gt; $25,000</td>
<td>yes only if &gt; $250,000</td>
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<td>All program RFP Advance Approvals</td>
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<td>All program RFP Selections</td>
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<td>yes</td>
<td>yes</td>
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<td>All other RFPs Advance and/or Selection Approvals &amp; all Modifications to awards approved under RFP selection (6) BUT SEE EXCEPTIONS IN (9) (Per Contract Limit)</td>
<td>yes if &lt;= $25,000</td>
<td>yes if &gt; $25,000</td>
<td>yes only if &gt; $250,000</td>
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<td>All program and contract Renewals</td>
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<tr>
<td>HOME, CDBG, N-HTF &amp; NSP: (Loans and Grants)</td>
<td>yes if &lt;= $50,000</td>
<td>yes if &gt; $50,000</td>
<td>yes only if &gt; $50,000,000</td>
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<td>HOME &amp; N-HTF Rental grants (6) (7)</td>
<td>yes if &lt;= $50,000</td>
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<td>yes only if &gt; $50,000,000</td>
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</tr>
<tr>
<td>HOME, CDBG, N-HTF &amp; NSP Loan/Grant Aggregate Increases (6) (7) (10)</td>
<td>yes if &lt;= $50,000</td>
<td>yes if &gt; $50,000</td>
<td>yes only if &gt; $500,000,000</td>
<td>yes only if &gt; $500,000,000</td>
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<tr>
<td>HOME, CDBG &amp; N-HTF - Line Item Adjustments as Percent of original Line Item Amount</td>
<td>no</td>
<td>yes in all cases</td>
<td>yes only if &gt; 25%</td>
<td>yes only if &gt; 25%</td>
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<tr>
<td>HOME, CDBG, N-HTF &amp; NSP Loan/Grant Modifications (3) (6)</td>
<td>yes</td>
<td>yes, if workout</td>
<td>no</td>
<td>no</td>
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<tr>
<td>HOME, CDBG, N-HTF &amp; NSP Write Offs</td>
<td>yes if &lt;= $50,000</td>
<td>yes if &gt; $50,000</td>
<td>yes only if &gt; $500,000,000</td>
<td>yes only if &gt; $500,000,000</td>
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<tr>
<td>Consolidated and Action Plans [HOME]</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
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<tr>
<td>LIHTC QAP and Awards (4)</td>
<td>no</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
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<tr>
<td>542(c)/538 Construction/Permanent Loans:</td>
<td>yes if &lt;= $250,000</td>
<td>yes if &gt; $250,000</td>
<td>yes only if &gt; $1,000,000,000</td>
<td>yes only if &gt; $1,000,000,000</td>
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<td>Loans (6)(7) (12)</td>
<td>no</td>
<td>yes in all cases</td>
<td>yes only if &gt; $2,000,000 or MFA risk &gt; $200,000</td>
<td>yes only if &gt; $2,000,000 or MFA risk &gt; $200,000</td>
</tr>
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<td>Loan Increases (5) (6) (7) (10) (12)</td>
<td>yes if &lt;= 10% and &lt;= $250,000</td>
<td>yes if &gt; 10% or $250,000</td>
<td>yes only if &gt; $1,000,000,000</td>
<td>yes only if &gt; $1,000,000,000</td>
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<td>Loan Modifications (3) (6)</td>
<td>yes</td>
<td>yes, if workout</td>
<td>no</td>
<td>no</td>
</tr>
<tr>
<td>Primero Loans/Grants, Energy Saver Awards, State Tax Credit Awards:</td>
<td>yes if &lt;= $50,000</td>
<td>yes if &gt; $50,000</td>
<td>yes only if &gt; $500,000,000</td>
<td>yes only if &gt; $500,000,000</td>
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<tr>
<td>Loans/Awards (6)(7)</td>
<td>yes if &lt;= $50,000</td>
<td>yes if &gt; $50,000</td>
<td>yes only if &gt; $500,000,000</td>
<td>yes only if &gt; $500,000,000</td>
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<td>Award and Loan/Grant Exposure Increases (6) (10) (7)</td>
<td>yes if &lt;= $25,000</td>
<td>yes if &gt; $25,000</td>
<td>yes only if &gt; $500,000,000</td>
<td>yes only if &gt; $500,000,000</td>
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<tr>
<td>Award and Loan/Grant (3) (6)</td>
<td>yes</td>
<td>yes, if workout</td>
<td>no</td>
<td>no</td>
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<td>HTF &amp; LTTF Awards</td>
<td>no</td>
<td>yes</td>
<td>yes (8)</td>
<td>yes</td>
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<td>Gov's Innov. Progr. awards</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>Description</td>
<td>Yes if</td>
<td>Yes if</td>
<td>Yes only if</td>
</tr>
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<td>----------</td>
<td>----------</td>
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<td>34</td>
<td>HTF, LTTF &amp; Gov.'s Innov. Progr. increases (6) (7) (10)</td>
<td></td>
<td></td>
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<td>35</td>
<td>HTF, LTTF &amp; Gov's Innov. Prog. modif. (3) (6)</td>
<td>yes</td>
<td>no</td>
<td>no</td>
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<td>36</td>
<td>Board Reports (Qtrly)</td>
<td>yes</td>
<td>yes</td>
<td>no</td>
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<td>Board Resolutions (13)</td>
<td>yes</td>
<td>yes</td>
<td>yes (14)</td>
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<td>38</td>
<td>Financials (Qtrly)</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>39</td>
<td>Responses to Audit Findings (Program, Internal and External Audit Findings)</td>
<td>no</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>40</td>
<td>Audit Follow-up &amp; Status (Internal &amp; External Audits only)</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
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<tr>
<td>41</td>
<td>MFA applications for funding (11) (15)</td>
<td>no</td>
<td>yes in all cases</td>
<td>yes only if &gt; $1,000,000</td>
</tr>
<tr>
<td>42</td>
<td>Awards Under New Loan Programs (6)</td>
<td>no</td>
<td>yes in all cases</td>
<td>yes only if &gt; $500,000</td>
</tr>
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<td>43</td>
<td>Regional Housing Authority monitoring/reviews and approving activities</td>
<td>no</td>
<td>yes in all cases</td>
<td>no</td>
</tr>
<tr>
<td>44</td>
<td>Appointment of Regional Housing Authority Board members and Executive Directors and Approval of Annual Report</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>45</td>
<td>Suspension and Debarment (6)</td>
<td>no</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>46</td>
<td>New Mexico EnergySmart</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td>Selection of Service Providers (RFP)</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>48</td>
<td>State Plan Approval and allocation of DOE Funds</td>
<td>yes</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>49</td>
<td>Allocation of funds using DOE Formula (LIHEAP, Utility, COOP, Etc.) (Note 6 &amp; 16)</td>
<td>yes</td>
<td>no</td>
<td>no</td>
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<tr>
<td>50</td>
<td>Allocation/Modifications of Any Funds based on Need/Capacity/Timing Constraints (NOTE 6 &amp; 17) Per Agency Limits</td>
<td>yes&lt;= $100,000</td>
<td>yes if &gt; than $100,000</td>
<td>no</td>
</tr>
<tr>
<td>51</td>
<td>Allocation/Modification of Multifamily Funds on per project basis based on open bidding process (Note 6 &amp; 18)</td>
<td>yes&lt;= $100,000</td>
<td>yes if &gt; than $100,000</td>
<td>no</td>
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<tr>
<td>52</td>
<td>Disposition or Sale of Tangible Goods (6)</td>
<td>yes if FMV &lt;=$10,000</td>
<td>yes if FMV &gt;$10,000</td>
<td>no</td>
</tr>
</tbody>
</table>

(1) Board Committees are those constituted and approved by the Board January 21, 2015.
(2) Policy Committee consists of Executive Director and Deputy Directors.
(3) Excluding increases in principal in excess of the amount set above, and including matters such as extensions, rate changes, etc. Modifications resulting from problem workouts (such as release of land use restriction agreements or other concessions) require Policy Committee approval.
(4) Exceptions granting staff authority as stated in QAP, including granting staff authorization to award credits to tax exempt bond projects. Competitive cycle awards are recommended by outside Advisory committee.
(5) Additional areas of staff discretion as stated in RS Manual.
(6) Notice to be provided to Board at following meeting.
(7) If at the time of the approval, the borrower’s outstanding obligations to MFA and commitments by MFA exceed $5 million (measured in commitments), approvals by Policy Committee, Committee and Board will be required regardless of the current or proposed increased loan approval amount. If at the time the original loan approved by the Board authorizes staff to increase the loan by up to 10%, an increase within this amount would not need to go back to Committee or the Board for approval regardless of whether total outstanding obligations to MFA and MFA commitments exceed $5 million.
(8) By Statute HTF and LTTF awards are recommended by outside Advisory Committee.
(9) Excluding RFP for certain professional services including underwriter, counsel, sub-servicer, lobbyist, trustee, and auditors, all of which require approval by the Board.
(10) If staff authorized increase causes project to exceed borrower limits for program or dollar authorization amounts of staff, and board and board committee did not review previously, Board and Committee review will be required to approve increase.
(11) Excludes legislative initiatives, all of which require Board approval.
(12) MFA’s share of the risk on these loans is typically 10%; therefore, the amounts authorized for Executive or Deputy Director and Policy Committee would typically represent risk to MFA of only $25,000 and $100,000 or $200,000, respectively.
(13) Excluding Inducement Resolutions and those not originated by staff which require only Board approval.
(14) Excluding Bond Resolutions
(15) Excluding formula funding and recurring funding sources.
(16) DOE Formula takes into account census population, poverty rates, heating/cooling days, New allocations with new funding.
(17) Per Agency Amounts/limits. New funds or additional funds (any source) that will NOT be allocated based on DOE formula.
(18) Per Agency Amounts/limits on a per project basis
(19) Final REO losses are to be reported to the Board upon final disposition.
(20) A member of Management has the authority to negotiate sales terms and final disposition.
Tab 5
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee – May 8, 2018

Through: Policy Committee – May 1, 2018

FROM: Monica Abeita, Director of Policy and Planning

DATE: May 16, 2018

SUBJECT: Veterans Housing Rehabilitation and Modification Pilot Program and Grant Opportunity

Recommendation:
Staff recommends that MFA submit an application for $1,000,000 for HUD’s Veterans Housing Rehabilitation and Modification (VHRM) Pilot Program.

Background:
On April 19, 2018, the Department of Housing and Urban Development (HUD) published a notice of funding for a pilot program for the rehabilitation and/or modification of homes owned by veterans who are low-income and living with disabilities. The maximum grant award is $1,000,000 over three years. There is potential for funding in future years because this is a pilot program. Applicants may charge indirect costs to the grant if they have a federally negotiated rate, or they may receive a de minimis rate of 10 percent. The due date is June 25, 2018. Both on-call grant writers appear available to assist with this grant.

The purpose of this grant is to rehabilitate and modify the primary residence of veterans who are low-income (defined as 80 percent Area Median Income) and living with disabilities. According to HUD and the Department of Veterans Affairs, a number of America’s veterans who are low-income and living with disabilities are in need of adaptive housing to help them regain or maintain their independence, are unable to fund significant home repairs, or are burdened by utility costs.
Discussion:
There are several requirements for this grant that MFA has considered:

**Eligible applicants** include nonprofit organizations that provide nationwide or statewide programs that primarily serve veterans or low-income individuals. While MFA administers statewide programs for low-income individuals, including veterans, we are not a non-profit organization and are therefore ineligible to apply. However, the New Mexico Affordable Housing Charitable Trust could be the applicant and MFA could be a sub recipient, as defined in the grant notice. MFA will need to obtain a DUNS number for the Charitable Trust and register it on SAM (federal System for Award Management).

**Cost sharing/matching:** Grantees are required to contribute an amount equal to not less than 50 percent of the grant award received towards the housing modification and rehabilitation services provided to eligible veterans. Matching funds cannot be federal funds. This means that MFA must identify $500,000 in **non-federal** match to apply for a $1,000,000 grant. Staff has determined that $500,000 from the private contributions for NM Energy$mart can be used for this purpose (NM Gas: $1,298,734; PNM: $195,957; Xcel Energy: $200,000; other utilities: $55,000=$1,749,691), as they are non-federal and have not been committed as match for another purpose.

However, the wording in the grant states that the match must be for services provided to eligible veterans. NM Energy$mart staff conducted a survey of our service providers and estimated that approximately 10 percent of NM Energy$mart beneficiaries are veterans. Therefore, we would apply 10 percent to the non-federal match, resulting in approximately $175,000 per year or $525,000 over three years.

**Program of Work:** The grant allows broad flexibility for the grantee to determine the program of rehabilitation that it will offer. Modifications may include things such as accessibility improvements; energy-efficiency features, equipment and energy audits; addressing disrepair and health and safety hazards and addition of a room for a caregiver. MFA could design a program that includes energy-efficiency and health and safety, to align with NM Energy$mart program and the capacity of our service providers. It is recommended that MFA’s program also include accessibility and any other improvements offered as minor rehabilitation under the new Community Development Block Grant funding MFA is now receiving from the state. This would mean that two services providers (NM Energy$mart and rehab) may be needed in some cases, as currently occurs when MFA leverages NM Energy$mart and rehab funding.

**Housing Standards:** The grant notice states that “Each recipient must establish housing standards which require that all houses rehabilitated and/or modified under the VHRM program meet all applicable state and local building codes, ordinances and requirements.” Staff believes that MFA can use its HOME rehab standards and that energy efficiency, accessibility and similar small improvements will not require that the entire house be brought up to code. If the grant requires that the entire house must be brought up to code,
it will result in fewer households assisted and more homes will require a combination of NM Energy$mart and rehabilitation improvements. While this is not the best-case scenario, it will not preclude MFA from implementing the grant.

**Summary:**
Staff recommends that MFA submit an application for $1,000,000 for HUD's Veterans Housing Rehabilitation and Modification (VHRM) Pilot Program. If received, this funding will allow MFA to improve more homes through its existing NM Energy$mart and rehabilitation programs.
U.S. Department of Housing and Urban Development

Community Planning and Development

Veterans Housing Rehabilitation and Modification Pilot Program
FR-6200-N-39
Application Due Date: 06/25/2018
Veterans Housing Rehabilitation and Modification Pilot Program
FR-6200-N-39
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I. Funding Opportunity Description.

A. Program Description.

1. Purpose

The purpose of the Veterans Housing Rehabilitation and Modification (VHRM) pilot program is to explore the potential benefits of awarding grants to nonprofit organizations to rehabilitate and modify the primary residence of veterans who are low-income and living with disabilities. The funds made available under this program will be awarded competitively.

A number of America’s veterans who are low-income and living with disabilities are in need of adaptive housing to help them regain or maintain their independence, are unable to fund significant home repairs, or are burdened by utility costs. In partnership with the U.S. Department of Veterans Affairs, HUD intends to use the VHRM pilot to test a new approach to addressing these challenges in accordance with section 1079 of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (Pub. L. 113-291, enacted December 19, 2014). The VHRM pilot will award competitive grants to nonprofit organizations that provide nationwide or statewide programs that primarily serve veterans or low-income individuals. The grants may be used to modify or rehabilitate eligible veterans’ primary residences or to provide grantees’ affiliates with technical, administrative, and training support in connection with those services.

Today’s publication establishes the funding criteria for the FY 2018 Veterans Housing Rehabilitation and Modification (VHRM) pilot program. The Consolidated Appropriations Acts of 2016 (Public Law 114-13), 2017 (Public Law 115-31), and 2018 (Public Law 115-141) appropriated a total of $13.7 million in VHRM funds. HUD will award these funds to nonprofit organizations to rehabilitate and/or modify the primary residence of veterans who are low-
income and living with disabilities.

**HUD will award up to $13,700,000 to nonprofit organizations that provide nationwide or statewide programs that primarily serve veterans or low-income individuals. Grants will be competitively awarded up to $1 million each to selected applicants.**

2. Changes from Previous NOFA.

NOT APPLICABLE

3. Definitions.

a. Standard Definitions

Analysis of Impediments to Fair Housing Choice (AI) is a review of impediments or barriers that affect the rights related to fair housing choice pursuant to the Fair Housing Planning Guide issued in 1996, and pertains to program participants in jurisdictions operating under a current Consolidated Plan and public housing agencies operating under a PHA Plan.

Assessment of Fair Housing (AFH) is the analysis undertaken pursuant to 24 CFR 5.154. AFH includes an analysis of fair housing data, an assessment of fair housing issues and contributing factors, the prioritization of contributing factors, and the identification of fair housing goals. AFH is conducted and submitted to HUD using the applicable Assessment Tool. Entities obligated to prepare and submit an AFH are: (1) Jurisdictions and Insular Areas are required to submit Consolidated Plans for the following programs: (i) The Community Development Block Grant (CDBG) program (see 24 CFR part 570, subparts D and I); (ii) The Emergency Solutions Grants (ESG) program (see 24 CFR part 576); (iii) The HOME Investment Partnerships (HOME) program (see 24 CFR part 572); and (iv) The Housing Opportunities for Persons With AIDS (HOPWA) program (see 24 CFR part 574); and (2) Public housing agencies (PHAs) receiving assistance under sections 8 or 9 of the United States Housing Act of 1937 (42 U.S.C. 1437f or 42 U.S.C.1437g).

Authorized Organization Representative (AOR) is the person authorized to submit applications on behalf of the organization via Grants.gov. The AOR is authorized by the E-Biz point of contact in the System for Award Management. The AOR is listed in item 21 on the SF-424. Award, as used in this NOFA means a federal, grant, cooperative agreement, loan, or loan guarantee.

Catalog of Federal Domestic Assistance (CFDA) is a directory of the various Federal listings, projects, services and activities offering financial and non-financial assistance and benefits to the American public. CFDA Number is the unique number assigned to each program, project, service or activity listed in the Catalog of Federal Domestic Assistance (CFDA).

Consolidated Plan is a document developed by states and local jurisdictions. This plan is completed by engaging in a participatory process to assess their affordable housing and community development needs and market conditions, and to make data-driven, place-based investment decisions with funding from formula grant programs. (See 24 CFR part 91 for more information about the Consolidated Plan and related Annual Action Plan).

Contract means a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. The term as used in this NOFA does not include a legal instrument, even if the non-Federal entity considers it a contract, when the substance of the transaction meets the definition of a Federal award or subaward (See 2 CFR 200.22.)

Contractor means an entity receiving a contract.
Deficiency is information missing or omitted within a submitted application. Deficiencies typically involve missing documents, information on a form, or some other type of unsatisfied information requirement (e.g., an unsigned form, unchecked box, etc.). Depending on specific criteria, deficiencies may be either curable or non-curable.

- **Curable Deficiency** – Applicants may correct a curable deficiency with timely action.

To be curable the deficiency must:
Not be a threshold requirement, except for documentation of applicant eligibility;
Not influence how an applicant is ranked or scored versus other applicants; and

Be able to be remedied within the time frame specified in the notice of deficiency.

- **Non-Curable Deficiency** – An applicant cannot correct a non-curable deficiency after the submission deadline.

Non-curable deficiencies are deficiencies if corrected would change an applicant’s score or rank versus other applicants.
Non-curable deficiencies may result in an application being marked ineligible, or otherwise adversely affect an application’s score and final determination.

DUNS Number is the nine-digit identification number assigned to a business or organization by Dun & Bradstreet and provides a means of identifying business entities on a location-specific basis. Requests for a DUNS number can be made by visiting the Online DUNS Request Portal. Eligibility requirements are mandatory requirements for an application to be eligible for funding. Deficiencies in meeting an eligibility requirement may be categorized as either curable or non-curable.

Federal Awardee Performance and Integrity Information System (FAPIIS) is a database that has been established to track contractor misconduct and performance.
Grants.gov is the website serving as the Federal government’s central portal for searching and applying for federal financial assistance throughout the Federal government. Registration in Grants.gov is required for submission of applications to prospective agencies.

NOTE: Passwords expire every 60 days. Accounts inactive for 1 year or more result in removal of all account roles. For more account management information, review the Applicant FAQs contained on the grants.gov web page.

Non-Federal Entity means a state, local government, Indian tribe, institution of higher education (IHE), or non-profit organization carrying out a Federal award as a recipient or subrecipient.
Personally identifiable information (PII), as defined by the Office of Management and Budget M-07-16, is any information which can be used to distinguish or trace an individual’s identity, such as their name, social security number, biometric records, alone, or when combined with other personal or identifying information which is linked or linkable to a specific individual, such as date and place of birth, mother’s maiden name, etc.

Point of Contact (POC) is the person who may be contacted with questions about the application submitted by the AOR. The point of contact is listed in item 8F on the SF424.
Promise Zones are federally-designated, high-poverty urban, rural and tribal communities where the Federal government will partner with and invest in communities to accomplish these goals: create jobs, leverage private investment, increase economic activity, expand educational opportunities, and reduce violent crime.

Promotores/Promotoras are Spanish-speaking Community Health Workers who work in their communities to reduce barriers to health services and make health care systems more responsive.

Recipient means a non-Federal entity receiving an award directly from HUD to carry out an activity under a HUD program.

Section 3 Business Concern means a business concern (1) 51 percent or more owned by Section 3 residents; or (2) of which at least 30 percent of permanent, full-time employees are currently Section 3 residents, or were Section 3 residents within three years of the date of first employment with the business concern; or (3) provides evidence of a commitment to subcontract over 25 percent of the dollar award of all subcontracts to be awarded to business concerns meeting the qualifications in this definition.

Section 3 Residents means: 1) Public housing residents; or 2) Low and very-low income persons, as defined in 24 CFR 135.5, who live in the metropolitan area or non-metropolitan county where Section 3 covered assistance is expended.

Standard Form 424 (SF424) Application for Federal Assistance Programs, required by discretionary grant programs.

Subaward means an award provided by a recipient to a subrecipient for the subrecipient to carry out part of a Federal award received by the recipient. It does not include payments to a contractor or payments to an individual’s beneficiary of a Federal program. A subaward may be provided through any form of legal agreement, including an agreement that the recipient considers a contract.

Subrecipient means a non-Federal entity receiving a subaward from a recipient to carry out part of a HUD program; but does not include an individual’s beneficiary of such program. A subrecipient may also receive other Federal awards directly from a Federal awarding agency (including HUD).

System for Award Management (SAM), is an official website of the U.S. government. You can access the website at Sam.gov There is no cost to use SAM. SAM is the official U.S. Government system that consolidated the capabilities of Central Contractor Registry (CCR), Excluded Parties List System (EPLS) and the Online Representations and Certifications Application (ORCA). Registration with Sam.gov is required for submission of applications via Grants.gov.

Threshold Requirement – Threshold requirements are a type of eligibility requirement. Threshold requirements must be met for an application to be reviewed. Threshold requirements are not curable, except for documentation of applicant eligibility. Threshold requirements are listed in Section III.C. of this NOFA.

Applicants must ensure their application package addresses threshold requirements. Please check your application carefully!

4. Program Definitions

(1) Affiliate – (1) a local public or private nonprofit housing organization which is a subordinate organization (i.e., chapter, local, post, or unit) of a central organization and covered
by the group exemption letter issued to the central organization under Section 501(c)(3) of the Internal Revenue Code; (2) a local public or private nonprofit housing organization with which the applicant has an existing relationship (e.g., the applicant has provided technical assistance or funding to the local housing organization); or (3) a local public or private nonprofit housing organization with which the applicant does not have an existing relationship, but to which the applicant will provide necessary technical assistance and mentoring as part of funding under the application.

(2) Eligible veteran – The term "eligible veteran" means a low-income veteran living with a disability.

(3) Letter of firm commitment – A letter of commitment from an applicant’s partner organization by which the partner (1) agrees to perform an activity specified in the application, (2) demonstrates the financial capacity to deliver the resources necessary to carry out the activity, and (3) commits the resources to the activity, either in cash or through in-kind contributions. It is irrevocable, subject only to approval and receipt of an FY 2018 VHRM grant. Each letter of commitment must include the partner organization's name and applicant's name, reference the VHRM program, and describe the proposed total level of commitment and responsibilities, expressed in dollar value for cash or in-kind contributions, as they relate to the proposed program. The commitment must be written on the letterhead of the participating organization, must be signed by an official of the organization legally able to make commitments on behalf of the organization, and must be dated no earlier than the date of publication of this NOFA. In documenting a firm commitment, the applicant's partner must:

1. Specify the authority by which the commitment is made, the amount of the commitment, the proposed use of funds, and the relationship of the commitment to the proposed investment. If the committed activity is to be self-financed, the applicant's partner must demonstrate its financial capability through a corporate or personal financial statement or other appropriate means; and
2. Affirm that the firm commitment is contingent only upon the receipt of VHRM funds and state a willingness on the part of the signatory to sign a legally binding agreement (conditioned upon HUD's environmental review and approval of a property, where applicable) upon award of the grant.

(4) Low-income veteran – The term "low-income veteran" means a veteran whose income does not exceed 80 percent of the median income for an area, as determined by the Secretary.

(5) Nonprofit organization – an organization that is –

(A) described in section 501(c)(3) or 501(c)(19) of the Internal Revenue Code of 1986; and
(B) exempt from tax under section 501(a) of such Code.

(6) Primary residence –

(A) A single family house, a duplex, or a unit within a multiple-dwelling structure that is the principal dwelling of an eligible veteran and is owned by such veteran or a family member of such veteran.

(B) For purposes of this paragraph, the term "family member" includes--
(i) a spouse, child, grandchild, parent, or sibling;
(ii) a spouse of such a child, grandchild, parent, or sibling; or
(iii) any individual related by blood or affinity whose close association with a veteran is the equivalent of a family relationship.

(7) **Qualified organization** – A nonprofit organization that provides nationwide or state-wide programs that primarily serve veterans or low-income individuals.

(8) **Secretary** – The Secretary of Housing and Urban Development.

(9) **Veteran** – "Veteran" has the meaning given the term in section 101 of title 38, United States Code.

(10) **Veterans service organization** – Any organization recognized by the Secretary of Veterans Affairs for the representation of veterans under section 5902 of title 38, United States Code.

5. Web Resources
The resources indicated provide details for the application process

- Affirmatively Furthering Fair Housing
- Code of Conduct list
- Do Not Pay
- Dun & Bradstreet
- Request a DUNS Number
- Equal Participation of Faith-Based Organizations
- Federal Awardee Performance and Integrity Information System
- Federal Subaward Reporting System (FSRS)
- Grants.gov
- Grants.gov support
- Healthy Homes Strategic Plan
- Healthy Housing Reference Manual
- HUD Funds available
- HUD’s Strategic Plan
- HUD Grants
- Limited English Proficiency
- NOFA webcasts
- Procurement of recovered materials
- Promise Zones
- Section 3 Business Registry
- State Point of Contact List
- System for Award Management (SAM)
- Real Property Acquisition and Relocation
- USASpending
B. Authority.

II. Award Information.

A. Available Funds
Funding of up to $13,700,000 is available through this NOFA.

Additional funds may become available for award under this NOFA as a result of HUD's efforts to recapture unused funds, use carryover funds, or because of the availability of additional appropriated funds. Use of these funds is subject to statutory constraints. All awards are subject to the applicable funding restrictions contained in this NOFA.

B. Number of Awards.
HUD expects to make approximately 14 awards from the funds available under this NOFA.

C. Minimum/Maximum Award Information

<table>
<thead>
<tr>
<th>Estimated Total Funding:</th>
<th>$13,700,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimum Award Amount:</td>
<td>$700,000 Per Project Period</td>
</tr>
<tr>
<td>Maximum Award Amount:</td>
<td>$1,000,000 Per Project Period</td>
</tr>
</tbody>
</table>

D. Period of Performance
Recipients will have 36 months from the date of the executed grant agreement to complete all project activities.

<table>
<thead>
<tr>
<th>Estimated Project Start Date:</th>
<th>09/29/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Project End Date:</td>
<td>09/28/2021</td>
</tr>
<tr>
<td>Length of Project Periods:</td>
<td>36-month project period with three 12-month budget periods</td>
</tr>
</tbody>
</table>

Length of Project Periods Explanation of Other:

E. Type of Funding Instrument.
Funding Instrument Type: Grant

F. Supplementation.
In the event, you, the applicant, are awarded a grant that has been reduced (e.g., the application contained some activities that were ineligible or budget information did not support the request), you will be required to modify your project plans and application to conform to the terms of
HUD's approval before execution of the grant agreement.

HUD reserves the right to reduce or de-obligate the award if suitable modifications to the proposed project are not submitted by the awardee within 90 days of the request. Any modifications must be within the scope of the original application. HUD reserves the right to not make awards under this NOFA.

### III. Eligibility Information.

#### A. Eligible Applicants.

Others (see text field entitled "Additional Information on Eligibility" for clarification)

Additional Information on Eligibility:
**Eligible Applicants.** Eligible applicants for the VHRM program are nonprofit organizations that provide nationwide or statewide programs that primarily serve veterans or low-income individuals. Nonprofit organizations are limited to those described in section 501(c)(3) or 501(c)(19) of the Internal Revenue Code of 1986 and are exempt from tax under section 501(a) of such Code.

**Eligible Activities.** The VHRM program encompasses a range of eligible modification and rehabilitation activities, which allows for broad flexibility in the design of particular proposals to implement the program. Applicants need not address all of the eligible activities, but may propose a combination of activities if desired. Proposed activities should relate to identified needs among the eligible population to which the applicant proposes to target assistance. Further, the activities included in an applicant’s proposed program design should address needs that are not already met by existing programs, while maximizing coordination with other existing programs as applicable (to the extent that such coordination would be beneficial to the implementing organizations and participants being served).

The following are eligible activities under the VHRM program:

(A) Modification and rehabilitation of the primary residence of an eligible veteran, which may include –

   (i) making physical modifications, such as installing wheelchair ramps, widening exterior and interior doors, reconfiguring and re-equipping bathrooms (which includes installing new fixtures and grab bars), removing doorway thresholds, installing special lighting, adding additional electrical outlets and electrical service, installing appropriate floor coverings, lowering countertops and cabinets, or taking other measures to –

      a) accommodate the functional limitations that result from having a disability, including not only motor impairment but also visual and hearing disabilities, and cognitive or psychological disabilities such as Traumatic Brain Injury or Post-Traumatic Stress; or

      b) if the residence does not have modifications necessary to reduce the chances that an
elderly person who is not living with a disability will fall in his or her home, reduce
the risks of an elderly person from falling; or

(ii) making physical modifications, such as adding a bedroom or bathroom, to allow the
veteran’s caregiver(s), which may include the parent(s) or other family member(s) of the
veteran, to live with the veteran, if the veteran’s disability prevents the veteran from living
independently;

(iii) rehabilitating the residence that is in a state of interior or exterior disrepair, including
remedying identified safety hazards or ensuring adequate safety features (such as fire
prevention);

(iv) installing energy efficient features or equipment (i.e., features or equipment that help
reduce the amount of electricity used to heat, cool, or ventilate the residence, including
insulation, weather-stripping, air sealing, heating system repairs, duct sealing, Energy Star
appliances, or other measures) if

a) an eligible veteran's monthly utility costs for the residence is more than five percent
of such veteran's monthly income; and

b) an energy audit of the residence indicates that the installation of energy efficient
features or equipment will reduce the costs by 10 percent or more; and

(v) carrying out other modification and rehabilitation activities to address the adaptive
housing needs of the eligible veteran, if adequately justified and approved by HUD.

(B) Provision of technical, administrative, and training support to an affiliate of a recipient in
connection with modification and rehabilitation services provided under VHRM.

B. Cost Sharing or Matching.

This Program requires cost sharing, matching or leveraging as described below. Recipients will be required to provide matching funds and/or in-kind contributions as provided under section 1079(b)(6) of the Program Statute. Specifically, each recipient shall contribute towards the housing modification and rehabilitation services provided to eligible veterans an amount equal to not less than 50 percent of the grant award received. In order to meet the requirement, recipients may arrange for in-kind contributions. Matching funds and in-kind contributions must meet the requirements of 2 CFR 200.306.

C. Threshold Requirements.

Applicants who fail to meet any of the following threshold eligibility requirements will be
deemed ineligible. Applications from ineligible applicants will not be evaluated.

1. Timely Submission of Applications – Applications submitted after the deadline stated
within this NOFA that do not meet the requirements of the grace period policy will be marked
late. Late applications are ineligible and will not be considered for funding. See also Section IV
Application and Submission Information, part D. Application Submission Dates and Times
1. The application must receive a minimum rating score of 75 points to be considered for funding.
2. HUD will only fund eligible applicants as defined in this NOFA under Section III.

### D. Statutory and Regulatory Requirements Affecting Eligibility

#### Eligibility Requirements for Applicants of HUD’s Grants Programs
The following requirements affect applicant eligibility. Detailed information on each requirement is posted on HUD’s Funding Opportunities Page (click here).

- Resolution of Civil Rights Matters
- Outstanding Delinquent Federal Debts
- Debarments and/or Suspensions
- Pre-selection Review of Performance
- Sufficiency of Financial Management System
- False Statements
- Mandatory Disclosure Requirement
- Prohibition Against Lobbying Activities
- Equal Participation of Faith-Based Organizations in HUD Programs and Activities

### E. Program Specific Requirements.

- The application must receive a minimum rating score of 75 points to be considered for funding.
- HUD will only fund eligible applicants as defined in this NOFA under Section III.
- Each recipient under the VHRM program shall modify or rehabilitate the primary residence of an eligible veteran at no cost to such veteran (including application fees) or at a cost such that such veteran pays no more than 30 percent of his or her income in housing costs during any month.
- Grant awards under this NOFA will be subject to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR Part 200.
- Only housing that is the primary residence of an eligible veteran may be modified or rehabilitated under this program, and the eligible veteran or his or her family member must certify in writing that the veteran intends the housing to continue to be his or her primary residence for at least five years after the modification or rehabilitation.
- Each recipient must establish housing standards which require that all houses rehabilitated and/or modified under the VHRM program meet all applicable State and local codes, ordinances, and requirements or, in the absence of a State or local building code, the International Existing Building Code of the International Code Council.
F. Criteria for Beneficiaries.
This program has eligibility criteria for beneficiaries. This program serves veterans who are low-income and living with disabilities.

IV. Application and Submission Information.

A. Obtaining an Application Package.
Instructions for Applicants.
You must download both the Application Instruction and the Application Package from Grants.gov. To ensure you are using the correct Application Package and Application Instructions, you must verify the CFDA Number and CFDA Description on the first page of the Application Package, and the Opportunity Title and the Funding Opportunity Number match the Program and NOFA to which you are applying.
The Application Package contains the Adobe forms created by Grants.gov. The Instruction Download contains official copies of the NOFA, and forms necessary for a complete application. The Instruction Download may include Microsoft Word, Microsoft Excel and additional documents.
An applicant demonstrating good cause may request a waiver from the requirement for electronic submission. For example, a lack of available Internet access in the geographic area in which your business offices are located. Lack of SAM registration or valid DUNS is not deemed good cause. If you cannot submit your application electronically, you must ask in writing for a waiver of the electronic grant submission requirements. HUD will not grant a waiver if HUD does not receive your written request at least 15 days before the application deadline or if you do not demonstrate good cause. An email request sent 15 days before the application will also be considered. If HUD waives the requirement, HUD must receive your paper application or email request before the deadline of this NOFA. To request a waiver and receive a paper copy of the application materials, you must contact:
Jackie L. Williams
Email: jackie.williams@hud.gov
Director, Office of Rural Housing and Economic Development
451 7th St. SW
Washington, DC 20410

1. For information concerning the Veterans Housing Rehabilitation and Modification Program, contact Sylvia Purvis, Senior Community Planning and Development Specialist, Office of Rural Housing and Economic Development, Office of Community Planning and Development, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 7240, Washington, DC 20410-7000; telephone 1-877-787-2526 (this is a toll-free number) or (202) 708-2290 (this is not a toll-free number). Persons with speech or hearing impairments may access this number via TTY by calling the toll-free Federal Information Relay Service at 800-877-8339.

2. Waiver of the Electronic Submission Requirement. You must submit your application electronically via Grants.gov or request a waiver of the electronic application submission requirement from HUD. If HUD grants you a waiver, your paper application must be received
at HUD Headquarters by the application deadline date. Refer to Section VI.A. of this NOFA. If HUD does not grant you a waiver, you must follow the instructions for electronic application submission. You must submit your waiver request, including your justification, in writing or using e-mail. You must submit your waiver request no later than 15 days prior to the application deadline date. Waiver requests must be submitted to: Veterans Housing Rehabilitation and Modification Program, Application Waiver Request, Office of Rural Housing and Economic Development by e-mail: jackie.williams@hud.gov. If HUD grants you a waiver, you must submit your paper application in accordance with the requirements stated in HUD's waiver approval.

3. Paper Applications. A paper application will not be accepted from an applicant that has not been granted a waiver of the electronic application submission requirement. If HUD has granted you a waiver, your paper application must be received by HUD on or before the application deadline date.

4. Facsimiles and Videos. HUD will not accept an application, third-party documents or other materials sent by facsimile (fax). Videos cannot be submitted via the Grants.gov system and will not be accepted as a separate submission. Any video submitted as part of an application will not be reviewed.

**B. Content and Form of Application Submission.**

You must verify boxes 11, 12, and 13 on the SF424 match the NOFA for which you are applying. If they do not match, you have downloaded the wrong Application Instruction and Application Package.

Submission of an application that is otherwise sufficient, under the wrong CFDA and Funding Opportunity Number is not a curable deficiency and will result in your application being declared ineligible for funding.

1. **Content.**

Forms for your package include the forms outlined below:

<table>
<thead>
<tr>
<th>Forms / Assurances / Certifications</th>
<th>Submission Requirement</th>
<th>Notes / Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Application for Federal Assistance (SF-424) (application form). Including the required assurances in SF-424B or D, as applicable, depending on the program.</td>
<td>Your organization's nine-digit ZIP code must be included in Box 8d. Form is available as part of the Application Download on grants.gov.</td>
<td></td>
</tr>
<tr>
<td>Applicant/Recipient Disclosure/Update Report (HUD-2880) &quot;HUD Applicant Recipient Disclosure Report&quot;</td>
<td>Form is available as part of the Application Download on grants.gov</td>
<td></td>
</tr>
<tr>
<td>Disclosure of Lobbying Activities (SF-LLL)</td>
<td>Form is available as part of the Application Download on grants.gov</td>
<td></td>
</tr>
<tr>
<td>A budget for all funds (federal and non-federal including the Detailed Budget Form (HUD-424-CB))</td>
<td>Form is available as part of the Application Download on grants.gov</td>
<td></td>
</tr>
<tr>
<td>The Grant Application Detailed Budget Worksheet (HUD 424-CBW)</td>
<td>Form will be available in the Instructions Download</td>
<td></td>
</tr>
<tr>
<td>SF-424 Supplement Survey on Equal Opportunity for Applicants &quot;Faith Based EEO Survey&quot; (SF-424 SUPP)</td>
<td>Form is available as part of the Application Download on grants.gov.</td>
<td></td>
</tr>
</tbody>
</table>

Additionally, your complete application must include the following narratives and non-form attachments:

- An abstract or summary with: (a) the dollar amount requested, matching funds and/or in-kind contributions, and leveraging, if applicable; (b) information that classifies your organization as a nonprofit organization that provides nationwide or statewide programs that primarily serve veterans or low-income individuals; (c) the approximate number of veterans your organization intends to serve using grant funds; (d) a description of the type of work that will be conducted, such as interior home modifications, energy efficiency improvements, and other similar categories of work; (e) a plan for working with the Department of Veterans Affairs and veterans service organizations to identify veterans who are not eligible for programs under chapter 21 of title 38, United States Code, and meet their needs; and (f) a plan of action detailing outreach initiatives.
• Documentation of funds pledged in support of Rating Factor 4 - "Leveraging Resources." This documentation, which will not be counted in the 15-page limitation, must be in the form of a "letter of firm commitment" as defined in Section I.A.3.b. (Program Definitions) of this NOFA.

• A copy of your organization's IRS ruling providing tax-exempt status under section 501 of the Internal Revenue Code of 1986, as amended.

• Narrative response to Factors for Award.

• Environmental Assurance Statement that states the following: (Applicant) agrees to assist HUD to comply with 24 CFR part 50 and that it shall: (1) supply HUD with all available, relevant information necessary for HUD to perform for each property any environmental review required by 24 CFR Part 50; (2) carry out mitigating measures required by HUD or select alternate eligible property; and (3) not rehabilitate, repair, or construct property, nor commit or expend HUD or local funds for these program activities with respect to any eligible property, until HUD approval of the property is received.

2. Format and Form.
Narratives and other attachments to your application must follow the following format guidelines.

1. All pages of the application must be numbered sequentially.
2. The application must have a table of contents.
3. All applicants are required to respond to the following factors in their 15-page narrative (see Section V. of this NOFA for further details.):
   • Rating Factor 1 - Relevant Organizational Experience;
   • Rating Factor 2 - Need and Extent of the Problem;
   • Rating Factor 3 - Soundness of Approach;
   • Rating Factor 4 - Leveraging Resources; and
   • Rating Factor 5 - Achieving Results and Program Evaluation.

The total narrative response to all factors should not exceed 15 pages and should be submitted on 8.5 x 11-inch single-sided paper, with 12-point font and double lined spacing and margins of at least 1 inch on each side. Please note that although submitting pages in excess of the page limit will not disqualify your application. HUD will not consider or review the information on any excess pages, and if you place key information on those pages, you may fail to meet a threshold requirement.

C. System for Award Management (SAM) and Dun and Bradstreet Universal Numbering System (DUNS) Number.
1. SAM Registration Requirement
Applicants must be registered with SAM before submitting their application. In addition, applicants must maintain an active SAM registration with current information while they have
an active Federal award or an application or plan under consideration by HUD.

2. **DUNS Number Requirement.**
Applicants must provide a valid DUNS number, registered and active at SAM, in the application. DUNS numbers may be obtained for free from Dun & Bradstreet.

3. **Requirement to Register with Grants.gov.**
Anyone planning to submit applications on behalf of an organization must register at Grants.gov and be approved by the EBiz Point of Contact in SAM to submit applications for the organization.

Registration for SAM and Grants.gov is a multi-step process and can take four (4) weeks or longer to complete if data issues arise. Applicants without a valid registration cannot submit an application through Grants.gov. Complete registration instructions and guidance are provided at Grants.gov. See also Section IV.B for necessary form and content information.

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**D. Application Submission Dates and Times.**

The application deadline is 11:59:59 p.m. Eastern time on **06/25/2018**. Applications must be received no later than the deadline.

Submit your application to Grants.gov unless a waiver has been issued allowing you to submit your application in paper form. Instructions for submitting your paper application will be contained in the waiver of electronic submission.

“Received by Grants.gov” means the applicant received a confirmation of receipt and an application tracking number from Grants.gov. Then Grants.gov assigns an application tracking number and **date-and time-stamps** each application upon successful receipt by the Grants.gov system. A submission attempt not resulting in confirmation of receipt and an application tracking number is not considered received by Grants.gov.

Applications received by Grants.gov must be validated by Grants.gov to be received by HUD. “Validated by Grants.gov” means the application has been accepted and was not rejected with errors. You can track the status of your application by logging into Grants.gov, selecting “Applicants” from the top navigation, and selecting “Track my application” from the dropdown list. If the application status is “rejected with errors,” you must correct the error(s) and resubmit the application before the 24-hour grace period ends. Applications in “rejected with errors” status after the 24-hour grace period expires will not be received by HUD. Visit Grants.gov for a complete description of processing steps after submitting an application.

HUD strongly recommends applications be submitted at least **48 hours before the deadline** and during regular business hours to allow enough time to correct errors or overcome other problems.

You can verify the contents of your submitted application to confirm Grants.gov received everything you intended to submit. To verify the contents of your submitted application:

- Log in to Grants.gov.
• Click the Check Application Status link, which appears under the Grant Applications heading in the Applicant Center page. This will take you to the Check Application Status page.
• Enter search criteria and a date range to narrow your search results.
• Click the Search button. To review your search results in Microsoft Excel, click the Export Data button.
• Review the Status column.
• To view more detailed submission information, click the Details link in the Actions column.
• To download the submitted application, click the Download link in the Actions column.

Please make note of the Grants.gov tracking number as it will be needed by the Grants.gov Help Desk if you seek their assistance.

HUD may extend the application deadline for any program if Grants.gov is offline or not available to applicants for at least 24 hours immediately prior to the deadline date, or the system is down for 24 hours or longer and impacts the ability of applicants to cure a submission deficiency within the grace period.

HUD may also extend the application deadline upon request if there is a presidentially-declared disaster in the applicant’s area.

If these events occur, HUD will post a notice on its website establishing the new, extended deadline for the affected applicants. HUD will also include the fact of the extension in the program’s Notice of Funding Awards required to be published in the Federal Register.

In determining whether to grant a request for an extension based on a presidentially-declared disaster, HUD will consider the totality of the circumstances including the date of an applicant’s extension request (how closely it followed the basis for the extension), whether other applicants in the geographic area are similarly affected by the disaster, and how quickly power or services are restored to enable the applicant to submit its application.

**PLEASE NOTE:** Busy servers, slow processing, or large file sizes, improper registration or password issues are not valid circumstances to extend the deadline dates or the grace period.

**1. Amending or Resubmitting an Application.**
Before the submission deadline, you may amend a validated application through Grants.gov by resubmitting a revised application containing the new or changed material. The resubmitted application must be received and validated by Grants.gov by the applicable deadline. If HUD receives an original and a revised application for a single proposal, HUD will evaluate only the last submission received by Grants.gov before the deadline.

**2. Grace Period for Grants.gov Submissions.**
If your application is received by Grants.gov before the deadline, but is rejected with errors, you have a grace period of 24 hours after the application deadline to submit a corrected, received, and validated application through Grants.gov. The date and time stamp on the
Grants.gov system determines the application receipt time. Any application submitted during the grace period not received and validated by Grants.gov will not be considered for funding. There is no grace period for paper applications.

3. Late Applications.
An application received after the NOFA deadline date that does not meet the Grace Period requirements will be marked late and will not be received by HUD for funding consideration. Improper or expired registration and password issues are not causes that allow HUD to accept applications after the deadline.

4. Corrections to Deficient Applications.
HUD will not consider information from applicants after the application deadline. HUD may contact the applicant to clarify other items in its application. HUD will uniformly notify applicants of each curable deficiency. A curable deficiency is an error or oversight that if corrected it would not alter, in a positive or negative fashion, the review and rating of the application. See curable deficiency in definitions section. Examples of curable (correctable) deficiencies include inconsistencies in the funding request and failure to submit required certifications. These examples are non-exhaustive.

When HUD identifies a curable deficiency, HUD will notify the authorized representative. The email is the official notification of a curable deficiency. Each applicant must provide accurate email addresses for receipt of these notifications and must monitor their email accounts to determine whether a deficiency notification has been received. The applicant must carefully review the request for cure of deficiency and must provide the response in accordance with the instructions contained in the deficiency notification.

Applicants must email corrections of curable deficiencies to applicationsupport@hud.gov within the time limits specified in the notification. The time allowed to correct deficiencies will not exceed 14 calendar days or be less than 48 hours from the date of the email notification. The start of the cure period will be the date stamp on the email sent from HUD. If the deficiency cure deadline date falls on a Saturday, Sunday, Federal holiday, or on a day when HUD’s Headquarters are closed, then the applicant’s correction must be received on the next business day HUD Headquarters offices in Washington, DC are open.

The subject line of the email sent to applicationsupport@hud.gov must state: Technical Cure and include the Grants.gov application tracking number (e.g., Subject: Technical Cure - GRANT123456). If this information is not included, HUD cannot match the response with the application under review and the application may be rejected due to the deficiency. This only applies to certain programs and responses should be sent to the NOFA specific program.

Corrections to a paper application must be sent in accordance with and to the address indicated in the notification of deficiency. HUD will treat a paper application submitted in accordance with a waiver of electronic application containing the wrong DUNS number as having a curable deficiency. Failure to correct the deficiency and meet the requirement to have a DUNS number and active registration in SAM will render the application ineligible for funding.
5. Authoritative Versions of HUD NOFAs. The version of these NOFAs as posted on Grants.gov are the official documents HUD uses to solicit applications.

E. Intergovernmental Review.

This program is not subject to Executive Order 12372, Intergovernmental Review of Federal Programs.

F. Funding Restrictions.

Pre-selection Review of Performance. – If your organization has delinquent federal debt or is excluded from doing business with the Federal government, the organization may be ineligible for an award. In addition, before making a Federal award, HUD reviews information available through any OMB-designated repositories of government-wide eligibility qualification or financial integrity information, such as Federal Awardee Performance and Integrity Information System (FAPIIS), and the “Do Not Pay” website. HUD may consider other public sources such as newspapers, Inspector General or Government Accountability Office reports or findings, or other complaints that have been proven to have merit. Applicants may review and comment on any information in FAPIIS through SAM. HUD reserves the right to:

- Deny funding, or with a renewal or continuing award, consider suspension or termination of an award immediately for cause,
- Require the removal of any key individual from association with management or implementation of the award, and

Make provisions or revisions regarding the method of payment or financial reporting requirements.

Indirect Cost Rate.

Statutory or Regulatory Restrictions Apply

Normal indirect cost rules apply. If you intend to charge indirect costs to your award, your application must clearly state the rate and distribution base you intend to use. If you have a Federally negotiated indirect cost rate, your application must also include a letter or other documentation from the cognizant agency showing the approved rate.

Nongovernmental organizations. If you have a Federally negotiated indirect cost rate, your application must clearly state the approved rate and distribution base and must include a letter or other documentation from the cognizant agency showing the approved rate. If you have never received a Federally negotiated indirect cost rate and elect to use the de minimis rate, your application must clearly state you intend to use the de minimis rate of 10% of Modified Total Direct Costs (MTDC). As described in 2 CFR 200.403, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both. Once an organization elects to use the de minimis rate, the organization must apply this methodology consistently for all Federal awards until the organization chooses to negotiate for a rate, which the organization may apply to do at any time. Documentation of the decision to use
the de minimis rate must be retained on file for audit.

G. Other Submission Requirements.

1. Application Certifications and Assurances
By signing the SF424 either through electronic submission or in paper copy submission (for those granted a waiver), applicant affirms certifications and assurances associated with the application are material representations of the facts upon which HUD will rely when making an award to the applicant. If it is later determined the signatory to the application submission knowingly made a false certification or assurance or did not have the authority to make a legally binding commitment for the applicant, the applicant may be subject to criminal prosecution, and HUD may terminate the award to the applicant organization or pursue other available remedies. Each applicant is responsible for including the correct certifications and assurances with its application submission, including those applicable to all applicants, those applicable only to federally-recognized Indian tribes, and those applicable to applicants other than federally-recognized Indian tribes. All program-specific certifications and assurances are included in the program Instructions Download on Grants.gov.

2. Lead Based Paint Requirements
When providing housing assistance funding for purchase, lease, support services, operation, or work that may disturb painted surfaces, of pre-1978 housing, you must comply with the lead-based paint evaluation and hazard reduction requirements of HUD’s lead-based paint rules (Lead Disclosure; and Lead Safe Housing (24 CFR part 35)), and EPA’s lead-based paint rules (e.g., Repair, Renovation and Painting; Pre-Renovation Education; and Lead Training and Certification (40 CFR part 745)).

V. Application Review Information.

A. Review Criteria.

1. Rating Factors.
Rating Factor 1 - Capacity of the Applicant and Relevant Organizational Experience (30 points)
This rating factor addresses the extent to which you have the organizational resources necessary to successfully implement your proposed work plan, as further described in Rating Factor 3, within the 36-month award period.

a. Organizational structure, management capacity, and relevant staff experience (15 points). HUD will evaluate the experience of your project director, core staff, and any outside consultant, construction contractor, sub-recipient, or project partner as it relates to addressing the housing needs of veterans who are low-income and living with disabilities and implementing the activities in your work plan. Specifically, HUD will evaluate your program management structure; the extent to which you can demonstrate your organization’s ability to manage the proposed workforce; the specific roles and responsibilities of each program
management staff member; and any program management staffing or skills gaps that exist within your program management structure and your plan to address them.

In judging your response to this factor, HUD will only consider work experience gained within the last seven years. When responding, please be sure to provide the dates, job titles, and relevancy of the past experience to the work to be undertaken by the employee or contractor under your proposed VHRM award. The more recent, relevant, and successful the experience of your team members in relationship to the work plan activities, the greater the number of points you will receive. Please do not include the Social Security Numbers (SSNs) of any staff members.

b. Relevant partnership capacity and/or experience, and past performance (15 points). HUD will evaluate your ability to work with veterans service organizations in resolving issues related to rehabilitation and/or modification of a veteran’s primary residence. In evaluating this sub-factor, HUD will take into account your experience in working with veterans service organizations to design and implement programs that address housing needs for veterans who are low-income and living with disabilities. The more recent, relevant, and successful the experience of your organization and any participating entity, the greater the number of points you will receive.

HUD will evaluate your performance in any previous grant program undertaken with HUD funds or other federal, state, local, or nonprofit or for-profit organization funds. (Note: Previous HUD performance-based experience may be verified through HUD's field offices as needed. Other relevant past performance information should be included as part of the application.) HUD reserves the right to take into account your past performance in meeting performance and reporting goals for any previous HUD award, in particular whether the program achieved its outcomes.

HUD reserves the right to give zero points for Rating Factor 1 if the applicant has been determined to have a pattern or practice of any or all of the following activities related to the management and operation of previous grant awards: (1) mismanagement of funds, including the inability to account for funds appropriately; (2) untimely use of funds received either from HUD or other federal, state, or local programs; and (3) significant and consistent failure to measure performance outcomes.

**Rating Factor 2 - Need and Extent of the Problem (15 points)**

This factor addresses the extent to which there is a demonstrable need for funding for the proposed activities based on the approximate number of veterans being served and the type of work that will be conducted as provided in Section III.A of this NOFA. In this section, applicants should describe the geographic areas that they intend to be covered by their activities.

The VHRM program is designed to address the housing needs of veterans, as defined by 38 U.S.C. 101, who are low-income, meaning their income does not exceed 80 percent of the median income for the area as determined by the Secretary, and who are living with a disability, as defined by 42 U.S.C. 12102. Further, as discussed in Section III.A of this NOFA, the program encompasses a range of eligible activities. These characteristics allow for broad flexibility in the design of particular proposals to implement the program.

In responding to this factor, applications will be evaluated on the level of need for the proposed activity and the urgency in meeting the need. HUD will award higher points for this factor to applicants who convincingly demonstrate how their proposed approach addresses a significant
need among the eligible veteran populations. Applicants should specifically discuss how they plan to target assistance among eligible veterans, given the flexible criteria.

Applicants should specifically address how their proposal addresses a need that is not already met by existing programs for veterans, both those operated by the Department of Veterans Affairs and by other entities. The proposal should be consistent with the plan described in section (iv) of the Work Plan (see Rating Factor 3(a)(iv)) and describe how the applicant will avoid duplication or overlap while maximizing coordination with other existing programs (to the extent that such coordination would be beneficial to the implementing organizations and participants being served).

Rating Factor 3 - Soundness of Approach (35 points)

This factor addresses the overall quality of your proposed work plan, taking into account the eligible activities proposed to be undertaken; the cost-effectiveness of your proposed program; and the linkages between identified needs, the purposes of this program, and your proposed activities and tasks.

a. Work Plan (15 points). A clearly defined work plan must be submitted that describes each of the projects and activities you will carry out to further the objectives of this program and addresses the need identified in Factor 2. Each application submitted must include:

   (i) a plan of action detailing outreach initiatives (see factor 3(c) below);

   (ii) the approximate number of veterans the qualified organization intends to serve using grant funds;

   (iii) specific descriptions of the type of work that will be conducted, such as interior home modifications, major home repairs, energy efficiency improvements, and other similar categories of work;

   (iv) a plan for working with the Department of Veterans Affairs and veterans service organizations to identify veterans who are not eligible for programs under chapter 21 of title 38, United States Code, and meet their needs; and

   (v) the budget for your program, broken out by line item. Written projected cost estimates from outside sources are also required.

Applicants must submit their work plan on a spreadsheet showing each type of project to be undertaken and the tasks required to implement the project (to the extent necessary or appropriate), with your associated budget estimate for each activity/task. Your work plan must provide the rationale for your proposed activities and assumptions used in determining your project timetable and budget estimates. Failure to provide your rationale may result in your application receiving fewer points for lack of clarity in the proposed work plan.

b. Timetable (5 points). Your timetable must address the measurable short-term and long-term goals and objectives to be achieved through the proposed activities based on annual benchmarks; the method you will use for evaluating and monitoring program progress with respect to those activities; and the method you will use to ensure that the activities will be completed on time and within your proposed budget estimates.

c. Outreach (10 points). Your outreach strategy must include a plan of action detailing outreach initiatives to (i) identify eligible veterans; and (ii) engage eligible veterans and veteran service
organizations in projects utilizing grant funds. HUD will evaluate the outreach plan to assess your ability to meet VHRM Program outcome and output measures consistent with Rating Factor 5 and the reporting requirements in section VI.C.

d. Section 3 Compliance (5 points). Your work plan must describe your strategy for hiring local low-income individuals, providing training opportunities and awarding contracts to local Section 3 businesses. Applicants should outline their plan to 1) notify residents and contractors about jobs and contracts that may become available; 2) notify potential contractors about the requirements of Section 3; 3) hire local residents and award contracts to local businesses; and 4) assist in obtaining compliance among contractors and subcontractors.

Rating Factor 4 - Leveraging Resources (10 points)

This factor addresses the extent to which applicants have obtained letters of firm commitment of financial or in-kind resources from other federal, state, local, and private sources. This factor is not a substitution for the matching requirement as provided in Section III.B.

For every VHRM dollar anticipated, you should provide the specific number of dollars leveraged. In assigning points for this criterion, HUD will consider the level of outside resources obtained in the form of cash or in-kind goods or services that support activities proposed in your application. HUD will award a greater number of points based on a comparison of the extent of the organization's leveraged funds. The level of outside resources for which commitments are obtained will be evaluated based on their importance to the total program.

Your application must provide evidence of leveraging in the form of letters of firm commitment that will be providing the leveraging funds to the project. Each commitment described in the narrative of this factor must be in accordance with the definition of "letters of firm commitment" in Section I.A.4 of this NOFA. The commitment letter must be on letterhead of the organization providing the letter of firm commitment, must be signed by an official of the organization legally able to make commitments on behalf of the organization, and must not be dated earlier than the date this NOFA is published.

Points for this factor will be awarded based on the satisfactory provision of evidence of leveraging and financial sustainability, as described above, and the ratio of leveraged funds to requested VHRM funds as follows:

1. Leveraged funds equal 50 percent or more of requested VHRM funds = 10 points;
2. 49-40 percent = 4 points;
3. 39-30 percent = 3 points;
4. 29-20 percent = 2 points;
5. 19-9 = 1 points;
6. Less than 9 percent = 0

See the Section IV. D4 of this NOFA for instructions for submitting third-party letters and other documents with your electronic application.

Rating Factor 5 - Achieving Results and Program Evaluation (10 points)

This factor evaluates whether you have an effective plan for managing and evaluating the timeliness, compliance, efficiency and effectiveness of your VHRM program to provide
measurable outcomes and outputs. You must clearly identify the outcomes to be achieved and measured. Proposed program benefits should include program activities, benchmarks, and interim activities or performance indicators with timelines. Applications should include an evaluation plan that will effectively measure actual achievements against anticipated achievements.

Evaluation plan requirements:

a. You must describe your procedures for evaluating your VHRM program, including the frequency and methods you will use to collect data. You must identify the quantifiable output and outcome indicators or measures you will use to evaluate whether your VHRM program is achieving your goals and addressing the needs identified in your VHRM application.

b. You must identify your quantifiable VHRM program goals. You must identify both your primary and secondary goals. You must describe how your goals are related to each of the specific needs you identified in Rating Factor 2 “Need/Extent of Problem.”

HUD will consider the quality of your program performance, compliance and evaluation procedures; your process for corrective actions; the relationship of your goals to the needs that you identify; and how you will use your evaluation results to provide measurable outcomes and outputs as required for reporting by HUD in Section VI.C. HUD will also require VHRM grantees to submit periodic reports on their program achievements and program evaluation results.

HUD will evaluate and analyze how well an applicant's proposed plan is designed to provide clear and measurable goals, output, and outcome measures to implement the VHRM program. In order to receive the highest number of points, applicants must present a clear plan to address the VHRM output and outcome measures. Under this rating factor, applicants will receive a maximum of 10 points.

2. Preference Points.
Preference points are not available for this program.

B. Review and Selection Process.

1. Past Performance
In evaluating applications for funding, HUD will take into account an applicant’s past performance in managing funds. Items HUD may consider include, but are not limited to:

a. The ability to account for funds appropriately;
b. Timely use of funds received from HUD;
c. Timely submission and quality of reports submitted to HUD;
d. Meeting program requirements;
e. Meeting performance targets as established in the grant agreement;
f. The applicant’s organizational capacity, including staffing structures and capabilities;
g. Time-lines for completion of activities and receipt of promised matching or leveraged funds; and

h. The number of persons to be served or targeted for assistance.

HUD may deduct points from the rating score or establish threshold levels as specified under the Factors for Award in the NOFA. Each NOFA will specify how past performance will be rated or otherwise used in the determination of award amounts. Whenever possible, HUD will obtain past performance information from staff with the greatest knowledge and understanding of each applicant’s performance. If this evaluation results in an adverse finding related to integrity or performance, HUD reserves the right to take any of the remedies provided in Section III.D 1. Pre-selection Review of Performance, above.

2. Assessing Applicant Risk

Rating and ranking.

1. Technical Deficiencies. After the VHRM application deadline date and consistent with regulations in 24 CFR part 4, subpart B. HUD will not consider any unsolicited information you may provide. However, HUD may contact you to clarify an item in your application or to correct a curable technical deficiency. In order not to unreasonably exclude applications from being rated and ranked, HUD may also contact applicants to ensure proper completion of the application. HUD will do so on a uniform basis for all applicants. HUD will not seek clarification of items or responses that improve the substantive quality of your response to any Rating Factor. Examples of curable (correctable) technical deficiencies include inconsistencies in the funding request or a failure to submit certifications. In each case, HUD will notify you in writing by email in accordance with the instructions found in the Section VI.B of this NOFA. HUD will describe the clarification or technical deficiency and provide instructions for submitting corrections. The time allowed to correct deficiencies will not exceed 14 calendar days or be less than 48 hours from the date of the email notification. Refer to Section VI.B. of this NOFA for more specific guidance and instructions. HUD will rate all eligible applications that meet the threshold requirements against the criteria in Rating Factors 1 through 5. HUD will assign a point score for each Rating Factor. Points will be deducted for incomplete or inadequate responses.

2. Threshold Review. HUD will screen each application to determine if it meets the threshold criteria listed in Section III.C. of this NOFA; and whether it is deficient and subject to corrections of technical deficiencies as described above.

3. Applications that will not be Funded. HUD will not rate and rank applications that fail to cure technical deficiencies within the time frame provided by HUD. Further, HUD will not rate, rank or fund applications that fail any of the threshold requirements contained in Section III.C. of this program NOFA.

4. Rating. HUD will rate each eligible application that meets the threshold criteria based on the applicant's response to the Rating Factors. HUD will assign a score for each Rating Factor and a total score for each eligible application.

5. Minimum Rating Score. Applicants must score a minimum of 10 points under Rating Factor 1(a) and 10 points under Rating Factor 1(b) of this NOFA, “Capacity of the Applicant and Relevant Organizational Experience.” Applicants must receive a total score of 75 points or more for Rating Factors 1 through 5. HUD will reject any
application that does not meet these minimum rating score requirements.

6. **Ranking.** All eligible applicants will be placed in rank order based on the total application score.

7. **Tie Scores.** If two or more applications have the same score, the applicant with the highest score for Rating Factor 1 of this NOFA, ("Capacity of the Applicant and Relevant Organizational Experience"), will be ranked higher. If a tie remains, the applicant with the highest score for Rating Factor 3 of this NOFA, ("Soundness of Approach"), will be ranked higher.

**Experience with performance based funding requirements.** HUD will evaluate your performance in any previous grant program undertaken with HUD funds or other federal, state, local, or nonprofit or for-profit organization funds. (Note: Previous HUD performance-based experience may be verified through HUD's field offices as needed. Other relevant past performance information should be included as part of the application.) HUD reserves the right to give zero points for Rating Factor 1, if the applicant has been determined to have a pattern or practice of any or all of the following activities related to the management and operation of previous grant awards: (1) mismanagement of funds, including the inability to account for funds appropriately; (2) untimely use of funds received either from HUD or other federal, state, or local programs; and (3) significant and consistent failure to measure performance outcomes.

**C. Anticipated Announcement and Award Dates.**

Award Date: To be determined by the Secretary.

**VI. Award Administration Information.**

**A. Award Notices.**

Following the evaluation process, HUD will notify successful applicants of their selection for funding. HUD will also notify other applicants, whose applications were received by the deadline, but have not been chosen for award. Notifications will be sent by email to the person listed as the AOR in item 21 of the SF-424.

HUD will notify you whether or not you have been selected for an award. Successful VH RM applicants will be notified of grant award and will receive post-award instructions by mail. If you are selected, HUD's notice to you concerning the amount of the grant award (based on the approved application and any reduction HUD may decide to make) will constitute HUD's conditional approval, subject to negotiation and execution of a grant agreement by HUD.

**B. Administrative, National and Department Policy Requirements for HUD recipients**

For this NOFA, the following General Administrative Requirements and Terms for HUD Financial Assistance Awards apply. Please [click here] to read the detailed description of each applicable requirement.

1. **Compliance with Non-discrimination and Related Requirements.**
Unless otherwise specified, these non-discrimination and equal opportunity authorities and other requirements apply to all NOFAs. Please read the following requirements carefully as the requirements are different among HUD’s programs.

2. Equal Participation of Faith-Based Organizations in HUD Programs and Activities.
3. OMB Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
4. Environmental Requirements.

Compliance with 24 CFR Part 50 or 58 procedures is explained below:
Grantees must comply with HUD environmental review requirements. All VHRM assistance is subject to the National Environmental Policy Act of 1969 and related Federal environmental authorities and regulations at 24 CFR part 50. Following a recipient’s selection for funding, the recipient must notify HUD of each property it proposes to rehabilitate or modify, and HUD will perform an environmental review of each proposed property in accordance with 24 CFR part 50. The results of the environmental review may require that proposed activities be modified or that proposed sites be rejected. Grantees and their contractors must not undertake any project or activity or commit Federal or non-Federal funds or assistance to a project or activity that could limit reasonable choices or could produce an adverse environmental impact, including rehabilitation, repair, or construction of a property, until all required HUD environmental reviews for the property have been completed, and you receive HUD's approval under 24 CFR part 50. The performance of energy audits and the provision of technical assistance and training are excluded from environmental review requirements in accordance with 24 CFR 50.19(b)(1) and (9).

5. Compliance with Fair Housing and Civil Rights.

As applicable, awardees must ensure that all programs and activities undertaken as eligible activities comply with the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990, and their implementing regulations. Further, the appropriate federal accessibility requirements including the Uniform Federal Accessibility Standards (UFAS), Fair Housing Act Accessibility Guidelines, 2010 ADA Accessibility Standards, and HUD’s Deeming Notice available at https://www.gpo.gov/fdsys/pkg/FR-2014-05-23/pdf/2014-11844.pdf must be adhered to, as appropriate and applicable.

C. Reporting.

HUD requires recipients to submit performance and financial reports under OMB guidance and program instructions.

1. Reporting Requirements and Frequency of Reporting. This NOFA and award agreement will specify the reporting requirements, including content, method of data collection, and reporting frequency. Applicants should be aware that if the total Federal share of your Federal award includes more than $500,000 over the period of performance, you may be subject to post award reporting requirements reflected in Appendix XII to Part 200-Award Term and Condition for Recipient Integrity and Performance Matters.

2. Race, Ethnicity and Other Data Reporting. HUD requires recipients that provide HUD-funded program benefits to individuals or families to report data on the race, color, religion, sex, national origin, age, disability, and family characteristics of persons and households who are
applicants for, participants in, or beneficiaries or potential beneficiaries of HUD programs in
order to carry out the Department’s responsibilities under the Fair Housing Act, Executive
Order 11063, Title VI of the Civil Rights Act of 1964, and Section 562 of the Housing and
Community Development Act of 1987. NOFAs may specify the data collection and reporting
requirements. Many programs use the Race and Ethnic Data U.S. Department of
Housing OMB Approval No. 2535-0113 Reporting Form HUD-27061.

Recipients' reporting will provide information the Secretary will submit to Congress on an
annual basis and will include the following:

Output Measures. Output Measures are quantifiable. VHRM program reported outputs must
include:

(1) a quantitative measure of outreach activities, e.g., number of eligible (or likely eligible)
veterans or their family members who were personally reached; estimated reach of advertising
or other mass communications; number of attendees for educational activities such as trainings;
level of participation from veteran service organizations; etc.;

(2) the number of eligible veterans who were provided assistance;

(3) the socioeconomic characteristics of such veterans, including their gender, age, race, and
ethnicity;

(4) the total number of modifications/rehabilitations provided, categorized by type of
modification/rehabilitation (accessibility; safety features; major home repair; energy efficiency;
etc.);

(5) the average cost per project (i.e., per home) and per modification/rehabilitation type as listed
in measure (3) above (i.e., by category);

(6) the total number, types, and locations of entities contracted under the program to administer
the grant funding; and

(7) the amount of matching funds and in-kind contributions raised with each grant.

Outcome Measures. Outcome Measures are benefits accruing to the program participants
and/or communities during or after participation in the VHRM program. Quantitative measures
are encouraged to the extent available. VHRM program outcomes must include:

(1) a description of the cost savings and other impacts on participants from housing
rehabilitation and modification services provided, such as reported time savings, health and
safety outcomes, mental wellness or stress levels, ability to engage in previously inaccessible
activities, etc. (note: this can be itemized as multiple measures);

(2) a description of the outreach initiatives instituted by grant recipients to (i) identify and (ii)
engage eligible veterans and their families, and veteran service organizations, in projects
utilizing grant funds; for instance, by noting how outreach activities related to ultimate
participation levels or other program outcomes;

(3) a description of the impact and efficacy of the outreach initiatives in (2);

(4) a description of any other actions taken under the program; and

(5) any other information that the Secretary considers relevant in assessing outcomes.
Reporting documents apply to the award, acceptance and use of assistance under the VHRM program and to the remedies for non-compliance, except when inconsistent with HUD’s Appropriation Act, or other federal statutes or the provisions of this NOFA.

3. Performance Reporting. All HUD funded programs, including this program, require recipients to submit, not less than annually, a report documenting achievement of outcomes under the purpose of the program and the work plan in the award agreement.

D. Debriefing.
For a period of at least 120 days, beginning 30 days after the public announcement of awards under this NOFA, HUD will provide a debriefing related to their application to requesting applicants. A request for debriefing must be made in writing or by email by the authorized official whose signature appears on the SF424 or by his or her successor in office, and be submitted to the point of contact in Section VII Agency Contact(s), below. Information provided during a debriefing may include the final score the applicant received for each rating factor, final evaluator comments for each rating factor, and the final assessment indicating the basis upon which funding was approved or denied.

VII. Agency Contacts.
HUD staff will be available to provide clarification on the content of this NOFA. Questions regarding specific program requirements for this NOFA should be directed to the point of contact listed below.

Sylvia Purvis, c/o Jackie L. Wiliams
1-877-787-2526
jackie.williams@hud.gov

Persons with hearing or speech impairments may access this number via TTY by calling the toll-free Federal Relay Service at 800-877-8339. Please note that HUD staff cannot assist applicants in preparing their applications.

VIII. Other Information.
A Finding of No Significant Impact (FONSI) with respect to the environment has been made for
this NOFA in accordance with HUD regulations at 24 CFR Part 50, which implement section 102(2)(C) of the National Environmental Policy Act of 1969 (42 U.S.C. 4332(2)(C)). The FONSI is available for inspection at HUD's Funds Available web page at http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/grants/fundsavail. The FONSI is also available for public inspection between 8 a.m. and 5 p.m. weekdays in the Regulations Division, Office of General Counsel, Department of Housing and Urban Development, 451 Seventh Street, SW, Room 10276, Washington, DC 20410-0500. Due to security measures at the HUD Headquarters building, an advance appointment to review the FONSI must be scheduled by calling the Regulations Division at (202) 708-3055 (this is not a toll-free number).
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee – May 8, 2018

Through: Policy Committee – May 1, 2018

FROM: George Maestas

DATE: May 16, 2018

SUBJECT: Approval of the updated HOME Single Family Development Program Policy

Recommendation:
MFA staff recommends that MFA’s Board of Directors approve the updated HOME Single Family Development Program Policy.

Background:
MFA’s HOME Single Family Development Program which was originally approved by the Board in November 2002 and subsequently revised in years 2003, 2005 and 2012. However, after the HUD Final Rule was published in August 2013, MFA decided to no longer offer HOME Single Family Development Program. The primary reason for discontinuing the program was that the new rules made it onerous to comply with HUD regulations and, at that time, the Housing Development Department did not feel that it had sufficient staff, nor the expertise, to design a compliant program. Reduced HOME funding and a lack of demand for the single family development product, also contributed to the decision.

Discussion:
In order to re-establish the program, Housing Development, along with MFA’s deputy director of programs, have made several updates to the existing HOME Single Family Development Program Policy which will allow the program to comply with requirements of 2013 Final Rule. Key changes include a priority for use by Community Housing Development Organizations (CHDOs). This priority will allow Single Family Development to be utilized (as an alternative to Rental Development) as a method to allocate HOME CHDO Set-Aside funds. Other updates include a construction inspection requirement and a homebuyer counseling requirement. Also, underwriting guidelines have been established to determine appropriateness in the amount of homebuyer assistance that can be offered. MFA will require that the Developer confirm and certify compliance with the homebuyer counseling and underwriting the debt ratios of the homebuyer(s). Shifting the responsibility for these requirements to the Developer should alleviate the staffing issue for MFA.

For your review, attached are the following documents:
- HOME Single Family Development Program Policy
Summary:
Staff is seeking approval of the updated HOME Single Family Development Program Policy from MFA’s Board of Director’s.
INTRODUCTION/PURPOSES

This HOME Single Family Development program is designed to provide partial or gap financing to nonprofit and for-profit developers, public and tribal entities, with priority to Community Housing Development Organizations (CHDOs), for the construction or acquisition and rehabilitation of single-family homes throughout New Mexico. This HOME Single Family Development Program Policy is a set of broad policy statements to guide staff in the design of specific program activities for all HOME Single Family Development Program activities. The purpose of the Program is to create affordable housing and to make awards that are enforced with Contracts, Loan Agreements, Mortgages, and Land Use Restriction Agreements. Although program activities may change from year to year as a result of newly emerging priorities or prior years' experience, the underlying premises of this policy should remain much the same over time. The policy supports the Board's overall goal of efficient use of resources, equitable distribution of resources, and leverage of funds. It expresses MFA's general intentions concerning the use of the funds. Any changes must be approved by the Board.

DEPARTMENTAL RESPONSIBILITIES

Following standard agency practice, program design, establishment of application and threshold requirements, review and selection of projects, structuring and underwriting of loans, and documentation and closing of loans are the primary responsibilities of MFA's Housing Development Department. They are carried out under the direction of the Director of Housing Development. Various ancillary activities that are essential to the program and to the department’s activity, but which are carried out, or assisted, by other departments of MFA, include the following:

1) the production of the annual Action Plans and the Consolidated Plans that describe the broad parameters of each year's program designs (Community Development Policy & Planning);

2) various compliance and monitoring activities carried out after loan closing (Community Development Servicing);

3) loan servicing (Servicing); and

4) tracking of program expenditures (Accounting).

It is the responsibility of the Housing Development Department to coordinate its activities with other departments as needed. The Board of Directors is the primary entity responsible for internal allocations of funds to single family development and other uses.

ANNUAL HOME SINGLE FAMILY DEVELOPMENT PROGRAM DESIGN AND DEVELOPMENT

Each year, in conjunction with MFA’s allocation of funds to various HOME eligible activities, the Housing Development Department will develop and provide basic program design parameters for publication in the Annual Action Plan and/or
Consolidated Plan. These serve as general guidelines to applicants. Proposed program changes will be based on prior years’ experience with various strategies, and emerging priorities and needs identified by the Board and staff.

OVERALL HOME/SINGLE FAMILY DEVELOPMENT PROGRAM OBJECTIVES
1) Program funds will be expended in the most efficient way possible, as reflected in efforts to (a) maximize leverage through other commitments of resources from other sources, (b) structure awards to promote recycling of HOME funds, and (c) establish limits and conditions within the priorities established herein for any given project.

2) Program design, when possible, will promote an equitable geographic distribution of funds throughout the state of New Mexico.

3) Projects must demonstrate increased affordability as a result of HOME awards. (See item #3 under General Program Parameters for further detail.)

BASIC PROGRAM PARAMETERS
General

1) HOME funds will serve as “gap financing” and will be awarded only where a financing gap exists between the total amount of all permanent sources of funds (mortgages, subsidies readily available from other sources, and buyers’ down payments) and the total development cost of the project (after fees have been adjusted if necessary).

2) Before determining the financing gap, Housing Development staff will review the development budget to ensure that developer fees and profit and general contractor profit, overhead, and general requirements do not exceed MFA’s established program limits.

3) HOME funds will be awarded only where they will produce a demonstrable increase in affordability, measured as a lower average median income for the target homebuyers. The combined value of all sources of permanent funds available to the homebuyer (including all mortgages, subsidies, buyer’s cash down payment, and other forms of assistance) should not exceed reasonable closing costs plus the lesser of (a) the appraised value, (b) 95% of median purchase price for the area, or (c) the total development cost of the unit being purchased. Exceptions may be made in markets that appraised values significantly exceed cost and the developer subsidizes the difference.

4) HOME awards will be made contingent upon the developer receiving (a) all other construction financing commitments; and (b) all other permanent financing commitments with the exception of the permanent first mortgages to the homebuyers.

5) Projects serving the lowest income households and/or specific special needs populations will obtain more favorable terms.
6) All awards will be enforced and secured with the use of contracts, notes, mortgages, land use restriction agreements or restrictive covenants, and any other documentation required by MFA counsel.

7) To facilitate acquisition and development projects, HOME funds may be used first by the developer during construction, and may then be converted to permanent loan funds to be used by the homebuyer. The amount of HOME funds to be converted to permanent funds will be individually-sized to each homebuyer, based upon a predetermined front-end ratio, in order to avoid over-subsidization.

Construction Awards

1) The total amount awarded to the developer during construction may not exceed the lesser of (a) up to 100% of the acquisition costs of the land and existing improvements, or (b) the annual maximum award per unit or per project established in the Action Plan.

2) Construction awards will be full recourse to the developer.

3) The balance of the construction award not converted to a permanent homebuyer loan will be due to MFA from the developer at the end of the construction award term.

4) Funds released during construction may be recaptured at the homebuyer closing if MFA determines that the entire amount of funds disbursed during construction for a given unit was not needed by the homebuyer to make the unit affordable.

5) Progress and final inspections of construction will be performed to ensure that work is done in accordance with applicable codes, the construction contract, and the construction documents. Inspections may be performed by a third-party inspector acceptable to MFA.

Permanent Homebuyer Loan

1) The housing must be acquired by a homebuyer(s) whose household qualifies as a low-income family, and the housing must be the principal residence of the family throughout the affordability period. If there is no ratified sales contract with an eligible homebuyer for the housing within 9 months of the date of completion of construction, the housing must be rented to an eligible tenant, in accordance with (92.252) of 2013 final rule. This occurrence would trigger compliance monitoring from the Asset Management Department.

2) In determining the income eligibility of the household, the Participating Jurisdiction must include the income of all persons 18 years of age or older living in the housing.
3) MFA’s Underwriting Standards for homeownership assistance will evaluate both the housing debt (Front End Ratio), as well as the overall debt of the household (Back End Ratio), in order to determine the appropriateness of the amount of assistance, the monthly expenses of the family, the assets available to acquire the housing, and household’s financial resources to sustain homeownership. The underwriting may be performed by the developer and then certified to MFA as having been completed and that the applicant falls within MFA’s debt ratio guidelines. MFA’s current debt ratio guidelines have been established as a minimum Front-End Ratio of 28% ([Housing Costs (PITI) / Gross Income]) and a maximum Back-End Ratio of 42% (Total Debt/Gross Income).

4) The homebuyer(s) must receive MFA approved counseling, which may be provided by the developer of the project. Participating Jurisdictions, sub-recipients and State recipients may charge homebuyers a fee for housing counseling.

5) Loans will be recourse to the homebuyer(s). The total permanent loan amounts made available to the homebuyer(s) may not exceed per unit or per project maximums established in each year’s Action Plan.

6) All recapture requirement has been selected and established to ensure that all HOME loans to the homebuyer will be due following sale, refinance, or transfer. The amount that can be recaptured from the homeowner/homebuyer(s) cannot exceed the net proceeds from the sale or refinance of the property, regardless of if the original loan exceeds the net gain on sale or refinance. No interest or principal payments will be charged to the homebuyer.

7) MFA may recoup all, or a portion, of the HOME assistance to the homebuyers if the housing does not continue to be the principal residence of the family for the duration of the period of affordability.

8) Loans to the homebuyer will be subordinate to the first mortgage, and may be subordinate to other junior mortgages as determined on a case-by-case basis.

9) Per unit and/or per project loan limits will be specified annually in the Board approved Action Plan.

10) Homebuyers The Developer must ensure that the Homebuyer(s) have obtained the best possible permanent loan rate that the homebuyer(s) can qualify for in order to use HOME funds.

PROCESSING OF AWARDS
Staff will be responsible for determining threshold and application requirements, processing and underwriting of loans, and a variety of other activities required to operate the program. HOME/ Single Family Development awards will be approved first by the Policy Committee, a committee of the Board, and the full Board of Directors, as required by MFA’s authorizations delegations of authority in effect at the time.
NEW MEXICO MORTGAGE FINANCE AUTHORITY
Contracted Services/Credit Committee Meeting
Tuesday, May 8, 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 Approval of CDBG RFP (Gina Bell)</td>
<td>2-0</td>
<td>YES</td>
</tr>
<tr>
<td>2 Approval of 2017/2018 DOE Annual and Master State Plans (Amy Gutierrez and Troy Cucchiara)</td>
<td>2-0</td>
<td>YES</td>
</tr>
<tr>
<td>3 Real Estate Owned (REO) Disposition-Loss Approval (Theresa Laredo Garcia)</td>
<td>2-0</td>
<td>YES</td>
</tr>
<tr>
<td>4 RFP for Purchase of Affordable Housing Rental Properties in Clayton, NM (Christine Wheelock and Izzy Hernandez)</td>
<td>2-0</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]
5/18/18
MEMORANDUM

TO: MFA Board of Directors

Through: Contracted Services on May 8, 2018

Through: Policy Committee on May 1, 2018

FROM: Gina Bell, Assistant Director of Community Development

DATE: May 16, 2018

SUBJECT: Request for Proposal for Service Providers for the Community Development Block Grant Program

Recommendation:
Staff requests approval to issue the Community Development Block Grant (CDBG) Request for Proposal (RFP).

Background:
The CDBG Housing Programs national objective is to principally assist low and moderate income (LMI) homeowners with repair, rehabilitation, accessibility modifications, specific types of housing modernization, code enforcement, and historic preservation activities.

The Department of Finance and Administration (DFA), Local Government Division and the Community Development Council (CDC) set aside $1,000,000 for CDBG Housing in the state of New Mexico. Awards were limited to $500,000. On March 22, 2017 MFA’s board of director’s authorized MFA to apply for the CDBG funding.

On December 21, 2017, MFA signed an agreement in amount of $500,000 with DFA to provide housing services in the Colonias.

The 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. A map of the Colonias is attached for your review.

Discussion:
CDBG funding will be used to provide moderate rehabilitation to 10 homes, energy efficiency upgrades to 34 homes, accessibility improvements to 13 homes and roof replacements to 20 homes. The funding will be used as leverage funding for the homes receiving moderate rehabilitation and energy efficiency however the homes receiving accessibility improvements and new roofs will be funded primarily with the CDBG and a small cash match from MFA.
In order to access the funding needed to provide the services to the homes receiving moderate rehabilitation and energy efficiency upgrades, it was necessary to use our existing service providers to perform the work since they are entities that have been awarded the primary funding for these programs. MFA requested and received approval from the DFA to use the existing procurement for the Rehab and NM EnergySmart Service Providers.

The RFP being presented today is to procure for agencies that are interested in providing the roof replacement and accessibility upgrades services.

Funding for the 20 replacement roofs is $252,750 ($240,250 CDBG funding and $12,500 MFA Cash Match Leverage). This will allow for a maximum reimbursement of $12,637.50 per roof.

Funding for the 13 accessibility upgrades is $162,750 ($150,250 CDBG funding and $12,500 MFA Cash Match Leverage.) This will allow for a maximum reimbursement of $12,519.23 per home.

A three percent administrative fee will be added based on the total monthly invoicing provided to MFA.

RPP scoring is based on the categories shown below. The maximum score is 100 points. Offerors whose proposals score the highest will be awarded the funding and MFA may fund up to 4 qualified Offerors to perform the work. Selections made will be those that are most advantageous to MFA.

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Capacity</td>
<td>30</td>
</tr>
<tr>
<td>Finance</td>
<td>20</td>
</tr>
<tr>
<td>Construction Experience</td>
<td>25</td>
</tr>
<tr>
<td>CDBG Program Implementation Plan</td>
<td>25</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Upon MFA board approval, we will proceed with the below timeline to ensure that we can enter into contracts in a timely manner. All funding must be fully expended no later than December 2019.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA Published RFP</td>
<td>5/16/2018</td>
</tr>
<tr>
<td>RFP Training</td>
<td>5/23/2018</td>
</tr>
<tr>
<td>Deadline for Receipt of Proposals</td>
<td>6/13/2018</td>
</tr>
<tr>
<td>Preliminary Award Notice Sent to Service Providers</td>
<td>7/03/2018</td>
</tr>
<tr>
<td>Protest Period Begins</td>
<td>7/03/2018</td>
</tr>
<tr>
<td>Protest Period Ends</td>
<td>7/10/2018</td>
</tr>
<tr>
<td>Present Award Recommendations to MFA Board of Directors</td>
<td>7/18/2018</td>
</tr>
<tr>
<td>Send Contracts to Service Providers</td>
<td>7/18/2018</td>
</tr>
</tbody>
</table>

**Summary:**

Staff is requesting approval for the release of a Request for Proposal for Community Development Block Grant Service Providers. Upon approval, approximately $415,500 in funding would be awarded to agencies to provide accessibility upgrades to 13 homes and new roofs to 20 homes located in the Colonias.
NEW MEXICO MORTGAGE FINANCE AUTHORITY
REQUEST FOR PROPOSAL
COMMUNITY DEVELOPMENT BLOCK GRANT
(CDBG)

2018/2019 Program Year

Expanding the view of affordable housing.

May 16, 2018
Welcome and thank you for your interest in responding to MFA’s Community Development Block Grant (CDBG) 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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# 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 1/2 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: www.housingnm.org/community_development/(CDBG)
- 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, 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 offeror’s 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 with the below limits:

$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)

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 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 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

The Community Development Block Grant (CDBG) program is a federally funded program through the U.S. Department of Housing and Urban Development (HUD). The primary purpose of the Community Development Block Grant (CDBG) program is the development of viable urban communities by providing decent housing, a suitable living environment and expanded economic opportunities, principally for persons of very low and low-income. In New Mexico, the state CDBG funds are administered by the Local Government Division (LGD) of the Department of Finance and Administration (DFA).

This is the first year that MFA received $500,000 in CDBG funding for low to moderate income single family housing in the Colonias. The Department of Housing and Urban Development, through the CDBG Program, allocates these funds annually to eligible cities and counties with the objective of improving communities. The funds are then distributed to participating cities, water purveyors, non-profits and housing partners through a competitive application process.

LGD has awarded CDBG funding to MFA for four activities all of which must be performed in Colonias;

1. **Accessibility improvements to a minimum of 13 homes.** Accessibility may include installation of ramps, installation of grab bars, widening doorways, and lowering cabinets.

2. **Moderate rehabilitation to a minimum of 10 homes.** Rehabilitation must bring each home up to code, and may include exterior renovations such as new siding, stucco, windows, doors, or roofing. Rehabilitation also provides interior renovations that may include new floors, walls, bathroom and kitchen plumbing with fixtures, appliances and electrical upgrades, pursuant to MFA’s written rehabilitation standards.

3. **Roof replacement to a minimum of 20 homes.**

4. **Energy efficiency measures will be made to a minimum of 34 homes.** Energy Efficiency upgrades include replacement of furnaces, water heaters, insulation, air sealing, refrigerators and installation of health and safety measures such as ventilation fans and carbon monoxide detectors.

This totals a minimum of 77 homes, serving a minimum of 152 people in the Colonias areas which is defined as municipalities and counties located within 150 miles of the U.S. - Mexico border. Colonias are designated by HUD upon an application from the municipality or county in which they are located. The designation must be on the basis of objective criteria, including:

(a) lack of potable water supply; or

(b) lack of adequate sewage systems; or

(c) lack of decent, safe and sanitary housing; and

(d) must have been in existence as a Colonia prior to November, 1990.
## HUD Designated Colonias

<table>
<thead>
<tr>
<th>County</th>
<th>Designated Colonias</th>
<th>Unincorporated Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Catron</td>
<td>Village of Reserve</td>
<td>Alma, Apache Creek, Apache Park-Subdivision, Aragon, Beaverhead, Cruzville, Datil, El Caso Ranch-Subdivision, Escudilla Bonita-Subdivision, Five Ranch Bar, Frisco-Lower, Frisco-Middle, Glenwood, Horse Peek Ranch, Horse Springs, Ignacio Creek, Lost Cabin, Luna, Mogollon, Old Thomas Place, Pie Town, Pleasanton, Pueblo Largo, Quemado, Quemado Lake Estates, Rancho Grande, Rimrock Hills, TeePee Ranch, The Homestead, The Last Frontier, The Rivers, Top of the World, Willow Creek</td>
</tr>
<tr>
<td>Chavez</td>
<td>Town of Lake Arthur</td>
<td>None</td>
</tr>
<tr>
<td>Doña Ana</td>
<td>City of Sunland Park</td>
<td>Anthony, Berino, Brazito, Catteleland, Chamberino, Chaparral, Del Cerro, Doña Ana, El Milagro, Fairacres, Ft. Selden, Garfield, Hill, Joy Drive Subd., La Mesa, La Mesa, La Union, Las Palmeras, Mesquite, Montana Vista, Moongate, Mountain View, Old Picacho, Organ, Placitas, Radium Springs, Rincon, Rodey, Salem, San Isidro, San Miguel, San Pablo, San Pablo, Tortugas, Tortugas, Vado, Winterheaven</td>
</tr>
<tr>
<td>Eddy</td>
<td>Village of Hope</td>
<td>Happy Valley, Malaga, Ottis/Livingston/Wheeler, Riverside</td>
</tr>
<tr>
<td>Grant</td>
<td>City of Bayard; Village of Santa Clara</td>
<td>Arenas Valley, Bear Mountain, Buckhorn, Carlisle, Cliff, Cottage San, Dwyer, Faywood, Fierro, Gila, Gila Hot Springs, Hachita, Hanover, Lake Roberts, Mangas, Mimbres, Mockingbird Hill, Mule Creek, Pinos Altos, Redrock, Riverside, Rosedale, San Juan, San Lorenzo, Santa Rita, Separ, Sherman, Turnerville, Vanadium, White Signal, Whitewater</td>
</tr>
<tr>
<td>Hidalgo</td>
<td>City of Lordsburg; Village of Virden</td>
<td>Cotton, Del Sol, Glen Acres, Rodeo, Windmill</td>
</tr>
<tr>
<td>Lincoln</td>
<td>Ruidoso Downs</td>
<td>None</td>
</tr>
<tr>
<td>Luna</td>
<td>Village of Columbus</td>
<td>Catfish Farms, Franklin, Keeler Farm Road, Sunshine</td>
</tr>
<tr>
<td>Otero</td>
<td>Village of Tularosa</td>
<td>Bent, Boles Acres, Chaparral, Cloudcroft, Dog Canyon, Dungan, High Rolls, La Luz, Mayhill, Orogrande, Pinon, Sacramento, Timberon, Twin Forks, Weed</td>
</tr>
<tr>
<td>Sierra</td>
<td>Butte City</td>
<td>None</td>
</tr>
<tr>
<td>Socorro</td>
<td>San Antonio</td>
<td>None</td>
</tr>
</tbody>
</table>
The purpose of this Request for Proposal (RFP) is to select the best qualified service providers for MFA’s CDBG funded Accessibility and Roofs Program. This RFP is issued pursuant to MFA’s Procurement Policy to solicit proposal from qualified Offerors capable of providing program service for the program required.

These funds are available to eligible non-profit organizations and local participating cities to assist MFA in its mission to provide services to low income residents. MFA is a pass through for CDBG funding and will report all activity for the funding to the Department of Finance and Administration. Awards will be made through a competitive process to eligible Offerors. MFA at its discretion may select up to 4 Offerors to perform these activities.

This RFP is two-fold. MFA is looking to select the best qualified service providers to provide services for:

1) **Accessibility Improvements**: Accessibility improvements may include installation of ramps, installation of grab bars, widening doorways, lower cabinets, and other environmental modifications. Estimated funding is $162,750 to provide upgrades to a minimum of 13 homes.

2) **Roof Replacements**: Estimated funding for roof replacements is $252,750 to provide repair and replace roofing to a minimum of 20 homes.

Qualifications for each home differ by activity, but all homes receiving services must be owner-occupied. For roofs the homes must be occupied by an income-eligible homeowner and must be the owner’s principal residence. For Accessibility Improvements, the homes must be occupied by an income-eligible homeowner and have at least one individual in the home who is over the age of 60 or one individual who is receiving Social Security for Disability.

All interested offerors must attend a mandatory RFP training in order to apply for under this RFP. The training is scheduled for May 23, 2018 from 9am to 11am in MFA’s board room located at 344 4th Street SW, Albuquerque, NM 87102. The date is posted on the MFA website and is also located in Section 10, Timeline of this proposal. Pre-registration is required. To register, visit [http://housingnm.org/](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.

Questions pertaining to this RFP and application must be submitted via MFA’s website at [http://www.housingnm.org/rfp](http://www.housingnm.org/rfp) under “Current RFP’s”. Select the CDBG RFP. On the Services tab of the CDBG RFP select the “Services FAQs” link. Questions will be answered on a daily 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 your questions, scroll down to the “Ask a question” section, enter your name, email address, and type your question in the “Question” box, type the two (2) words in the CAPTCHA box and click on “Send my question”. MFA will make every attempt to answer questions within two (2) business days.

Successful Offerors will enter into a contract with MFA for services to be performed. The term of the contract is scheduled to begin on August 1, 2018 and end on June 30, 2019.
9 TIMELINE

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA Published RFP</td>
<td>5/16/2018</td>
</tr>
<tr>
<td>RFP FAQ’s on Website</td>
<td>5/16/2018</td>
</tr>
<tr>
<td>RFP Training</td>
<td>5/23/2018</td>
</tr>
<tr>
<td>Deadline for Receipt of Proposals</td>
<td>6/13/2018</td>
</tr>
<tr>
<td>Deficiency Correction Period Begins</td>
<td>6/14/2018</td>
</tr>
<tr>
<td>Deficiency Correction Period Ends</td>
<td>6/21/2018</td>
</tr>
<tr>
<td>Preliminary Award Notice sent to Service Providers</td>
<td>7/03/2018</td>
</tr>
<tr>
<td>Protest period Begins</td>
<td>7/03/2018</td>
</tr>
<tr>
<td>Protest Period Ends</td>
<td>7/10/2018</td>
</tr>
<tr>
<td>Present Award Recommendations to Full Board</td>
<td>7/18/2018</td>
</tr>
<tr>
<td>Final Notification of Awards Upon Board Approval</td>
<td>7/18/2018</td>
</tr>
<tr>
<td>Contracts are sent to Service Providers</td>
<td>7/23/2018</td>
</tr>
</tbody>
</table>

10 MINIMUM QUALIFICATIONS AND REQUIREMENTS

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. Waivers to “Minimum Threshold Criteria” may be approved by MFA’s Policy Committee. 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 the MFA website at: www.housingnm.org/community_development/(CDBG)

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

♦ Offeror must submit application form specifying if they are applying for “Roof Replacements” or “Accessibility Upgrades” or both. (Form provided in Section 15 “RFP Forms”)

♦ Offeror must submit proof of status as a non-profit or other public entity (e.g., unit of local government)

♦ Offeror must submit proof of current registration as a charitable organization with the New Mexico Attorney General’s Office, covering the fiscal year ending in 2016 or 2017 or proof of exemption therefrom. Information can be submitted online and verification obtained via https://secure.nmag.gov/coros/. Verification should be in the form of the first page of the “NM Charitable Organization Registration Statement.”

♦ Offeror and any subs must be registered in System for Award Management e-procurement system (SAM.gov)

♦ 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 prior MFA monitoring. (If applicable)
♦ 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://www.epis.gov/ and https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp as proof of compliance within 30 days of the application date.

♦ Offerors 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 to the Assurances (Form provided in Section 15 RFP forms)

♦ Independent Audits. Service Providers 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. Agencies 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.

♦ If Offeror received $750,000 in the fiscal year ending in 2017, a Single Audit is required pursuant to 2 CFR 200.250 Subpart F. The following types of audit or audited financial findings may disqualify Offeror from funding:

  ✓ Repeat and unresolved audit findings, as determined by MFA.
  ✓ If Offeror has received greater than $750,000 in the fiscal year ending in 2016 or 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.

♦ For agencies that did not receive funding from MFA in PY 2016-2017, the agency must provide either an audit to the above standards or an independent CPA’s review of financial statements.

♦ Proof of Insurance Coverage in the limits outlined below:

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

$1,000,000 Per Occurrence
$1,000,000 Policy Aggregate
$1,000,000 Products Liability/Completed Operations
$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
Bond or Employee Dishonesty Insurance
Workers’ Compensation Insurance

11. GEOGRAPHIC AREA TO WHICH THIS RFP APPLIES

The geographic area to which this RFP applies is the Colonias of New Mexico. 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. Proposal will be evaluated only if Offeror meets proposal requirements and minimum threshold requirements. Offeror’s documentation should address the following criteria in addition to complying with minimum threshold requirements and demonstration of organization capacity, financial stability. Offeror must also provide a CDBG Program Implementation Plan. Proposals will be scored on a scale from 1 to 100 based on the criteria listed below. Offerors must score a minimum of 70 points to be considered as a service provider. A serious deficiency in any one criterion may be grounds for rejection, regardless of overall score.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Maximum Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Capacity</td>
<td>30</td>
</tr>
<tr>
<td>Finance</td>
<td>20</td>
</tr>
<tr>
<td>Construction Experience</td>
<td>25</td>
</tr>
<tr>
<td>CDBG Program Implementation Plan</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total Maximum Points</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Organization Capacity – 30 Possible Points**

Experience of management personnel – outline the experience of Offeror’s management staff with federal grant-funded program. Provide an organization chart and the administrative and financial management capacity form provided in Section 15 RFP Forms. Provide resumes for each of the key positions listed below.

Provide list of Board of Directors (Form provided in Section 15 RFP Forms) (1 point)

Executive Director/Owner experience
Less than 2 years (1 point)
2 to 5 or more years (3 points)
5 or more years (5 points)

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

Program/Construction Manager experience
<table>
<thead>
<tr>
<th>Administrative staff responsible for reporting, invoicing, intake and outreach</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years with Offeror Agency (1 point)</td>
</tr>
<tr>
<td>2 to or more years with Offeror Agency (5 points)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Field Operations experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>List staff, with years of experience in terms of:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project or program management in general construction:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years (1 point)</td>
</tr>
<tr>
<td>2 or more years (5 points)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Existing Certifications:</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 point for a total of 4 points will be awarded for field staff certifications in the field of construction:</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Examples Include:</th>
</tr>
</thead>
<tbody>
<tr>
<td>♦ Environmental Protection Agency (EPA) Renovation,</td>
</tr>
<tr>
<td>♦ Repair and Painting (RRP) Certification for field staff and/or Certified Firm status.</td>
</tr>
<tr>
<td>♦ OSHA 10 or 30 hour Construction Health and Safety certification</td>
</tr>
<tr>
<td>♦ Certified Home Energy Professional Quality Control Inspector (HEPQCI).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Finance – 20 Possible Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Audit – a maximum of 20 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 2016.</td>
</tr>
</tbody>
</table>

| 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. |

<table>
<thead>
<tr>
<th>0 Current Findings (4 points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Years Findings cleared (3 points)</td>
</tr>
<tr>
<td>Unresolved Findings (0 points)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financial Management (up to 16 points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>♦ Provide a proposed budget for the Offeror’s CDBG program support costs (4 points)</td>
</tr>
<tr>
<td>♦ Provide agency’s cost allocation plan (4 points)</td>
</tr>
<tr>
<td>♦ 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)</td>
</tr>
<tr>
<td>♦ Offeror’s by-laws requiring Board of Director’s/Owners fiscal oversight (4 points)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Construction Experience – 25 Possible Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provide proof of GB02 or other construction license being held in the name of the agency (5 points)</td>
</tr>
</tbody>
</table>

| Provide a plan showing how Offeror will expand its workforce in the event work for accessibility upgrades and/or roof replacements exceed the agency’s current capacity. (5 points) |
Provide organization chart and resumes of staff that would be directly doing the work on the homes. In addition, complete the Field Experience and Capacity form provide provided in Section 16 RFP Forms.

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

Provide a list of names and addresses of homes that Offeror has provided REHAB, Weatherization, Accessibility Upgrades, New Construction or Roofing Repair/Replacement Services.

Agency can be awarded a maximum of (5 points) for Accessibility Upgrades RFP scoring

Agency can be awarded a maximum of (5 points) for Roof/Repair/Replacements RFP scoring

### CDBG Program Implementation Plan – 25 Possible Points

#### Executive Summary (Up to 2 pages – up to 5 points)
- Provide an executive summary of your agency detailing what comprises the agency and the agency’s mission statement. (2 points)
- Provide an explanation of how CDBG accessibility upgrades and/or roof replacements fits into your agency mission (3 points)

#### Company Vision (1 page – up to 5 points)
- Provide your company vision outlining the company’s planned growth including CDBG related work (2 points)
- Provide a description of agency’s experience in the Colonia’s area. (3 points)

#### Description of construction services (Up to 2 pages – up to 5 points)

Provide a production assessment that includes:

1) Outreach plan (2 points)

2) Proposed production schedule (2 points)

3) Quality assurance plan that thoroughly describes Offeror will ensure the highest level of service. (6 points)

### 13. PROGRAM STANDARDS

Qualifications for each home differ by activity, but all homes receiving services must be owner-occupied. For Accessibility Improvements, the homes must be occupied by an income-eligible homeowner, or show proof of receiving Social Security Disability, or is eligible for LIHEAP. For roofs, the homes must be occupied by an income-eligible homeowner and must be the owner’s principal residence.

Low Income households are those households whose owners have income at or below 30% of the Area Medium Income as published each year by the U.S. Department of Housing and Urban Development adjusted for family size. This is a grant program therefore there is no repayment requirement. The intent of both the roof replacement and
accessibility upgrade program is to fund 100% of the project costs allowed for any given project with a 3% administrative fee.

**Program standards for accessibility upgrades include:**

The program will be required to replace a minimum of 13 accessibility upgrades on homes occupied by an income-eligible homeowner. Total funding for accessibility upgrades is $162,750 plus 3% administrative fee. This allows for a maximum reimbursement of $12,519.23 per home. A 3% administrative fee will be paid based on the total cost of monthly invoicing.

All projects must be targeted for safety or functional concerns that incorporate the client’s specific functional strengths and needs. The homes must be assessed on a case by case basis. Examples of modifications of the client’s physical environment include: installation of ramps, installation of hand rails, grab bars, widening doorways, and lowering cabinets.

Modifications and/or physical adaptations must provide direct remedial benefits to the client’s physical environment. All modifications must address the client’s disability and enable the client to function with greater health, safety or independence in their residence. All services shall be provided in accordance with applicable federal, state, and local building codes. The scope of service shall be determined on a case by case basis.

Funding may not be utilized to provide upgrades on the sole basis of aesthetic qualities or personal preferences when compared to lower cost fixtures or materials that provide the same or similar functional benefit to the client.

Accessibility funds shall not provide any materials or services that are not in the original bid. Any additional work to the CDBG funded portion of the project will not be eligible for reimbursement.

Agency providing service must provide a one year warranty on all the accessibility work done on the home.

**Eligible homes include:**

Low Income households are those households whose owners have income at or below 30% of the Area Medium Income as published each year by the U.S. Department of Housing and Urban Development adjusted for family size.

**Accessibility work requires the following:**

1. Compliance with all lead based paint regulations;
2. All construction material must be removed from the property when job is complete;
3. All finish work to include trim, painting and clean-up of work area must be completed;
4. All work must have a minimum of a one year written warranty;

**Program standards for roofs include:**

This program will be required to replace a minimum of 20 roofs on homes occupied by an income-eligible homeowner. Total funding for roofing is $252,750 plus 3% administrative fee. This allows for a maximum reimbursement of $12,637.50 per roof. The 3% administrative fee will be paid based on the total cost of monthly invoicing.

**Eligible homes include:**

1. Homes with flat, pitched shingled and pitched metal roofs; or
2. Mobile or manufactured homes that have metal or conventional pitched roofs with shingles.

**Replacement and repair of roofs requires the following:**

1. The existing roof must be stripped to the deck;
2. Roof must be inspected and any damaged decking must be repaired or replaced;
3. All work must have a minimum of one year full warranty on workmanship;
4. There must be a minimum of a ten year material warranty.

**Required supporting documentation for both programs includes:**

1. Preliminary estimate of work to be performed and associated costs;
2. Tier 2 Environmental Review;
3. Copies of all change orders;
4. Copies of invoices for materials purchased;
5. Copies of warranties;
6. Certified timesheets for actual work performed;
7. Proof of contractor license;
8. Before and after photos of the work performed.
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:

♦ 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)
♦ 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 11625, 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 (Housing Quality Standards) (24 CFR Part 982.401)
♦ 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)

NOTE: 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.
15. RFP FORMS

CDBG Request for Proposals FORMS Program Year 2018-2019

As outlined in section 2.3 Proposal Format

♦ Proposals and forms may be obtained from MFA’s website: www.housingnm.org/community_development/(CDBG)
♦ 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
CDBG PROGRAM PROPOSAL

AGENCY: ____________________________________________

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

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

MINIMUM QUALIFICATIONS AND REQUIREMENTS
Allowable Deficiency Correction items

<table>
<thead>
<tr>
<th>Initial</th>
<th>Item Required</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proposal submitted as outlined in Part 1- General Information – General Proposal Requirements</td>
</tr>
<tr>
<td></td>
<td>Offeror must submit application form provided in Section 15 RFP Forms – Offeror must specifying if they are applying for “Roof Replacements” or “Accessibility Upgrades” or Both</td>
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</tr>
<tr>
<td></td>
<td>Provide 1 copy of Agency’s Independent Audit or Audited Financial Statements</td>
</tr>
<tr>
<td></td>
<td>Proof of Insurance Coverage</td>
</tr>
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</table>

Other Requests for Information

<table>
<thead>
<tr>
<th>Initial</th>
<th>Item Required</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provide Board of Director List (Form Provided in Section 16 RFP Forms) – if applicable</td>
</tr>
<tr>
<td></td>
<td>Provide Resume of key staff</td>
</tr>
<tr>
<td></td>
<td>CDBG Program Implementation Plan</td>
</tr>
<tr>
<td></td>
<td>Provide Organization chart of staff working on homes</td>
</tr>
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<td></td>
<td>Provide Resumes of staff working on homes</td>
</tr>
<tr>
<td></td>
<td>Provide a list of names and addresses of homes Offeror has provided REHAB, Weatherization, Accessibility Upgrades, new Construction, roofing repair/replacement services on</td>
</tr>
<tr>
<td></td>
<td>Provide Executive Summary (Up to 2 pages)</td>
</tr>
<tr>
<td></td>
<td>Provide Company Vision (Up to 1 page)</td>
</tr>
<tr>
<td></td>
<td>Provide Description of Construction Services (Up to 2 pages)</td>
</tr>
</tbody>
</table>
Date of Application:

Application / General Information

Agency Name

Entity Type
☐ Nonprofit
☐ Local 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 ___________________________

PROGRAM(s) Being Applied for:
☐ Roof Replacements
☐ Accessibility Upgrades
☐ Roof Replacement and Accessibility Upgrades
<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 Expire Date</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
</tbody>
</table>
### Administrative and Financial Management Capacity

<table>
<thead>
<tr>
<th>Program/Staff Name</th>
<th>Title</th>
<th>Yrs. of Experience</th>
<th>Capacity/Role/Services Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

### Field Experience and Capacity

<table>
<thead>
<tr>
<th>Names and Years of Experience for Individuals that will be doing the work on the homes</th>
<th>Years of Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td></td>
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</tr>
</tbody>
</table>
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 CDBG 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 CONTRACTOR:

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 DOLLAR ($250) WERE MADE to an applicable public official by me, a family member or representative.

____________________________________________               __________________
Signature                                           Date

____________________________________________
Title (position)
Tab 8
MEMORANDUM

TO: MFA Board of Directors

Through: Contract Services Committee – May 8, 2018

Through: Policy Committee – May 1, 2018

FROM: Amy Gutierrez and Troy Cucchiara

DATE: May 16, 2018

SUBJECT: Approval of 2018/2019 DOE Annual and Master State Plans

Recommendation

Background
For Program Year 2018/2019 we anticipate total funding for the NM Energy$mart Program will be $6,199,852.00. The state plan only refers to the $2,125,643.00 we will receive from the Department of Energy.

<table>
<thead>
<tr>
<th>Funding Source</th>
<th>Funding Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Energy (DOE)</td>
<td>$2,125,643.00</td>
</tr>
<tr>
<td>LIHEAP</td>
<td>$2,500,000.00</td>
</tr>
<tr>
<td>Public Service Company of NM</td>
<td>$206,225.00</td>
</tr>
<tr>
<td>Central Valley Electric Coop</td>
<td>$35,000.00</td>
</tr>
<tr>
<td>New Mexico Gas</td>
<td>$1,298,734.00</td>
</tr>
<tr>
<td>CDBG</td>
<td>$34,250.00</td>
</tr>
<tr>
<td>Total</td>
<td>$6,199,852.00</td>
</tr>
</tbody>
</table>

Approximately 1031 homes will be weatherized based on the per unit average of $6,012.01 per unit. ($6,199,852.00/$6,012.01 = 1031 units)

<table>
<thead>
<tr>
<th>Previous Year Comparison</th>
<th>Approximate Units Weatherized</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015/2016</td>
<td>586</td>
</tr>
<tr>
<td>2016/2017</td>
<td>672</td>
</tr>
<tr>
<td>2017/2018</td>
<td>712</td>
</tr>
</tbody>
</table>
Utility funding is used to increase the amount of work each home receives and it allows the Federal Funds to stretch further to weatherize more homes. It is unpredictable how much work each home will need prior to initial assessments, therefore the 1031 homes to be fully weatherized is only an estimate.

Administration of the DOE Weatherization Assistance Program (DOE WAP) is performed in accordance with the DOE Annual and Master Plans which are submitted to DOE as a “State Plan”. The plan will be submitted to DOE on May 4, 2018, contingent upon MFA’s Board of Directors approval.

The DOE Annual Plan for program year 2018/2019 includes a detailed breakdown of how the funds will be allocated. The Master Plan details how the program will be managed overall by the NM Energy$mart Program.

On February 18, 2015, the MFA Board of Directors approved a Request for Proposal (RFP) to award contracts to Central NM Housing Corporation, and Southwestern Regional Housing as Service Providers for the NM Energy$mart Program. This RFP allowed for an initial two year contract with an option of three one year renewals. This would have allowed the two existing Service Providers to receive funding under renewal through program year 2019/2020.

On April 18, 2018, the MFA Board of Directors approved a full RFP to be released in an effort to expand from two to three service providers. Under the new RFP, successful Offerors will enter into a one year contract with an option of four, one year renewals with MFA for services to be performed. Therefore, upon funding availability, there is a possibility than an agency can hold a contract from July 1, 2018 through June 30, 2023.

Per the direction from DOE, MFA has been advised to include the existing Service Providers (Central NM Housing and Southwestern Regional Housing) in the Annual Plan in order to ensure funding beginning on July 1, 2018. Upon Board approval of the offerors on June 13, 2018, a modification to the State Plan will then include a revised listing of all successful offerors, statewide.

The $2,125,643.00 award to New Mexico from DOE will be broken down as follows:

<table>
<thead>
<tr>
<th></th>
<th>MFA</th>
<th>Territory 1</th>
<th>Territory 2 (New Agency - TBD)</th>
<th>Territory 3</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administrative</td>
<td>$106,282.15</td>
<td>$70,822.33</td>
<td>**$25,477.12</td>
<td>$25,080.00</td>
<td>$227,661.60</td>
</tr>
<tr>
<td>Leverage</td>
<td>$9,000.00</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>$9,000.00</td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>$120,000.00</td>
<td>.00</td>
<td>.00</td>
<td>.00</td>
<td>$120,000.00</td>
</tr>
<tr>
<td>Training &amp; Technical Assistance</td>
<td>$87,500.00</td>
<td>$70,074.50</td>
<td>$145,000.00</td>
<td>$70,074.50</td>
<td>$372,649.00</td>
</tr>
<tr>
<td>Program Operations</td>
<td>.00</td>
<td>$669,189.78</td>
<td>$98,077.33</td>
<td>$236,977.28</td>
<td>$1,004,244.39</td>
</tr>
<tr>
<td>Health &amp; Safety</td>
<td>.00</td>
<td>$186,914.40</td>
<td>$27,394.42</td>
<td>$66,191.19</td>
<td>$280,500.01</td>
</tr>
<tr>
<td>Financial Audit</td>
<td>Listed under Territory 1</td>
<td>$10,000.00</td>
<td>.00</td>
<td>.00</td>
<td>$10,000.00</td>
</tr>
<tr>
<td>Liability Insurance</td>
<td>Listed in each subgrantee in admin</td>
<td>$41,588.00</td>
<td>$30,000.00</td>
<td>$30,000.00</td>
<td>$101,588.00</td>
</tr>
<tr>
<td>TOTAL</td>
<td>*$322,782.15</td>
<td>$1,048,589.01</td>
<td>$325,948.87</td>
<td>$428,322.97</td>
<td>$2,125,643.00</td>
</tr>
</tbody>
</table>

Estimated DOE Units  
125               18         44         187
*Of the $322,782.15 that MFA receives, Capital Outlay and Training & Technical Assistance for a total of $207,500.00 is administered by MFA for the Service Providers.

** Our admin is set at 10% total with MFA receiving 5% and the remaining 5% allocated to our Subgrantees. We will be requesting an additional 5% admin funds for Territory 2 (New Agency – TBD) however, we will NOT be requesting the additional admin funds for Territory 1 and Territory 3 as they both exceed the $350,000 threshold to receive additional admin.

Comparison of Plans for PY 2017/2018 and 2018/2019

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>DOE Funding Amount</td>
<td>$1,923,264.00</td>
<td>$2,125,643.00</td>
</tr>
<tr>
<td>Number of Service Providers</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Statewide Per Unit Average</td>
<td>$6,000.00</td>
<td>$6,012.01</td>
</tr>
<tr>
<td>Administration Budget</td>
<td>$192,326.40</td>
<td>$227,661.60</td>
</tr>
</tbody>
</table>

The most significant changes to this year’s State Plan, is that a full RFP was released in an effort to expand from two to three service providers. The new service provider structure will take effect July 1, 2018.

Process
The State Plan is subject to a 10 day public comment and review period. It was advertised in 17 statewide New Mexico newspapers and was posted on the MFA website since March 27, 2018. A Weatherization Assistance Program Policy Advisory Committee (WAP PAC) meeting and public hearing was held on March 28, 2018, in the MFA Board Room. No comments were received.

Summary
The NM Energy$mart program helps low-income New Mexicans save money on utility bills. Homeowners and renters who qualify for the program receive an average of $6,000 in weatherization measures. The Department of Energy is the primary funding source because they set the rules and regulations for the program and they are the only funding source that provide for vehicles and equipment and a training and technical assistance budget. In order to receive the funding the “State Plan” must be submitted no later than May 4, of every year. The Department of Energy (DOE) funding for the 2018/2019 program year is $2,125,643.00. We are projecting that Territory 1 will weatherize 125 homes, Territory 3 will weatherize 44 homes and Territory 2 (New Agency - TBD) will train and weatherize 18 homes for a total of 187 homes with this funding.
### IV.1 Subgrantees

<table>
<thead>
<tr>
<th>Subgrantee (City)</th>
<th>Planned Funds/Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central NM Housing Corporation (Albuquerque)</td>
<td>$1,048,589.00</td>
</tr>
<tr>
<td>New Agency (Albuquerque)</td>
<td>$325,949.00</td>
</tr>
<tr>
<td>Southwest Regional Housing Community Development Corporation (Deming)</td>
<td>$428,323.00</td>
</tr>
<tr>
<td><strong>Total:</strong></td>
<td><strong>$1,802,861.00</strong></td>
</tr>
</tbody>
</table>

### IV.2 WAP Production Schedule

<table>
<thead>
<tr>
<th>Weatherization Plans</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Units (excluding reweatherized)</td>
<td>187</td>
</tr>
<tr>
<td>Reweatherized Units</td>
<td>0</td>
</tr>
</tbody>
</table>

Note: Planned units by quarter or category are no longer required, no information required for persons.

### Average Unit Costs, Units subject to DOE Project Rules

**VEHICLE & EQUIPMENT AVERAGE COST PER DWELLING UNIT (DOE RULES)**

<table>
<thead>
<tr>
<th>Letter</th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Total Vehicles &amp; Equipment ($5,000 or more) Budget</td>
<td>$120,000.00</td>
</tr>
<tr>
<td>B</td>
<td>Total Units Weatherized</td>
<td>187</td>
</tr>
<tr>
<td>C</td>
<td>Total Units Reweathered</td>
<td>0</td>
</tr>
<tr>
<td>D</td>
<td>Total Dwelling Units to be Weatherized and Reweathered (B + C)</td>
<td>187</td>
</tr>
<tr>
<td>E</td>
<td>Average Vehicles &amp; Equipment Acquisition Cost per Unit (A divided by D)</td>
<td>$641.71</td>
</tr>
</tbody>
</table>

**AVERAGE COST PER DWELLING UNIT (DOE RULES)**

<table>
<thead>
<tr>
<th>Letter</th>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>F</td>
<td>Total Funds for Program Operations</td>
<td>$1,004,245.00</td>
</tr>
<tr>
<td>G</td>
<td>Total Dwelling Units to be Weatherized and Reweathered (from line D)</td>
<td>187</td>
</tr>
<tr>
<td>H</td>
<td>Average Program Operations Costs per Unit (F divided by G)</td>
<td>$5,370.29</td>
</tr>
<tr>
<td>I</td>
<td>Average Vehicles &amp; Equipment Acquisition Cost per Unit (from line E)</td>
<td>$641.71</td>
</tr>
<tr>
<td>J</td>
<td>Total Average Cost per Dwelling (H plus I)</td>
<td>$6,012.01</td>
</tr>
</tbody>
</table>

### IV.3 Energy Savings

| Method used to calculate savings: ☐ WAP algorithm ☐ Other (describe below) |
|-------------------------------|-----------------------------|

<table>
<thead>
<tr>
<th>Units</th>
<th>Savings Calculator (MBtus)</th>
<th>Energy Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>This Year Estimate 187</td>
<td>29.3</td>
<td>5479</td>
</tr>
<tr>
<td>Prior Year Estimate 174</td>
<td>29.3</td>
<td>5098</td>
</tr>
<tr>
<td>Prior Year Actual 154</td>
<td>29.3</td>
<td>4512</td>
</tr>
</tbody>
</table>

**Method used to calculate savings description:**

New Mexico uses the DOE WAP algorithm to estimate energy savings. For program year 2018/2019 we estimate 5479.1 MBTUs will be saved in 187 homes.
IV.4 DOE-Funded Leveraging Activities

Leveraging Activities

DOE’s yearly funding helps only a fraction of New Mexico’s low-income homes in need of weatherization. MFA recognizes that increasing the number of weatherized homes requires additional funding and pursues other funding sources accordingly. Leveraging funds from other local partners has become crucial to maintaining the service level in New Mexico. We use these funds to defray costs from DOE and LIHEAP by utilizing multiple funding sources in each home which frees up funding from DOE and LIHEAP so that more homes can be weatherized across the state.

When leveraged funds are used with DOE funds in any given house, the rules of the program must be followed. All measures must rank within the approved energy audit, incidental repairs must be within the scope and cost of the program, and all required health and safety measures must be installed.

MFA is requesting leveraging funding in the amount of $9,000. This increase from last year is due to our LIHEAP funding source decreasing their administrative fees to us from 5% to 3% and new Local Government Division/DFA funding that did not come with any administrative fees. NM Energy$mart program managers spend an excessive amount of time on our leveraging funding sources ensuring that we comply with all our contractual requirements, reporting and monitoring. With DOE funding being $2,125,643.00 and our leveraging funding sources coming in at approximately $4,084,209.00 we trust that DOE will see that our efforts for leveraging funding sources are fruitful and have created a strong weatherization program for New Mexico. In an effort to ensure that we can provide appropriate resources to our leveraging funding sources we are releasing an RFP in April of 2018 to increase our service providers from 2 to 3. In addition, it is important to note that our current service providers are structured in a way that they can increase and decrease staff levels without jeopardizing their programs. We work very closely with our agencies to ensure that not only our leverage funding is expended but that the additional weatherization services provided are done so in the most efficient manner possible.

For the 2018/2019 program year MFA received $2.5M from the New Mexico Income Support Division, LIHEAP. It is anticipated that the LIHEAP grant will remain the same amount for the 2018/2019 program year. We will know more once budgets have been approved by Congress. This program year, we intend on leveraging LIHEAP funds with DOE funds.

We currently have a $35,000 contract with Central Valley Electric Co-op which ends on June 30, 2018. We had a $10,000 contract from September 2017 through December 2017 with the Climate Change Leadership Institute (CCLI), and we have a $34,250 weatherization contract with the Community Development Block Grant beginning April 1, 2018 through June 30, 2019.

In July 2018, the New Mexico Energy$mart Program will be presented to the New Mexico Co-op annual meeting and we hope to get more participation from that outreach effort as well. Our outreach efforts and negotiations are very time consuming up front, however, we believe that after establishing a relationship and providing quality work with proven energy savings, it will be an on-going funding source for the program.

The New Mexico legislature passed the Efficient Use of Energy Act (the Act) in 2005, which required public utility companies to place a tariff on their customers' utility bills. Both the electric and gas utility companies must redistribute the funds to the customers in the form of energy efficiency programs. MFA’s receipt of these funds continues to be contingent upon award of DOE funds.

In March 2018, MFA signed a renewal contract with the Public Service Company of New Mexico in the amount of $206,225.00 which reflects an increase of $10,229 from last year. This program year we have negotiated approval for measures of homes using electric as a primary fuel source. The utility increased this year’s funding to cover the cost of expanded measures and if we can increase the number of homes that we weatherize they will increase the contract accordingly. The PRC approved that program and began on January 2018. The reimbursements will be provided to the Subgrantees based on actual kWh savings determined by a calibrated energy audit.

The New Mexico Gas Company (NMGC) funding remained the same as last year at $1,298,734.00. This utility funding will be used for providing them saving measures in homes being weatherized with other NM Energy$mart funding. Subgrantees will be reimbursed based on the lifetime savings of the measure at .40 cents per therm.

MFA did not receive State funds this year however staff will continue pursuing State funds with State agencies and the State legislature, and remain involved with the proposals submitted by other public utility companies to the PRC in order to receive more funding under the Act.

IV.5 Policy Advisory Council Members

☐ Check if an existing state council or commission serves in this category and add name below

<table>
<thead>
<tr>
<th>Contact Name</th>
<th>Type of organization</th>
<th>Phone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ferdinand Garcia</td>
<td>Non-profit (not a financial institution)</td>
<td>(575)374-6207</td>
<td><a href="mailto:fgarciagc@plateautel.net">fgarciagc@plateautel.net</a></td>
</tr>
<tr>
<td>Hope Reed</td>
<td>Unit of State Government</td>
<td>(505)476-0415</td>
<td>hope@<a href="mailto:reed@state.nm.us">reed@state.nm.us</a></td>
</tr>
<tr>
<td>Isaac Perez</td>
<td>Indian Tribe</td>
<td>(505)771-9291</td>
<td><a href="mailto:iperez@sfha.org">iperez@sfha.org</a></td>
</tr>
<tr>
<td></td>
<td>For-profit or Corporate (not a financial institution or utility)</td>
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### IV.6 State Plan Hearings (Note: attach notes and transcripts to the SF-424)

<table>
<thead>
<tr>
<th>Date Held</th>
<th>Newspapers that publicized the hearings and the dates the notice ran</th>
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</table>
Hope Reed - Disabled (Employed by the State of NM)
Isaac Perez - Native American Representation (Employed and Member of the San Felipe Pueblo)
Jack MacGillvary - Multi-Family Property Management Company for low income properties

Joseph Ortega, Ferdinand Garcia, Priscilla Lucero, Veronika Molina and Joseph Stevens are all employed by Housing Agencies that provide services directed to low income families which include children, elderly and disabled members.

Steve Casey, Vanessa Palacios and Marilyn Wright-Newton are all representative of our leverage funders. MFA works closely with these entities to ensure present and future funding in order to provide services through our subgrantees that are directed to low income families which include children, elderly and disabled members.

Re: Validation Warning:

The $120,000 equipment funds will be maintained at the Grantee level until such time as an award is made to the new agency (TBD) upon MFA Board approval on June 13, 2018. Funding will be reprogrammed to Program Operations if they are not needed for the new agency (TBD).

NOTE: The submission of this application is contingent on approval from our Board of Directors which meets on May 16, 2018.
This worksheet should be completed as specified in Section III of the Weatherization Assistance Program Application Package.

V.1 Eligibility

V.1.1 Approach to Determining Client Eligibility

Provide a description of the definition of income used to determine eligibility:

Definition of income used to determine eligibility:

A dwelling unit shall be eligible for weatherization assistance under this part if it is occupied by a family unit whose income is at or below 200% of the poverty level determined in accordance with criteria established by the Director of the Office of Management and Budget. An individual or family unit whose income is at or below 200% of the poverty level, contains a member who has received cash assistance payments under Title IV or XVI of the Social Security Act or applicable State or local law at any time during the 12 month period preceding the determination of eligibility for weatherization assistance.

The 2016 US Census American Community Survey 1 year estimates identified 172,876 households in the state with incomes at or below 200% of the poverty level, the WAP eligibility limit. These households equal 22% of the state's population.

Additionally, the 2016 US Census American Community Survey provides other significant findings about persons with incomes at or below the poverty level:

- 238,807 households with 1 or more people under 18 years of age;
- Approximately 50,000 households contained children that were under 6 years of age;

From 2016 US Census American Community Survey regardless of poverty status:

- The number of dwelling units in which the elderly reside was estimated at 224,107;
- The number of dwelling units in which people with disabilities reside was estimated at 305,601.

To be eligible for New Mexico Weatherization Assistance Program services, clients must meet the income criteria outlined in 10CFR440.22 or meet a minimum of one of the following criteria as outlined in WPN 18-3:

- Have a gross household income (total annual cash receipts) at or below 200% of the federal poverty level;
- Receive cash assistance payments under Title IV or Title XVI of the Social Security Act or in accordance with applicable State or local law, at any time during the past five years preceding the determination of eligibility. Acceptable programs include:
  a. Temporary Aid to Needy Families (TANF)
  b. Supplemental Security Income (SSI)
  c. Social Security Disability Insurance (SSDI)
  d. Aid to Needy Disabled (AND)
  e. Old Age Pension (OAP)
  f. Supplemental Nutrition Assistance Program (SNAP)

Describe what household eligibility basis will be used in the Program:

Before a home is qualified for weatherization, the client must be approved. This approval process begins with receipt of an application. A NM Energy$mart intake staff member reviews applications to ensure that clients qualify for the program. A client will not be qualified unless the following items are provided for the file:

- A completed application
- Income verification
- Proof of ownership and or landlord sign off
- A current utility bill for gas & electric service

Proof of income may be in the form of:

- Documented verification from income sources
Proof of ownership may be in the form of:

- Evidence of mortgage payments
- Property deeds or proof of tax payment

For renters, rental agreements from landlords must be obtained and accompanied with a landlord agreement. Intake staff also reviews the documentation for demographic information such as:

- Proper identification of head of household
- Other household members are identified as applicable for disability or child status
- Proof of disability (Medical documentation is requested to ascertain disability status)

Eligibility documentation is updated at least annually even if the client is on the waiting list.

Re-weatherization: Homes weatherized on or before September 30, 1994 may be re-weatherized, however homes that have never been weatherized will be prioritized over homes that have been previously weatherized.

Notification:

Applicants are immediately notified of their eligibility status. Ineligible applicants are notified in writing, stating the reason for ineligibility.

Client Appeals Policy:

All Subgrantees shall establish and maintain a policy allowing a client to appeal a denial of service. The policy must be part of the agency’s weatherization program manual. In addition, the agency must post the policy on the agency’s website, so clients have access to submit a formal appeal for denial of services. The policy must clearly state how the client can initiate the appeal, who will make the determination and the timeline for review.

Steps that should be part of Subgrantee’s policy include:

When the agency defers a unit or otherwise denies a client weatherization services, the agency must transmit a formal letter to the client indicating the specific reason(s) for the denial.

If an appeal is received, the agency should have a minimum of a 1 tier review of the client’s application by a staff member in the organization with a supervisory position in the agency hierarchy. The person reviewing the appeal must be someone other than the person who made the initial decision to deny the client services. The individual must also be familiar with the regulations regarding eligibility.

The person reviewing the appeal should compare the provisions of the relevant regulation(s) to the application, speak to the agency staff involved in the initial denial, and speak to the client before making a decision.

If a determination is made that the original determination was correct, a formal letter must be sent to the client outlining the determination of the appeal and once again articulating why services were denied. The letter should include the process that took place to confirm the denial.

If the person reviewing the appeal determines the appeal is granted, the client should be provided a letter stating such and detailing when their home will be weatherized. The letter should include the process that took place to confirm the approval.

Describe the process for ensuring qualified aliens are eligible for weatherization benefits

MFA requires Subgrantees to collect proof of a social security number/Identity for at least one adult living in the residence. If a social security number is not available for the remaining members of the household, we require a Non-Citizen Immigrant Status for all other members of the household. Immigrants are eligible under the current law referenced on the U.S. Department of Health and Human Services website, http://aspe.hhs.gov/hsp/immigration/restrictions-sum.shtml. In addition, we require a birthdate be provided. The Subgrantee passes the information through our on-line system which has a secure server where the information is encoded. All data has been redacted after it has been put into our online system. Our online system scrambles the data for protection of the client.

V.1.2 Approach to Determining Building Eligibility

Procedures to determine that units weatherized have eligibility documentation
A dwelling unit is eligible for weatherization assistance if it is occupied by a family whose total income is at or below 200 percent of the poverty income level or if the households contains a member who has received SSI for disability or TANF at any time during the 12-month period preceding the determination of eligibility for weatherization assistance.

In addition, the client must have evidence of mortgage payment, property deed or proof of tax payment to be qualified. For renters, rental agreements from landlords must be obtained and accompanied with a landlord agreement. Both of these documents must be kept in the client file and verified upon monitoring or Quality Control Inspections.

Describe Reweatherization compliance

New Mexico does not encourage re-weatherization of homes however if an individual applies for weatherization and their home had been weatherized prior to September 30, 1994 we will allow re-weatherization under the below conditions.

- The Subgrantee must determine that the applicant is eligible
- A DOE approved energy audit must be run on the home
- All health and safety issues must be addressed
- When applicable we use leverage funding instead of DOE funding for any measure that qualifies

Households located in a disaster area would be considered as priorities for weatherization as long as the households are eligible and meet one of the priorities established in regulation and are free and clear of any insurance claim resulting from damage incurred from the disaster.

Describe what structures are eligible for weatherization

Housing types qualifying for weatherization include single family, multi-family, and mobile homes.

A dwelling unit is eligible for weatherization assistance if it is occupied by a family whose income is at or below 200 percent of the poverty level, contains a member who has received SSI or TANF at any time during the 12-month period preceding the determination of eligibility for weatherization assistance, or is eligible for assistance under the Low-Income Home Energy Assistance Act of 1981.

Non-traditional dwelling units such as shelters or dwelling units sharing a wall with a business will be discussed with the DOE project officer prior to commencement of the project and full caution will be exercised to be sure the particular units are eligible. Weatherization of non-stationary campers and trailers that do not have a mailing address associated with the eligible applicant are not eligible and will not be allowed.

Buildings should be deferred if they have a deficiency in their structure or condition that makes it impractical to weatherize effectively. If the area is known to have redevelopment plans then weatherization will be deferred until development is complete. Health and safety issues requiring more than what is allowed by WPN 17-7 will be deferred.

All units that need SHPO clearance receive approval prior to weatherization.

Describe how Rental Units/Multifamily Buildings will be addressed

Single Family Rental Units

Single family rentals ensure the below five points are followed:

1. Benefits or the services accrue primarily to the low income tenants;
2. The tenants have a way to complain if they feel that the rent has increased as a result of these services and the landlords provide a statement notifying tenants of this procedure;
3. The plan ensures that no undue or excessive enhancement shall occur to the dwelling unit;
4. Rent and permission of the building owners are always obtained before commencing work;
5. Rent may not be increased for a minimum of one year unless increases are related to matters other than weatherization work.

Single Family Rental units qualify for weatherization as long as the landlord agrees to the weatherization and signs a waiver stating that they will not raise the rent on the units for a minimum of 1 year unless those increases are related to matters other than the weatherization work performed.

To ensure that no undue or excessive enhancements are made to the home, a NEAT or MHEA audit must be run on the home prior to the scope of work being
The necessary steps that must be taken to ensure proper documentation for weatherizing a single family rental unit include:

- An application must be fully filled out by the client;
- Proof of income must be provided;
- Proof of a lease must be obtained;
- Current copies of the client's gas and electric bills must be obtained;
- Written permission must be obtained from the landlord/agent;
- Subgrantee must obtain certification from the landlord that the rent of the property will remain the same for at least one year following performance of weatherization work;
- MFA will monitor compliance with this policy only to the extent that the 5% to 10% sample monitoring method MFA employs to verify compliance will include rental Projects weatherized through the Program.

Multi-Family Rental Units

Multi-Family Rental units qualify for weatherization as long as the clients that are housed in the property qualify for weatherization. The owner/agent must agree to the weatherization, commit to a contribution of 20% of the weatherization materials and sign a waiver stating that they will not raise the rent on the units for a minimum of 1 year unless those increases are related to matters other than the weatherization work performed.

To ensure that no undue or excessive enhancements are made to the unit, a TREAT or NEAT audit, depending on the building structure must be run on the complex prior to the scope of work being outlined.

The necessary steps that must be taken to ensure proper documentation for weatherizing a multi-family rental unit include:

- Obtain the written permission of the owner or his agent;
- Verify that not less than 66 percent (50 percent for duplexes and four-unit buildings, and certain eligible types of large multi-family buildings) of the dwelling units in the building are eligible dwelling units, or will become eligible dwelling units within 180 days;
- Ensure that the benefits of weatherization assistance in connection with such rental units including units where the tenants pay for their energy through their rent, will accrue primarily to the low-income tenants residing in such units;
- By way of use of the audit, Subgrantee must make certain that no undue or excessive enhancements are made to the units;
- Completed applications must be obtained from each of the clients in the rental units; and
- Current copies of Gas and Electric bills must be obtained from each of the rental units.

Once the information above is in place, an approval request, in the form of an approved energy audit must be submitted to MFA in order to weatherize multifamily units larger than a 4-plex. A description of the process that determined the measures being installed must be provided with the audit.

Procedures for Owner Contributions are as follows:

- A 20% commitment of the weatherization materials are required from the Owner prior to commencement of the Weatherization Project. The Owner contribution is based on the estimated costs from the energy audit. For large projects estimated cost for an engineer’s estimate of HVAC costs is added to the energy audit costs;
- Owners are not responsible for any additional costs over the written estimate. If the actual (final) cost of the project is higher than the estimate, then the Program will pay the difference;
- A memorandum of understanding will be executed between the Owner's representative and Subgrantee prior to the commencement of work.
- The Contract will detail the amount of the Owner contribution.
- The Contract will commit the Owner to certify that he/she will maintain rent at the HUD designated “High Home Rent” levels (Affordable Rent) for a period of one year following performance of weatherization work;
- The Subgrantee is responsible for obtaining the required landlord contribution from the contractor. The amount of the contribution must be included in the project outline to MFA prior to project approval;
- Landlord cash contribution received should be applied to supplement the cost of the Project;
- Landlord cash contributions should be reported on the Statement of Expenditures for the month in which they are received;
- MFA will monitor compliance with this policy as needed. This may include monitoring during unit inspections, technical monitoring, programmatic monitoring, desk monitoring, and upon initial project submittal. The method MFA employs to verify compliance will include rental Projects weatherized through the Program.

Describe the deferral Process

There are some situations in which an agency or contractor should not, or may choose not to, weatherize an otherwise eligible unit. In order to deal with such cases,
MFA implements the deferral policy for all agencies administering the NM Energy$mart Program. This policy allows weatherization staff to defer services when certain conditions or circumstances exist. Under no circumstances will partial weatherization be allowed. All units reported must be inspected by a Quality Control Inspection (QCI) and determined to be complete. Deferral is allowed under certain conditions; however, an agency should define its intentions at the time a condition occurs. The agency/contractor deferral policy must contain these elements:

Deferral of weatherization services - An agency or contractor may postpone weatherization services under the following conditions:

- A dwelling unit is vacant.
- A dwelling unit is for sale.
- A dwelling unit is scheduled for demolition.
- A dwelling proves to be dilapidated or structurally unsound and unsafe. Dilapidated units are classified as those which do not provide decent, safe, and sanitary
  shelter in their present state and have defects so serious and numerous that the repairs required to revive the structure to standard condition would not be
  economically feasible.
- A dwelling unit is deemed by the auditor to pose a threat to the health or safety of the crew or contractor.
- A mobile home is improperly installed (for example, without adequate supports).
- A dwelling unit is uninhabitable (for example, a burned-out apartment).
- A building is affected by mold and mildew and the area affected is too large for the weatherization crew or contractor to remediate.
- The client is uncooperative with the weatherization agency or its contracted agent, either in demanding that certain work be done, refusing higher priority work
  which is needed, being abusive to the work crew or contractor, or by being unreasonable in allowing access to the unit. Every attempt should be made to
  explain the program and the benefits of the work. If this fails, work should be suspended and the MFA should be consulted. In such cases, documentation is
  required.
- Obvious discrepancies are found between the information supplied by the client on the application and observed conditions at the time of weatherization. The
  agency or contractor must resolve these discrepancies before weatherization work can continue.
- If, at any time prior to the beginning of work (work officially begins when the audit is performed), the agency or contractor determines that the client is no longer
  eligible, or personnel believe that circumstances may have changed, the unit shall not be weatherized until updated information can be obtained from the client.
- There are rats, bats, roaches, reptiles or insects present that could cause harm to the crew or other animals or varmints that are not properly contained on the
  premises.

There is health or safety hazards that must be corrected before weatherization services may begin including, but not limited to:

- The presence of animal feces and/or other excrement;
- Disconnected waste water pipes;
- Hazardous electrical wiring;
- The presence of unsafe levels of mold or mildew;
- Unvented combustion appliances or actionable levels of ambient carbon monoxide;
- There are illegal drugs or illegal activities occurring on the premises;
- The client or owner is physically or verbally abusive to any personnel;
- The dwelling unit or parts thereof are being remodeled and weatherization work is not coordinated with a housing rehabilitation program;
- The eligible household moves from the dwelling unit where weatherization activities and services are in progress. In such a case, the agency or contractor must
  determine whether to complete the work, and the circumstances must be documented in the client file;
- One or more occupants in a dwelling have been diagnosed with a contagious and life-threatening disease;
- When a person’s health may be at risk and/or the work activities could constitute a health and safety hazard, the occupant at risk will be required to take
  appropriate action based on the severity of the risk.

Failure or the inability to take appropriate actions must result in deferral of the weatherization work. In unusual situations not covered above or where other problems of a unique nature exist, MFA should be consulted.

Procedure:

If an agency or contractor cannot, or chooses not to weatherize a dwelling unit, it must notify the client or owner/authorized agent by use of the Deferral of Services Form which should include:

- The nature and extent of the problem(s) and how the problem(s) relate(s) to the determination not to weatherize the unit;
- Any corrective action required before weatherization services can be initiated;
- A time limit for correcting problems so that weatherization services may be rescheduled, agencies must send the date of anticipated follow-up in writing to
  MFA;
- The name of the person or entity responsible for correcting the problem(s);
- The right of appeal;
- All documentation justifying the decision to defer services must be kept in the client file;
- Agencies must also keep an updated spreadsheet to track all referrals and deferrals.
V.1.3 Definition of Children
Definition of children (below age): 19

V.1.4 Approach to Tribal Organizations
☐ Recommend tribal organization(s) be treated as local applicant?
If YES, Recommendation. If NO, Statement that assistance to low-income tribe members and other low-income persons is equal.

Low-income members of an Indian Tribe are eligible to apply for services under this plan. MFA has a staff member dedicated to Indian Housing issues who has been instrumental in our program weatherizing more homes on native lands. Low income members of an Indian tribe will receive benefits equivalent to the assistance provided to other low-income persons within the state.

V.2 Selection of Areas to Be Served
The NM Energy$mart Program is a statewide program serving the 33 counties of New Mexico: San Juan; McKinley; Cibola; Rio Arriba; Taos; Colfax; Los Alamos; Santa Fe; Mora; San Miguel; Union; Harding; Quay; Curry; Guadalupe; DeBaca; Roosevelt; Sandoval; Bernalillo; Valencia; Torrance; Catron; Grant; Hidalgo; Luna; Socorro; Sierra; Dona Ana; Lincoln; Chavez; Otero; Eddy; Lea.

The Program also serves the Pueblos of Zuni, Acoma, Laguna, Santa Clara, Ohkay Owingeh, Taos, Picuris, Nambe, Tesuque, Pojoaque, Cochiti, Isleta, Jemez, San Felipe, San Ildefonso, Sandia, Santa Ana, Santo Domingo, Zia, Jicarilla Apache Reservation, and the Mescalero Apache Reservation.

The 2016 US Census American Community Survey was used to compile the data used for the distribution formula. The funding allocations for each county and pueblo are based on the number of households with elderly, young children, disabled and low income occupants, weighted by heating degree days, and follows a similar method as the 10 CFR 440.10 describes for state allocations. The above at risk population segments are averaged with the amount of low income households to determine the allocations for each county and pueblo.

DOE, LIHEAP and State funds (if awarded) will be allocated statewide. Utility funds will be allocated to the areas served by the participating utility companies.

V.3 Priorities for Service Delivery
Subgrantees will be required to disseminate information to the general public about the availability of services within 30 days of receipt of the contractual agreement and shall retain proof of such dissemination in their records.

Subgrantees are required to update the waiting lists annually to include written notification to individuals on the waiting list to determine if they still desire services. Updating will allow the Subgrantees to identify the higher-ranking clients regardless of the amount of time on the waiting lists.

Priority among eligible applicants for the receipt of NM Energy$mart services is established by the NM Energy$mart Online system, which follows the requirements specified in CFR 440.16 (b). Priority is given to identifying and providing weatherization assistance to:

1. Elderly persons (a person who is 60 years of age or older);
2. Persons with disabilities;
3. Families with children (households with dependents not exceeding 18 years of age);
4. Households with high energy burden.

V.4 Climatic Conditions
New Mexico is the 5th largest of the 50 United States with a total area of 121,599 square miles (121,365 square miles land and 234 square miles covered by water). Within its boundaries, elevations reach as high as 13,161 feet above sea level (Wheeler Peak in Taos County) and as low as 2,842 feet above sea level (Red Bluff Reservoir in Eddy County). The vast land area, variations in local topography and elevation disparities cause measurable differences in climate even within each of the two identified regions. Likewise, Lawrence-Berkley National Laboratories (LBNL) has identified three distinct climactic zones that are independent of the particular heating-cooling demand associated with the region, but still significantly affect the performance of homes within each zone.

The Department of Energy has defined three distinct climate zones that cover parts of New Mexico. These climate zone help approximate the performance of a building within each zone due to the effects of heating-cooling demand, precipitation, and relative humidity. The three zones identified in NM are three (hot-dry), four (mixed-dry), and five (cold).

For the purpose of this analysis, the county seat or most populous city was used to determine the average degree days for each county. Data was collected for the last 12 months to arrive at the most recent annual totals.

HEATING DEGREE DAYS:
Zone three has a 23,180 total and 3,311 average HDD; Zone four has 56,345 total and 4,334 average HDD; Zone five has 77,125 HDD total and 5,932 average HDD.

COOLING DEGREE DAYS:
Zone three has a 16,977 total and 2,425 average CDD; Zone four has 19,142 total and 1,472 average CDD; and zone five has 13,195 total and 1,015 average CDD.

At risk is defined as occupants that have respiratory ailments, allergies, pregnancy or other unique health concerns for all zones in NM. Clients located in zone 3 are at risk if one of the above ailments is present or over the age of 60. The determinations for installing cooling systems are based on the client meeting the definition of at risk above. If the clients over the age of 60 that are not at risk otherwise, and reside in zones 4 or 5, localized data analysis will need to be conducted. If this analysis shows cooling degree days above 2,000 annually, then it can be determined with prior approval that a cooling system may be installed.

Some counties are very large in square footage and may have a vast variance in elevation and both heating and cooling degree days. Therefore it is necessary to modify the weather files to a climate that most closely resembles the performance of the individual buildings receiving the weatherization work, and not just the closest city.

Due to the variations in climate throughout the state, each energy audit shall be adjusted to most accurately model the climactic conditions of the individual location. Likewise, each energy audit shall indicate the model climate used (either a location included in the DOE-approved auditing software, or the HDD base 65/CDD base 65 factors).

There are 26 different weather stations used throughout New Mexico for the energy audit. Two maps have been uploaded that describe the different climatic zones that are used in New Mexico.

V.5 Type of Weatherization Work to Be Done
V.5.1 Technical Guides and Materials

The NM Energy$mart Program is committed to full compliance with 10 CFR 440.21(j) and WPN 15-4 for energy audit procedures. All installations are using materials that are listed in Appendix A of 10 CFR 440.

The NM Energy$mart Program has approached the goal of meeting the specifications, desired outcomes, and objectives of the Standard Work Specifications (SWS) with several successful methods. Our Subgrantees have been in the practice of utilizing the SWS as full implementation from the beginning of PY 2014. Below is a list of manuals and guides with dates of issue. Each of these has been uploaded with the State Plan in addition to the links provided below.

  - Re-issued 01/24/2018, updated 01/24/2018

  - Re-issued 03/29/17, updated 03/29/17

- Field Guide Deck of Cards
  - Issued 02/23/2018, updated 02/23/2018

There are five ways the documents are made available to our Subgrantees:

1. The Administrative Manual and Technical Standards are available to our Subgrantees and the general public on our website, [www.housingnm.org](http://www.housingnm.org).
2. We are communicating with our Subgrantees on a regular basis referencing the necessary materials. This is either triggered by a question, conversation, or monitoring.
3. Technical Committee calls are held on a monthly basis. During these calls, the Technical Standards and SWS are discussed with challenges, successes, and innovative approaches to compliance. The attendees for these meetings are the energy auditors, program managers, and Quality Control Inspectors and the Santa Fe Community College.
During the RFP process, the links to the manuals are provided with the RFP package. Subgrantee use of the documents are verified through the monitoring process.

All of the existing contracts that the NM Energy $mart Program has with our Subgrantees references compliance to the SWS. The contracts contain the following statement:

Subgrantees will be responsible for providing services as required by the Department of Energy (DOE) Standard Work Specifications (SWS). The SWS requirements for Single family homes & Manufactured housing can be accessed at https://sws.nrel.gov. If these specifications are not followed, payment will not be made.

Our Subgrantees have also incorporated language in their contracts with their subcontractors requiring compliance to the SWS. All of the contracts between any entities using WAP funds have signatures from both parties verifying acknowledgement of the aforementioned expectations.

V.5.2 Energy Audit Procedures

Audit Procedures and Dates Most Recently Approved by DOE

| Single-Family | Our single family energy audit has been currently approved to use NEAT in October of 2013. We are in the process of collecting and reviewing energy audit packages from the agencies consistent with WPN 16-8 for submission late summer 2018. |
| Manufactured Housing | Our single family energy audit has been currently approved to use MHEA in October of 2013. We are in the process of collecting and reviewing energy audit packages from the agencies consistent with WPN 16-8 for submission late summer 2018. |
| Multi-Family | New Mexico Energy $mart was approved to use TREAT for large multifamily buildings and NEAT for small multifamily buildings October 20, 2017. |

Comments

We will be submitting for approval the use of NEAT as single family site built and MHEA for manufactured housing auditing software late summer of 2018.

This section will detail the minimum required diagnostic testing to be completed on each weatherized home. It is recommended that the energy auditor responsible for the home complete any additional diagnostics necessary to ensure the effectiveness of weatherization measures and the safety of the occupants.

The following diagnostics shall be done prior to the installation of any weatherization measure:


1. Thermal Bypass Assessment
2. Thermal Envelope Assessment
   a. Insulation inspection, location, quantity, and quality
   b. Blower Door air barrier assessment
      i. Leakage from connected or “tuck-under” garage
      ii. Leakage from basement or crawlspace
      iii. Leakage from attic space
      iv. Leakage from any space containing possible contaminant
3. Forced-Air Distribution System Assessment
   a. Visual duct inspection
   b. Dominant Duct leakage test
   c. Pressure Pan Testing
   d. System balance assessment
4. Indoor air-quality assessment
### V.5.3 Final Inspection

Subgrantee’s may not report a dwelling as having been weatherized until all weatherization materials identified for installation at said dwelling have been installed and the Subgrantee, or authorized representative, has performed a final inspection(s) of said dwelling, including any mechanical work performed, and certified that the work has been completed in a workmanlike manner and in accordance with the priority determined by the audit procedures required by 10 CFR 440.21. All final inspections will meet the requirements of the Standard Work Specifications, Technical Standards, and the NM Field Guide. Local code requirements for mechanical appliance installation are included.

All Subgrantee’s final inspections will continue to be performed by a certified Quality Control Inspector (QCI). As of the time of this application, our Subgrantees all have certified QCI on staff. MFA continues expanding the number of QCI Inspectors in each agency as well as continued Tier 1 education for review, recertification, multi-family QCI, and the additional Energy Auditor requirement for the existing individuals that hold those certifications.

The Subgrantee must verify that all weatherization materials identified for installation at the particular dwelling have been installed in a workman-like manner and in accordance with the priority determined by the auditing procedure as required by 10 CFR 440.21, meet the requirements of SWS and our Field Guides prior to reporting the completed unit. Said verification must include, at a minimum, the following verifications and tests:

1. All weatherization measures installed by agency’s crew(s);
2. All mechanical work performed, including verification of new equipment size and rating;
3. All weatherization measures installed by outside contractors;
4. CAZ Depressurization Check (BPI Protocol);
5. Post-Retrofit Blower Door Depressurization Test, Zone Pressure Diagnostics (See Energy Audit Section for more detail); Minimum Ventilation Compliance Verification
6. If Duct-sealing was performed:
   - a. Dominant Duct Leakage Check;
   - b. Pressure Pan Testing;
   - c. System Balance Testing (maximum 3pa pressurization);
7. If Mechanical Ventilation has been installed, then the inspector shall verify continuous and peak flow output of the unit through Flow Hood Testing. NOTE: For HRV/ERV installations which use the central supply and return ductwork, Flow Hood Tests may be required at all supply and return register locations. All mechanical ventilation must comply with ASHRAE 62.2 2016.
8. Client satisfaction interview and dialogue
9. Visual inspection of all work completed
10. Detailed and thorough file inspection
11. Combustion appliance SWS testing requirement verification

The final inspection for each weatherized unit shall be performed by a certified Subgrantee QCI, or a contracted MFA approved certified QCI within 30 working-days of the final day of weatherization work being completed by agency crew(s) or contractors. Any required rework shall be completed in a timely manner and must be verified by the original inspector.
In the event an energy auditor also needs to inspect the units due to the QCI requirement, MFA’s Green Initiatives Manager will inspect 10% of the completed units for that Subgrantee.

Note: The final inspector may perform minor adjustments to previously installed retrofits in order to obtain satisfactory inspection results. Such adjustments must not exceed one working hour per unit, and will not be considered a “weatherization retrofit” as noted above.

Once completed, Subgrantees must upload detailed information on each measure installed in the unit, including estimated & actual cost, energy savings and SIR into MFA’s online system. During the invoicing process, MFA’s Green Initiatives Manager reviews the information on the units to determine the accuracy and technical implications of the data. If the entries raise questions or concerns, then the unit is not eligible for reimbursement until all questions and concerns are answered to MFA’s satisfaction. The said units may be flagged to be included in MFA’s QCI inspections.

Disciplinary actions for inadequate inspection processes determined by 100% desk monitoring or the required 5% to 10% field monitoring will first involve exploring the options of QCI re-training for the inspector. If training is not a viable option or does not remedy the problem, the inspector will not be allowed to perform inspections for a specified period, depending on the severity of the infraction, until proof of adequacy is obtained.

Continued inspector inability or refusal to comply with policies is grounds for MFA to recommend suspension, termination, or otherwise apply special conditions to the inspector performing further QCI inspections for the program.

Attached are final inspection forms, final diagnostic testing forms, and technical field monitoring forms.

V.6 Weatherization Analysis of Effectiveness

MFA qualified staff, our in-house on-line reporting system and the NM Energy$mart Academy provide long-term stability of the program. The Academy, developed in partnership with Santa Fe Community College, has earned a growing reputation as one of the premier training centers in the Weatherization Assistance Program. The Academy is IREC accredited in all four training job categories. MFA and our partners use these pieces to enhance communication and target resources where they are needed. Enhanced communication that the systems enable will remain in place going forward and will be used to help align with the announced DOE program requirements.

In order to assess effectiveness, the NM Energy$mart Online System (System) captures the unit production data on a monthly basis. The completed unit data is captured for each agency and shows the projected energy savings in MMBTU's for each auditor in the agency. The System also shows the frequency with which each agency and auditor installs individual measures and also allows MFA to assess each Agency’s performance in a number of areas. The System-level assessment allows MFA to select individual units for inspection. A separate unit inspection database collects information from inspected units. Monitoring data follows the path of information sharing that occurs through the online system.

MFA uses the System to conduct a 100% desk audit of all units completed prior to paying Subgrantee invoices. Measures installed on each home are compared to determine the relationship between estimated costs and actual costs. SIR, total cost, and projected energy savings are tracked for each measure and for the unit as a whole. For some measures, more detailed information is collected, including R values of added insulation, Manual J calculations of new heating systems and air reductions relative to the initial blower door reading, air sealing target and the achieved reduction.

This system is also used to flag units that need additional monitoring in the form of unit inspection. Any unusual numbers, costs, or circumstances may trigger the inspection. During the unit inspection, the entire client file is compared to the entries for accuracy along with client interview regarding utility bill savings.

During the MFA unit inspection process of completed units, the techniques used to achieve such reductions and the efficacy of installation methods for all measures are observed and any concerns or findings noted.

MFA provides the Subgrantee information on production, energy savings and measures install during monitoring visits and during peer exchange meetings. In addition, the data generated by the System, or during Technical Monitoring and Unit Inspections stimulates dialogue between agency management, MFA’s Green Initiatives Manager and the NM Energy$mart Training Academy. Stakeholders can quickly determine the need for additional training. Due to the specific nature of the System’s reporting capability, specific training can be directed at specific auditors, inspectors and/or weatherization crews in order to resolve deficiencies in their skill set.

A monthly report is sent out to of the energy auditors detailing MMBTU savings, client monetary savings as average and total numbers. This will enable the team to see how they compare with others and the national number of 29.3 MMBTUs per home. The second component is the practice of comparing energy auditing estimates with utility bill usage. This helps the team realize how accurate their models are in comparison to actual usage and helps to spawn training where needed.

In the event Subgrantees fall final inspections; they are given the opportunity to remedy the problem within a reasonable time period. This re-work is not eligible for reimbursement. The home may be re-inspected by MFA’s QCI, depending on the nature of the failure. If it is a repeated problem, the training Academy is notified of the area of weakness and modifies the classes. In extreme cases, additional classes are scheduled.

When a Subgrantee has management findings or concerns, the Subgrantee is asked to explain how they will improve. This may entail updating their policies and procedures, closer monitoring by MFA, or Tier 2 training to help the Subgrantee understand how the problem occurred and how to prevent it.

The cost of measures is reviewed on a monthly basis prior to invoices being processed to compare with market costs of those particular measures. If something appears to be high, a detailed explanation is requested, or the agency’s procurement may be examined for that item.
Continuous progress and improvement is the goal of the combined training and monitoring programs. Through Tier 1 training, staff continues to be cross trained and the basics are reviewed to widen the capabilities in addition to ensuring the existing staff understands the basics of the program on the most fundamental levels. Technical monitoring and regular conversation helps determine Tier 2 training needs or additional Tier 1 needs.

V.7 Health and Safety

See attached Health and Safety Plan.

V.8 Program Management

V.8.1 Overview and Organization

The New Mexico Mortgage Finance Authority (MFA) was created by the New Mexico State Legislature in 1975 as a statewide government "enterprise" to provide financing for affordable housing to medium and low-income persons and receives no money from the state to operate. MFA is governed by a board of seven members. Four members are appointed by the Governor and three members serve by virtue of their state office: the State Attorney General, the Lt. Governor and the New Mexico State Treasurer. The Chairman of the Board is appointed by the Governor. Rules and regulations formulated by the MFA are approved by a Legislative Oversight Committee of the State Legislature. The committee is comprised of eighteen members.

By Executive Order 97-01, the State Governor transferred all federally funded housing programs to MFA on January 14, 1997. The Weatherization Assistance Program (WAP) was included in this transfer. Consequently, MFA took over the administration of the WAP during the ongoing plan for 1996-97. Shortly thereafter, MFA staff produced its first plan (1997-98). MFA does not administer the State Energy Plan nor LIHEAP.

MFA has assigned significant managerial resources to the Weatherization Assistance Program to ensure its successful administration. A list of MFA personnel with direct WAP responsibilities is provided here. MFA has integrated WAP as a core activity throughout its organization; e.g. Information Technology. The whole organization is available to act on WAP activities and issues.

Weatherization Program and Support Staff:

Amy Gutierrez has been the Program Manager for the Weatherization Program since 2016. She came to the position with over 20 years of management experience with a concentration in contracts, budgets and finance. She is responsible for overall program direction and supervision of the program, leverage efforts, coordination with grantee staff; and the overall management of Subgrantees.

Troy Cucchiara is the Green Initiatives Manager and is responsible for the technical aspects of the program which include training and technical assistance as well as health and safety issues. Troy is responsible for the NM Energy$mart Program's compliance with all DOE technical requirements. His qualifications include 10 years of field experience and he holds certificates for several areas in the field of weatherization including QCI and Multi-Family QCI Certification. His responsibilities include 5.0% to 10% of file and on-site unit inspections in addition to technical monitoring.

The Program Manager and the Green Initiatives Manager will work closely together to monitor Subgrantees' activities. They will conduct a minimum of one financial and operations monitoring visit and one technical monitoring visit per year for each agency. In addition, the team conducts 100% of desk monitoring for each invoice and unit through our online system for all funding sources. A prescribed monitoring tool is used for all monitoring visits.

The team provides training and technical assistance to our Subgrantees as needed throughout the program year.

Controller and Accountants:

Yvonne Segovia who is the Controller and five additional accountants, are responsible for reviewing Subgrantee monthly reports, preparing reimbursements, and maintaining all required financial records to account for Grantee and Subgrantee expenditures and balances. They will also be responsible for Subgrantee financial management and quarterly reporting to DOE.

Administrative Support:

The Administrative Support staff provides Marketing and Information Technology support to weatherization staff necessary to carry out the functions of the weatherization program. MFA will comply with the record keeping requirements prescribed on section 10 CFR 440.24, and with the reporting requirements on section 10 CFR 440.25.

Managers and Staff:

The Senior Managers and MFA Staff which include seven people who are responsible for the successful implementation of the program. Jay Czar and Gina Hickman provide oversight and approval of the weatherization program and provide direction to staff. Sandra Marez and Kelly Patterson provide administrative support to staff.

Isidoro Hernandez is the Deputy Director of Programs and is responsible for overall management of the weatherization program. Provides oversight and effective and efficient management of the weatherization program and provides direction to weatherization staff with the Director of Community Development. Promotes the weatherization efforts externally.
Rose Baca-Quesada is the Director of Community Development and she is responsible for the successful implementation of the weatherization program. She provides direction to staff and promotes the weatherization efforts externally. Her oversight includes directing the activities and acceptable performance of the weatherization Subgrantees and ensures that MFA and Subgrantees are in compliance with all regulatory and contractual requirements of the program. She ensures the monitoring of Subgrantees is in compliance with their contracted programs in accordance with regulations outlined in federal/state contractual agreements and MFA’s Compliance Manuals. Ms. Baca-Quesada works with staff in assisting the efforts to build their capacity through training and providing technical assistance on the program development. Ms. Baca-Quesada also oversees the efforts to increase funding for the program.

Gina Bell is the Assistant Director of Community Development and has extensive knowledge of the weatherization program as she managed the program for 10 years prior to her current position. She provides direction and insight to the day to day activities to the current program managers in addition to providing quality control checks on the work performed.

V.8.2 Administrative Expenditure Limits

Our admin is set at 10% total with MFA receiving 5% and the remaining 5% allocated to our Subgrantees. We will be requesting additional admin funds for the TBD agency however, we will NOT be requesting the additional admin funds for our existing Subgrantees as both Central New Mexico Housing Corporation and Southwestern Regional Housing and Community Development Corporation both exceed the $350,000 threshold.

V.8.3 Monitoring Activities

Monitoring Approach

MFA assists its Subgrantees with their efforts to resolve problems encountered in the administration and operation of the NM Energy$mart Program and to ensure compliance with all applicable Federal and State laws, rules, and regulations. To achieve this goal, Amy Gutierrez, the Program Manager will conduct the programmatic monitoring, and Troy Cucchiara the Green Initiatives Manager will conduct the technical monitoring. Training and technical assistance funding used for monitoring is $199 and 3% of the total monitoring budget. Administration funds used for monitoring are $7,231 and 96% of the monitoring budget. Leverage funds that will be used for monitoring are $108 and 1% of the monitoring budget.

The primary areas of oversight include:

- **Programmatic and Management Monitoring**
  - Subgrantee Review
  - Financial/Administrative
  - Policy Advisory Council (PAC)
  - Eligibility
  - Rental
  - Energy Audits
  - Field Work
  - Health & Safety
  - Equipment/Inventory/Materials
  - Grantee Monitoring
  - Training & Technical Assistance
  - Feedback & Reporting
  - Staff or entity performing the monitoring
  - How monitoring results are handled and required follow-up procedures

- **Subgrantee Monitoring**
  - Program Overview (Client File Review, Work Orders, etc.)
  - Financial/Administration
  - Inventory
  - Energy Audits
  - Qualifications & Training
  - Weatherization of Units
  - Health & Safety
  - Quality Management Assurance
  - Staff or entity performing the monitoring
Program staff coordinates all activities and provides clear and concise direction to comply with the applicable standards and regulations. Staff conducts field monitoring of Subgrantee financial activities including financial audits, production and reporting requirements. Program staff also assists Subgrantees to improve operations through training and technical assistance to correct noted problem areas. In addition to the staff that conducts the monitoring, MFA’s Accounting Department and Internal Auditor are available when needed to review Subgrantee financial operations. Subgrantees financial audits are reviewed as part of their onsite monitoring. Financial audits are also reviewed at the time of audit submission when the financial audit is due for that year. Financial audits receive several layers of review prior to approval.

At a minimum, the staff conducts one on-site programmatic monitoring visit and one on-site technical monitoring visit each year. A comprehensive monitoring tool is used as part of a thorough review of each Subgrantee. If necessary, a follow-up monitoring visit will be conducted to verify that corrective action has been initiated or completed. Through our on-line reporting system, for a more thorough review, the staff conducts monthly checks of work done in completed units as well as financial reporting.

Staff will perform an on-site monitoring visit to SW Regional Housing and Central NM Housing Corporation in the November-December 2018 timeframe.

In addition to the monitoring, MFA staff has developed their own QCI inspection policies. Troy Cucchiara will perform certified QCI reviews of client files and inspect the corresponding homes of 5% to 10%. This will occur on a continual basis to ensure that SWS is being followed, there are no missed opportunities, Health and Safety is the best approach with the best practice possible, and the quality work plan is being managed properly. In the event quality is not up to standards, and it is determined that there is a pattern Tier 1 or Tier 2 training will be scheduled to correct the issues. Health and Safety deficiencies are corrected immediately, and in some cases the same day.

Quality Control Review of units and files consists of carefully looking at every detail for each file prior to the unit visit. The file should accurately tell the story of the weatherization work that took place at the home. If one thing is out of place, it serves as an indicator to look for additional related items.

MFA also requires Subgrantees be audited in accordance with section 10 CFR 440.23(d). For program year 2017/2018, only one of the NM Energy$mart Subgrantees met the 2 CFR 200 threshold amount of $750,000.00.

To complete the approval of the annual external financial audits, the first layer of review is by the Program Manager. The second layer of review and approval is either done by the Director of MFA’s Community Development Department or MFA’s Controller.

As a follow up to each visit, MFA staff provides the Subgrantee with a written report that describes noncompliance or problem areas and best practices. The report is submitted to the Subgrantee within 30 working days of the visit and the Subgrantee is required to respond within 30 days to MFA with a Corrective Action Plan as a formal letter that addresses any findings, concerns, and recommendations. This Corrective Action Plan must include an identified target date and time frame for each deficiency. This is tracked by an online tracking system that is referred to as Tracker. Follow up communication through phone conversations, email, and necessary onsite visits is continual until the problem is resolved.

The Subgrantee is made aware of the monitoring instrument used for the visits, since it is accountable for implementation of the program in accordance with the standards and procedures.

In all instances, MFA is committed to working closely with Subgrantee to succeed. However, if after numerous attempts have been made towards compliance or if a Subgrantee is either unwilling or unable to resolve a non-compliance issue, MFA would start to work toward de-funding the agency.

When a problem is resolved to the mutual satisfaction of the Subgrantee and MFA, MFA staff will send a follow-up letter to close the finding. If there is any suspicion of mismanagement, fraud, waste or abuse or if any significant problems are found, MFA will immediately notify the
Inspector General and DOE’s Golden Office, in Denver CO.

MFA will submit annual reports to DOE’s Golden Office describing its monitoring efforts to date. The report will include at least the following:

- Number of monitoring visits to each Subgrantee;
- General nature of the findings;
- A discussion of significant corrective actions;

MFA will also have all monitoring reports available, upon request, for DOE inspection;

MFA will summarize and review its monitoring activities and findings for internal assessment of Subgrantee needs, strengths and weaknesses and annual planning. This data will be incorporated in the New Mexico Consolidated Plan and Annual Performance report.

**Credentials**

MFA staff has substantial experience in monitoring NM Energy$mart and other Federal and State programs.

The Program Manager, Amy Gutierrez, and the Green Initiatives Manager Troy Cucchiara are responsible for all NM Energy$mart related monitoring. MFA staff attends Weatherization and related training to maintain current knowledge, practices and regulations.

**Amy Gutierrez, Program Manager.** Ms. Gutierrez joined the MFA in 2016 as a Program Manager of the NM Energy$mart Weatherization Assistance Program. Prior to joining MFA, she has 20 years of management experience working as a Billing Administrator in 2 law firms. During her employment with each law firm she managed contracts, budgets and all financial business aspects of each firm.

**Troy Cucchiara is the Green Initiatives Manager and QCI for MFA and is the technical manager for the NM Energy$mart Program.** Troy has been involved with the home retrofit industry for 18 years and has been an integral part of the Weatherization Assistance Program for different agencies since 2006. Troy has earned numerous certifications including Commercial Energy Auditor, Water Specialist IV, CBI Thermographer, Lead Certified Renovator, Lead Dust Sampling Technician, AHERA, OSHA 30, Building Analyst, Building Envelope, and Home Energy Professional Quality Control Inspector, and Multi-Family QCI. Troy has been a BPI Proctor for the Santa Fe Community College. Troy’s technical experience includes energy auditing, home inspections, program management, water treatment design, inventory control, public speaking, staff training, and client education.

**Levels of Agency Performance**

**High Performance or Exemplary Agencies**

By way of monitoring review, an agency has demonstrated performance standards that meet or exceed standards that are commonly observed in the following areas:

**Program operations:**

No Health and Safety findings are identified in previous monitoring report.

No procedural findings related to program rules, policies or procedures.

**Fiscal:**

No annual program specific audit findings.

No material findings in the agency external audit.

**Technical:**

Provide comprehensive service utilizing the latest building science and renewable technology, in a cost-effective manner in accordance with NM Energy$mart Weatherization Assistance Program guidelines.

**Production:**

In general an agency’s production is high relative to funding.

**Qualified staff:**
Agency will receive higher credit for exemplary status with NM Energy$mart Training Academy staff through participation in the NM Energy$mart Training Plan.

Risk:

No “at-risk” elements are found in major categories for an agency.

If the above is met a final visit may be made by MFA NM Energy$mart staff for final confirmation of achievement.

Stable Agency Performance:

Typically, the frequency of monitoring will be (1) fiscal/operational visit and (1) technical visit per year by NM Energy$mart staff. The need for additional visits within the same year will be determined by the agency’s program funding and production level, and the timely responses to any outstanding monitoring findings. MFA expects every agency to meet these standards of performance:

Well-established systems for program administration and operations, with no more than one finding in the following areas:

- Compliance with major program requirements, such as, lead-based paint procedures, cost allocation.
- No more than one program specific finding in the annual monitoring visit.
- No more than one fiscal specific finding in the annual monitoring visit.
- Staff is well trained in performance of specific job duties.
- Agency has complete and organized files.
- Evidence of prudent decision making as to the use of program resources:
  - Complete scopes of work.
  - NEAT/MHEA/TREAT documentation is current and consistent with billing.
  - Staff is proficient in the use of auditing software.
  - Evidence that NEAT/MHEA/TREAT is used with actual and true pre audit data (including costs).
  - Evidence that NEAT/MHEA/TREAT is used effectively and thoughtfully in determining cost-effective measures.
- Staff and contractors have demonstrated proficiency in technical applications, including diagnostics.
- Agency has a minimal number of procedural findings (as related to programs rules, policies and procedures) and health and safety findings from previous monitoring report.
- Agency complies with OSHA and MFA safety rules, as applicable.
- The agency maintains a professional working relationship with MFA.
- Past corrections are made and reported in a timely manner.
- Participate in NM Energy$mart Peer Exchange meetings.
- No “at-risk” elements are found in major categories for an agency.

Vulnerable Agency Performance

If an agency's performance is deficient in some or all of the following levels of performance MFA will prepare a plan to help the agency clear the deficiencies and will provide additional monitoring within the same year:

- Has a well-established systems for program administration and operations, with no more than one finding in the following areas.
- Compliance with major program requirements such as lead-based paint procedures, cost allocation plan/indirect cost rate, required contractor information.
- No more than one program specific finding in the annual monitoring visit.
- No more than one fiscal specific finding in the annual monitoring visit. Staff is well trained in performance of specific job duties.
- Lack of prudent decision making as to use of program resources.
- Completes scope of work.
- NM Energy$mart on-line reporting is current and consistent with billing.
- Staff is proficient in its use of the NM Energy$mart on-line payment system.
- Evidence of the NM Energy$mart on-line payment system is used with actual and true pre-post data (including costs).
- Evidence of the NM Energy$mart on-line payment system is used effectively and thoughtfully in determining cost-effective measures.
- Staff and contractors have not demonstrated proficiency in technical applications, including diagnostics.
- Agency has a number of and severity of procedural findings (as related to programs rules, policies and procedures) and health and safety findings from previous monitoring report.
- Agency does not comply with OSHA and MFA safety rules, as applicable.
- The agency does not maintain a professional working relationship with MFA.
Past corrections were not made and reported in a timely manner.
Agency does not participate in NM EnergySmart Exchange meetings.
Agency does not report as outlined in program manual.
Several “at-risk” elements are found in major categories for an agency.

At-Risk Agency Performance

At-risk agencies may be identified as a result of a variety of factors that may include:

- Agency’s probation, i.e. an agency’s first year with the program.
- There is evidence of significant administrative or program sub-standard performance; for example, repetitive pattern of findings, failure to have copies of permits on file or lack of compliance with historical preservation rules.
- Agency is not in compliance with program policies, procedures and specifications.
- Agency has repeated health and safety findings.
- Agency staff members/crew has deficient technical skills.
- There has been a change in key staff.
- There has been a change in key weatherization Subgrantees.
- Agency has deficient scopes of work (work plan is insufficient).
- Agency has program specific audit findings.
- Agency has fiscal specific findings.
- Agency files are incomplete or disorganized.
- Agency staff is unresponsive to MFA requests and deadlines. For example, the agency consistently fails to provide monthly reports and contract closeouts in a timely manner.
- Agency production is low relative to funding.

At-risk agencies will be monitored no less than twice annually. Other factors in the frequency of monitoring visits may be based upon the requirements of specific funding sources.

V.8.4 Training and Technical Assistance Approach and Activities

Objective

Through Tier 1 and Tier 2 training, MFA’s Training and Technical Assistance program will provide the weatherization staff on the Grantee and Subgrantee levels the skills needed on a regular basis to ensure a solid weatherization program with best practices and high quality workmanship.

Historically, the training has addressed the Weatherization Assistance Program from two perspectives, technical weatherization work and program management. This perspective continues to maintain a path improvement for the Program and resolve emergent issues that rise through monitoring and dialogue with Subgrantees and to prepare for Department of Energy program changes.

Tier 1 and Tier 2 Plans

The majority of training will be occurring in the Tier 1 category as outlined in this plan. The mandatory Tier 1 training serves numerous accomplishments including review of basic JTA material for certified individuals, updates on changes, cross training to increase capacity, and maintaining workforce credentials. Maintaining QCI certification is of particular importance as it enables compliance with 15-4.

MFA is in the process of issuing an RFP for a new Subgrantee. The winner of the RFP will be expected to start Tier 1 training for three of the four JTAs the first month of the program year (July 2018). All of the Tier 1 categories for Crew Leader, Installer, and Assessor will be covered during the first 18 weeks of the year. Tier 2 training will be issued as “ride alongs” as the agency starts to become familiar with how the work is done. There will be no completed units that do not involve the presence of someone from the training academy or another NM EnergySmart agency. All New Mexico Subgrantee’s will have the opportunity to attend the classes when needed.

QCI Tier 1 training for the new agency (TBD) will begin the first month of 2019-2020.

Other than the above plan for the new agency (TBD), Tier 1 training is normally offered at the beginning of every month by the NM EnergySmart Academy. Each agency consults with MFA prior to signing up for the classes about what would be most appropriate and based off the most recent desk monitoring, monitoring, unit inspections, or phone conversations. The Tier 1 training classes are determined at least 1 month prior to scheduling the class. Follow up on agency skills and conversations happen on a continual basis.

Tier 2 training is offered throughout the year in the form of ride along field training and as a follow up to Tier 1 training, requested by each agency, or as a result of technical monitoring and QCI unit inspections.
### Tier 1 Training List

1. **Retrofit Installer**
   - Insulation 1
   - Air and Duct Sealing

2. **Crew Leader (1-4)**
   - Air and Duct Sealing
   - Insulation 2
   - Materials and Documentation
   - ASHRAE 62.2 2016

3. **Energy Auditor**
   - Basic Building Science
   - Basic Pressure Diagnostics
   - Advanced Pressure Diagnostics
   - Basic Combustion Testing
   - Intermediate Combustion Testing
   - Weatherization Assistant
   - ASHRAE 62.2 2016

4. **QCI**
   - ASHRAE 62.2 2016
   - Advanced Pressure Diagnostics
   - Advanced Combustion Analysis
   - Quality Control Inspector

**Recertifications needed:**

This program year there will be no QCI inspectors that need re-certification, however there will be Energy Auditor certifications and testing that will be scheduled the spring of 2019.

All Quality Control Inspections for the new agency will be contracted by the new agency (TBD) to either the NM Energy$mart Academy or one of our existing Subgrantees.

### Tier 2 Training List

1. On site field training (ride alongs)
2. HVAC Technician
3. Project Management
4. HPC Conference
5. NASCSP for new agency
6. CFR 200 or admin training for new agency

Conference Attendance

NASCSP, HPC, and Energy Out West conferences are allowable trainings under the NM Energy$mart Program. Agencies must use their Tier 2 training budget for these conferences. Because of the Tier 1 majority requirement, and possible mandatory ride alongs resulting from unit inspections, agencies may be limited on the amount of Tier 2 funds available for the conferences. Therefore it is important that each agency carefully consider what staff will be attending each conference if any.

Because this is a highly sought after use of training, it is considered a valuable commodity. Agencies are expected to obtain the full use of information gathered from the conferences. This includes attendance to all classes, updates, and sessions in addition to utilizing as much networking with other states as possible. Agencies must submit to MFA a list of whom will be attending each conference and a statement that each individual will attend all classes that he or she has selected. No conference reimbursements will be released without proof of all class attendance. If an individual chooses to not attend a class or does not obtain the necessary proof of attendance, the agency may not receive full reimbursement for that individual. T and TA funds may not be used to pay for anyone attending a conference that does not attend the accompanying classes or sessions.

Financial Management Control

Although MFA allows and encourages Subgrantees to budget for program management training and attend DOE conferences, the Tier 1 training is mandatory and prescheduled. Tier 2 training, the remaining budget amount from the required Tier 1, includes prescriptive training resulting from monitoring, ride alongs, financial classes, 2 CFR 200, conferences, and other program management training.

T and TA funding is closely monitored; therefore, prior to attending a training of any kind, the Subgrantee is required to send an approval request to MFA that includes tuition and all associated costs of the training.

Regular Comprehensive Training, Feedback from DOE Visits

Scheduled training is determined by existing number of staff in each of the four categories, the desired number in each category, monitoring results, and unit inspections. The training schedule may be changed to reflect feedback from the DOE Project Officer monitoring visits. Contractual requirements bind Subgrantees to the training schedule, and mandate MFA allot and approve sufficient T & TA funds to cover the cost of the entire training cascade.

This approach will continue to address both core training to expand workforce capacity, advanced training to develop further specialization and leadership within the workforce, in addition to answering questions related to New Mexico’s unique housing stock and climate regions. The program embraces MFA and Subgrantee staff, and focuses on incorporating state technical standards as well as continued compliance with regulatory standards.

This training program builds on increased understanding and utilization of building science to deliver greater energy savings to client homes and ensure homes throughout the state consistently have access to the range of weatherization measures to realize maximum savings.

Training Activities

In order to standardize weatherization practices across the state and through all New Mexico’s Subgrantees, DOE Standard Work Specifications (SWS) have been developed. These SWS’s describing the weatherization process and how specific weatherization measures will be performed, have been incorporated in the customized curriculum to be made available through the IREC Accredited Weatherization Training Center (Academy) and trainers. Implementation of the SWS ensures more uniform energy savings for clients and reduced production costs for the program.

MFA works with the Academy to provide weatherization training. The Academy works with MFA and Subgrantees to develop a comprehensive training calendar each year. In addition to specific course modules, the Academy has the capability of providing Tier 2 training and even additional Tier 1 training as needed in order to resolve emergent issues from MFA or DOE monitoring.

The schedule minimizes production downtime and allows sufficient opportunities for Subgrantees to complete mandatory trainings in a timely manner. The Academy provides classroom space and a well-equipped lab to optimize skills acquisition across all training levels through a combination of lecture, hands on demonstration and field training. The Training Academy is fully equipped with a mobile rig, a diagnostic cabin, and demonstration units for insulation, attic air sealing, mobile home training, combustion appliances and an online training platform. Access to an expanded staff of specialists will allow additional training in OSHA, Lead Renovator/Dust Sampling, and HVAC.

Retrofit Installer Technician

The Retrofit Installer Technician training is a 2-part series of courses focused on developing the skills and knowledge of current and potential Weatherization Installers. Before attending the in-person class, all attendees will have completed the 7-10 hour Retrofit Installer on-line class offered by the New Mexico Energy $mart Academy.

The class covers introduction to weatherization, basic math, health and safety issues, tools and maintenance, materials identification, local construction details, basic blower door, windows, doors, work scope/inventory/equipment, house as a system, basic building science, insulation and air sealing, venting and moisture, combustion safety.

The in-person class offers five days of building science review, hands-on lab exercises, and in-the-field work order-based weatherization activities to improve the quality and performance of a home. The class has been designed to reinforce and extend the knowledge of building science and tools and techniques for insulating, air-sealing buildings, reducing baseload, and drywall repair, and communication skills.
With a focus on performance, each student is responsible for the appropriate use of insulation blowing machines, blower doors, duct blasters, pressure pans, air-sealing props, installing baseload measures, windows, doors and bath fans, drywall repair, and combustion appliance safety testing for draft and carbon monoxide.

By attending this course, the Installer will gain a deeper understanding about weatherization work scope, job planning, and site management. Successful completion of this course plus OSHA 10, and Lead RRP classes, makes the student eligible for certification as a Retrofit Installer Technician.

**Crew Leader (Steps 1 through 4)**

Crew Leader covers the complete Installer training, OSHA 30, RRP, Lead Safe Weatherization, First aid and CPR, role of the crew chief, effective crew management, inventory, advanced materials and maintenance, codes, adult learning strategies, hands on diagnostics (blower door, worst case depressurization, pressure pan, basic zone pressure diagnostics), reading an audit, developing a work scope, and additional diagnostics as needed.

These courses focus on developing the skills necessary to be an effective Crew Leader. Step 4 offers three days of theory, role-playing, hands-on field exercises to prepare Crew Leaders for success in crew management, organization, inventory control, safety, understanding work orders, and quality control. In addition, participants will be discussing building codes and the State Standards for installing weatherization measures in New Mexico. Completion of this course qualifies participants for certification as a Crew Leader.

**Energy Auditor**

Energy Auditor series of classes prepare candidates for the BPI Home Energy Professional Energy Auditor Certification exams. This course focuses on developing the skills necessary to be an effective Energy Auditor consisting of theory, role-playing, and hands-on field exercises to prepare Energy Auditors for success in performing a comprehensive energy audit. The course covers introduction to weatherization and auditing, health and safety issues specific to weatherization, construction details, building science, equipment, basic math, code compliance, data gathering, HVAC for auditors, NEAT and MHEA, OSHA30, RRP, Lead Safe Weatherization, AHERA, ASHRAE 62.2 2016, Communication skills, Advanced NEAT and MHEA.

Diagnostic tests included:

- Blower door & pressure differential
- Duct pressurization & pressure pan
- Ventilation fan flow rate
- Combustion safety (gas leaks, worst-case CAZ, spillage, draft, CO)
- HVAC assessment, temperature rise, steady state efficiency

**QCI**

Quality Control Inspector will cover Introduction to weatherization and auditing, health and safety issues specific to weatherization, construction details, introduction to building science, equipment, math basics, blower door and pressure diagnostics, worst case combustion testing/combustion safety, purpose of monitoring and inspecting, interpreting diagnostics and understanding and interpreting the NM technical standards.

**Compliance With Mandatory Tier 1 Training**

While the Academy maintains a record of trainings attended and credentials obtained, each Subgrantee is responsible for ensuring that staff attend all required trainings for their job classification. MFA encourages Subgrantees to budget for initial training and training sufficient to maintain credentials. MFA monitors the Subgrantees for compliance. If a Subgrantee does not have sufficiently trained staff, including new staff, the agency must develop and implement a training plan sufficient to achieve compliance. In addition to prior class consultation, MFA will monitor training milestones to help support the path toward compliance.

**New Employment Training**

MFA encourages Subgrantees to hire certified staff from the network however, if that is not possible, MFA does not require Subgrantee staff to have certification prior to hiring. Each Subgrantee is required to have a training plan for each job position. Upon hire, the employee is required to complete the on-line training curriculum within the first 90 days of employment. In addition, Subgrantees must have an internal training/shadowing on the job mentoring plan. Each new staff member is responsible to attend and pass all the courses required for their job category within one year of being hired. MFA monitors to this requirement and if the employee is not within compliance they will not be allowed to work in the homes until the requirement is completed.

**Lead-Safe Weatherization**

MFA will offer RRP and Lead-Safe Weatherization (LSW) training at least four times per year. All Subgrantees are required to be trained in LSW work practices and to attend the 8-hour training. This training includes the curriculum developed by DOE. The LSW training is a combination of classroom exercises and demonstration of tools and materials. The focus is on the practical application of LSW work practices and the inclusion of required educational materials and appropriate documentation of LSW containment procedures in all client files. Further training in Dust Sampling will be provided for more advanced crew members.

**Health and Safety**

Health and safety is continuously assessed and discussed throughout the year during monthly technical calls, and unit inspections. Dialogue also takes place on a weekly basis between the field staff and MFA’s technical manager with health and safety questions, comments or issues noticed from monthly reporting or day to day routine assessments. All of this communication can result in Tier 1 or 2 training that can be anything from structured classroom setting to “ride alongs” where the instructor actually accompanies the crew on an actual job site.
Job Safety

All Subgrantee field staff will be required to complete OSHA 10 training, and Crew Chiefs, Auditors and Inspectors will be required to complete OSHA 30. These courses will be construction safety courses configured to weatherization through use of Job Hazard Analysis and existing accident and injury logs of the Subgrantees.

Web Accessible Curriculum

The Online Weatherization Workforce Development Program, available in English and Spanish, will serve as a gateway into classroom training by providing core knowledge necessary to succeed in more advanced trainings. This will ensure the Academy makes efficient use of trainers and facilities. Core content of the web accessible training curriculum will be consistent with existing DOE weatherization training, customized to meet New Mexico needs in terms of climate, housing stock and policies.

Client Education

In tandem with a well trained workforce, a well-informed consumer will help make best choices in maximizing effect of weatherization measures. Understanding measures to be implemented at a home is key to garnering homeowner and occupant cooperation during installation and afterward. Therefore, a Consumer Education module has been developed along with the Online Curriculum. This module will be available to consumers through a secondary web portal, and also through a DVD that can be left at homes. The Client Education module will also be available in both English and Spanish to reach the largest portion of New Mexico population.

The SWS has been thoroughly examined for all client education points. A list of all sections that specifically spell out what needs to be delivered to the clients has been given to the Subgrantees and the Subgrantee utilization of these topics are currently part of what monitoring and unit inspections include.

Training Needs Assessment Policy

MFA closely communicates with Subgrantees on a consistent basis. In addition to the 5% to 10% quality control site visits and the annual on-site programmatic and technical monitoring, MFA is able to assess training needs very accurately. This is an on-going process and communicated immediately to the Subgrantees when a training need is determined.

NM EnergySmart Exchange Meetings

In addition to the Training Program, MFA will continue to meet with Subgrantees a minimum of three times per year to discuss emergent issues. This type of communication helps maintain consistency in the services provided throughout the state. Each of these meetings will serve a core group of the weatherization workforce, in addition to including a gathering of program directors to discuss the program. These meetings will include a Program Director round table and, when necessary, staff discussion covering a specific topic, including fiscal, administrative, technical intake and client education issues.

The NM EnergySmart program also has a Technical Committee which meets monthly. The committee is composed of lead technical weatherization staff from each of the Subgrantees, technical members of MFA’s EnergySmart staff and and training academy staff. The purpose of the Technical Committee is to identify challenges and share best practice among the agencies.

Future Program Requirements

In addition to following all WAP Program Notices, MFA staff stays in close contact with NASCSP, Energy Out West, and other industry experts. Information gathered from phone meetings, conferences, emails, and updates is regularly dispersed to the Subgrantees and the Training Academy. If the industry changes or updates warrant a change in training or policies, that is implemented soon after communication or training has taken place.

Effectiveness of Energy Savings and NM EnergySmart On Line System

In order to assess effectiveness, the NM EnergySmart Online System (System) captures the unit production data on a monthly basis. The completed unit data is captured for each agency and shows the projected energy savings in MMBTUs for each auditor in the agency. This information is useful in that it can compare agency to agency, and auditor to auditor. Though the climatic conditions are vastly different from the northern part of the state to the southern, these comparisons can be helpful in determining weaknesses and individual training needs.

The System also shows the frequency with which each agency and auditor installs individual measures. The System also allows MFA to assess each Agency’s performance in a number of areas. The System level assessment allows MFA to select individual units for inspection. A separate Unit Inspection database collects information from inspected units. Monitoring data follows the path of information sharing that occurs through the online system. MFA shares this information during desk audits of invoices, during monitoring and during Peer Exchange meetings.

Weatherization Plus

MFA encourages Subgrantees to coordinate the weatherization assistance program with other MFA rehabilitation and Healthy Home programs. When applicable, this maximizes the level of assistance on eligible homes. MFA will offer Subgrantee’s training necessary for them to participate in the coordination with builders, developers and Subgrantees for MFA’s rehabilitation program.

State Weatherization Program Manuals

New Mexico’s Program Manual is divided into three parts.

- The Administrative Programmatic Manual. The manual will be updated as rules, regulation and policies change. MFA staff encourages the Subgrantees to “first”
go to the manual for guidance. If their questions are not answered through the manual we then request that they call the Program Manager as a “second” level of information. This will allow for consistence guidance across the state and will also provide needed feedback from our Subgrantees if information is missing or not clear in the manual.

- The SWS Field Guide, Deck of Cards, acts as our field guide.
- NM Energy$mart Technical Standards outlines everything that is not associated to a specific measure which is addressed in the Deck of Cards.

In order to provide the Subgrantees with easy access to the current manuals, MFA has posted them on the MFA website.

**Community Education**

MFA will continue advertising our program, conducting education and outreach in communities across New Mexico. Staff will continue to work to educate members of New Mexico’s Public Regulatory Commission (PRC) on the NM Energy$mart Program to support future utility funding. All Subgrantees will continue distributing the required Lead Based Paint notice to all applicants. MFA will continue to require that program participants be asked to complete satisfaction forms after completion of measures.

**Grantee Assessment**

MFA has a technical and programmatic staff member assigned to the NM Energy$mart Program. While both employees remain in close, coordinated contact, the specialization allows each member of the team to pursue training and education sufficient to expand their understanding of the Program. The Technical Program Manager will attend trainings related to maintaining Quality Control Inspector Certification and broader trainings related to building science, program operations and DOE rules & regulations. Programmatic staff will attend trainings offered through NASCSP and DOE conferences.

### V.9 Energy Crisis and Disaster Plan

**Objective:** The objective of the New Mexico disaster response plan is to implement response activities that ameliorate the effects of the disaster to affected low-income persons with due consideration to the limited funds available during the program year.

**Definition:** A disaster is an event or development in the State declared by a Presidential or Gubernatorial order to be either a Federal or State emergency.

**Procedures:** Declaration of an energy crisis enables a Subgrantee to place households affected by the crisis at the top of the weatherization waiting list. Subgrantee must follow WPN 12-7 and complete all allowed measures by the energy audit. Partial weatherization is not allowed. Once a QCI has approved the work, the crews can move to the next identified unit that qualifies.

If at all possible, the Subgrantee should complete the emergency units within the current program year.

The Subgrantees must maintain a list of the homes served during the crisis and provide the list of measures for each unit and the proposed date for full weatherization during invoice submission.

Criteria include:

1. Households must meet current income guidelines.
2. Priority will be given to elderly person, persons with disabilities, families with children, high residential energy users, and household with high energy burdens.
3. Priority will be determined through the program priority list for the particular disaster area.
4. Homes weatherized after September 30, 1994 can receive additional assistance under “Energy Crisis”.
5. Incidental repairs to an eligible dwelling will be allowed if the repairs are necessary to make the installation of weatherization materials effective.
6. Elimination of health and safety hazards will be allowed when it is necessary before the installation of weatherization materials.
Tab 9
MEMORANDUM

TO: MFA Board of Directors

Through: Contracted Services Committee – May 8, 2018
Through: Policy Committee – May 1, 2018

FROM: Theresa Laredo-Garcia, Director of Servicing
Jeff Payne, Senior Director of Homeownership

DATE: May 16, 2018

SUBJECT: Real Estate Owned Disposition (REO) – Loss Approval

Recommendation:
Staff is recommending Board approval of losses greater than $50k on Hobbs Workforce, Habitat for Humanity Valencia County and Tierra De Esparanza multifamily properties that are, or have been held in MFA’s REO portfolio. MFA expects to realize a combined loss of approximately $677,046.29 upon sale or disposition of these properties. Staff is requesting approval of said losses. In accordance with Generally Accepted Accounting Principles (GAAP) since acquired, these REO properties have been written down a combined $714,283.05 to their fair market value. If all three REO properties are sold during FY2018, based on the net proceeds projected, MFA would recognize a gain of $37,236.76 in FY2018.

In March 2018, the Board approved a loss on the disposition of the Tierra De Esparanza property in the amount of $78,173.81. The Board requested verification that the loss was for all the properties. In reviewing, staff discovered that all capitalized expenses were not included in said loss. Staff is requesting Board approval for an additional loss of $14,608.57. The total loss on the disposition of this property is $92,782.38.

Background:
The properties listed below are or have been in MFA’s REO portfolio. The decline in property values and capitalized expenses combine to exceed the current value of the properties, resulting in projected loss exposures upon sale or disposition.

Discussion:
Hobbs Workforce Housing
The original loan closed in 2007 with a balance of $613,000. The collateral consists of approximately 60 acres of undeveloped land earmarked for rental housing. MFA has not incurred capitalized expenses and the property is exempt from property taxes. Due to the market in the area at the time of acquisition, MFA management made a decision to “land bank” these tracts of land. Upon approval of projected losses, MFA will enter into a listing agreement on the Hobbs Workforce property. The projected net proceeds for the listed sales price will cause a loss to MFA of approximately $310,000.
Valencia Habitat for Humanity
The original loan closed in 2005 with a balance of $960,000 secured by sixty-four undeveloped lots. Again, due to market conditions at the time of acquisition, MFA management made a decision to “land bank” these vacant lots. These properties consist of seventeen (17) lots that are now improved and have not been listed for sale by MFA. MFA is working with local municipal agencies to attempt to donate the lots and further MFA’s affordable housing mission. The donation of the properties will cause a loss to MFA of approximately $274,000 which requires Board approval.

Tierra De Esparanza
The original loan had a balance of $327,382.59 which was subsequently paid down to the remaining balance listed below. In January 2018, MFA sold three vacant lots which were acquired on August 26, 2011 through deed in lieu of foreclosure. The acquisition originally included five lots, one with a manufactured housing unit, funded by MFA’s Housing Trust Fund. On November 20, 2014 one of the lots was sold. On January 29, 2016 MFA sold the lot with the manufactured home and on January 9, 2018 the remaining three lots were sold. In March 2018, MFA Board approved the loss amount of $78,173.81. This amount presented to the Board for the final loss was incorrect. MFA staff determined that the total amount of capitalized expenses were not included. Staff is requesting approval of additional losses of $14,608.57, which places the total loss at $92,782.38 on the disposition of this property.

Summary of Loss Calculations

<table>
<thead>
<tr>
<th></th>
<th>Hobbs Workforce</th>
<th>Valencia County Habitat for Humanity</th>
<th>Tierra De Esparanza (Disposed Jan 2018) REVISED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unpaid Principal Balance</td>
<td>$612,776.74</td>
<td>$254,983.00</td>
<td>$107,460.65</td>
</tr>
<tr>
<td>Capitalized Expenses</td>
<td>$0.00</td>
<td>$18,904.17</td>
<td>$16,126.76</td>
</tr>
<tr>
<td>Total Exposure</td>
<td>$612,776.74</td>
<td>$273,887.17</td>
<td>$123,587.41</td>
</tr>
<tr>
<td>Projected Net Proceeds</td>
<td>$302,400.00***</td>
<td>$0.00</td>
<td>$30,805.03*</td>
</tr>
<tr>
<td>Projected Loss</td>
<td>($310,376.74)</td>
<td>($273,887.17)</td>
<td>($92,782.38)**</td>
</tr>
</tbody>
</table>

*Actual Proceeds
**Staff obtained Board approval for a loss of $78,173.81 in March 2018.
*** Based on January 2017 Broker’s Opinion of Value of $337,000

Advance approval of both Hobbs Workforce and Habitat for Humanity Valencia County projected losses will enable staff to move forward to market and dispose of these two properties.

Given the complexity of the acquisition and management of REO properties, staff has proposed revisions to existing REO policies regarding delegation of authority, approval and Board reporting to provide clarity and transparency to the process.
Financial Impact:
It is important to understand the current financial implication of the sale or disposition of these REO properties compared to the projected losses calculated above which are based on unpaid loan balances. In accordance with Generally Accepted Accounting Principles (GAAP), acquired REO are recorded at fair market value. MFA management conducts an annual REO loss analysis based on updated Broker’s Opinion of Value or appraisals. GAAP requires that the REO assets be written down to fair market value when a revised value is determined by management. Therefore, over the years, the above REO properties have been written down a combined $714,283.05 to their fair market value. If all three REO properties are sold during FY2018, based on the net proceeds projected, MFA will recognize a gain of $37,236.76 in FY2018. This gain represents a reversal of prior year write downs and is calculated by comparing sales proceeds against the current fair market value. The current request, in contrast, considers only the actual losses based on unpaid loan balances without regard to accounting write downs in prior years.

Summary:
Staff is recommending Board approval for losses greater than $50,000 on Hobbs Workforce, Habitat for Humanity Valencia County and Tierra De Esparanza (Roswell) REO properties. MFA expects to realize losses of approximately $677,046.29. Staff is requesting approval of said losses. In accordance with Generally Accepted Accounting Principles (GAAP), these REO properties have been written down a combined $714,283.05 to their fair market value since acquired. If all three REO properties are sold during FY2018, based on the net proceeds projected, MFA would recognize a gain of $37,236.76 in FY2018.
Tab 10
MEMORANDUM

TO: MFA Board of Directors

Through: Contracted Services on May 8, 2018

Through: Policy Committee on May 1, 2018

FROM: Christi Wheelock, Housing Programs Analyst

DATE: May 16, 2018

SUBJECT: Request for Proposal for Purchase of Affordable Housing Rental Property in Clayton, NM

Recommendation:
Staff requests approval to issue the Request for Proposal (RFP) for the purchase of an affordable rental property (five homes) in Clayton, NM.

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.

Discussion:
The Clayton Rental Property includes five single family homes in which two are occupied and three are vacant. Tax assessment of the combined communities is valued at $267,297. All of the Clayton homes are in need of extensive rehabilitation due to deferred maintenance, vandalism and moisture infiltration. The RFP presented today requires the commitment of the Offeror for substantial, upfront rehabilitation in-line with habitability and up to the Uniform Physical Condition Standards (UPCS). The cost of rehabilitation is anticipated to be approximately $25,000 per home.

MFA has secured a property management agent, Golden Spread Coalition, to make repairs, as necessary, for the occupied homes.

The RFP includes a request for repayment of debt of approximately $10,000. Debt payments were advanced by MFA, to date, in the amount of $15,212.79. The total debt includes:
• $9937.85 Unpaid taxes from 2014 to 2017
• $2312.46 Golden Spread Coalition maintenance repairs
• $2962.48 Attorney Fees

The debt was offset by rental income collected from the two occupied homes, totaling $10,054.

The RFP is required to procure interested purchasers that will ensure Offerors will be committed to the preservation of Affordable Housing, have the management experience to comply with Land Use Restrictions Agreements and the financial means to provide repairs and rehabilitation to maintain habitability requirements for UPCS.

RFP scoring is based on the categories shown below. MFA shall select the Offeror whose proposal most clearly demonstrates the ability to own and manage affordable properties. Final approval is contingent upon successful negotiation and Court approval.

<table>
<thead>
<tr>
<th>Owner and Management Experience</th>
<th>75</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preservation of Affordable Housing</td>
<td>10</td>
</tr>
<tr>
<td>Financial Ability</td>
<td>15</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Upon MFA Board approval, we will proceed with the below timeline to ensure timely disposition of the properties.

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA Published RFP</td>
<td>5/16/2018</td>
</tr>
<tr>
<td>FAQ Period Begins</td>
<td>5/17/2018</td>
</tr>
<tr>
<td>FAQ Period Ends</td>
<td>6/12/2018</td>
</tr>
<tr>
<td>Deadline for Receipt of Proposals</td>
<td>6/15/2018</td>
</tr>
<tr>
<td>Internal Review Committee (IRC) Evaluate Proposals For Selection</td>
<td>6/29/2018</td>
</tr>
<tr>
<td>Selection Approval to MFA Board of Directors</td>
<td>7/18/2018</td>
</tr>
<tr>
<td>Notice of Recommended Selection Award Notice to Offeror</td>
<td>7/23/2018</td>
</tr>
<tr>
<td>File Motion to Approve and Confirm Purchase and Finalize Sale Submitted to Court</td>
<td>7/27/2018</td>
</tr>
<tr>
<td>Court’s Final Order Approving Sale</td>
<td>TBD</td>
</tr>
</tbody>
</table>

**Summary:**
Staff is requesting approval for the release of a Request for Proposal regarding Clayton Rental Property, MFA Loan #HM026, to solicit proposals for purchase due to a Default Judgement in which MFA was appointed as Receiver and retains an interest.
New Mexico Mortgage Finance Authority
Request for Proposals
To Purchase and Maintain Affordable Housing Properties

Part I: Background & General Information

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

Purpose
The purpose of this Request for Proposals (RFP) is to solicit proposals for the purchase of an affordable rental property, in accordance with the New Mexico Mortgage Finance Authority Procurement Policy, from qualified person(s) or entity (“Offerors”) which by reason of their financial stability and affordable housing experience are able to own and operate affordable housing properties.

The affordable rental property, Clayton Rental Property, MFA loan #HM026 was part of the now defunct (on or around February, 2014) Eastern Plains Housing Development Corporation. MFA, due to its loan interest and interest to preserve affordable housing, acted to ensure property operations were maintained. MFA acted through the courts in Union County on February 7, 2018; final Default Judgment for Appointment of Receiver, Foreclosure, and for Alternative Sale Process (attached) was awarded. The Clayton Rental Property has been secured and, therefore, MFA is issuing this Affordable Housing Properties RFP.

Questions and Answers
Questions pertaining to this RFP and application must be submitted via the MFA website at http://www.housingnm.org/rfp. The FAQ will open the day after the RFP issues and will close on June 12, 2018.

• Under “Current RFP’s,” select “Affordable Housing Properties RFP.” Choose the “Affordable Housing Properties FAQs” link.
• To submit your questions, scroll down to the “Ask a question” section; enter your name, email address, and type your question in the “Question” box. To submit the question, type in the two (2) words found in the CAPTCHA box and click “Send my question”.

All questions will be reviewed on a daily basis and MFA will make every attempt to answer questions within two business days.

Proposal Submission
The original and three copies of a proposal must be received by MFA at our office located at 344 Fourth Street SW, Albuquerque, NM 87102 no later than Friday, June 15, 2018, at 4:00 p.m., MDT. Proposals shall be in sealed envelopes marked “Response to Affordable Housing Properties RFP.”

Incomplete proposals shall not be considered.
Discussion may be conducted with Offeror(s) to provide clarification, but proposals may be selected or rejected without such discussions.

**Proposal Tenure**

All proposals shall include a statement that the proposal shall be valid until final transfer of properties to selected purchaser(s), for 120 calendar days from the proposal due date, with the option to extend this date if agreed upon by both parties.

**RFP Revisions and Supplements**

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

**Incurred Expenses**

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

**Cancellation of Requests for Proposals or Rejection of Proposals**

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

**Evaluation of Proposals**

Proposals will be evaluated by an Internal Review Committee (IRC) of MFA staff, using the criteria listed in Part II Minimum Qualifications and Requirements and Part III Evaluation Factors herein. MFA may provide Offerors whose proposals are reasonably likely, in MFA’s discretion, to be selected, an opportunity to discuss and revise their proposals prior to award, for the purpose of obtaining final and best offers. Proposals shall be evaluated on the criteria listed in Part IV Evaluation Criteria, herein.

**Notice of Selection**

The IRC will request approval of the selected Offeror from the MFA Board of Directors on or about July 18, 2018. The Board of Directors shall select the Offeror whose proposal meets MFA’s requirements and the requirements of the Final Default Judgment for Appointment of Receiver, Foreclosure, and for Alternative Sale Process documents. Once the final selection has been approved, MFA shall provide written notice, within 10 days, to all persons or entities who have submitted a proposal of the Offeror awarded approval.

**Negotiation of Final Purchase Agreement**

The selection shall be contingent upon successful negotiations of a final purchase agreement entered into between the selected purchaser(s) and the Receiver for the properties. If a final negotiation cannot occur with the selected Offeror, MFA will then enter into negotiations with other Offeror(s). The final selection will be
referred to the Contracted Services Committee of the MFA Board of Directors for recommendation, with proposed approval to be determined by the full Board of Directors. A final approval of Offeror(s) shall be determined by judicial order from local courts in Union County.

Proposal Confidentiality

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

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

Irregularities in Proposals

MFA may waive technical irregularities in the proposal of any Offeror selected for award which do not alter the purpose of the RFP. The date and time of proposal submission as indicated herein under Part I (Background and General Information, Proposal Submission) cannot be waived under any circumstance.

Responsibility of Offerors

A Responsible Offeror means an Offeror who submits a proposal that conforms in all material respects to the requirements of this RFP and who has furnished, when required, information and data to prove that his financial resources, facilities, personnel, reputation and experience are adequate to make satisfactory delivery of the services described in this RFP. The unreasonable failure of an Offeror to promptly supply information in connection with an inquiry is grounds for a determination that the Offeror is not a Responsible Offeror; therefore the Offeror shall be disqualified from receiving the award and a determination shall be prepared explaining the cause for disqualification.

Part II: Minimum Qualifications and Requirements

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

1. Must be in good standing with MFA. Debarment from future business, current or recent (last three years) non-compliance issues with servicing, housing development, and asset management departments shall be considered a disqualifying factor.

2. Must have experience as an owner, operator of affordable properties to include, but not limited to, physical condition, compliance with applicable housing regulations and written agreements, loan requirements and adherence to New Mexico Uniform Owners/Resident Relations Act and the Federal and State Fair Housing Equal Opportunity Laws. An inventory of your property portfolio must be
provided to include a description of types of housing, units, special preferences such as elderly, disabled, family, and persons with special needs.

3. Must have the ability to comply with the period of affordability restriction applicable to the property (based on the existing property loan balance of $200,000, which will be forgiven upon expiration of the affordability period, July 10, 2042). Offerors must be capable of paying MFA an estimated amount of $10,000 for other debt incurred associated with the loans, such as attorney and contractor fees.

4. Must provide a “plan of action” that will restore the homes to Uniform Physical Condition Standards (UPCS); including a reasonable timeframe in which the homes will be occupied with qualified households.

Part III: Evaluation Factors

Offerors may respond to this RFP to own and operate affordable housing properties. There are three key evaluation factors: (1) owner and management experience, (2) commitment to preserve affordable housing and (3) financial ability to meet compliance criteria including UPCS.

Part IV: Evaluation Criteria

MFA shall select the Offeror whose proposal most clearly demonstrates the ability to own and manage affordable properties. Proposals shall be evaluated primarily on financial stability of persons or entities and on experience. Proposals shall be scored from zero to 100 points based on the criteria listed below. Please note that a serious deficiency in any one criterion may be grounds for rejection regardless of overall score.

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Point Range</th>
<th>Maximum Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete submission of all requirements under Part III,</td>
<td>0-15</td>
<td>15</td>
</tr>
<tr>
<td>Owner and Management Experience and Commitment to Preserve Affordable</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. inventory of property portfolio</td>
<td>0-10</td>
<td>10</td>
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<tr>
<td>2. organizational chart and staff bios</td>
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<td>3. listing of staff credentials</td>
<td>0-10</td>
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<tr>
<td>4. fair housing and equal opportunity training</td>
<td>0-25</td>
<td>25</td>
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<td>5. copies of monitoring reports</td>
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<td>Complete submission of all requirements under Part III,</td>
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<td>Commitment to Preserve Affordable Housing and Financial Ability</td>
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<tr>
<td>1. letter of commitment</td>
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<td>2. financial and compliance plan to restore homes to UPCS and adhere to</td>
<td>0-15</td>
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<tr>
<td>the LURA criteria</td>
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<td>Maximum Points</td>
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<td>100</td>
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Part V: Proposal Format and Instructions to Offeror

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

1. Letter of Transmittal
   
   A. Include the following information:
      
      i. Name, address and telephone number of Offeror and name of contact person
      
      ii. A signature of the Offeror or any partner, officer or employee who certifies that he or she has the authority to bind the Offeror
      
      iii. Date of proposal
      
      iv. A statement that the Offeror, if awarded the contract, will comply with the contract terms and conditions set forth in this RFP
      
      v. A statement that the Offeror’s proposal is valid until final transfer of properties to selected purchaser(s), for 120 calendar days from the proposal due date, with the option to extend this date if agreed upon by both parties

2. All Offeror’s must provide audited financial statements and associated management letters for the most recent fiscal year and two previous years. Non-profit and for profit entities that receive federal or state funding from MFA must provide an annual independent financial audit or audited financial statements from a certified auditor of their choice. An independent CPA’s auditors report (Audit) conducted in accordance with Government Auditing Standards (GAS). The GAS Audit will include an independent auditors report on the following: 1) financial statements; and 2) Internal Control over financial reporting and compliance. The Audit will also include the auditor’s management letter if there is one, and the Offeror’s response to any audit findings. Any repeat and unresolved audit findings, as determined by MFA, may result in disqualification

3. If the Offeror is a non-profit then the Offeror must submit proof of 501(c)(3) status. Provide proof of current registration as a charitable organization with the New Mexico Attorney General’s Office, covering the most recent fiscal year, but no later than 2017-2018. Information can be submitted online and verification obtained via https://secure.nmag.gov/coros/. Verification should be in the form of the first page of the “NM Charitable Organization Registration Statement.”

4. If the Offeror has a Board of Directors, the Offeror must submit bylaws or board resolution requiring board fiscal oversight that demonstrates financial integrity. Additionally, provide a listing of your current Board Members to include: 1) Name, 2) Home Address, 3) Employer, 4) Position on the Board, 5) Area of Expertise/Qualification, 6) Years on the Board, and 7) Term Expiration Date. The Offeror must submit policies and procedures approved by its Board of Directors to demonstrate checks and balances, sound organization system of checks and balances (segregation of duties) in fiscal management. Policy describes separate roles and responsibilities for cash receipts, check requests, check cutting/preparation...
and check signing. Attach a board approved policy and procedure on the organization’s system of checks and balances for fiscal management.

5. Offerors must provide at a minimum the following documents to support evaluation of these criteria:

   A. Property Ownership and Management Experience

      i. inventory of your property portfolio to include a description of type of housing, units, special preferences such as elderly, disabled, family and/or persons with special needs

      ii. organizational chart to include names of employees and job titles and bios for key staff members to include executive, management and supervisory staff members

      iii. listing of staff credentials, professional certifications related to affordable housing industry, memberships; staff will need to include those members indicated in the organizational chart above and all property site employees

      iv. documentation of fair housing and equal opportunity training for attendance in the past twelve months

      v. operational plan for the company or corporation to include identification of roles and responsibilities along the chain of command from management and supervisor to property site staff members

      vi. copies of monitoring reports for all properties in the Offerors portfolio, located in New Mexico, from all applicable federal and state housing agencies to include the most recent report received

      vii. copy of Qualified Broker license to conduct business in New Mexico; license must be current; this is only provided if applicable to the Offerors business model (required and not scored)

   B. Commitment to Preserve Affordable Housing

      i. letter of commitment which indicates the Offeror is willing to comply with the current affordability period within the existing Land Use Restriction Agreements

      ii. provide a financial and compliance plan that indicates Offeror has the means and ability to restore homes to Uniform Physical Condition Standards and comply with the LURA criteria

6. A statement disclosing: (1) any political contribution or gift valued in excess of $250.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.

7. The location of Offeror’s main office and the locations of any of Offeror’s branch offices.

8. MFA requires that Offeror be an Equal Opportunity Employer. Please state that Offeror complies fully with all government regulations regarding nondiscriminatory employment practices.
9. Offeror shall provide MFA with written certification that Offeror is eligible to participate in any and all federal or state funded housing programs; is not currently facing disciplinary action by any federal, state or local entity; is not suspended, debarred or excluded from participation in any federal or state funded housing program; and is not listed as an excluded party on the System for Award Management’s list of excluded parties accessed at www.sam.gov.

10. Please provide any other relevant information which will assist MFA in evaluating Offeror’s ability to own and operate affordable housing properties in New Mexico.

RFP Attachments
1. Property Description and Physical Condition Report with photos
2. Regulatory Documents: Land Use Restriction Agreement
Block 1144; Lot 22,24; 124 Cherry Street, Clayton

- 3 Bedrooms; 1 Bath with Shower only
- Approximately 1138 Sf
- Carport (224 sf)
- Remodeled in 2003
- Gable Roof
- Enclosed porch
- Second Floor – small storage area
- Tax Assessed at $63,372
- Extensive Rehab Necessary
- Income of $472 per month
Block 751; Lot 16,18
210 Monroe Street, Clayton

- 3 Bedroom/1 Bath
- Approximately 1191 sf
- Front Porch
- Large backyard
- Tax Assessed at $53,103
- Extensive Rehab necessary
- Income of $300 per month

Occupied
Block 1145; Lot 19, 21, 23; East 2 of Lot 17
121 Cherry Street, Clayton

- 3 Bedroom/1 Bath
- Approximately 1364 sf
- Washer/Dryer Hook Up
- Open Porch
- Large corner lot
- Tax Assessed at $60,405
- Extensive Rehab necessary
Block 1145; Lots 15 & West 23 of 17
117 Cherry Street, Clayton

- 2 Bedroom/2 Bath
- Approximately 840 sf
- Remodeled in 2003
- Tax Assessed at $47,598
- Extensive Rehab Required
Block 1145; Lot 13
113 Cherry Street, Clayton

- 2 Bedrooms, 1 Bath
- Approximately 872 sf
- All Electric
- Large front lawn
- Large back area
- Tax Assessed at $42,819

Vacant
NEW MEXICO MORTGAGE FINANCE AUTHORITY
HOME PROGRAM
MORTGAGE NOTE

$200,000.00  Albuquerque, New Mexico

6/7/2002

1. The undersigned ("Owner") acknowledges receipt of the sum of Two Hundred Thousand and 00/100ths Dollars ($200,000.00) from the New Mexico Mortgage Finance Authority ("Lender") as a loan (the "Loan") for the development or rehabilitation of single family residential rental property located in Union County at 113 Cherry Street, 117 Cherry Street, 121 Cherry Street, 124 Cherry Street, and 210 Monroe Street, Clayton, New Mexico 88415, (the "Property"). This Note is secured, and payment hereof is assured by, a Mortgage of even date with this Note, and compliance with the terms hereof is secured by a Land Use Restriction Agreement (the "LURA") which restricts the uses of the Property.

2. Monthly non-compounding interest will accrue on the outstanding balance of all unpaid principal and interest at the rate of three percent (3%) per annum beginning on the first day of the twenty-fourth (24th) month following the month in which the Mortgage Loan is closed. Borrower shall make 456 monthly interest-only payments on the outstanding balance of unpaid principal, paid in arrears, at an interest rate of one percent (1.0%) per annum beginning on the tenth day of the twenty-fifth (25th) month following the Closing Date and on the tenth (10th) day of each month thereafter until maturity. Accrued interest will be paid in full upon maturity or at any earlier time that this Note becomes due. The entire principal amount of the Loan, plus all accrued and unpaid interest, will be due and payable in full upon the earlier to occur of: (1) the sale, refinance (except for a refinance of the First Mortgage as defined in the Mortgage) or other transfer of the Property; or (2) July 1, 2042. Owner may repay any part of the outstanding principal amount of the Loan at any time prior to maturity without penalty. Borrower unconditionally agrees to repay the Mortgage Loan as provided in the Mortgage Note. Owner may repay any part of the outstanding principal amount of the Loan at any time prior to maturity without penalty.

3. So long as any or all of the principal amount of the Loan is unpaid and outstanding, Owner will maintain the Property as affordable, multi-family housing and shall ensure affordability compliance for rental housing under the Title II National Affordable Housing Act of 1990, as amended (the "Act") and pursuant to Section 92.252 of the federal regulations at 24 CFR Part 92 "HOME Investment Partnership Program," as amended from time to time (the "Regulations").

4. Owner shall keep the improvements now existing or hereafter erected on the Property insured against any fire and hazards and extended coverage at all times. If the Property is in a flood plain, Owner agrees to obtain flood insurance (if applicable) for the value of the improvements located thereon.
5. If at any time the Owner, (or the Owner's heirs, estate, agents or assignees) sells, transfers, or in any manner conveys title to the property, the Owner, (or the Owner's heirs, estate, agents or assignees) shall become liable to pay Lender or Lender's assigns the then outstanding principal balance of the Loan unless the loan is assumed by the transferee and Lender approves as such transfer; provided, however, that a transfer of limited partner interests in Owner shall not constitute a transfer of the Property. Upon receipt of payment in full, Lender or Lender's assigns shall thereupon release its Mortgage and the Land Use Restriction Agreement ("LURA") which restricts the Property.

6. This Note can be assumed only after Owner has obtained written approval from Lender or Lender's assigns prior to any transfer or assumption. Lender reserves the right to deny any such request for approval to assume or transfer this Note. Included in any assumption (if approved) there must be a written agreement stating that the buyer will assume responsibility of the Note and all attached conditions.

7. If Owner defaults under the terms of this Note, the Mortgage or the LURA, Lender may, at its option, accelerate maturity and the unpaid balance of the Loan shall become immediately due and payable without demand or notice. If this Note is reduced to a judgment, the judgment shall bear interest at the statutory rate.

8. If this Note is placed in the hands of an attorney for collection or is collected through probate or bankruptcy court or through other legal proceedings, Owner agrees to pay all costs of collection including reasonable attorney's fees and court costs.

9. The following provision (a) only applies if initialed by Borrower and Lender:

(a) Owner is personally liable for the performance of all obligations of this Mortgage Note and for repayment of the entire outstanding principal of and accrued interest on the Loan evidenced hereby until such time as Owner has closed its permanent financing from the New Mexico Mortgage Finance Authority and the lien and mortgage of Western Bank of Clovis on the Property has been discharged and released, at which time, except as provided below, the Loan and the obligations of this Mortgage Note are to become non-recourse, in accordance with sub-section (b) below.

(b) if sub-section (a) above is not initialed, or at such time as the Mortgage Loan and the obligations become non-recourse to Borrower under sub-section (a) above, and except as provided below, Lender shall not have any recourse against the Owner, or any corporation formed by Owner, for obligations undertaken by or imposed upon Owner by this Mortgage Note or the Mortgage except for the interest of Owner in the Property. In the event of a default under this Mortgage Note or under the Mortgage, Lender shall be entitled to collect any amounts due it as a result of such default only from the Property and Owner's interests therein.

(c) Notwithstanding the foregoing or any other provision of this Mortgage Note limiting the liability of the Borrower, however, it is expressly agreed that a judgment may be sought
against Borrower to the extent necessary to enforce the rights of Lender or other holder in, to or against the Property securing the Indebtedness evidenced by the Note and secured by this Mortgage and Related Documents and the sole and exclusive remedy of the Lender or other holder for any default hereunder or under the aforesaid instruments shall be against the Property except that there shall be personal liability in the following circumstances (the "Obligations"): (i) the misapplication of any rents or profits from the Property after occurrence of a default, (ii) any damages, costs, or expenses incurred as a result of fraud, material misrepresentation or bad faith by Borrower, (iii) any liability arising under any agreed upon Environmental Indemnity, (iv) the misapplication of any security deposits paid by tenants, (v) damages caused by any misappropriation or misapplication of insurance proceeds or condemnation awards, (vi) amounts necessary to repair or replace any damage caused by willful or wanton acts or omissions of Borrower, (vii) amounts necessary to pay delinquent real estate taxes and insurance, (viii) damages from Borrower's failure to procure and maintain insurance required by the Mortgage and Related Documents, (ix) costs and expenses in the enforcement of this clause and (x) all accrued and unpaid interest.

10. IN WITNESS WHEREOF, THIS NOTE HAS BEEN EXECUTED BY THE UNDERSIGNED OWNER(S) ON THE DATE FIRST WRITTEN ABOVE.

OWNER:

Eastern Plains Housing Development Corporation,
a New Mexico nonprofit corporation

By

[Signature]

Its [Title]
NEW MEXICO MORTGAGE FINANCE AUTHORITY
HOME PROGRAM

MULTIFAMILY RENTAL HOUSING
LAND USE RESTRICTION AGREEMENT

THIS LAND USE RESTRICTION AGREEMENT ("Agreement"), is made and entered into effective as of JULY 3, 2002, between the New Mexico Mortgage Finance Authority, a public body politic and corporate separate and apart from but constituting a governmental instrumentality of the state of New Mexico (the "Lender"), and Eastern Plains Housing Development Corporation, a New Mexico nonprofit corporation (the "Owner"), owning the real property described in Exhibit A hereto (the "Property").

WITNESSETH:

WHEREAS, the Lender is making a mortgage loan ("Mortgage Loan") to the Owner pursuant to a Loan Agreement of even date herewith (the "Loan Agreement"), which Loan is evidenced by a mortgage note signed by Owner, as maker and borrower (the "Mortgage Note"), and secured by a mortgage (the "Mortgage") from the Owner as mortgagor, to Lender, as mortgagee; and

WHEREAS, Owner intends to use the proceeds of the Mortgage Loan to assist it in financing the development of five (5) single family rental units located in the Development, consisting of two (2) two-bedroom units, and three (3) three-bedroom units (the "HOME Units" or, a "HOME Unit") located in a multifamily residential rental project on the Property (the "Development"); and

WHEREAS, the Mortgage Loan is funded from moneys made available under the HOME Investment Partnership Act, 42 USC Section 12701 et seq (the "Act") and federal regulations at 24 CFR Part 92 "HOME Investments Partnership Program," as amended (the "Regulations") (collectively, the "HOME Program"); and

WHEREAS, the Lender has provided the Mortgage Loan to the Owner on the condition that the Owner agrees to the restrictions and requirements set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and understandings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Lender and the Owner do hereby agree as follows:

Section 1. Definitions:

In addition to terms defined elsewhere herein, unless otherwise expressly provided herein, the following terms shall have the respective meanings set forth below for the purposes hereof:

Clayton LURA final
"Agreement" means this Land Use Restriction Agreement.

"Closing Date" or "Closing" means the date on which the Mortgage Loan and LURA are recorded.

"Development" means the multifamily residential rental project to be developed on the Property, the development of which is to be financed in part with the proceeds of the Mortgage Loan.

"Loan Agreement" means that certain Loan Agreement, dated even herewith, between the Lender, as lender, and the Owner, as borrower.

"Low Income Families" means families whose incomes do not exceed 80% of the median income, as defined by HUD, for the area in which the Development is located, to be determined by the Department of Housing and Urban Development (HUD) with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 80% of the median for the area on the basis of HUD findings that such variations are necessary because of construction costs or fair market rents, or unusually high or low family incomes.

"Restriction Period" means the period beginning on the date the Development is placed in service and ending (i) forty (40) years after such date or (ii) the date on which the Mortgage Loan is no longer outstanding, whichever occurs later. For purposes of this Agreement, the term "placed in service" means the date on which a certificate of occupancy is issued for the Development.

"Very Low-Income Families" means families whose incomes do not exceed 50% of the median income, as defined by HUD, for the area in which the Development is located, to be determined by HUD with adjustments for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50% of the median for the area on the basis of HUD findings that such variations are necessary because of construction costs or fair market rents, or unusually high or low family incomes.

Section 2. Term of Agreement:

This Agreement shall become effective on the Closing Date. Unless sooner terminated or amended in accordance with the terms hereof, this Agreement shall continue in full force and effect until the expiration of the Restriction Period.

Section 3. Rent Restriction; Occupancy Requirements:

During the Restriction Period:

(a) The HOME Units, five (5) single family rental units located in the Development, consisting of two (2) two-bedroom units, and three (3) three-bedroom apartment units, for which the specific requirements of occupancy are detailed on the attached Exhibit B, shall not bear rents greater than the lesser of:
(i) The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR Section 888.111, less the monthly allowance for the utilities and services (excluding telephone) to be paid by the tenant; or

(ii) A rent that does not exceed 30 percent of the adjusted income of a family whose gross income equals 65 percent of the median income for the area, as determined by HUD, with adjustment for number of bedrooms in the unit, except that HUD may establish income ceilings higher or lower than 65 percent of the median for the area on the basis of HUD’s findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. In determining the maximum monthly rent that may be charged for a HOME Unit that is subject to this limitation, the Owner must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant. HUD will provide average occupancy per HOME Unit and adjusted income assumptions to be used in calculating the maximum rent allowed under this paragraph (a)(ii).

(b) Not less than 20 percent of the HOME Units, or one (1) single family rental unit located in the Development consisting of one (1) two-bedroom unit shall be:

(i) Occupied by Very Low-Income Families and bearing rents not greater than 30 percent of the annual gross income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustment for smaller and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD’s findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. (In determining the maximum monthly rent that may be charged for a unit that is subject to this limitation, the Owner must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant. HUD will provide average occupancy per unit assumptions to be used in calculating the maximum rent allowed under this Section. If the rent determined under this paragraph (b) is higher than the applicable rent under paragraph (a) of this Section 3, then the applicable maximum rent for units under this paragraph would be that calculated under paragraph (a) of this section except for units that receive Federal or State project-based rental assistance; or

(ii) Occupied by Very Low-Income Families whose rent does not exceed 30 percent of the family’s adjusted income as determined by HUD. If a unit receives Federal or State project-based rental subsidy and the family pays as a contribution toward rent not more than 30 percent of the family’s adjusted income, then the maximum rent (i.e, tenant contribution plus project-based
rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.

(d) Owner shall not refuse to lease any unit in the Development because the prospective tenant is a holder of a certificate or voucher under 24 CFR part 982—Section 8 Tenant-Based Assistance: Unified Rule for Tenant-Based Assistance under the Section 8 Rental Certificate Program or to the holder of a comparable document evidencing participation in a HOME tenant-based assistance program because of the status of the prospective tenant as a holder of such certificate, voucher or comparable HOME tenant-based assistance document.

Section 4. Rent Schedule and Utility Allowances:

The Lender shall review and approve rents proposed by the Owner for HOME Units with "flat rents", i.e., units subject to the maximum rent limitations in Section 3, and, if applicable, must review and approve, for all HOME Units subject to the maximum rent limitations, the monthly allowances, proposed by the Owner, for utilities and services to be paid by the tenant. The Owner must reexamine the income of each tenant household living in low-income HOME Units at least annually. The maximum monthly rent must be recalculated by the Owner and reviewed and approved by the Lender annually, and may change as changes in the applicable gross rent amounts, the income adjustments, or the monthly allowance for utilities and services warrant. Any increase in rents is subject to the provisions of outstanding leases. In any event, the Owner must provide tenants of those units not less than 30 days prior written notice before implementing any increase in rents. Regardless of changes in fair market rents and in median income over time, the qualifying rents are not required to be lower than those in effect on the date of this Agreement.

Section 5. Increases in tenant income:

HOME Units shall continue to qualify as affordable housing despite a temporary noncompliance with Section 3, if the noncompliance is caused by increases in the incomes of existing tenants and if actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with Section 3 until the noncompliance is corrected. Tenants who no longer qualify as Low-Income Families must pay as rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the family's adjusted monthly income, as re-certified annually. The preceding sentence shall not apply with respect to funds made available for units that have been allocated a low-income tax credit by a housing credit agency pursuant to section 42 of the Internal Revenue Code 1986 (26 U.S.C. 42).

Section 6. Lease Provisions:

(a) All forms of leases used with respect to the Development must be approved in advance by the Lender. In addition, all leases must be for a term of not less than one year, unless by mutual agreement between the Owner and the tenant.

Clayton LURA final
(b) **Prohibited lease terms.** The lease may not contain any of the following provisions:

1. **Agreement to be Sued:**
   Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

2. **Treatment of Property:**
   Agreement by the tenant that the Owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The Owner may dispose of this property in accordance with state law;

3. **Excusing Owner from Responsibility:**
   Agreement by the tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

4. **Waiver of Notice:**
   Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;

5. **Waiver of Legal Proceedings:**
   Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

6. **Waiver of a Jury Trial:**
   Agreement by the tenant to waive any right to a trial by jury;

7. **Waiver of Right to Appeal Court Decisions:**
   Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and
(8) **Tenant Chargeable with Cost of Legal Actions Regardless of Outcome:**

Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay fees and costs if the tenant loses.

(c) **Termination of Tenancy:**

The Owner may not terminate the tenancy or refuse to renew the lease of a tenant except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable federal, state, or local law; for completion of the tenancy period for transitional housing; or for other good cause. Any termination or refusal to renew must be preceded by not less than 30 days written notice served by the Owner upon the tenant specifying the grounds for the action.

(d) **Maintenance and replacement:**

The Owner must maintain the premises in compliance with all applicable housing quality standards and local code requirements.

(e) **Tenant selection:**

The Owner must adopt written tenant selection policies and criteria that have been approved in writing by the Lender and that:

(1) Are consistent with the purpose of providing housing for Very Low-Income and Low-Income Families;

(2) Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease;

(3) Give reasonable consideration to the housing needs of families that would have a preference under 24 CFR Section 960.211 (federal selection preferences for admission to Public Housing); and

(4) Provide for:

(i) The selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and

(ii) The prompt written notification to any rejected applicant of the grounds for any rejection.
Section 7. Premature Termination:

(a) This Agreement and the covenants, representations and restrictions set forth herein shall terminate in the event of an involuntary non-compliance caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in federal law or an action of a federal agency after the Closing Date which prevents the Lender from enforcing this Agreement, or condemnation or similar event relating to the Development but only when the Mortgage Loan is paid in full within a reasonable period, not to exceed six months following such fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in federal law or action by a federal agency after the Closing Date which prevents the Lender from enforcing this Agreement.

(b) However, this Agreement and its restrictions, covenants and representations shall not terminate if, during the Restriction Period, the Development is damaged or destroyed by fire, condemnation or other casualty and the insurance or condemnation proceeds received as a result of such fire, condemnation or other casualty are used for any purpose other than repayment of the Mortgage Loan in full. So long as the Mortgage Loan is outstanding, in the event of an involuntary non-compliance caused by seizure, requisition, foreclosure or transfer of title by deed in lieu of foreclosure, this Agreement and its restrictions, covenants, and representations shall be binding upon any successor in title to the Owner as a covenant running with the land. If this Agreement or its restrictions, covenants and representations are terminated under paragraph (a) above, they will be automatically reinstated according to the original terms if, during the Restriction Period, the Owner or any entity that includes the Owner or those with whom the Owner has, or had, family or business ties, obtains an ownership interest in the Development following such seizure, requisition, foreclosure or transfer of title by deed in lieu of foreclosure.

Section 8. Uniformity:

The provisions hereof shall apply uniformly to the entire Development.

Section 9. Burden of Agreement:

This Agreement shall inure to the benefit of and shall be binding upon the legal representatives, successors and assigns of all parties hereto. No part of the Development shall be voluntarily transferred by the Owner prior to expiration of the Restriction Period unless prior thereto or simultaneously therewith the transferee enters into an agreement, in form acceptable to the Lender, assuming all obligations of the Owner hereunder with respect to the transferred property. This Agreement constitutes a covenant "running with the land" in respect to the real property upon which the Development is located.

Clayton LURA final
Section 10. **Events of Default:**

If any one or more of the following occur, it is hereby defined as and declared to be and to constitute an "Event of Default" under and for purposes of this Land Use Restriction Agreement:

(a) Default in the performance or observance of any of the covenants, agreements or conditions on the part of the Owner in this Land Use Restriction Agreement contained; or

(b) An "event of default" (as defined therein) shall have occurred under the Loan Agreement or the Mortgage.

Section 11. **Remedies; Enforceability:**

If the Lender becomes aware of an Event of Default hereunder, it shall give immediate written notice thereof to the Owner, directing the Owner to remedy the Event of Default within a reasonable specified period of time (not to exceed 60 days after the date of the notice unless Owner has made a diligent effort to cure the default within such period of time and is continuing such effort to the reasonable satisfaction of Lender). After the period specified in the notice herein-above provided for, if the Event of Default has not been fully remedied by the Owner to the satisfaction of the Lender, the Lender may (i) institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such Event of Default; (ii) to compel specific performance hereunder; (iii) to recover monetary damages, together with the cost and expenses of any proceedings for the collection thereof caused by such Event of Default, including reasonable attorneys fees; (iv) take any other action available to remedy the Event of Default; or (v) pursue any combination of these remedies. No delay in enforcing the provisions hereof as to any Event of Default shall impair, damage or waive the right of any party entitled to enforce the same or to obtain relief against or recover for the continuation or repetition of such Event of Default or any similar Event of Default thereof at any later time or times. No person other than the Lender shall be entitled to enforce this Agreement.

Section 12. **Amendment; Termination:**

This Agreement shall not be amended, revised or terminated prior to the termination of covenants, representations and restrictions provided for herein except by an instrument in writing duly executed by the Lender and the Owner or their respective successors or assigns and duly recorded.

Section 13. **Governing Law:**

This instrument shall be governed by the laws of the State of New Mexico.

Section 14. **Severability:**

If any provision hereof is determined to be invalid, illegal or unenforceable by a court of competent jurisdiction, the validity, legality and enforceability of the remaining portions shall not in any way be affected.

Clayton LURA
Section 15. **Multiple Counterparts:**

This instrument may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be deemed to be an original.

Section 16. **Conflict with HUD Regulations or Low Income Housing Tax Credit Provisions:**

Notwithstanding anything in this Agreement to the contrary, the provisions hereof are subordinate to all applicable HUD regulations and related administrative requirements under the HOME Program. In the event of a conflict between the provisions of this Agreement and the provisions of any applicable HUD regulations or HUD administrative requirements, the HUD regulations and related administrative requirements shall control. In addition, notwithstanding anything in this Agreement to the contrary, the provisions hereof are subordinate to all applicable provisions of Section 42 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder which are applicable to the Development.

Section 17. **Limitation of Liability:**

The following provision (a) only applies if initialed by Borrower and Lender:

(a) Borrower is personally liable for the performance of all obligations of this Agreement and for repayment of the entire outstanding principal of and accrued interest on the Mortgage Loan until such time as Borrower has closed its permanent financing of the Development from the New Mexico Mortgage Finance Authority and the lien and mortgage of Western Bank of Clovis on the Property have been discharged and released, at which time, except as provided below, the Mortgage Loan and the Obligations of the Mortgage Note are to become non-recourse, in accordance with sub-section (b) below.

b) If sub-section (a) above is not initialed, or at such time as the Mortgage Loan and the obligations become non-recourse to Borrower under sub-section (a) above, and except as provided below, Lender shall not have any recourse against the Owner or any corporation formed by Owner, for obligations undertaken by or imposed upon Owner by this Agreement, the Loan Agreement, the Mortgage Note or the Mortgage except for the interest of Owner in the Property or the improvements located thereon. In the event of a default under this Agreement, the Loan Agreement, the Mortgage Note or Mortgage, Lender shall be entitled to collect any amounts due it as a result of such default only from the Property and the improvements located thereon and Owner's interests therein.

Notwithstanding the foregoing, or any other provision of this agreement limiting the liability of the Borrower, it is expressly agreed that a judgment may be sought against Borrower to the extent necessary to enforce the rights of Lender or other holder in, to or against the Property securing the Indebtedness evidenced by the Note and secured by this Mortgage and Related Documents and the sole and exclusive remedy of the Lender or other holder for any default hereunder or under the aforesaid instruments shall be against the Property except that there shall be personal liability...
solely for such damages directly caused by and arising directly out of the following circumstances (the "Obligations"): (i) the misapplication of any rents or profits from the Property after occurrence of a default, (ii) any damages, costs, or expenses incurred as a result of fraud, material misrepresentation or bad faith by Borrower, (iii) any liability arising under any agreed upon Environmental Indemnity, (iv) the misapplication of any security deposits paid by tenants, (v) damages caused by any misappropriation or misapplication of insurance proceeds or condemnation awards, (vi) amounts necessary to repair or replace any damage caused by willful or wanton acts or omissions of Borrower, (vii) amounts necessary to pay delinquent real estate taxes and insurance, (viii) damages from Borrower's failure to procure and maintain insurance required by the Mortgage and Related Documents, (ix) costs and expenses in the enforcement of this clause and (x) all accrued and unpaid interest.

IN WITNESS WHEREOF, the Lender and the Owner has each caused this instrument to be signed and attested in its behalf by its duly authorized representatives all as of the __ day of June, 2002.

LENDER:

New Mexico Mortgage Finance Authority
344 4th Street S.W.
Albuquerque, N.M. 87102

By: 
Its: Director of Program Administration

OWNER:

Eastern Plains Housing Development Corporation
a New Mexico nonprofit corporation

By: 
Its: Chairman
Acknowledgments

STATE OF NEW MEXICO

COUNTY OF {CURRY}

This instrument was acknowledged before me this 20th day of June, 2002 by JAMES R. TURNSEN as CHAIRMAN of Eastern Plains Housing Development Association, a New Mexico nonprofit corporation.

Notary Public

My commission expires: 06/13/2005

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

This Instrument was acknowledged before me this 26th day of June, 2002 by Isidore R. Hernandez as Director of Program Administration of New Mexico Mortgage Finance Authority.

Notary Public

My commission expires: 06/26/2006
Land Use Restriction Agreement – Exhibit B

HOME Unit Set Aside for Clayton Affordable Housing

<table>
<thead>
<tr>
<th>Type of Unit</th>
<th>Total # HOME of units</th>
<th># at 60% of AMGI</th>
<th># at 50% of AMGI</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Mid-Low Income</td>
<td>Very Low Income</td>
</tr>
<tr>
<td></td>
<td></td>
<td>excluding</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Very Low Income</td>
<td></td>
</tr>
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<td>Studios</td>
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<td>1- bedroom</td>
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<td>1</td>
<td>1</td>
</tr>
<tr>
<td>3- bedroom</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Totals:</td>
<td>5</td>
<td>4</td>
<td>1</td>
</tr>
</tbody>
</table>

AMGI = Area Median Gross Income as determined by HUD under the Section 8 program.
EXHIBIT “A”

TRACT I: Lots Sixteen (16) and Eighteen (18) in Block Seven Hundred Fifty-one (751) of the Original Town of Clayton, Union County, New Mexico.

TRACT II: Lots Twenty-two (22) and Twenty-four (24) in Block Eleven Hundred Forty-four (1144) of the Original Town of Clayton, Union County, New Mexico.

TRACT III: Lot Thirteen (13) in Block Eleven Hundred Forty-five (1145) of the Original Town of Clayton, Union County, New Mexico.

TRACT IV: Lots Fifteen (15) and the West Twenty-three Feet (W 23') of Seventeen (17) in Block Eleven Hundred Forty-five (1145) of the Original Town of Clayton, Union County, New Mexico.

TRACT V: (V-a) The East Two Feet (E 2') of Lot Seventeen (17) in Block Eleven Hundred Forty-five (1145) of the Original Town of Clayton, Union County, New Mexico.

AND

(V-b) Lots Nineteen (19), Twenty-one (21) and Twenty-three (23) in Block Eleven Hundred Forty-five (1145) of the Original Town of Clayton, Union County, New Mexico.
Tab 11
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – May 8, 2018

FROM: Kathleen M. Sysak-Keeler

DATE: May 16, 2018

SUBJECT: 2018 Series B Single Family Bond Resolution

Recommendation:
Staff is recommending the approval of the 2018 Series B Single Family Bond Resolution in the aggregate amount of not to exceed $75 million to provide funds for new Single Family mortgage loans.

Background:
For the past several years, MFA has relied mainly on the to be announced (“TBA”) market to fund new Single Family mortgage loans. Over the past six months, the bond market has improved to the point where it is now more advantageous to fund Single Family loans with tax-exempt bond proceeds than to utilize the TBA market.

A new bond resolution is now needed to authorize future bonding activity. The 2018 Series B bond resolution outlines the parameters for the next bond issue.

Discussion:
The bond issue is anticipated to be in the $50-$75 million range based on the current level of loan reservations since bond proceeds will be used to originate these new Single Family mortgage loans. Given Board approval of the bond resolution, MFA anticipates selling bonds in June 2018.

Summary:
To authorize future bonding activity and to ensure MFA can continue using the bond market to fund Single Family mortgage loans, Staff is requesting approval of the 2018 Series B Single Family Bond Resolution in the aggregate amount of not to exceed $75 million.
CERTIFICATE REGARDING THE RESOLUTION
OF THE AUTHORITY

I, the undersigned, Jay Czar, Secretary of the New Mexico Mortgage Finance Authority (the “Authority”), DO HEREBY CERTIFY that: (i) the annexed Resolution was duly adopted by the members of the New Mexico Mortgage Finance Authority at a meeting thereof duly called and held on May 16, 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 16th day of May, 2018.

__________________________________________
Jay Czar, Secretary
New Mexico Mortgage Finance Authority

(SEAL)
A RESOLUTION

OF THE NEW MEXICO MORTGAGE FINANCE AUTHORITY (THE “AUTHORITY”) AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE BY THE AUTHORITY OF ITS SINGLE FAMILY MORTGAGE PROGRAM CLASS I BONDS, 2018 SERIES B IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $75,000,000; AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF A SERIES INDENTURE, A BOND PURCHASE CONTRACT, AN OFFICIAL STATEMENT, INVESTMENT AGREEMENTS, AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

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

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

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

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

WHEREAS, in furtherance of its Single Family Mortgage Program and to finance the purchase of housing by persons of low or moderate income within the State, it has been deemed appropriate and necessary that the Authority authorize the issuance of its Single Family Mortgage Program Class I Bonds, 2018 Series B (or such other or additional series/title designation(s) as the Authority may determine and including the
issuance of MBS pass through program bonds) (the “Bonds”), and prescribe and establish conditions and other appropriate matters with respect to the issuance of the Bonds; and

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

WHEREAS, there has been presented to the Authority at this meeting a proposed form of Bond Purchase Contract relating to the Bonds (the “Purchase Contract”) to be entered into among the Authority, and any of RBC Capital Markets LLC, Raymond James & Associates, Inc. (including any of their successors) or any other purchasers to be named therein (collectively, the “Underwriters”), a form of 2018 Series B Indenture (the “2018 Series B Indenture” and collectively with the General Indenture, the “Indenture”) to be entered into between the Authority and the Trustee, and a form of a Preliminary Official Statement to be used by the Underwriters in marketing the Bonds.

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

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

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

Section 3. The 2018 Series B Indenture in substantially the form presented to this meeting is in all respects authorized, approved and confirmed. The Chair, Vice Chair, Executive Director, Secretary, Deputy Director of Finance and Administration and the Assistant Secretary of the Authority are hereby authorized to execute, attest, seal and deliver the 2018 Series B Indenture in the form and with substantially the same content as presented to this meeting for and on behalf of the Authority with such alterations, changes or additions as may be authorized by Section 16 hereof.

Section 4. The mortgage loans shall be pooled and serviced pursuant to the Mortgage Loan Sub-servicing Agreements or Master Servicing Agreements each previously entered into or to be entered into by the Authority. The Chair, Vice Chair, Executive Director, Deputy Director of Finance and Administration or Secretary are hereby authorized to execute and deliver the Mortgage Loan Sub-servicing Agreements or Master Servicing Agreements (to the extent not previously executed and delivered)
and any necessary supplement thereto to reflect the terms of the mortgage loans attributable to the Bonds, and the inclusion of any other loans approved by the governing board of the Authority thereunder.

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

Section 6. For the purpose of providing funds to finance the purchase of housing by persons of low or moderate income within the State, all as authorized under the Indenture, the Authority is authorized to issue the Bonds which shall be designated New Mexico Mortgage Finance Authority “Single Family Mortgage Program Class I Bonds, 2018 Series B” (or such other or additional Series/title designation as the Chair, Vice Chair, Executive Director, Deputy Director of Finance and Administration or Secretary shall determine). The Bonds shall be issued only in fully registered form.

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

Section 8. The Authority hereby authorizes the issuance of the Bonds in the aggregate principal amount of not to exceed $75,000,000. The Bonds shall mature on the dates and in the principal amounts and shall bear interest at rates and payable all as provided in the Indenture, within the parameters set forth in Exhibit A hereto.

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

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

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

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

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

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

Section 15. Upon their issuance, the Bonds will constitute special obligations of the Authority payable solely from and to the extent of the sources set forth in the Bonds and the Indenture. No provision of this resolution, the Indenture, the Bonds or the Purchase Contract shall be construed as creating a general obligation of the Authority or as incurring or creating a charge upon the general credit of the Authority. No provision of this resolution or of the Purchase Contract, the Indenture or the Bonds shall be construed as creating a general or special obligation of the State of New Mexico or any political subdivision thereof.

Section 16. The appropriate officials of the Authority, including without limitation the Chair, the Vice Chair, the Secretary, the Assistant Secretary, the Executive Director and the Deputy Director of Finance and Administration are authorized to make any alterations, changes or additions in the Indenture, the Bonds, the Purchase Contract,
the Preliminary Official Statement, the Official Statement, the Investment Agreements, the Mortgage Loan Sub-servicing Agreement, the Master Servicing Agreement or any other document herein authorized and approved which may be necessary to correct errors or omissions therein, to remove ambiguities therefrom, to permit the inclusion under the Indenture of any other loans approved by the governing board of the Authority, and maintain the expected rating on the Bonds, to conform the same to other provisions of said instruments, to the final terms established for the Bonds (within the parameters established herein), and the final agreement with the Underwriters, to the provisions of this resolution or any resolution adopted by the Authority, or the provisions of the laws of the State of New Mexico or the United States.

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

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

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

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

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

Section 22. All resolutions of the Authority or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency.

Section 23. This resolution shall become effective immediately upon its adoption.
ADOPTED:

Aye:

Nay:

Abstain:

Absent:

PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY THIS 16th DAY OF MAY, 2018.

__________________________
Chair

(SEAL)

ATTEST:

__________________________
Secretary
EXHIBIT A

Single Family Mortgage Program Bonds, 2018 Series B

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Principal Amount</th>
<th>Interest Rate</th>
<th>Authority Funds Contribution:</th>
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<tbody>
<tr>
<td>Not to exceed Jan 1, 2052</td>
<td>Not to exceed $75,000,000</td>
<td>Not to exceed 5.00%</td>
<td>Not to exceed $1,200,000</td>
</tr>
</tbody>
</table>
Tab 12
MEMORANDUM

TO: MFA Board of Directors
FROM: Monica Abeita, Director of Policy and Planning
DATE: May 16, 2018
SUBJECT: Amendments to the MFA FY 2018-2022 Strategic Plan

Recommendation:

Staff recommends approval of amendments to the MFA FY 2018-2022 Strategic Plan.

Background:

MFA’s Strategic Plan covers the period of FY 2018-2022. Because the strategic plan is a living document, the Strategic Management Committee reviews the plan for needed amendments once a year, in April, after the close of the second quarter. If amendments are needed, they are brought before the MFA Board of Directors in May. The following amendments are recommended:

<table>
<thead>
<tr>
<th>Page Number</th>
<th>Current Language</th>
<th>Proposed Language</th>
<th>Reason for Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Page 6</td>
<td><strong>Low Income Housing Tax Credit</strong> program improvements</td>
<td><strong>Development program</strong> improvements</td>
<td>Clarification</td>
</tr>
<tr>
<td>Page 11, Benchmark 2</td>
<td>Attain mortgage product utilization of <strong>45%</strong> of all FHA loans recorded in New Mexico</td>
<td>Attain mortgage product utilization of <strong>20%</strong> of all FHA loans recorded in New Mexico</td>
<td>Revised methodology for market share</td>
</tr>
<tr>
<td>Page 11, Benchmark 4</td>
<td><strong>Maintain</strong> combined loan delinquencies of MFA serviced portfolio below 11.8%</td>
<td><strong>Achieve annual average</strong> loan delinquencies of MFA serviced portfolio below 11.8%</td>
<td>Improved definition for measurement</td>
</tr>
<tr>
<td>Page Number</td>
<td>Current Language</td>
<td>Proposed Language</td>
<td>Reason for Change</td>
</tr>
<tr>
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<td>----------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------</td>
<td>---------------------</td>
</tr>
<tr>
<td>Page 11, Benchmark 6</td>
<td>Implement one new digital or social media advertising effort</td>
<td>Create or expand on at least one digital marketing or social media effort</td>
<td>Clarification</td>
</tr>
<tr>
<td>Page 11, Benchmark 10</td>
<td>Achieve operating performance and profitability equal to net revenues over total revenues of at least 10.7%, based on five-year average</td>
<td>Achieve operating performance and profitability equal to net revenues over total revenues of at least 10.4%, based on five-year average</td>
<td>Revised financial forecast</td>
</tr>
<tr>
<td>Page 11, Benchmark 11</td>
<td>Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least 30.8%, based on five-year average.</td>
<td>Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least 30.5%, based on five-year average.</td>
<td>Revised financial forecast</td>
</tr>
<tr>
<td>Page 11, Benchmark 18</td>
<td>Increase contributions made through the state affordable housing tax credit program</td>
<td>Increase contributions made through the state affordable housing tax credit program over last year's total of $364,000</td>
<td>Included baseline for measurement</td>
</tr>
<tr>
<td>Page 11, Benchmark 28</td>
<td>Maintain or improve employee satisfaction</td>
<td>Achieve employee satisfaction of 85%</td>
<td>Reviewed and clarified measurement</td>
</tr>
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</table>

**Summary:**

Staff recommends approval of eight amendments to the MFA FY 2018-2022 Strategic Plan. Seven of the amendments pertain to benchmarks for FY 2018 due to revised methodology, the revised financial forecast or needed clarifications.
A Bold Path Forward

MFA FY 2018-2022 Strategic Plan
### MFA Vision, Mission and Core Values

**VISION**

All New Mexicans will have quality affordable housing opportunities.

**MISSION**

MFA is New Mexico’s leader in affordable housing. We provide innovative products, education and services to strengthen families and communities.

**CORE VALUES**

<table>
<thead>
<tr>
<th><strong>Responsive</strong></th>
<th><strong>Professional</strong></th>
<th><strong>Dynamic</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>To meet New Mexico’s needs, MFA optimizes resources, cultivates partnerships and makes our programs accessible.</td>
<td>MFA upholds high personal and professional standards. We comply with regulations and ensure prudent financial stewardship.</td>
<td>MFA is a dynamic place to work. Our employees are our strength. We embrace diversity and provide opportunities for personal and professional growth.</td>
</tr>
</tbody>
</table>
Message from the Executive Director

Jay Czar

In the face of uncertainty for affordable housing funding and programs, Our strategic plan, *A Bold Path Forward*, focuses on bolstering resources to accomplish our mission, leading the way in addressing New Mexico’s unique affordable housing needs and improving internal systems to support our work. Even in potentially challenging times, MFA will continue its affordable housing mission and make it more robust and successful in meeting the needs of all New Mexicans.

Our strategic planning process identified several themes, described at right, which drove the strategic initiatives in this plan. In the context of goals and objectives that reflect our core affordable housing work, the strategic initiatives will be updated annually to reflect progress made, changes to conditions and trends and risks identified through our annual enterprise risk management process.

**Affordable housing funding is under threat and diminishing.** MFA continues to be proactive in developing new resources, efficiencies, business opportunities and financial innovations, as well as fostering creative partnerships.

**New Mexico’s rural areas are struggling and require unique approaches.** MFA will evaluate ways to serve more rural residents with mortgage products and nimble development financing and to strengthen our partners throughout the state.

**Along with the US, New Mexico is at risk of losing many affordable rental homes.** MFA is working to provide financial options and rehabilitation financing, and to make all rental properties financially sustainable over the long term.

**New Mexico’s high poverty rate and low incomes indicate a great need for financial education.** Our strategic initiatives focus on better educating MFA borrowers so that they can enjoy stability, sustain homeownership and build wealth.

**Significant changes in the workforce and in technology are on the horizon.** MFA is working to create a technology platform that supports innovation and future growth and to foster a dynamic, diverse work environment that supports our mission.
The MFA Planning Process

MFA updates its strategic plan every three years. The planning process is led by MFA’s Strategic Management Committee.

**Housing Needs Assessment**

In 2016, MFA prepared an assessment of affordable housing needs to inform the strategic planning process.

**Interviews and SWOT Analysis**

In January-March 2017, interviews were conducted with board members and each MFA department. The Strategic Management Committee translated the interview results into an analysis of strengths, weaknesses, opportunities and threats (SWOT).

**Housing Trends Series**

MFA hosted five speakers who spoke to staff on MFA finances, fair housing and trends in housing policy, multifamily and single family housing.

**Enterprise Risk Management**

MFA’s Strategic Planning Committee participated in an enterprise risk management exercise based on the SWOT analysis. The Committee prioritized risks and developed mitigation strategies for the strategic plan.
Goal Statements

1. Respond to New Mexico’s affordable housing needs.
2. Ensure prudent stewardship of affordable housing resources.
3. Strengthen affordable housing partners.
4. Provide robust technology solutions.
5. Foster a dynamic work environment.
Like all housing finance agencies, MFA administers affordable housing programs in accordance with its enabling legislation and program requirements. MFA seeks opportunities to improve and develop products, programs and processes to address our state’s unique needs.

**Goal 1** Respond to New Mexico’s affordable housing needs.

**Objective 1**
Strengthen and improve existing MFA products and programs.

**Objective 2**
Develop specialty products to meet demand and community needs.

**Objective 3**
Increase awareness of affordable housing and MFA products and programs.

**Objective 4**
Promote sustainable homeownership.

**Objective 5**
Provide options to preserve and improve affordable rental homes.

**Strategic initiatives:**
- Preferred lenders program
- Vendor management
- Low Income Housing Tax Credit Development program improvements
- Homeowner rehab program expansion
- Homeless programs alignment
- Freddie Mac & Fannie Mae loan sales & affordable housing programs
- Correspondent lending
- Financing for single family development
- Financing for small rental development
- Manufactured home lending
- Enhanced public awareness of MFA
- Digital presence for marketing MFA mortgage products
- Delinquency prevention strategies
- Homebuyer counseling enhancements
- Loan modification and restructuring strategies
- Risk rating of properties

Strategic initiatives in italics require evaluation prior to implementation.
MFA has long maintained a level of excellence in managing its financial resources. As a self-supporting agency, MFA continually works to expand and diversify available resources through government sources, self-generated earnings from lending and investments, operational efficiencies, and the use of creative partnerships and financial tools.

**Goal 2** Ensure prudent stewardship of affordable housing resources.

**Objective 1** Optimize existing financial strategies.

**Objective 2** Expand MFA business models and diversify financial tools.

**Objective 3** Maintain and grow existing funding sources.

**Objective 4** Evaluate new funding and business opportunities.

**Strategic initiatives:**
- Best execution for financing single family mortgages
- Investment approach

**Strategic initiatives:**
- Servicing expansion
- **Community Reinvestment Act** lending credit program
- Tax-exempt mortgage-backed securities program
- Multifamily pass-through structures
- Mortgage credit certificates

**Strategic initiatives:**
- Renewal of HUD Section 8 Project-Based Contract Administration (PBCA)
- Marketing for private contributions
- State and federal policy engagement
- Tax-exempt bond partnerships

**Strategic initiatives:**
- Marketing for development financing
- State funding sources
- Grant writing capacity

*Strategic initiatives in italics require evaluation prior to implementation.*
MFA relies heavily on its partners in a rural and geographically large state like New Mexico. Yet partners face many challenges that may hinder their ability to succeed. MFA is committed to helping its partners build capacity, prosper and provide all New Mexicans access to affordable housing.

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

**Objective 1**  
Expand access to MFA products and services in underserved and high-need areas.

**Objective 2**  
Help partners realize strong organizational, technical and financial capacity.

**Objective 3**  
Provide resources and processes that strengthen partner capacity and program effectiveness.

**Strategic initiatives:**
- Additional HOPWA service provider/s
- NM Energy$mart expansion

- Regional Housing Authority on-site monitoring
- Service provider training program
- Property manager training program
- Developer training

- Lender training videos
- Streamlining of the affordable housing plan process
- Alignment of MFA and formula grant plans
- Online applications

Strategic initiatives in italics require evaluation prior to implementation.
Goal 4  Provide robust technology solutions.

Technology is fundamental to MFA’s day-to-day business operations as well as partner and customer service needs. Increased integration and automation will support current needs while providing an essential platform for business growth.

Objective 1
Protect MFA’s data and systems.

Objective 2
Maintain system reliability and implement redundancy improvements.

Objective 3
Build and maintain a technology platform that supports MFA’s long-term plans for innovation, functionality and growth.

Strategic initiatives:
- Best practices in cybersecurity
- Data center migration
- Software improvements
- Document management system

Strategic initiatives in italics require evaluation prior to implementation.
Goal 5  
Foster a dynamic work environment.

MFA provides a fulfilling work environment to support the many generations in its changing workforce. Skilled, professional and engaged employees are at the core of MFA’s unique business model and specialized programs.

Objective 1  
Provide a competitive compensation and benefits package to attract and retain employees.

Objective 2  
Support opportunities that increase flexibility and engagement for employees.

Objective 3  
Maintain stability in staffing and operations throughout MFA.

Strategic initiatives:
- Biennial compensation survey

Strategic initiatives:
- Office space needs assessment
- Web-based training opportunities
- Work schedule options

Strategic initiatives:
- Employee cross-training
- Succession planning
- Intern/management trainee program
- External specialty training
- Robust on-boarding

Strategic initiatives in italics require evaluation prior to implementation.
Benchmarks

Each quarter, MFA assesses its performance using these benchmarks, which relate to goals and objectives in the strategic plan. At the end of the fiscal year, the status of each benchmark (did not meet, met, exceeded) determines payouts made through MFA’s incentive compensation plan.

<table>
<thead>
<tr>
<th>Goal 1</th>
<th>Goal 2, Continued</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Provide mortgage financing for 1,900 homebuyers (1.1)</td>
<td>15. Earn 100% base fees for PBCA contract (2.3)</td>
</tr>
<tr>
<td>2. Attain mortgage product utilization of 45% 20% of all FHA loans recorded in New Mexico (1.1)</td>
<td>16. Yield a collection rate of 95% or greater for compliance monitoring fees (2.3)</td>
</tr>
<tr>
<td>3. Finance 975 rental units (1.5)</td>
<td>17. Meet commitment and expenditure requirement of 95% of grant funding (2.3)</td>
</tr>
<tr>
<td>4. Achieve annual Maintain combined average loan delinquencies of MFA serviced portfolio below 11.8% (1.4)</td>
<td>18. Increase contributions made through the state affordable tax credit program over last year’s total of $364,000 (2.3)</td>
</tr>
<tr>
<td>5. Implement MFA’s housing summit and open house (1.3)</td>
<td>19. Evaluate at least one new business model or financial tool (2.2)</td>
</tr>
<tr>
<td>6. Implement Create or expand on at least one new digital marketing or social media advertising effort (1.3)</td>
<td>20. Increase funding by at least one new source (2.4)</td>
</tr>
<tr>
<td>7. Evaluate at least one new specialty product or significant program or product improvement (1.2)</td>
<td>21. Expand services of at least one program to an underserved area of the state (3.1)</td>
</tr>
<tr>
<td>8. Obtain unqualified opinion on MFA financial statements and no material weakness in internal control over financial reporting or major programs, excluding first-time audits (2.0)</td>
<td>22. Assist at least five local or tribal governments with affordable housing plans, implementation or programs (3.2)</td>
</tr>
<tr>
<td>9. Maintain or improve credit rating (2.0)</td>
<td>23. Provide at least five formal training opportunities for property owners, developers and/or service providers (3.2)</td>
</tr>
<tr>
<td>10. Achieve operating performance and profitability equal to net revenues over total revenues of at least 10.7 10.4%, based on five-year average (2.1)</td>
<td>24. Improve at least one MFA process or resource (3.3)</td>
</tr>
<tr>
<td>11. Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least 30.8 30.5%, based on five-year average (2.1)</td>
<td>25. Maintain a low risk in semi-annual vulnerability scans (4.1)</td>
</tr>
<tr>
<td>12. Realize administrative fee of at least 18 basis points on all bond issues (2.1)</td>
<td>26. Maintain system availability at 99% (4.2)</td>
</tr>
<tr>
<td>13. Realize profitability of 1.3% on TBA executions (2.1)</td>
<td>27. Implement new software solutions (4.3)</td>
</tr>
<tr>
<td>14. Maintain servicing income threshold at a weighted average of 0.4% of the purchased portfolio (2.2)</td>
<td>28. Maintain or improve Achieve employee satisfaction of 85% (5.2, 5.3)</td>
</tr>
<tr>
<td>29. Complete compensation survey (5.1)</td>
<td></td>
</tr>
</tbody>
</table>
Tab 13
MEMORANDUM

TO: MFA Board of Directors

FROM: Izzy Hernandez

DATE: May 16, 2018

SUBJECT: Project Based Contract Administration (PBCA) Procurement Update

Background: The U.S. Department of Housing and Urban Development (HUD)’s Project-Based Section 8 Housing Assistance Payments Program subsidizes housing for low income households by providing funding to private owners of multi-family properties who entered into multi-year rental assistance agreements with HUD. Since 2000, HUD has entered into contracts with state public housing agencies, including such housing finance agencies as MFA, to administer the Section 8 Housing Assistance Payment (HAP) Program agreement for their respective states. MFA has administered the Section 8 Project Based Contract Administration (PBCA) contract for the state of New Mexico since 2000.

In 2011, HUD issued an “Invitation for Submission of Applications” for all PBCA contacts throughout the United States and various territories. As a result of that process, the state of New Mexico’s PBCA contract was awarded to a Texas-based housing agency.

Following the 2011 process, MFA, and many other state housing agencies, challenged the bidding process with the Government Accountability Office (GAO) after communications with HUD raised concerns that the process was arbitrary and capricious. Additionally, New Mexico’s Attorney General’s Office issued a formal opinion that only MFA was authorized to act as a statewide housing agency for the state of New Mexico, which was a requirement for administering the PBCA contract under the terms of the invitation to bid and the U.S. Housing Act of 1937, the federal law enabling the Section 8 PBCA Program. Similar Attorney Generals’ Opinions were issued in a number of states throughout the U.S., all of which HUD was made aware. As a result of these administrative protests, HUD ultimately canceled all contested awards and entered into contract extensions with all of the protesting PBCA contract administrators with which it had existing contracts.

In 2012, HUD issued a Notice of Funding Availability (NOFA) for the PBCA Program contracts restricting submissions to in-state housing agencies for those states, like New Mexico, in which only a single state housing agency was authorized to act statewide (the “in-state housing agency preference”). Protests were filed at the GAO from agencies objecting to the NOFA’s terms barring them from competing for state PBCA contracts.
outside their states of origin, and claiming that HUD had used the wrong process to bid out the contracts. The GAO ruled in favor of the protesters’ claim that HUD should have utilized a procurement process for the PBCA contracts that was fully compliant with the Federal Acquisitions Regulations (FAR) rather than the NOFA. HUD, nevertheless, ignored the GAO’s determination, and the protesters then filed a civil action in the Court of Federal Claims (COFC), requesting the court rule against the use of the NOFA and its in-state housing agency preference. The COFC ruled in HUD’s favor on both the use of the NOFA and its in-state housing agency preference. The plaintiffs, thereafter, filed an appeal of the COFC’s decision in the Federal Court of Appeals, which in early 2014 ruled in the plaintiffs’ favor on the issue of the use of the NOFA, but did not address the question of the in-state housing agency preference. HUD, in response to the appellate court ruling, sought certiorari review of the decision by the U.S. Supreme Court, but that request was denied. Since 2014, HUD has been under court order to release a FAR-compliant procurement for PBCA contracts. While preparing that procurement, HUD has repeatedly extended PBCA contracts with its existing contractors, including MFA. HUD had been indicating that it intended to release a PBCA procurement in the spring of 2016, and that the procurement would likely require proposals for the provision of PBCA contract services on a regional and national basis, rather than for individual state contracts, as was required in previous PBCA contract solicitations.

In response to HUD’s communications regarding the upcoming procurement, several state HFAs in HUD’s designated Southwestern region, including MFA, have formed a regional consortium (KS, LA, OK, NM) and have been planning to respond as a regional entity.

On March 22, 2017 the MFA Board approved a Resolution giving MFA staff authority to:
1. Submit a proposal(s) as a sole respondent or as a collaborative
2. Enter into agreements including one or more Memoranda of Understanding with other HFAs
3. Serve as lead which may include a bid for performance of PBCA tasks in states other than New Mexico.
4. To commit MFA to perform PBCA tasks for properties located in another state (with some caveats)

In May 2017 MFA was elected as the lead for the consortium, on December 2, 2017 HUD published 2 draft RFPs and on December 20, 2017 HUD extended our PBCA/Annual Contributions Contract (ACC) to December 31, 2018. The two RFPs were:

1. Housing Assistance Payments Contract National Support Services (HAPNSS); and
2. Housing Assistance Payments Contract Regional Support Services (HAPRSS)

The draft RFPs divided our current tasks into 2 separate procurements and further broke up the 5 HUD multi-family regions into 3 separate sub-regions within each region. A successful applicant could not be awarded more than 2 sub-regions within a region. New Mexico is in sub-region 1.3 along with Kansas, Oklahoma and Arkansas. Louisiana is located in sub-region 1.1 along with Texas. As a consortium we planned on applying for
sub-region 1.1 and 1.3. We were also exploring a few options to cover Arkansas and Texas. The options included non-HFA entities that would become partners in the consortium.

Based on the draft RFP, submission of a sub-regional proposal would be the only option that permits MFA to retain control over the Section 8 PBCA contract for the state of New Mexico. Each partner in the consortium would agree to perform the contractual tasks in its designated state, and some may be required to divide the tasks in a contiguous, non-member state that is included in the designated 1.1 and 1.3 sub-regions (consisting of New Mexico, Texas, Louisiana, Arkansas, Oklahoma, Kansas), or any similar grouping of contiguous states in the southern/western region of the United States that HUD might identify for purposes of the PBCA procurement. As the lead, MFA would be ultimately responsible for submitting the proposals for the consortium, and overseeing the sub-regional contracts once awarded. All partners in the consortium would sign agreements to formalize the consortium and to indemnify MFA from liability to any of the others for actions taken in the course of implementing the sub-regional contracts.

On January 24, 2018 the board approved an Amendment to the March 22, 2017 Board Resolution Authorizing Response to HUD’s Anticipated Section 8 Project Based Contract Administration (PBCA) Procurement and Additional Actions Necessary for Procurement Response. The resolution authorized MFA staff to include non-HFA entities into the consortium as necessary and advisable so that MFA’s proposals to HUD will be responsive. It also authorized MFA staff to negotiate and execute sub-contracts and agreements with HFA and non-HFA entities to provide services in conjunction with the proposals submitted to HUD.

**Update/Discussion:**

On March 13, 2018 HUD cancelled both the national and regional draft Requests for Proposals (RFPs) to replace the current Performance-Based Contract Administration (PBCA) program. The HUD published language read:

“Based on the extensive comments received in response to the draft solicitation, HUD is taking time to perform additional due diligence to ensure all comments and recommendations are considered in developing the final approach to obtaining the services to replace the current PBCA services. This solicitation is cancelled in its entirety. Future requirements will be initiated through a new solicitation, which is expected to take several more months to develop.”

On March 23, 2018 President Trump signed the Fiscal Year (FY) 2018 omnibus spending bill which included the following:

$11.15 billion for project-based rental assistance (PBRA), enough to renew all existing contracts and provide $285 million for contract administration ($50 million more than FY 2017).

“Performance-based contract administrators (PBCAs). The agreement notes that PBCA services
are integral to the Department’s efforts to provide effective and efficient oversight and monitoring of this program, reduce improper payments, protect tenants, and ensure that properties are well maintained. In December 2017, the Department issued two solicitations, numbered 86546A18R00001 and 86546A18R00002, to procure PBCA services on a competitive basis. Due to the overwhelming critical responses from industry and stakeholders, the Department chose to cancel these solicitations, and the House and Senate Committees on Appropriations find such action appropriate. In keeping with the Administration’s direction, the agreement supports the cancellation of these solicitations for the remainder of the fiscal year. In addition, the agreement directs the Department to report to the House and Senate Committees on Appropriations within 90 days of enactment of this Act on the staffing and funding requirements in the Office of Multifamily Housing Programs and the Office of the Chief Procurement Officer that would be necessary to undertake and oversee a state-by-state contracting methodology, as compared to the cancelled proposals.”

Proposal drafting had been put on hold by the consortium but we continue to communicate on a monthly basis as we await HUD’s procurement.

Summary: HUD cancelled both the national and regional draft Requests for Proposals (RFPs) to replace the current Performance-Based Contract Administration (PBCA) program.
Tab 14
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Tab 15
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Tab 16
### Staff Actions Requiring Notice to Board
**During the Period of April 30, 2018**

<table>
<thead>
<tr>
<th>Department and Program</th>
<th>Project</th>
<th>Action Taken</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housing Development – National Housing Trust Fund</td>
<td>Generations at West Mesa</td>
<td>NHTF loan request of $500,000</td>
<td>Approved by Policy Committee on 4/9/2018</td>
</tr>
<tr>
<td>Community Development Department - Linkages</td>
<td>Linkages</td>
<td>Operations costs grant agreement w/San Juan County Partnership - Additional $6737.50</td>
<td>Approved by Izzy Hernandez 4/17/18</td>
</tr>
<tr>
<td>Community Development Department - Linkages</td>
<td>Linkages</td>
<td>Operations costs grant agreement w/The Life Link – Additional $20,000.00</td>
<td>Approved by Izzy Hernandez 4/17/18</td>
</tr>
<tr>
<td>Community Development Department - Linkages</td>
<td>Linkages</td>
<td>Operations costs grant agreement w/NRHA – Additional $6234.67</td>
<td>Approved by Izzy Hernandez 4/17/18</td>
</tr>
<tr>
<td>Community Development Department - Linkages</td>
<td>Linkages</td>
<td>Operations costs grant agreement w/Mesilla Valley Community of Hope – Additional $15,206.40</td>
<td>Approved by Izzy Hernandez 4/17/18</td>
</tr>
<tr>
<td>Community Development Department - Linkages</td>
<td>Linkages</td>
<td>Operations costs grant agreement w/Western Regional Housing Authority – Additional $9758.38</td>
<td>Approved by Izzy Hernandez 4/17/18</td>
</tr>
<tr>
<td>Community Development Department - Linkages</td>
<td>Linkages</td>
<td>Operations Costs Grant Agreement with Bernalillo County Housing Department – Additional $20,000.00</td>
<td>Approved by Izzy Hernandez 4/19/18</td>
</tr>
<tr>
<td>Community Development Department – Rental Assistance Program</td>
<td>Rental Assistance Program</td>
<td>First Amend to perf. Agreement for The Life Link for RAP – Additional $4330.05</td>
<td>Approved by Izzy Hernandez 4/17/18</td>
</tr>
<tr>
<td>Community Development Department – Rental Assistance Program</td>
<td>Rental Assistance Program</td>
<td>First Amend to perf. Agreement for Catholic Charities for RAP – Additional $3000.00</td>
<td>Approved by Izzy Hernandez 4/17/18</td>
</tr>
<tr>
<td>Policy and Planning—Ventana Fund</td>
<td>Ventana Fund Grant</td>
<td>Approval of additional $500,000 MFA grant to Ventana Fund</td>
<td>Approved by Policy Committee on 6/27/17, allowance to use 10% of grant unrestricted approved by Policy Committee on 4/24/18</td>
</tr>
<tr>
<td>Housing Development – 542(c) Risk Sharing Program</td>
<td>Roselawn Manor</td>
<td>Amendment of 2015 loan approval, extending term from 20 years to 40 years</td>
<td>Approved by Izzy Hernandez 4/27/18</td>
</tr>
</tbody>
</table>
Goal 1 - Respond to New Mexico's affordable housing needs.

<table>
<thead>
<tr>
<th>Benchmark: 1</th>
<th>Provide mortgage financing for 1,900 homebuyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 On Target</td>
<td>MFA financed 696 homebuyers.</td>
</tr>
<tr>
<td>Q2 On Target</td>
<td>Financed 677 this quarter for YTD total of homebuyers financed of 1,373.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benchmark: 2</th>
<th>Attain mortgage product utilization of 45% of all FHA loans recorded in New Mexico</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Caution</td>
<td>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%.</td>
</tr>
<tr>
<td>Q2 Caution</td>
<td>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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benchmark: 3</th>
<th>Finance 975 rental units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 On Target</td>
<td>162 new units funded.</td>
</tr>
<tr>
<td>Q2 On Target</td>
<td>210 new units funded for a YTD total of 372.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benchmark: 4</th>
<th>Maintain combined loan delinquencies of MFA serviced portfolio below 11.8 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 Caution</td>
<td>The average combined delinquency rate was 13.89%. MFA Servicing staff is pursuing collection initiatives to meet benchmark delinquency rate.</td>
</tr>
<tr>
<td>Q2 Caution</td>
<td>The Q2 average combined delinquency rate was 11.57% and the average YTD combined delinquency rate was 12.73%.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Benchmark: 5</th>
<th>Implement MFA housing summit and open house</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 On Target</td>
<td>Initial stages of summit planning have begun, including branding, budget, programing and speakers.</td>
</tr>
<tr>
<td>Q2 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>
</tbody>
</table>

| Benchmark: 6 | Implement one new digital or social media advertising effort |
## MFA Strategic Plan Benchmarks

### FY 2018

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Status</th>
<th>Description</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>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Status</th>
<th>Description</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>
</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>Status</th>
<th>Description</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

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>On Target</td>
<td>Upcoming. The annual issuer credit rating process has not started other than the quarterly rating surveillance activity.</td>
</tr>
<tr>
<td>Q2</td>
<td>On Target</td>
<td>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.</td>
</tr>
</tbody>
</table>

#### Benchmark: 10
Achieve operating performance and profitability equal to net revenues over total revenues of at least 10.7 percent, based on five-year average

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Status</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>On Target</td>
<td>MFA's operating performance and profitability ratio was 7.9%.</td>
</tr>
<tr>
<td>Q2</td>
<td>On Target</td>
<td>MFA's operating performance and profitability ratio was 10.3%.</td>
</tr>
</tbody>
</table>

#### Benchmark: 11
Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least 30.8 percent, based on five-year average
<table>
<thead>
<tr>
<th>Benchmark</th>
<th>Q1 On Target</th>
<th>Q2 On Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>MFA’s balance sheet strength ratio was 28.2%.</td>
<td>MFA’s balance sheet strength ratio was 29.9%.</td>
</tr>
<tr>
<td>13</td>
<td>The administrative fee for 2017 Series B which closed on November 16, 2017 is .25%.</td>
<td>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.</td>
</tr>
<tr>
<td>14</td>
<td>Realized profitability for TBA executions was 1.34%.</td>
<td>Realized profitability for TBA executions was 1.73%.</td>
</tr>
<tr>
<td>15</td>
<td>Servicing yield for sub-serviced portfolio was .39%</td>
<td>Servicing yield for sub-serviced portfolio was .39%</td>
</tr>
<tr>
<td>16</td>
<td>All PBCA tasks were completed as required by the contract. Signed a new PBCA contract for the calendar year 2018.</td>
<td>All PBCA tasks were completed as required by the contract for this quarter.</td>
</tr>
<tr>
<td>17</td>
<td>Sent out invoices for compliance monitoring fees.</td>
<td>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.</td>
</tr>
</tbody>
</table>
Benchmark: 18
Increase contributions made through the state affordable tax credit program

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.

Q2 Met Received $2,750 in contributions for Okhay Owingeh through the Affordable Housing Charitable Trust and $33,733 in donations for three Habitat for Humanity projects.

Benchmark: 19
Evaluate at least one new business model or financial tool

Q1 Met 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.

Q2 Met 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 is 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.

Benchmark: 20
Increase funding by at least one new source

Q1 Met 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.

Q2 Met 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.

Goal 3 - Strengthen affordable housing partners.
Benchmark: 21
Expand services of at least one program to an under-served 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.

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.

Benchmark: 23
Provide at least five formal training opportunities for property owners, developers and/or service providers

Q1 On Target  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.

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.

Goal 4 - Provide robust technology solutions.

Benchmark: 25
Maintain a low risk in semi-annual vulnerability scans
## MFA Strategic Plan Benchmarks

**FY 2018**

### Q1 On Target

<table>
<thead>
<tr>
<th>Benchmark: 26</th>
<th>Maintain system availability at 99 percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 On Target</td>
<td>MFA did not experience any full system outages and maintained system availability of 100%.</td>
</tr>
<tr>
<td>Q2 On Target</td>
<td>MFA did not experience any full system outages in Q2 and maintained system availability of 100%.</td>
</tr>
</tbody>
</table>

### Benchmark: 27

**Implement new software solutions**

<table>
<thead>
<tr>
<th>Q1 On Target</th>
<th>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.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 On Target</td>
<td>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.</td>
</tr>
</tbody>
</table>

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

#### Benchmark: 28

**Maintain or improve employee satisfaction**

<table>
<thead>
<tr>
<th>Q1 On Target</th>
<th>Survey will take place in April 2018.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 On Target</td>
<td>Survey invitations will be sent on April 9, 2018. Data to be received late May.</td>
</tr>
</tbody>
</table>

### Benchmark: 29

**Complete compensation survey**

<table>
<thead>
<tr>
<th>Q1 On Target</th>
<th>Study will be underway in late February and early March.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 Caution</td>
<td>Commencement of study delayed due to 401k conversion. Study will begin in the 3rd quarter.</td>
</tr>
</tbody>
</table>
New Mexico Mortgage Finance Authority

Update to credit analysis

Summary
New Mexico Mortgage Finance Authority’s issuer rating (Aa3/Stable) is favorably positioned due to its strong asset to debt ratio (ADR) of 1.38x, good profitability of 13.08%, and low risk profile. Single family bond programs have minimal risk from being backed by mortgage backed securities (MBS) as well as having minimal exposure to counter parties. Multifamily bonds are collateralized by FHA risk-share loans with the Authority only responsible for 10% of any loan losses.

Credit strengths
» High asset-to-debt ratio of about 1.38x based on 2017 audited financial statements, with Moody’s adjustments
» Single family bond programs are insulated from loan loss because they are backed by MBS
» Profitability is good and continues to increase year over year.
» No exposure to variable rate debt

Credit challenges
» Lower profitability compared to peers in the Aa3 rating category, however, we expect this trend to reverse as NM MFA’s loan origination accelerates.

Rating outlook
The outlook is stable reflecting the Authority’s low risk profile, improving profitability and our expectation that management will maintain key credit metrics in line with the assigned rating.

Factors that could lead to an upgrade
» Sustained increases in profitability.

Factors that could lead to a downgrade
» Decline of program asset-to-debt ratio.
» Significant erosion of profitability.
Key indicators

Exhibit 1

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Bonds Outstanding</td>
<td>953,851</td>
<td>815,061</td>
<td>729,878</td>
<td>725,135</td>
<td>675,778</td>
</tr>
<tr>
<td>Asset to Debt Ratio</td>
<td>122.54%</td>
<td>125.06%</td>
<td>132.32%</td>
<td>133.60%</td>
<td>137.87%</td>
</tr>
<tr>
<td>Margins</td>
<td>5.54%</td>
<td>6.86%</td>
<td>6.15%</td>
<td>11.52%</td>
<td>13.10%</td>
</tr>
</tbody>
</table>

Source: New Mexico Mortgage Finance Authority Audits with Moody’s adjustments

Profile

The New Mexico Mortgage Finance Authority (MFA) was established in 1975 and is a self-supporting quasi-governmental entity that provides financing to make quality affordable housing and other related services available to low- and moderate-income New Mexicans. Using funding from housing bonds, tax credits and other federal and state agencies, MFA provides resources to build affordable rental communities, rehabilitate aging homes, supply down payment assistance and affordable mortgages, offer emergency shelter and administer rental assistance and subsidies. All state and federal housing programs are now administered by MFA, including Section 8 housing and the Department of Energy’s weatherization programs.

MFA has a staff of 77. The Authority is led by a seven member board comprised of four members from the private sector, appointed by the governor with the approval of the state senate, and three ex-officio members.

Detailed credit considerations

Loan portfolio: MBS and FHA-Riskshare program severely limits exposure to loan loss

All loans from bond programs are of the highest quality, either securitized single family loans or multifamily loans that are FHA insured. We expect that these high quality loans will continue to provide protection against loan losses from loan delinquencies.

The Single Family Mortgage Program (the 2005 Indenture) is the Authority's largest program at $441 million, as of 9/30/2017, secured by Ginnie Mae (GNMA) and Fannie Mae (FNMA) Mortgage Backed Securities (MBS). The MBS are guaranteed as to timely payment of principal and interest by GNMA and by FNMA regardless of the performance of the underlying loans.

In addition, the Single Family Mortgage (NIBP) Program is secured by GNMA and FNMA MBS in an amount of about $101 million, as of 9/30/2017. Approximately 16% of the Authority’s total bonds outstanding are multifamily bonds, all of which are secured by loans insured under HUD’s FHA Risk Share Program.

Financial position and performance: strong balance sheet heightens credit stability

Financial position is strong with an asset-to-debt ratio (ADR) of 1.38x as of the fiscal year ended on September 30, 2017 up from 1.35x in the prior year, and displaying steady growth over the past 5 years. We expect to see continued growth going forward. The Authority’s risk adjusted ADR is comparable to other housing authorities in their rating category. All loan assets are primarily MBS, with 8% of assets being either FHA insured, with the agency only taking a 10% risk share level, or having some form of credit enhancement such as multifamily loans guaranteed by Fannie Mae.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.
Margins for the fiscal year ended on September 30, 2017 was 13.08% which continues to improve year over year. The 5 years average is 8.63%.

**Liquidity**

The Authority maintains sufficient liquidity to meet its obligations, based on annual cash flows for the bond programs and sufficient over collateralization.

**Legal framework, covenants, and debt structure: Strong legal provisions provide additional bond holder security.**

The Authority issues bonds under special limited obligations. The Authority does not have any taxing power nor do they receive money from the state. Bond programs are paid solely from funds held under their respective trust indentures. All bonds issued by the Authority are fixed rate.

**Debt structure**

Total outstanding debt for the Corporation as of September 30, 2017 was approximately $666 million, all of which is fixed rate.

**Pensions and OPEB**

Not a material factor for the Authority.
Management and governance: oversight of a capable and active management team enhances credit profile

We view the management team as effective in managing its existing core business and fully dedicated to fulfilling the Authority’s mission. Management staff has demonstrated strong competence in making decisions that have proven to have minimal risk and improve financial and operational results, while exploring key opportunities for innovative ways to continue meeting the Authority’s mission.
6          17 April 2018 New Mexico Mortgage Finance Authority: Update to credit analysis
Tab 17
April 11 – May 8

MEDIA COVERAGE

April HUD Regional Office, Ft. Worth  Press Release, Assistant Deputy Matthew Hunter And Regional Administrator Beth Van Duyne Meet with Albuquerque Partners

4-6 Gallup Independent  4-year-old housing effort bears fruit in Acoma
4-10 Silver City Daily Press  Realtors come together to celebrate Fair Housing Act
4-21 Gallup Independent  $750k less for 2018

PRESS RELEASES, NEWSLETTERS and LENDER MEMOS

4-23 Partner notification  HOPWA RFP training
4-23 Tribal Homeownership Coalition
5-1 Tribal Homeownership Coalition  Section 4 Capacity Building Grants
ADS Hunter, RA Van Duyne, met with Greg Morris, Executive Director of **St. Martin’s-Hope Works** to learn how they have partnered with other local agencies to help end homelessness, provide affordable housing, promote economic opportunity and promote HUD’s EnVision center concept around their very successful Continuum of Care program model.

The meeting allowed the opportunity to discuss additional ways HUD and other private/public partnerships can help with the current housing needs, employment training programs, and promote quality education opportunities for New Mexican’s. ADS and RA listened to feedback from St. Martin’s and noted their suggestions to help us strengthen efforts, progress with positive outcomes and to continue efforts of eliminating opioid and other substance abuse in New Mexico. The group meeting also included funding partners from the New Mexico Mortgage Finance Authority and AFO program staff.
Location: St. Martin’s - Hope Works, Day Shelter (Kitchen)

Location: St. Martin’s - Hope Works, Day Shelter

Location: St. Martin’s - Hope Works, Day Shelter
St. Martin’s Rental Assistance Program (“RAP”) was provided funds from the New Mexico Mortgage Finance Authority (MFA) through ESG funds in the amount of $65,832 for program year 2016/2017. This program year they have assisted 47 individuals, 14 households. The goal of the Homelessness Prevention is to provide financial assistance, counseling, and other services to prevent families and individuals from being evicted, losing their homes, and becoming homeless. Examples of types of assistance are rental arrears, utility arrears, rent, utility assistance, moving expenses.

Rapid Re-housing helps individuals and families experiencing homelessness address issues that may impede access to housing (such as credit history, arrears, and legal issues). Assistance can be used for security deposits, application fees, rent, moving expenses, credit repair, utility deposits and utility assistance. Assistance is offered without preconditions like employment, income, absence of criminal record, or sobriety and the resources and services provided are tailored to the unique needs of the household. St. Martin’s receives Continuum of Care (CoC) funding from HUD.

MFA also provides St. Martin’s funding for COC activities, although the funding is distributed through the state homeless funds and are not federal funds, utilized as a subsidy to pay the program manager’s salary. St. Martin’s has recently been awarded a $3 million grant from the National Housing Trust to create 42 units of housing.

The ADS and RA met with New Mexico Mortgage Finance Authority (MFA) Executive Director, Jay Czar and Deputy Director of Programs Isidoro “Izzy” Hernandez. The New Mexico Mortgage Finance Authority (MFA) is a self-supporting quasi-governmental entity that provides financing to make quality affordable housing and other related services available to low- and moderate-income New Mexicans. Using funding from housing bonds, tax credits and other federal and state agencies, MFA provides resources to build affordable rental communities, rehabilitate aging homes, supply down payment assistance and affordable mortgages, offer emergency shelter and administer rental assistance and subsidies. MFA partners with lenders, Realtors, nonprofit organizations, local governments, tribal communities and developers throughout the state to make these programs and services available to all eligible New Mexicans.
Matthew Hunter and Beth Van Duyne toured the Imperial Building. The development is a collaborative effort between the development team, key prospective tenants, Yes Housing, and the City of Albuquerque to successfully integrate a pedestrian oriented development that includes a residential and commercial mixed-use. The Commerce Site and Low-Income Housing Tax Credit Multi-Family Development Down Town Albuquerque, opened on August 29, 2016. The 74-unit new rental project was built on a brownfield site. The apartments are a four-story building with underground parking garage/storm water cistern storage, with a roof top garden above the apartments. The roof has bench seating, barbecues, raised planter beds and trellis covered walkways. The ground floor is for additional parking, loading docks, leasable commercial space, 11,909 sq. ft. grocery store, social services/leasing offices, commons lounge and an elevator to the upstairs residential units. The three upper floors house the 74 residential units.
This apartment complex will further the goals of the Downtown 2010 Sector/Metropolitan Redevelopment Plan and make the area more walkable. There are 9 studio apartments (504 sq. ft.) 54 one-bedroom units (662 sq. ft.), and 11 two-bedroom units (969 sq. ft.). The project serves 8 families at 30% AMI, 10 at 40% AMI, 36 at 50% AMI and 20 at market. Net rents are expected to range from $274 - $700 for studios, $282 - $788 for 1 bedroom, and $336 - $985 for 2-bedroom units. Twenty percent of the units will be set aside for special needs households. The apartment complex leased up to 95% occupancy within 5 to 6 months. MFA provided Housing Trust Fund, Primero funding and Low-Income Housing Tax Credits towards the Imperial Apartments.

Location: Community Room of Imperial Building, Yes Housing’s Presentation

Location: Imperial Building, Rooftop Garden
Location: Imperial Building, Rooftop Garden

Location: Imperial Building, Foyer
4-year-old housing effort bears fruit in Acoma

By Dana Martinez
Cibola County Bureau
cibola2@gallupindependent.com

The project was a long process for the pueblo, and encompassed working with a slew of organizations and businesses. The complex was funded through Low Income Housing Tax Credits form the New Mexico Mortgage Finance Authority. Pavillion Construction followed the design of Travois Design & Construction Services Architect Taylor Higgen. TKJ Structural Engineering also contributed to the project.

A representative from every organization involved spoke to the crowd before the ribbon-cutting.

Susan Biermacki, Tax Credit Program manager for MFA, said that Tortalita’s vision and enthusiasm for the project stood out to her.

Jay Czar, MFA executive director, said, “This project is truly, truly special. I want to especially recognize Floyd Tortalita for his leadership, for his expertise, and for putting this whole concept together. These projects are extremely complex, they’re very detailed. He chose some of the best partners in to country to help him and to help Acoma Pueblo put this development together. And it is just remarkable. We think we at MFA know a lot about multi-family housing but Acoma’s been doing multi-family for thousands of years and has great expertise, they are the original multi-family developers and they have perfected that process that’s what we see here today.”

Travois Design Chairman David Bland, said, “I’ve been doing this a long time. Throughout my career, the things that give me the greatest satisfaction are coming to events like this. Nothing gives you more satisfaction than to see the faces of these young kids and the families who will be living in these houses. It just warms my heart and it makes everything worthwhile.”

Tortalita addressed the crowd. “Housing is more than just a roof over our heads. Housing is the center, and home is the center of life. We have a large vision here and this is only a portion of what we have at the housing authority. One of the visions that we have, now that the residential lease hold has been passed, is to be able to build more homes, more developments, and how we are going to sustain our community. I want to see those visions through.”

Off the waiting list

There are 30 happy families who will be moving into the complex beginning April 16. Their wait times have varied. Rex Torivio said that he and his son had been on the list for almost four years.

“It’s beautiful!” he said. “The rooms are lovely, and my son will enjoy it. I’m glad we got one. It will help us to be able to go to school for activities and him being in sports. Here, he can go for a run or play basketball. It’s going to be great. I can’t wait to move in.”

Another future tenant will be Alaydia Fredericks, who will be moving in with her granddaughter. She noted that she had only been on the waiting list for three months.

“I didn’t think I’d get it,” she said. “It’ll be good to be home again, no more long drives to be able to see my family. I’m glad the tribe finally got this.”

Working together
Students from the Sky City Community School were the first to play a game on a new basketball court in Acoma Pueblo's newest housing complex, Cedar Hills. They attended the Pueblo of Acoma Housing Authority ribbon-cutting ceremony Thursday. The $8.9 million complex will house 30 families who will be able to move in April 16.
Fifty years ago, on April 11, 1968, President Lyndon Baines Johnson signed the Fair Housing Act into law, a measure that has had a major impact in home ownership throughout the country and in New Mexico.

The REALTORS Association of New Mexico has joined the National Association of REALTORS in the year-long commemoration of the anniversary of this significant and historical legislation, according to Connie Hettinga, RANM president.

In addition, April has been declared Fair Housing Month in a proclamation signed by Gov. Susana Martinez.

"RANM strongly supports the right of each individual to own, use, and transfer real property, regardless of race, color, religion, national origin and sex," Hettinga said. "Fair Housing makes our state and our country strong."

The Fair Housing Act states, "It is the policy of the United States to provide, within constitutional limitations, for fair housing throughout the United States."

The 1968 Fair Housing Act prohibited discrimination based on race, color, religion and national origin. In 1974, the Fair Housing Act was amended to prohibit discrimination based on sex.

The nation and NAR did not always support fair housing rights, according to a news release. In fact, NAR opposed passage of the Fair Housing Act, and at one time allowed local associations to exclude members based on race or sex. NAR’s leadership has indicated their understanding of fair housing rights changed over time and today NAR leads efforts to expand those rights.

In January, at the New Mexico Legislature, RANM and its industry partners, including the New Mexico Mortgage Finance Authority, New Mexico Mortgage Lenders, New Mexico Apartment Association, the Central New Mexico Home Builders Association, and the USDA’s Rural Development, held a public event in the Rotunda to commemorate the Fair Housing Act.

**Daily Data**

The Glenwood Street Market is open from 9 a.m. to 1 p.m. Saturdays, featuring arts and crafts, food and more.
$750K less for 2018
GHA reviews rent, lease changes, plans for future

By Kyle Chancellor
Staff writer
city@gallupindependent.com

GALLUP — The Gallup Housing Authority reviewed changes in their rental agreement and discussed a possible revenue stream for the organization as they face an uncertain funding future.

During their monthly meeting Friday, the only local housing authority, GHA held a public hearing on their annual Public Housing Authority plan as well as new lease agreements which included restrictions on smoking in housing units and a ban on pets. They also discussed their flat rent rates, Section 8 payment rates and a plan to bring in a new revenue stream by flipping affordable homes.

The biggest change in the public housing authority plan aims to raise some revenue for GHA, Executive Director Richard Kontz explained to the board the premise of the Acquisition, Rehab, and Resale Program he and his staff have come up with.

The plan he proposed would have GHA purchase houses that have been foreclosed upon or are in default, fix them up and then sell the houses at prices that are both accessible to lower income families in the county and would also provide a modest profit to the authority. To fund the initial purchase by GHA, Kontz said they could apply for funding from the New Mexico Mortgage Finance Authority. They would provide a loan for three years, Kontz said, that GHA could use to purchase and fix up the houses before reselling.

Kontz then told the board this could also help some current residents of GHA to move into home ownership and permanent housing. The residents that would be candidates for moving into owning a home would be those making 80 percent of the county’s median income, which equals about $23,000 a year. But, Kontz said the purchase of the homes would not be limited to just current GHA residents, it would be open to anyone.

“There is an absolute need for this in our area,” Kontz said. “If you ask any Realtor, they’ll tell you there isn’t much in the $80,000-$125,000 range.”

The reason the authority is looking at revenue streams is because of proposed drastic cuts to the federal Housing and Urban Development Budget. Overall, the proposed budget would take $6.8 billion from the federal budget; a cut which would cut GHA’s local budget by more than half, or nearly $750,000. Other revenue streams may be necessary to the GHA if the cuts do happen so the authority can avoid laying off staff and cutting back on the large amount of maintenance their 267 units need.

Lease changes

The board also discussed some changes to their lease agreements and to the rent change for some residents.

The biggest lease changes proposed were smoking regulations and their pet policy.

Selina Paradise, housing manager for GHA, explained to the board that the HUD had recently mandated that smoking was no longer to be allowed within housing units, and housing authorities would have to implement perimeters as well as areas where smoking was allowed within developments. Residents would have to adhere to a 25-foot perimeter around their units where smoking was not allowed.

“Some people are going to be happy about the change, some won’t, but it has to happen,” Paradise said.

The pet policy is also making a drastic change. Currently, some pets are allowed within units, but Paradise told the board that often residents would violate the pet policy by having very large pets or numerous pets. She said that with the new rental agreement, residents will be prohibited to have pets in their units.

The only obvious exception would be service animals, in compliance with the Americans with Disabilities Act. Paradise also said current residents that have pets would be grandfathered in, but new residents would have to comply with the ban.

The last big change to the agreement is when rent is due from residents. Currently, Paradise explained, residents’ rent is due on the first of the month, and they have a seven-day grace period before late fees are incurred. She said this is an abnormally long time when compared to other housing authorities, and the new lease agreement would shorten that to a three-day grace period. Now rent would be due on the first and have to be paid by the fourth to avoid late fees.

Paradise said she would have a final version of the rental agreement at May’s board meeting. Once approved, she and her staff will sit down with every resident of GHA to review the changes and get new rental agreements signed.

See GHA, Page 5

GHA
Continued from Page 1

By Kyle Chancellor
Staff writer
city@gallupindependent.com

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The only obvious exception would be service animals, in compliance with the Americans with Disabilities Act. Paradise also said current residents that have pets would be grandfathered in, but new residents would have to comply with the ban.

The last big change to the agreement is when rent is due from residents. Currently, Paradise explained, residents’ rent is due on the first of the month, and they have a seven-day grace period before late fees are incurred. She said this is an abnormally long time when compared to other housing authorities, and the new lease agreement would shorten that to a three-day grace period. Now rent would be due on the first and have to be paid by the fourth to avoid late fees.

Paradise said she would have a final version of the rental agreement at May’s board meeting. Once approved, she and her staff will sit down with every resident of GHA to review the changes and get new rental agreements signed.

See GHA, Page 5
Flat rent raises

Lastly, the board approved slight changes to their flat rent rates for the upcoming year. Flat rent is the rate paid only by residents whose income is 80 percent or higher than the county’s gross median income of approximately $29,000.

Efficiency units rent is staying the same at $478 a month. One-bedroom units are going from $578 to $607, two-bedrooms are going from $667 to $697, three-bedrooms are going from $834 to $874 and four-bedrooms are going from $919 to $949. The board approved the changes.
Good morning,

MFA has released the HOPWA RFP for program years 2018-2021. Please view the RFP on our website: www.housingnm.org/rfp.

Training for HOPWA RFP applicants will be held on April 26, 2018 from 10 a.m. until noon in MFA’s board room. MFA is located at 344 Fourth St. SW, Albuquerque, NM 87102.

The date is posted on MFA’s website and is also located in Section 9, Timeline of HOPWA 2018-2021 RFP. **Pre-registration is required.**

You may also attend the RFP training via webcast: http://housingnm.org/resources/webcasts.

Sincerely,
MFA Community Development Department

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You are receiving this email because of your association with MFA.

**Our mailing address is:**
MFA
344 4th St SW, Albuquerque, NM, United States
Albuquerque, NM 87102

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unsubscribe from this list update subscription preferences
New Mexico Tribal Homeownership Coalition

View these upcoming webinars and events

Monday, April 23, 2018, 3:30 p.m. ET
USDA Prioritizes Investments to Address Opioid Crisis in Rural America
Follow link to register
https://cc.readytalk.com/registration/#/?meeting=yitzd0abvixp&campaign=por35sk5i0ah

Wednesday, April 25, 2018, 1 p.m. ET
The DOE Office of Indian Energy Policy and Programs and the Western Area Power Administration will co-sponsor the 2018 webinar series Tribal Sovereignty and Self-Determination through Community Energy Development. The series is intended for tribal leaders, tribal staff, and others interested in energy development in Indian Country. During the April webinar, attendees will learn best practices for tribal energy business structures, including their advantages and disadvantages, goals associated with different business models, and examples of various models. Tribal leaders and community members will also learn how to select the best structure for their goals, existing codes, and laws. Register for the webinar. If you cannot attend the live webinars, you can access recordings and slides of
past webinars.
Follow link to register
https://register.gotowebinar.com/register/3980371019058769923

**Wednesday April 25, 2018, 2:30 p.m. ET**

**Affordable Housing 101**
Introduction to the ideas, concepts and programs common in developing affordable housing across the country. Affordable Housing 101 will provide an overview of various aspects of affordable housing including definitions and acronyms, key players, different financing tools, and key HUD programs. Register at https://response.ballardspahr.com/489/3832/landing-pages/registration-form.asp?sid=8d7e35c3-9b67-4b44-ab6e-8d93cb41c4f2

**2018 New Mexico Housing Summit**

**September 12-14, 2018, Albuquerque, NM**
Follow link to view speaker updates and to register
http://summit.housingnm.org/
As part of our ongoing commitment to support the development and preservation of affordable housing and sustainable communities, Enterprise is releasing a Request for Letters of Interest (LOI) for pass-through grant funding. Funding is made available through the U.S. Department of Housing and Urban Development’s Section 4 grant program. The purpose of this grant funding is to support and improve the capacity and production of community housing development organizations (CHDOs) and community development corporations (CDCs) and organizations serving Native American populations, tribes, Tribally Designated Housing Entities, and Tribal Housing Authorities that meet eligibility criteria and are working in rural areas.

This will be a two-step application process consisting of a LOI and Full Application phase. Successful applicants in the first round will be invited to submit a Full Application for grant funding.

Please be sure to download the Rural & Native American LOI.

All LOI responses will be due by **Tuesday, May 29, 2018 by 11:59 pm Eastern Daylight Time**. Late submissions will not be accepted. Invitations to submit a Full Application are expected to be issued in early July 2018 and awards are expected to be announced mid-September 2018.

Organizations should carefully review the program areas and specifications, organizational eligibility criteria, geographic areas and all other requirements before applying.

Enterprise will host an online question and answer session on **May 9 at 2:00 – 3:00 p.m. EDT** to review the requirements for this RLOI. This session will be recorded and posted on Enterprise’s website for those unable to participate. To register, click here.

In addition, the Rural and Native American Initiative will host a Q & A session on **May 10 at 2:00 p.m.** to review Rural and Native American specific priorities. We strongly encourage applicants to join this session. To register, sign up here.

For questions about this opportunity, please reach out to Sarah Torsell at storsell@enterprisecommunity.org

Sarah E. Torsell
Program Director, National Initiatives
[Enterprise Community Partners, Inc.](http://www.enterprisecommunity.com)
614.228.8059 or 614.484.5161
Tab 18
# Quarterly Report to the MFA Board of Directors

## Q2 FY2018

### Production Statistics

<table>
<thead>
<tr>
<th></th>
<th>Current Quarter</th>
<th>Same Quarter Last Year</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Homeownership</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of loans reserved</td>
<td>756</td>
<td>744</td>
<td>1,432</td>
</tr>
<tr>
<td>Amount of loans reserved</td>
<td>$110,495,658</td>
<td>$108,446,156</td>
<td>$210,848,696</td>
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<tr>
<td>Number of loans purchased</td>
<td>677</td>
<td>616</td>
<td>1,373</td>
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<tr>
<td>Amount of loans purchased</td>
<td>$100,748,972</td>
<td>$88,299,805</td>
<td>$203,648,960</td>
</tr>
<tr>
<td>Number of homebuyers counseled</td>
<td>819</td>
<td>751</td>
<td>1,645</td>
</tr>
<tr>
<td>Number of lenders/REALTORS contacted</td>
<td>1,798</td>
<td>1,355</td>
<td>3,544</td>
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<tr>
<td><strong>Housing Development</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of MF loans/grants</td>
<td>$400,000</td>
<td>$400,000</td>
<td>$4,900,000</td>
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<tr>
<td>Amount of SF loans/grants</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Amount of TC: LIHTC (MF) &amp; State (MF &amp; SF)</td>
<td>$0</td>
<td>$852,888</td>
<td>$4,626,115</td>
</tr>
<tr>
<td>Number of MF units</td>
<td>69</td>
<td>306</td>
<td>370</td>
</tr>
<tr>
<td>Number of SF units</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td><strong>Housing Rehab &amp; Weatherization</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of rehab expenditures</td>
<td>$637,474</td>
<td>$575,288</td>
<td>$1,657,648</td>
</tr>
<tr>
<td>Number of units rehabilitated</td>
<td>18</td>
<td>8</td>
<td>34</td>
</tr>
<tr>
<td>Amount of NM Energy$mart expenditures</td>
<td>$1,342,032</td>
<td>$1,559,835</td>
<td>$2,461,834</td>
</tr>
<tr>
<td>Number of units weatherized</td>
<td>188</td>
<td>405</td>
<td>388</td>
</tr>
<tr>
<td><strong>Homeless Programs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amount of shelter service expenditures</td>
<td>$301,941</td>
<td>$382,379</td>
<td>$754,856</td>
</tr>
<tr>
<td>Number of persons housed</td>
<td>1,611</td>
<td>1,766</td>
<td>3,481</td>
</tr>
<tr>
<td>Amount of rental assistance</td>
<td>$660,864</td>
<td>$729,107</td>
<td>$1,317,218</td>
</tr>
<tr>
<td>Number of people assisted</td>
<td>459</td>
<td>346</td>
<td>959</td>
</tr>
</tbody>
</table>

### The need for housing rehabilitation and weatherization:

New Mexico has aging housing stock. 46 percent of its homes were built before 1980; only 19 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 need for MFA mortgage products:

MFA borrowers have an average annual income of $47,849 and purchase homes with an average price of $141,300. 26 percent are single-parent households; 39 percent are minorities.

MFA targets below market mortgage rates, and all first-time homebuyers receive pre-purchase counseling. MFA provides down payment assistance to 98 percent of its borrowers. Without these programs, many borrowers could not buy a home.

### The need for housing development:

Only 4.2 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 homeless programs:

The New Mexico Coalition to End Homelessness estimates that 17,000 New Mexicans experience homelessness in a year. In 2016, 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

## Q2 FY2018

<table>
<thead>
<tr>
<th>Servicing</th>
<th>Current Quarter</th>
<th>Same Quarter Last Year</th>
<th>Target Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Mortgage delinquency rate</td>
<td>4.00</td>
<td>2.66</td>
<td></td>
</tr>
<tr>
<td>Partners Program delinquency rate</td>
<td>15.93</td>
<td>10.58</td>
<td></td>
</tr>
<tr>
<td>DPA loan delinquency rate</td>
<td>11.04</td>
<td>11.39</td>
<td></td>
</tr>
<tr>
<td>Multifamily loan delinquency rate</td>
<td>4.40</td>
<td>5.81</td>
<td></td>
</tr>
<tr>
<td>Combined delinquency rate</td>
<td>10.90</td>
<td>11.01</td>
<td>11.79</td>
</tr>
<tr>
<td>Default rate (writeoffs/foreclosure losses)</td>
<td>0.69</td>
<td>0.41</td>
<td>1.61</td>
</tr>
<tr>
<td>Master Servicing MBS delinquency rate</td>
<td>5.27</td>
<td>4.81</td>
<td></td>
</tr>
</tbody>
</table>

**MFA’s Servicing Department:**

Provides servicing for approximately 9,000 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 - 8.60 percent in New Mexico and 9.02 percent in the U.S. for Quarter 4 2016.

<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><strong>Asset Management</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of properties monitored</td>
<td>12</td>
<td>79</td>
<td>145</td>
</tr>
<tr>
<td>Number of units inspected</td>
<td>127</td>
<td>871</td>
<td>N/A</td>
</tr>
<tr>
<td>Number of PBCA activities</td>
<td>208</td>
<td>608</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Community Development</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of contracts monitored</td>
<td>26</td>
<td>48</td>
<td>73</td>
</tr>
</tbody>
</table>

**MFA’s Asset Management Department:**

Monitors 262 properties and 17,097 units of housing financed by MFA, providing unit inspections and review of records and finances on a regular basis. Asset Management also supports 88 properties and 5,257 units under MFA’s HUD Project Based Contract Administrator (PBCA) contract.

**MFA’s Community Development Department:**

Manages nine programs with 13 different funding sources and approximately 65 partners across the state. Our partners deliver housing to more than 10,000 individuals and receive approximately $10 million in funding. Monitoring is performed on a regular basis to ensure program compliance.