NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, October 17, 2018 at 9:30 a.m.

Agenda

Chair Convenes Meeting
➤ Roll Call (Jay Czar)
➤ Approval of Agenda – Board Action
➤ Approval of September 19, 2018 Board Meeting Minutes – Board Action

Board Action Items

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<tr>
<td>1</td>
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Other Board Items

2 (Staff is available for questions)

➤ Staff Action Requiring Notice to Board
➤ 2018 Series C Single Family Bond Pricing Summary

Monthly Reports

3 (Staff is available for questions)

➤ 8/31/18 Financial Statements
➤ Communications Department Reports

Announcements and Adjournment

Confirmation of Upcoming Board Meetings

➤ November 15, 2018 - moved up a week to Thursday – 9:30 a.m. (Albuquerque – MFA)
➤ December 19, 2018 - Wednesday – 9:30 a.m. (Albuquerque – MFA)
➤ January (date TBD), 2019 – Wednesday – 9:30 a.m. (Inn and Spa at Loretto, Santa Fe, NM)
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1. 2018 Series D 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 D Single Family Bond Resolution in the aggregate amount of not to exceed $60 million.

Other Board Items

2. (Staff is available for questions)
   - Staff Action Requiring Notice to Board
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Minutes
Chair Dennis Burt convened the meeting on September 19, 2018 at 9:33 a.m. Secretary Czar called the roll. Members present: Chair Dennis Burt, Lieutenant Governor John Sanchez, Sally Malavé (Designee for Attorney General Hector Balderas), Angel Reyes, and Randy McMillan (via conference call – bad connection (see votes). Absent: Treasurer Tim Eichenberg and Steven Smith. Czar informed the Board that everyone had been informed about today’s meeting in accordance with the New Mexico Open Meetings Act.

Chair Burt welcomed board meeting attendees and noted that the meeting was being webcast. He went over voting instructions for member McMillan who was participating via conference call.

**Approval of Agenda - Board Action.** Motion to approve the September 19, 2018 Board agenda as presented: Sanchez. Second: Reyes. Vote: 5-0.

**Approval of 8/15/16 Board Meeting Minutes – Board Action.** Motion to approve the 8/15/17 Board Meeting Minutes as presented: Reyes. Second: Sanchez. Vote: 5-0.

**Approval of 8/16-16 Board Retreat Meeting Minutes – Board Action.** Motion to approve the 8/15-16/18 Board Retreat Meeting Minutes as presented: Malavé. Second: Reyes Vote: 5-0.

Employee Introductions: René Acuña – Director of Homeownership introduced Martha Armijo - Lending Assistant who joined the Homeownership.

**Finance Committee**

1. **Low Income Housing Tax Credit Control Procedures Report (Cait Gutierrez & Jessica Bundy, REDW).** Gutierrez began by informing the Board that it was a very clean audit. There were no reportable observations identified during the course of the audit. However, we did identify certain process improvements for consideration, which are not listed because they did not rise to that level. Our internal audit focused on evaluating the internal processes surrounding the LIHTC application, scoring process, and monitoring to determine if applications were completed in accordance with internal policies and procedures, relevant IRS Code sections and Housing and Urban Development (HUD) guidance. She reviewed the Purpose and Objective, Summary of Procedures and Summary of Results. Discussion ensued regarding sample size and the number of years audited. Motion to approve the Low Income Housing Tax Credit Control Procedures Report as presented: Malavé. Second: Sanchez. Vote: 5-0.

2. **Low Income Housing Tax Credit Project (Claire Hillary & Jessica Bundy, REDW).** Gutierrez began her presentation by providing background information. She informed the Board that The New Mexico Mortgage Finance Authority (MFA) Board engaged REDW to develop an audit program that could be used for current and future Low Income Housing Tax Credit (LIHTC) projects to assess for specific risks related to the appearance of collusion, inflated costs, or related party transactions between Developers, General Contractors and subcontractors. This request was triggered by the discovery of fraud in the Florida Housing LIHTC programs where millions of dollars in federal tax credit subsidies were stolen when a Developer inflated construction contracts. REDW met with MFA management to discuss the internal processes surrounding the LIHTC application and selection process, as well as to develop an understanding of the documentation requirements for the program. From this information, an audit program was developed and REDW attempted to execute this audit program on a small sample of past LIHTC projects that were either completed or in process as of 2018. She went over the following information in the report provided behind tab two and will be made a part of the official board packet; Purpose and Objectives, Scope and Procedures Performed, Interviews & Policy Understanding, Test work Performed, Results & Recommendations and Future Audits Approach. The
report included seven (7) recommendations to which MFA management provided responses to as noted in the report. REDW also reviewed their recommendations for next steps for audits going forward until projects catch up to the 2018 QAP. Discussion ensued regarding the importance of oversight. Chair Burt gave kudos to staff and member McMillan, in moving this process forward as well as changes to the QAP. Chair Burt commended REDW and staff stating this is a tremendous first step and allows us to show the public that we are good stewards of these funds. Motion to go Low Income Housing Tax Credit Project as presented. McMillan/Malavé. Second: Sanchez. Vote: 5-0.

3 Production Statistics (Gina Hickman & Izzy Hernandez). Hickman informed the Board that this information is provided in conjunction with the presentation of the FY 2018-2019 budget to summarize production and financial highlights historically. She then highlighted the financial graphs and Izzy Hernandez highlighted the production graphs; which are located behind tab three and will be made a part of the official Board packet. Non-Action Item

McMillan dropped the call.

4 FY2018-2019 General Fund Budget (Yvonne Segovia). Segovia reviewed the MFA’s General Fund proposed budget for FY 2018-2019, which is located behind tab four and will be made a part of the official board packet. Revenue is projected at $21.6m, and the expense budget is projected at $17m, resulting in budgeted excess revenue over expenses is $4.6m. The capital budget is $3.1m. The FY 2018-2019 revenue over total budget including capital items is $1.5m. Segovia informed the Board the changes in budget are primarily a result of the implementation of the Mortgage Operations servicing expansion model, as well as the addition of three full-time equivalent (FTE) staff positions. Segovia then discussed the largest budget variances. Motion to approve the FY2018-2019 General Fund Budget as recommended: Sanchez. Second: Reyes. Vote: 4-0 (McMillan no response).

5 Annual Review of Compensation & Benefits (Angel Reyes, Compensation Committee). Member Reyes reminded the board that the Compensation Committee was asked to meet at least annually and to report the results of its assessment back to the full Board in conjunction with the annual General Fund budget approval. He informed the Board that the members of the Committee are as follows: Steven Smith, Committee Chair, Angel Reyes and Lieutenant Governor John Sanchez. The committee met August 21, 2018. He explained that the committee believes that MFA’s compensation and benefit programs and the approach to the FY2019 compensation and benefits budget are reasonable and fair. In addition the committee believes that MFA has comprehensive policies and procedures related to the compensation and benefit processes. Chair Burt thanked the committee for their work. Non-Action Item

6 FY2018-2019 NM Affordable Housing Charitable Trust Budget (Yvonne Segovia). Segovia reviewed the proposed budget for the New Mexico Affordable Housing Charitable Trust for FY 2018-2019, which is located behind tab six and will be made a part of the official Board packet. Revenue is projected at $25,100, and the expense budget is projected at $3,000, resulting in a FY 2018-2019 budgeted excess revenue over expenses of $22,100. The expense budget includes salaries and indirect costs provided by MFA to support the non-profit organization. It also includes program and advertising funds to support the Strategic Plan initiatives. Motion to approve the FY2018-2019 NM Affordable Housing Charitable Trust Budget as presented: Reyes. Second: Malavé (McMillan no response). Vote: 4-0.

7 2019 Areas of Statistically Demonstrated Need for 2018 Qualified Allocation Plan (Shawn Colbert). Colbert reviewed the handouts provided behind tab six, they are: a memorandum explaining Selection Methodology, the 2018 Areas of Statistically Demonstrated Need and the Tier 1 and Tier 2 Selection Methodology. She explained the selection methodology as set forth in the attached table stating that this generally involves analyzing population growth and vacancy rental rates. She further explained the methodology in order for an area to be considered as an Area of Statistically Demonstrated Need; and qualification for tiers 1 and 2. She informed the board than once an area has been identified as an area of need it will remain an area of need for a minimum of two years. She reviewed the counties that fall under Tiers one
and two, they are: Tier 1 (10 points) will include the following thirteen (13) counties: Bernalillo*, Cibola*, Dona Ana, Los Alamos, Luna*, McKinley* Otero, Rio Arriba*, Sandoval, Santa Fe, Taos*, Valencia* and Eddy counties. Note: Counties identified with an asterisk (*) will remain as Tier 1 based on last year’s data and will be removed from the Tier 1 list next year unless qualified based on next year’s data. Tier 2 areas (5 points) include the following nine (9) counties: Chaves, Colfax*, Curry*, Grant, Lea, Roosevelt*, San Miguel*, Sierra and Socorro* counties. Note: Counties identified with an asterisk (*) will remain as Tier 2 based on last year’s data and will be removed from the Tier 2 list next year unless qualified based on next year’s data. Discussion ensued regarding rural areas shrinking population, aging homes. Colbert stated that this is being looked at nationwide; we are trying to focus on how we can help support the smaller rural communities for the long term. Motion to approve the 2018 Areas of Statistically Demonstrated Need for 2018 Qualified Allocation Plan as presented. Malavé. Second: Sanchez. Vote: 4-0.

Contracted Services/Credit Committee

8 Request For Proposals (RFP) Mortgage Servicing Legal Services (Jeff Payne). Payne began his presentation by stating that staff recommends the approval of the Request for Proposals (“RFP”) for Mortgage Servicing Legal Services. Responses will be due to MFA by Wednesday, October 10, 2018. Recommendations for awards will be presented in November 2018 for MFA Board approval. He then provided background information stating that MFA had issued an RFP for Single Family Mortgage Servicing Legal Services in 2014. The current contract will expire on May 17, 2019. There are no extensions remaining on the contract. MFA entered a temporary, emergency procurement contract with a second legal services provider in July of 2018. MFA was notified on June 12, 2018 by our current provider, Weinstein & Riley, P.S. (“W&R”), that the firm could no longer represent MFA in any case where the firm represents the plaintiff. Although this has been a practice for a number of years through the acknowledgement and signing of a waiver of potential conflict of interest between MFA and the first mortgage servicer(s), it was recently ruled by the New Mexico Disciplinary Board, an arm of the New Mexico Supreme Court, that effective immediately this practice can no longer take place. Therefore, in order to continue to protect MFA’s interest on open cases and recent referrals currently with W&R, MFA procured a second law firm to provide legal services. The current RFP anticipates that three offerors will be selected for this reason. Payne highlighted the substantial changes to the RFP located behind tab seven, which will be made a part of the official board packet. Discussion ensued regarding in state preference and wanted to make sure we use local services when we can. Motion to approve the Request For Proposals (RFP) Mortgage Servicing Legal Services as recommended: Reyes. Second: Sanchez. Vote: 4-0.

Other

9 MFA Strategic Plan, Changes for Year 2 (FY 2019) (Monica Abeita). Abeita reminded the Board that MFA adopted a 5 year plan for FY 2018-2022. MFA will complete the first year (FY 2018) of the plan on September 30, 2018 and will begin the second year (FY 2019) on October 1, 2018. The Strategic Management Committee is recommending changes to some strategic initiatives and benchmarks to reflect work planned for Year 2. She informed the Board that pages 6-10 have to do with initiatives added/completed (projects staff is working on and constantly updating). Abeita then highlighted the changes in the Strategic Plan benchmarks on page 11 of the plan which is located behind the memo in tab eight and will become an official part of the board packet. Motion to approve the FY 2018-2022 MFA Strategic Plan as recommended: Sanchez. Second: Malavé. Vote: 4-0.

10 MFA 2019 Legislative Agenda (Monica Abeita). Abeita informed the board that MFA’s Legislative Oversight Committee (LOC) endorses MFA legislation for the upcoming state legislative session at its November meeting. It is brought to the board for approval prior to that meeting because it is a funding request. After approval by the MFA Board of Directors, these requests will be submitted to Legislative Council Services staff for bill drafting. MFA is proposing the following appropriations requests for the 2019 New Mexico Legislative Session: Regional Housing Oversight, $300,000. Affordable Housing Act Oversight, $250,000. New Mexico Housing Trust Fund, $5 million. Low-Income Residential Energy Conservation (NM Energy$mart), $2 million. Veteran Home Rehabilitation, $2 million. Emergency Home Repair, $2 million. Homebuyer Counseling, $500,000. Requests 1-6 were discussed with the Mortgage Finance Authority Act Oversight Committee on August 14, 2018, at which time, committee members recommended sponsors for each bill. The committee also recommended a seventh request, Homebuyer Counseling, to be sponsored by Senator...
Michael Padilla. Abeita further noted that MFA is pursuing some of these requests through other channels, including the New Mexico Department of Finance and Administration (DFA) budget and the state capital outlay process. Motion to approve the 2018 Legislative Agenda as presented: Sanchez. Second: Reyes. Vote: 4-0.

Czar informed the Board that something that was not included in the budget but will be coming to the Board in the near future is an amendment to the budget. He informed the Board that by the end of the fiscal year we will be up to 80 employees and out of space in this building. We have engaged an architectural firm to complete a detailed space allocation study, further stating that he had just received it this morning and had not yet reviewed it. Some of the recommendations will include office space in the basement, which would include asbestos mitigation, enclosing a small portion of the courtyard and reconfiguring some of our larger workroom. Staff didn’t have enough information to include it in the budget recommendation today but wanted to alert the Board that it will probably be coming forward in the upcoming months.

Other Board Items - Information Only

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

Monthly Reports - No Action Required

12 There were no questions asked of staff
   ▪ 7/31/18 Financial Statements
   ▪ Communications Department Reports

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Burt informed the Board that the next meeting will be held on Wednesday, October 17, 2018 in Albuquerque at the MFA offices at 9:30 a.m.

There being no further business the meeting was adjourned at 11:19 a.m.

Approved: October 17, 2018

Chair, Dennis Burt
Secretary, Jay Czar
Tab 1
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – October 2, 2018

FROM: Kathleen M. Sysak-Keeler

DATE: October 17, 2018

SUBJECT: 2018 Series D Single Family Bond Resolution

Recommendation:
Staff is recommending the approval of the 2018 Series D Single Family Bond Resolution in the aggregate amount of not to exceed $60 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 nine months, the bond market has improved to the point where it is now more advantageous to fund Single Family mortgage loans with tax-exempt bond proceeds than to utilize the TBA market. During fiscal year 2018, MFA issued four bond issues, namely, 2017 Series B and 2018 Series A both of which were combination new money and refunding bond issues and 2018 Series B and 2018 Series C which were new money bond issues. The new money portion of these four bond issues was used to originate new loans totaling approximately $235 million.

A new bond resolution is now needed to authorize future bonding activity. The 2018 Series D bond resolution outlines the parameters for the next bond issue.

Discussion:
The bond issue is anticipated to be in the $50-$60 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, the 2018 Series D bond issue would be the first bond issue for fiscal year 2019 since MFA anticipates selling bonds in early November.

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 D Single Family Bond Resolution in the aggregate amount of not to exceed $60 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 October 17, 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 17th day of October, 2018.

____________________________________
Jay Czar, Secretary
New Mexico Mortgage Finance Authority

(SEAL)
Bond Resolution
Single Family Mortgage Program Bonds, 2018 Series D

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 D IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED $60,000,000; 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 D (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 D Indenture (the “2018 Series D 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 D 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 D 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 D” (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 $60,000,000. 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 17th DAY OF OCTOBER, 2018.

__________________________
Chair

(SEAL)

ATTEST:

__________________________
Secretary
EXHIBIT A

Single Family Mortgage Program Bonds, 2018 Series D

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Tab 2
Staff Actions Requiring Notice to Board
During the Period of September 30, 2018

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</tr>
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<tbody>
<tr>
<td>Servicing - REO</td>
<td>Hobbs Workforce Housing</td>
<td>Final disposition of multifamily REO property: Actual loss of $347,816.60 vs Board approved projected loss of $310,376.74.</td>
<td>Projected loss was approved by Board May 16, 2018</td>
</tr>
<tr>
<td>Servicing</td>
<td>August 2018 Loan Servicing Quality Control Review</td>
<td>Approval of report issued by REDW. No findings.</td>
<td>Approved by Policy Committee on September 25, 2018</td>
</tr>
</tbody>
</table>
MEMORANDUM

TO: MFA Board of Directors

Through: N/A

FROM: Kathleen M. Sysak-Keeler

DATE: October 17, 2018

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

The 2018 Series C transaction is a new money bond issue which closed on September 18, 2018. The following is a summary of the bond sale:

~Structure: The bond issue is a $75.0 million tax-exempt traditional bond issue which provides for non-AMT serial bonds, term bonds and a premium planned amortization class ("PAC") bond.

~Marketing: In order to enhance the marketing of bonds to retail investors, four selling group members participated in the underwriting syndicate, namely, D.A. Davidson & Co., Fidelity Capital Markets, Stifel Nicholas & Company, Inc. and UBS. New Mexico retail investors had first priority followed by national retail investors. The underwriting syndicate submitted $3.1 million in orders and was allotted $2.2 million of bonds. Total orders for the bond issue were $179.4 million for both retail and institutional investors. The institutional investors were very interested in PAC bonds and the term bonds. Due to strong demand, the Underwriters were able to reduce the rate on several serial bond maturities and the PAC bond.

~Use of Bond Proceeds: The $75.0 million is being used to originate new mortgage loans and to roll forward a subsidy generated from prior bond issues which helped maintain competitive mortgage rates. The weighted average mortgage rates are as follows:

<table>
<thead>
<tr>
<th>Program</th>
<th>Government</th>
<th>Conventional</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIRST HOME</td>
<td>4.65%</td>
<td>4.79%</td>
</tr>
</tbody>
</table>

~Spread: The spread on the transaction is 1.1195%. Spread is the difference between the mortgage yield and the bond yield. Maximum spread permitted by federal tax law is 1.125%. The net present value benefit of the transaction is $1.8 million, or approximately 2.4% of the amount of the bond issue.
Investment of Bond Proceeds: Funds from the new money portion of the bond issue are invested in Federated Government Obligations Fund Institutional Shares through Zions Bank, the General Indenture Trustee.

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

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

#### Summary of Recent Bond Issue Characteristics

<table>
<thead>
<tr>
<th>For Info Only</th>
<th>For Info Only</th>
<th>For Info Only</th>
<th>For Info Only</th>
<th>2018C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Structure</strong></td>
<td>Taxable Refunding</td>
<td>New Money &amp; Refunding</td>
<td>New Money &amp; Refunding</td>
<td>New Money</td>
</tr>
<tr>
<td></td>
<td>Tax-Exempt</td>
<td>Tax-Exempt</td>
<td>Tax-Exempt</td>
<td>Tax-Exempt</td>
</tr>
<tr>
<td>1</td>
<td>Tax Exempt Bonds</td>
<td>n/a</td>
<td>$45,000,000</td>
<td>$50,000,000</td>
</tr>
<tr>
<td></td>
<td>Taxable Bonds</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Tax-Exempt Refunding Bonds</td>
<td>12,250,000</td>
<td>12,000,000</td>
<td>n/a</td>
</tr>
<tr>
<td></td>
<td>Taxable Refunding Bonds</td>
<td>$27,898,301</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Total Amount of Bonds Issued</strong></td>
<td>$27,898,301</td>
<td>$57,250,000</td>
<td>$62,000,000</td>
<td>$65,000,000</td>
</tr>
</tbody>
</table>

| 2 | Bond Issue(s) Refunded | 2007C, D and E | 2008A and B | 2008C and D | n/a | n/a |
| 3 | MFA Subsidy*/Benefit-(New Available)/ Present Value Economic Benefit | None/$1.7 million | $1.4 million/$1.4 million | $3.2 million/$3.5 million | ($0.158)/$2 million | ($0.274)/$2 million |
| 4 | Original Bond Ratings: Standard & Poor's | None | None | None | None | None |
| | Moody's | Aaa | Aaa | Aaa | Aaa | Aaa |
| 5 | Pricing Date(s) | 5/2/2017 | 10/3/2017 | 4/3/2018 | 6/6/2018 | 8/8/2018 |
| 6 | Bond Closing Date | 5/18/2017 | 11/16/2017 | 5/10/2018 | 7/11/2018 | 9/18/2018 |
| 7 | Serial Bond Maturities | AMT | None | None | 1/1-9/1/22 | None | None |
| | Non-AMT | None | 9/1-9/1/29 | 7/1-7/1/30 | None | None |
| | Taxable | None | None | None | None | None |
| 8 | Term Bond Maturities | 8/1/2038 | 9/1/32, 9/1/37, 7/1/33, 7/1/38, 7/1/43, 7/1/48, 3/1/48 | 1/1/33, 1/1/38, 7/1/33, 1/1/38, 7/1/38, 7/1/43, 7/1/48, 7/1/43, 7/1/48, 7/1/48 |
| 9 | Premium PAC Maturity | None | 3/1/48 | 1/1/49 | 1/1/49 | 1/1/49 |
| 10 | Split Between FIRST HOME Government and Conventional Loans | Government | n/a | 90% | 87% | 80% | 82% |
| | Conventional | n/a | 10% | 13% | 20% | 18% |
| 11 | Weighted Average Loan Rates+ | FIRST HOME - Government | n/a | 3.878% | 4.681% | 4.670% | 4.648% |
| | FIRST HOME - Conventional | n/a | 3.797% | 4.940% | 4.847% | 4.788% |
| 12 | 10-Year Treasury Rate at Pricing | 2.29% | 2.32% | 2.77% | 2.97% | 2.96% |
| 13 | GIC Rates** | Acquisition Fund Rate | n/a | n/a | n/a | n/a |
| | Float Fund Rate | n/a | n/a | n/a | n/a | n/a |
| 14 | MFA Contribution at Closing | Cost of Issuance (COI) | $350,000 | $565,000 | $595,000 | $610,000 | $1,035,000 |
| | COI as a % of Bonds Issued | 1.25% | 0.99% | 0.96% | 0.94% | 1.38% |
| | Negative Arbitrage Deposit | n/a | $460,000 | $500,000 | $460,000 | $720,000 |
| 15 | Yield Spread | n/a | 1.122% | 1.122% | 1.122% | 1.120% |
| 16 | Administrative Fee (to MFA) | 2.534% | 0.250% | 0.180% | 0.180% | 0.180% |
| 17 | Bond Allocation System Followed*** | Yes | Yes | Yes | Yes | Yes |

---

*Subsidy was generated by a prior bond issue.

+Weighted average rate of loans in the pipeline.

**The Guaranteed Investment Contract is competitively bid.

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

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

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

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

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

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

From a strategic point of view, MFA has been:

1. Reserving loans each week since mid-June 2018; taking into account current expected rates on a traditional bond structure,
2. Issuing bonds when those loans are packaged into mortgage-backed securities several months later, and
3. Protecting itself against rates rising before bonds are sold, by using zero participation interest subsidies it has earned from past transactions.

Primary Objectives. MFA therefore has three primary objectives:

1. Finance existing production at the lowest yield possible,
2. Use as few of MFA’s approximately $8.8 million of zero participations (prior to issuing 2018C) as possible to achieve full spread, thus preserving more zero participations for future production, and,
3. Raise bond premium in order to generate proceeds to help fund the purchase of the MBS from the servicer at 101%, to fund cash flow lag, and to fund a portion of the negative arbitrage and costs of issuance of the transaction.

Structure. The 2018 Series C bonds:

- Included bond proceeds sufficient to finance $75,000,000 of new pipeline production and provide sufficient proceeds to use and store zero participations,
• Were structured with serials bonds, term bonds and Planned Amortization Class (PAC) bonds,

• Sold the PAC bonds with a total premium of $1,878,070, which provides additional funds to purchase the MBS as well as fund a majority of the costs of issuance,

• Were priced 6 weeks prior to closing, enabling MFA to lock in its borrowing cost sooner as well as finance more of its pipeline production prior to closing; thus reducing both interest rate risk and negative arbitrage,

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

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

• In combination with Authority funds, deposited $720,000 in a negative arbitrage account for securities – including those to be financed by the zero participations – that had not yet been originated by bond closing. We expect most or all of these funds to be transferred back to MFA after 2018C is fully originated which is expected to occur no later than December 2018.

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

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

2. Use of Zero Participations. In order to achieve full spread, 2018C used approximately $400 thousand in zeros, leaving $8.5 million in zeros for future bond issues (assuming participation with future issue in 6 months).

3. Net Economic Benefits. The transaction’s projected net present value before zeros was $2.1 million at 150% PSA prepayment speed. Including the impact of zeros, the net present value was $1.8 million (including the effect of the timing of zeros in and out as well as the loan rate of such zeros), or approximately 2.4% of the bonds issued.

Bond Results. Following are key highlights:

1. Timing. The bonds were priced on Wednesday, August 8th with a retail order period in the morning followed by an institutional order period that afternoon.

   Due to the competitive rates that mortgage revenue bonds currently provide HFAs, the housing bond calendar increased significantly in the weeks leading up to the pricing of 2018C. During the week of July 30th, Texas and Nebraska priced over $300 million in bonds, with MFA, North Dakota, Indiana, and Tennessee totaling $418 million the week of August 6th. Originally, MFA was scheduled to price the week of August 13th, but given a heavy supply that week as well, both RBC and CSG recommended that MFA price one week earlier (Tennessee also moved its pricing up a week to avoid the week of August 13th). During the week of August 13th, Oregon, Pennsylvania, Minnesota, and Wyoming all priced with bonds totaling $400 million. Pricing one week earlier than scheduled proved beneficial to MFA in how it priced compared to its peers as described below.

   On the day of pricing, the 10-year Treasury declined by 0.01%, from 2.97% on August 7th to 2.96% on August 8th. Also on the pricing date, the municipal market in terms of MMD rates was adjusted higher by 0.01 to 0.02% on maturities from 2023 to 2048. See “Market Details” below for a full description of the market leading up to the pricing date.
2. **Retail Interest.** A separate 2.5-hour retail order period was established with first priority to orders from New Mexico retail investors and second priority to national retail investors. This resulted in $25.5 million of retail orders, an increase compared to the $16.9 million realized in 2018B. The orders were particularly strong through the first 5 years of serial bonds as well as the 2028 to 2030 serial bonds as well as a $2.9 million in orders on the 2048 term bond. Of the $11.4 million of serial bonds, a total of $20.7 million of retail orders were received. This continues the strong retail demand seen most recently with 2018B and 2018A. Given the strong reception on the serials, coupon on six (6) different serial bonds were reduced by 0.05%.

3. **Institutional Interest.** In all, institutions put in orders totaling $153.9 million, $126.2 million of which were for the PAC bonds. Investor interest for the PAC bonds was very good, particularly given the volume of housing issues that priced the same week and week following 2018C. The PAC received 5 orders for end investors (including 4 orders for all the bonds) resulting in the $30.3 million PAC bonds being oversubscribed by 4.2x. As a result, the yield on the PAC bonds was reduced by 0.03% to a 2.67% yield.

Institutions also placed orders totaling $27.1 million for the four (4) term bonds, and $0.5 million for the 1/1/26 serial bond. The 2033 and 2038 term bonds were fully subscribed and thus no change in yield was recommended. The 2043 and 2048 term bonds were not fully subscribed at 0.6x and 0.3x and as such, RBC recommended increasing the yield on the 2043 term bond from 3.85% to 3.875%, and the yield on the 2048 term bond from 3.95% to 3.97% by virtue of a small premium and a coupon of 4.00%. Not having to increase the yield on the 2048 term bond to 4.00% at par was beneficial and noteworthy. Despite some unsold balances in the 2043 and 2048 term bonds, MFA’s 2033, 2038 and 2043 term bonds achieved lower yields than two of the three housing issues that priced the same week.

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

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

<table>
<thead>
<tr>
<th>Selling Group Member</th>
<th>Orders</th>
<th>Allotments</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.A. Davidson &amp; Company</td>
<td>$735</td>
<td>$585</td>
</tr>
<tr>
<td>Fidelity Capital Markets</td>
<td>1,170</td>
<td>625</td>
</tr>
<tr>
<td>Stifel Nicolaus</td>
<td>230</td>
<td>100</td>
</tr>
<tr>
<td>UBS</td>
<td>920</td>
<td>920</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$3,055</strong></td>
<td><strong>$2,230</strong></td>
</tr>
</tbody>
</table>

The selling group was useful to the issuance in terms of generating additional retail interest, however generated about 50% less in orders than in 2018B which had $6.7 million in orders, and $5.4 million in allotments. Fidelity accounted for 38% of the orders for 2018C (and 42% of the orders for 2018B).

5. **Comparable Transactions.** The 2018C PAC bonds and the 4 term bonds priced especially well compared to other HFA issues in the market, while the serials bonds were largely in-line with comparable issues. The most direct comparable for the 2018C bonds was Indiana’s $68.7 million non-AMT issue that priced the same day. All of MFA’s serials bonds priced at spreads to MMD within 0.05% of the Indiana transaction, while MFA’s serial bonds were structured one additional year longer to 2030, lowering MFA’s cost of funds. Importantly, MFA’s term bonds in 2038 and
2043 were at spreads 0.05% and 0.025% lower than Indiana’s. MFA’s PAC bond priced at a spread of +0.05 to MMD, not quite at the +0.05 spread that Indiana achieved, however, Indiana had a wider PAC band (100 to 500% PSA) than MFA. Also of note was a North Dakota issue sold the day after MFA which achieved a +0.06 spread to MMD on its PAC bond, as well as term bonds with yield 0.05% to 0.10% higher than MFA achieved. Tennessee had priced the day before MFA with a +0.068 spread on its PAC bond, and at yields slightly lower than MFA on its longer term bonds; however, several of Tennessee’s term bonds had to be underwritten and thus were not going away orders and also benefited from a lower MMD scale the day prior. Compared to all of its peers, MFA achieved very good execution in terms of spreads to MMD and nominal rates.

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

MARKET DETAILS

Key Dates:  
Pricing Date: Wednesday, August 8th, 2018  
Closing Date: Wednesday, September 18th, 2018

Economic Calendar. The week prior to the sale, interest rates moved higher after the release of an statement from the Federal Open Market Committee mid-week, then declined on the back of a weaker than expected jobs report. Non-farm payrolls for July came up short of expectations with 157,000 in new jobs, below consensus of 193,000, but with upward revisions to prior months and an unemployment rate of 3.9%. Several Federal Reserve officials have continued speeches indicating that the Fed will likely raise short-term rates at least one more time in 2018, and possibly twice.

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

Municipals. Municipals have largely outperformed Treasuries since December, in part because of the lack of supply in the municipal market. The municipal volume was very high at the end of 2017 as issuers sought to meet end of the year deadlines in the proposed tax bill, including the end of advance refundings. The result has been modest levels of new issuance throughout the first 7 months of 2018 (although housing bond issuers have been much more active than years past). Unanticipated impacts post-tax law changes have been positive inflows to municipal mutual funds in most weeks throughout the year. Additional factors include:

- Through August 1, 2018, new muni bond issuance is down 17% compared to the same period last year.
- Positive net mutual fund inflows throughout 2018 have helped to absorb new issue supplies and kept muni yields improving relative to treasuries. Through August 1, 2018, municipal bond funds received $9.2 billion in net investment.
- Spreads relative to treasuries remain compressed due to the absolute low level of rates.
  - Despite recent improvement (see Table 1 below), the ratios of the 10- and 30-year MMD indices to their respective treasury bond yields still remain above their long term historical averages of around 80% to 90%.
TABLE 1: COMPARISON OF RATES IN RECENT TRANSACTIONS

<table>
<thead>
<tr>
<th>Issue</th>
<th>Date</th>
<th>10 Year Treasury</th>
<th>10 Year MMD</th>
<th>MMD to Treasury Ratio</th>
<th>30 Year Treasury</th>
<th>30 Year MMD</th>
<th>MMD to Treasury Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015 A</td>
<td>2/19/15</td>
<td>2.11%</td>
<td>2.07%</td>
<td>98.1%</td>
<td>2.73%</td>
<td>2.88%</td>
<td>105.5%</td>
</tr>
<tr>
<td>2016 A</td>
<td>3/15/16</td>
<td>1.97%</td>
<td>1.88%</td>
<td>95.4%</td>
<td>2.73%</td>
<td>2.84%</td>
<td>104.0%</td>
</tr>
<tr>
<td>2016 C</td>
<td>10/26/16</td>
<td>1.79%</td>
<td>1.72%</td>
<td>96.1%</td>
<td>2.53%</td>
<td>2.55%</td>
<td>100.8%</td>
</tr>
<tr>
<td>2017 B</td>
<td>10/3/17</td>
<td>2.33%</td>
<td>2.01%</td>
<td>86.3%</td>
<td>2.87%</td>
<td>2.82%</td>
<td>98.3%</td>
</tr>
<tr>
<td>2018 A</td>
<td>4/3/18</td>
<td>2.77%</td>
<td>2.43%</td>
<td>87.7%</td>
<td>3.01%</td>
<td>2.96%</td>
<td>98.3%</td>
</tr>
<tr>
<td>2018 B</td>
<td>6/6/18</td>
<td>2.97%</td>
<td>2.46%</td>
<td>82.8%</td>
<td>3.13%</td>
<td>2.98%</td>
<td>95.2%</td>
</tr>
<tr>
<td>2018 C</td>
<td>8/6/18</td>
<td>2.96%</td>
<td>2.49%</td>
<td>84.1%</td>
<td>3.11%</td>
<td>3.08%</td>
<td>99.0%</td>
</tr>
<tr>
<td>Change from 2018 B to 2018 C</td>
<td>-1 bp</td>
<td>+3 bps</td>
<td>+1.3%</td>
<td>-2 bps</td>
<td>+10 bps</td>
<td>+3.8%</td>
<td></td>
</tr>
</tbody>
</table>

UNDERWRITING

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

Underwriting Fees. The underwriter discount of $6.63 per $1,000 bonds is reasonable compared to other similarly sized issues in the market.

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

1) Generate $126 million in orders for the PAC bond (4.2x subscribed) resulting in a 0.03% lowering of its yield,

2) Produce sufficient orders for the term bonds such that MFA achieved rates equal to or lower than the other two housing issuers that priced the same week, and

3) Generate a strong amount of retail orders ($25.5 million) continuing the strength last seen in the last two transactions and resulting in lower yields on several serial bonds. The four firm selling group enhanced the sale of the bonds, though more modestly than in prior issues. We would recommend a selling group on the next traditional bond issuance as well.
Tab 3
NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-month period ended August 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)
$50 mm 2018 Series A Bonds-New Money (May)
$12.8 mm 2018 Series A Bonds-Refunding (May)
Multi-family Issues: None

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

<table>
<thead>
<tr>
<th></th>
<th>11 months</th>
<th>11 months</th>
<th>% Change</th>
<th>Forecast</th>
<th>Actual to</th>
<th>Forecast/Target</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>8/31/18</td>
<td>8/31/17</td>
<td>Year/Year</td>
<td>8/31/18</td>
<td>Forecast</td>
<td>9/30/18</td>
</tr>
<tr>
<td>PRODUCTION</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Single family issues (new money):</td>
<td>$160.0</td>
<td>$50.0</td>
<td>220.0%</td>
<td>$111.0</td>
<td>44.1%</td>
<td>$111.0</td>
</tr>
<tr>
<td>2 Single family loans sold (TBA):</td>
<td>$221.9</td>
<td>$256.3</td>
<td>-13.4%</td>
<td>$237.4</td>
<td>-6.5%</td>
<td>$259.0</td>
</tr>
<tr>
<td>Total Single Family Production</td>
<td>$381.9</td>
<td>$306.3</td>
<td>24.7%</td>
<td>$348.4</td>
<td>9.6%</td>
<td>$370.0</td>
</tr>
<tr>
<td>4 Multifamily issues:</td>
<td>$0.0</td>
<td>$22.2</td>
<td>-100.0%</td>
<td>$20.0</td>
<td>-100.0%</td>
<td>$20.0</td>
</tr>
<tr>
<td>5 Single Family Bond MBS Payoffs:</td>
<td>$53.0</td>
<td>$60.7</td>
<td>-12.7%</td>
<td>$59.7</td>
<td>-11.2%</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>$981.7</td>
<td>$937.8</td>
<td>4.7%</td>
<td>$925.7</td>
<td>6.0%</td>
<td>$940.6</td>
</tr>
<tr>
<td>7 General Fund Cash and Securities:</td>
<td>$95.1</td>
<td>$72.7</td>
<td>30.8%</td>
<td>$82.1</td>
<td>15.8%</td>
<td>$81.6</td>
</tr>
<tr>
<td>8 General Fund SIC FMV Adj.:</td>
<td>$0.5</td>
<td>$0.3</td>
<td>66.7%</td>
<td>$0.0</td>
<td>N/A</td>
<td>$0.0</td>
</tr>
<tr>
<td>9 Total bonds outstanding:</td>
<td>$758.4</td>
<td>$666.0</td>
<td>13.9%</td>
<td>$694.0</td>
<td>9.3%</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>$13.9</td>
<td>$11.5</td>
<td>20.9%</td>
<td>$14.1</td>
<td>-1.4%</td>
<td>$15.0</td>
</tr>
<tr>
<td>11 General Fund revenues:</td>
<td>$21.3</td>
<td>$20.4</td>
<td>4.4%</td>
<td>$19.1</td>
<td>11.5%</td>
<td>$19.2</td>
</tr>
<tr>
<td>12 Combined net revenues (all funds):</td>
<td>$9.4</td>
<td>$11.0</td>
<td>-14.5%</td>
<td>$9.7</td>
<td>-3.3%</td>
<td>$10.6</td>
</tr>
<tr>
<td>13 Combined net position:</td>
<td>$234.0</td>
<td>$223.2</td>
<td>4.8%</td>
<td>$234.2</td>
<td>-0.1%</td>
<td>$235.2</td>
</tr>
<tr>
<td>14 Combined return on avg. earning assets:</td>
<td>1.05%</td>
<td>1.27%</td>
<td>-17.3%</td>
<td>1.13%</td>
<td>-7.1%</td>
<td>1.13%</td>
</tr>
<tr>
<td>15 Net TBA profitability:</td>
<td>1.66%</td>
<td>1.88%</td>
<td>-11.7%</td>
<td>1.50%</td>
<td>10.7%</td>
<td>1.70%</td>
</tr>
<tr>
<td>16 Combined interest margin:</td>
<td>1.05%</td>
<td>1.00%</td>
<td>5.0%</td>
<td>1.06%</td>
<td>-0.9%</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>29.36%</td>
<td>26.99%</td>
<td>8.8%</td>
<td>30.47%</td>
<td>-3.6%</td>
<td>30.47%</td>
</tr>
<tr>
<td>18 Net rev as a % of total rev (5-yr avg):</td>
<td>10.20%</td>
<td>9.38%</td>
<td>8.7%</td>
<td>10.39%</td>
<td>-1.8%</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>$3.6</td>
<td>$5.4</td>
<td>-33.3%</td>
<td>$1.2</td>
<td>202.1%</td>
<td>$1.3</td>
</tr>
<tr>
<td>20 Subserviced portfolio</td>
<td>$738.0</td>
<td>$343.8</td>
<td>114.7%</td>
<td>$630.5</td>
<td>17.1%</td>
<td>$749.8</td>
</tr>
<tr>
<td>21 Servicing Yield (subserviced portfolio)</td>
<td>0.39%</td>
<td>0.40%</td>
<td>-2.6%</td>
<td>0.36%</td>
<td>8.3%</td>
<td>0.36%</td>
</tr>
<tr>
<td>22 Combined average delinquency rate (MFA serviced)</td>
<td>11.84%</td>
<td>11.39%</td>
<td>4.0%</td>
<td>11.79%</td>
<td>0.4%</td>
<td>11.79%</td>
</tr>
<tr>
<td>23 DPA loan delinquency rate (all)</td>
<td>10.50%</td>
<td>12.37%</td>
<td>-15.1%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>24 Default rate (MFA serviced)</td>
<td>1.44%</td>
<td>1.10%</td>
<td>30.9%</td>
<td>1.61%</td>
<td>-10.6%</td>
<td>1.61%</td>
</tr>
<tr>
<td>25 Subserviced portfolio delinquency rate (first mortgages)</td>
<td>5.47%</td>
<td>3.29%</td>
<td>66.3%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>26 Purchased Servicing Rights Valuation Change (as of 6/30)</td>
<td>$2.7</td>
<td>$1.3</td>
<td>107.7%</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Legend: Positive Impact, Negative Impact, Caution/Known Trend
NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-month period ended August 31, 2018

SIGNIFICANT MONTHLY/QUARTERLY FINANCIAL VARIANCES:

► In comparison to FY2017 trends indicate improved production and prepayments as well as gains in interest margin and Moody’s ratios.
► FY2018 net revenues in comparison to FY2017 net revenues (Y/Y) reflect less gain on sale of assets of $.7mm, $.2mm more in general operating expenses, including $.7mm more in single family bond cost of issuance offset by $1.2mm less in interest expense and increased operating revenue of $.4mm.

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

► TBA transaction fees are currently exceeding budget by approximately $1.2mm or 31% due to production trends. This additional revenue is offset by related lender compensation expense which is exceeding budget by $.6mm or 36%.
► During this fiscal year there have been large swings in the State Investment Counsel (SIC) fair market values (FMV) on the General Fund investment portfolio. Changes in valuations have ranged from $.7mm in gains and $.9mm in losses. As of August 2018 MFA has experienced $.5mm in gains. MFA classifies FMV adjustments on this portfolio as non-operating gains/losses.
► Servicing expansion continues to provide additional revenues as the subserviced portfolio and purchased servicing rights asset bases increase. This fiscal year MFA is providing a full mortgage warehouse line to Idaho Housing through the FHLB Loans Held for Sale program which will also provide additional revenues.
► Staff does continue to have concerns over the MBS subserviced portfolio increased delinquency rates. The Compliance Officer is closely monitoring collections and foreclosure services provided by MFA’s subservicer and coordinating with them on risk management strategies. These delinquencies have an impact on the credit risk associated with MFA’s downpayment assistance (DPA) loan portfolio, however in August 2018 staff performed the semi-annual analysis and adjustment of the DPA portfolio loan loss reserves and adjusted accordingly for 1st mortgages in foreclosure and non-performing DPA loans.
► Based on the current Loan Loss Reserve (LLR) methodology, MFA’s portfolios are adequately reserved. Reserved will evaluated and adjusted accordingly in August 2018.
► The economics of the single family mortgage program have changed since the beginning of February when MFA began bonding for all FIRST HOME Program loans. The bond execution primarily produces long-term cash flows in comparison to the TBA markets one-time transaction fees. Additionally, spreads earned on the TBA sale of NEXT HOME securities have decreased due to changes in the markets and interest rate environment thus reducing profitability for that execution.
► Incurred $552k in single family bond cost of issuance expense for 2017 Series B (November). Transaction provided MFA $1.4mm in net economic benefit (present value) over the life of the bonds. Incurred $580k in single family bond cost of issuance expense for 2018 Series A (May). Transaction provided MFA $3.5mm in net economic benefit (present value). Incurred $551k in single family bond cost of issuance expense for 2018 Series B (July). Transaction provided MFA $1.8mm in net economic benefit (present value).
► Fair market value for purchased servicing rights as of June 30, 2018 was $8.9mm, an increase of approximately $2.7mm over cost. GASB requires MFA to utilize “lower of cost or market” accounting for this asset. Therefore, no valuation adjustments are anticipated. Current purchased servicing rights are recorded at a cost of $6.1mm as of June 30, 2018. Valuations are obtained on a quarterly basis.
► Based on Moody’s issuer credit rating scorecard, MFA’s 29.36% 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 10.20% ratio (5-year average) points to a satisfactory profitability with consistent trends (5%-10% range).
► Moody’s Investor Services issued an updated credit opinion on MFA. They reaffirmed our Aa3 rating. Comments included strong asset to debt ratio, good profitability and low risk profile due to mortgage-backed security structure, multifamily risk share program and no exposure to variable rate debt.
MONTHLY FINANCIAL GRAPHS

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

Yield Targets 9/30/2018

- Loans Effective yield
- Cash & Investments Effective yield
- Rate of Return on Average Earning Assets

(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**  
**AUGUST 2018**  
**(THOUSANDS OF DOLLARS)**

<table>
<thead>
<tr>
<th>ASSETS:</th>
<th>YTD 08/31/18</th>
<th>YTD 08/31/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>CURRENT ASSETS:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH &amp; CASH EQUIVALENTS</td>
<td>$39,632</td>
<td>$24,223</td>
</tr>
<tr>
<td>RESTRICTED CASH HELD IN ESCROW</td>
<td>10,692</td>
<td>10,022</td>
</tr>
<tr>
<td>SHORT-TERM INVESTMENTS</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>ACCRUED INTEREST RECEIVABLE</td>
<td>3,373</td>
<td>3,115</td>
</tr>
<tr>
<td>MORTGAGE PAYMENT CLEARING</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>OTHER CURRENT ASSETS</td>
<td>2,230</td>
<td>1,729</td>
</tr>
<tr>
<td>ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>INTER-FUND RECEIVABLE (PAYABLE)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>55,928</td>
<td>39,089</td>
</tr>
<tr>
<td>CASH - RESTRICTED</td>
<td>50,248</td>
<td>41,689</td>
</tr>
<tr>
<td>LONG-TERM &amp; RESTRICTED INVESTMENTS</td>
<td>69,296</td>
<td>59,551</td>
</tr>
<tr>
<td>INVESTMENTS IN RESERVE FUNDS</td>
<td>68</td>
<td>112</td>
</tr>
<tr>
<td>FNMA, GNMA, &amp; FHLMC SECURITIZED MTG. LOANS</td>
<td>648,047</td>
<td>564,336</td>
</tr>
<tr>
<td>MORTGAGE LOANS RECEIVABLE</td>
<td>237,977</td>
<td>196,969</td>
</tr>
<tr>
<td>ALLOWANCE FOR LOAN LOSSES</td>
<td>(1,425)</td>
<td>(2,315)</td>
</tr>
<tr>
<td>NOTES RECEIVABLE</td>
<td>-</td>
<td>39,174</td>
</tr>
<tr>
<td>FIXED ASSETS, NET OF ACCUM. DEPN</td>
<td>1,238</td>
<td>987</td>
</tr>
<tr>
<td>OTHER REAL ESTATE OWNED, NET</td>
<td>100</td>
<td>352</td>
</tr>
<tr>
<td>OTHER NON-CURRENT ASSETS</td>
<td>-</td>
<td>21</td>
</tr>
<tr>
<td>INTANGIBLE ASSETS</td>
<td>6,836</td>
<td>3,231</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1,068,313</td>
<td>943,196</td>
</tr>
</tbody>
</table>

| DEFERRED OUTFLOWS OF RESOURCES | | |
| REFUNDINGS OF DEBT | 502 | 658 |
| **TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES** | 1,068,815 | 943,853 |

| LIABILITIES AND NET POSITION: | | |
| LIABILITIES: | | |
| CURRENT LIABILITIES: | | |
| ACCRUED INTEREST PAYABLE | $9,607 | $9,156 |
| ACCOUNTS PAYABLE AND ACCRUED EXPENSES | 10,728 | 5,727 |
| ESCROW DEPOSITS & RESERVES | 10,538 | 9,978 |
| **TOTAL CURRENT LIABILITIES** | 30,873 | 24,861 |
| BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT | 758,432 | 666,042 |
| MORTGAGE & NOTES PAYABLE | 45,344 | 29,461 |
| ACCRUED ARBITRAGE REBATE | - | - |
| OTHER LIABILITIES | 205 | 245 |
| **TOTAL LIABILITIES** | 834,854 | 720,609 |

| NET POSITION: | | |
| INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT | 1,200 | 987 |
| UNAPPROPRIATED NET POSITION (NOTE 1) | 64,377 | 61,635 |
| APPROPRIATED NET POSITION (NOTE 1) | 168,384 | 160,622 |
| **TOTAL NET POSITION** | 233,961 | 223,245 |
| **TOTAL LIABILITIES & NET POSITION** | 1,068,815 | 943,853 |
NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE ELEVEN MONTHS ENDED AUGUST 2018
(THOUSANDS OF DOLLARS)

<table>
<thead>
<tr>
<th></th>
<th>YTD 08/31/18</th>
<th>YTD 08/31/17</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTEREST ON LOANS</td>
<td>$30,645</td>
<td>$31,210</td>
</tr>
<tr>
<td>INTEREST ON INVESTMENTS &amp; SECURITIES</td>
<td>2,418</td>
<td>2,148</td>
</tr>
<tr>
<td>LOAN &amp; COMMITMENT FEES</td>
<td>1,608</td>
<td>520</td>
</tr>
<tr>
<td>ADMINISTRATIVE FEE INCOME (EXP)</td>
<td>7,222</td>
<td>8,601</td>
</tr>
<tr>
<td>RTC, RISK SHARING &amp; GUARANTY INCOME</td>
<td>105</td>
<td>134</td>
</tr>
<tr>
<td>HOUSING PROGRAM INCOME</td>
<td>1,146</td>
<td>1,226</td>
</tr>
<tr>
<td>LOAN SERVICING INCOME</td>
<td>2,453</td>
<td>1,328</td>
</tr>
<tr>
<td>OTHER OPERATING INCOME</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td><strong>SUBTOTAL OPERATING REVENUES</strong></td>
<td>45,599</td>
<td>45,170</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>53</td>
</tr>
<tr>
<td>GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT</td>
<td>134</td>
<td>866</td>
</tr>
<tr>
<td>OTHER NON-OPERATING INCOME</td>
<td>47</td>
<td>21</td>
</tr>
<tr>
<td>GRANT AWARD INCOME</td>
<td>40,813</td>
<td>38,907</td>
</tr>
<tr>
<td><strong>SUBTOTAL NON-OPERATING REVENUES</strong></td>
<td>40,993</td>
<td>39,847</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>86,592</td>
<td>85,017</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ADMINISTRATIVE EXPENSES</td>
<td>11,954</td>
<td>10,109</td>
</tr>
<tr>
<td>INTEREST EXPENSE</td>
<td>23,630</td>
<td>24,803</td>
</tr>
<tr>
<td>AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)</td>
<td>(1,752)</td>
<td>(2,022)</td>
</tr>
<tr>
<td>PROVISION FOR LOAN LOSSES</td>
<td>(218)</td>
<td>14</td>
</tr>
<tr>
<td>MORTGAGE LOAN &amp; BOND INSURANCE</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>TRUSTEE FEES</td>
<td>77</td>
<td>77</td>
</tr>
<tr>
<td>AMORT. OF SERV. RIGHTS &amp; DEPRECIATION</td>
<td>368</td>
<td>182</td>
</tr>
<tr>
<td>BOND COST OF ISSUANCE</td>
<td>1,683</td>
<td>993</td>
</tr>
<tr>
<td><strong>SUBTOTAL OPERATING EXPENSES</strong></td>
<td>35,743</td>
<td>34,156</td>
</tr>
<tr>
<td><strong>NON-OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAPACITY BUILDING COSTS</td>
<td>686</td>
<td>773</td>
</tr>
<tr>
<td>GRANT AWARD EXPENSE</td>
<td>40,750</td>
<td>38,918</td>
</tr>
<tr>
<td>OTHER NON-OPERATING EXPENSE</td>
<td>216</td>
<td>216</td>
</tr>
<tr>
<td><strong>SUBTOTAL NON-OPERATING EXPENSES</strong></td>
<td>41,436</td>
<td>39,906</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>77,179</td>
<td>74,062</td>
</tr>
<tr>
<td><strong>NET REVENUES</strong></td>
<td>9,413</td>
<td>10,955</td>
</tr>
<tr>
<td><strong>OTHER FINANCING SOURCES (USES)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET REVENUES AND OTHER FINANCING SOURCES(USES)</strong></td>
<td>9,413</td>
<td>10,955</td>
</tr>
<tr>
<td><strong>NET POSITION AT BEGINNING OF YEAR</strong></td>
<td>224,548</td>
<td>212,289</td>
</tr>
<tr>
<td><strong>NET POSITION AT 08/31/18</strong></td>
<td>233,961</td>
<td>223,245</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS
(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1) MFA Net Position as of August 31, 2018:

UNAPPROPRIATED NET POSITION:

$ 35,680 is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.

$ 28,576 is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.

$ 121 held for New Mexico Affordable Housing Charitable Trust.

$ 64,377 Total unappropriated Net Position

APPROPRIATED NET POSITION: GENERAL FUND

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

$ 105,794 for use in the Housing Opportunity Fund ($87,348 in loans plus $18,446 unfunded, of which $3,458 is committed).

$ 30,573 for future use in Single Family & Multi-Family housing programs.

$ 10,211 for loss exposure on Risk Sharing loans.

$ 1,200 invested in capital assets, net of related debt.

$ 6,811 invested in mortgage servicing rights.

$ 1,665 for the future General Fund Operating Budget Y E 9/30/18 ($19,397 total budget less $17,732 expended budget through 08/31/18.)

$ 156,254 Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

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

$ 13,330 for use in the federal and state housing programs administered by MFA.

$ 13,330 Subtotal - Housing Program

$ 169,584 Total appropriated Net Position

$ 233,961 Total combined Net Position at August 31, 2018

Total combined Net Position, or reserves, at August 31, 2018 was $234.0 million, of which $64.4 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $169.6 million of available reserves, with $95.1 million primarily liquid in the General Fund and in the federal and state Housing programs and $74.5 million illiquid -

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

MFA’s general plan for bond program reserves as they may become available to MFA over the next 30 years is to use the reserves for future programs, loss exposure coverage, and operations.
## New Mexico Mortgage Finance Authority General Fund & Housing

### Budget Variance Report

**For the Eleven Months Ended 8/31/18**

### Revenues

<table>
<thead>
<tr>
<th></th>
<th>One Month Actual</th>
<th>Year to Date Actual</th>
<th>Pro Rata Budget</th>
<th>Under/(Over) YTD Budget</th>
<th>Annual Budget</th>
<th>Under/(Over) Annual Budget</th>
<th>Expended Annual Budget Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>726,966</td>
<td>7,222,781</td>
<td>7,542,686</td>
<td>319,905</td>
<td>8,228,385</td>
<td>1,005,604</td>
<td>87.78%</td>
</tr>
<tr>
<td>Admin Income</td>
<td>632,998</td>
<td>8,998,990</td>
<td>8,240,953</td>
<td>(1,658,038)</td>
<td>9,632,812</td>
<td>(266,178)</td>
<td>102.76%</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>332,649</td>
<td>3,714,242</td>
<td>3,385,757</td>
<td>(328,485)</td>
<td>3,693,553</td>
<td>(20,689)</td>
<td>100.56%</td>
</tr>
<tr>
<td><strong>Subtotal Operating Revenues</strong></td>
<td>1,692,613</td>
<td>20,836,013</td>
<td>19,169,396</td>
<td>(1,666,618)</td>
<td>21,554,750</td>
<td>718,737</td>
<td>96.67%</td>
</tr>
<tr>
<td><strong>Non-Operating Revenues</strong></td>
<td></td>
<td></td>
<td></td>
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<td>21,310,389</td>
<td>19,143,821</td>
<td>(2,166,568)</td>
<td>21,526,850</td>
<td>216,461</td>
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### Expenses

|                     |                  |                     |                 |                          |               |                           |                                  |
| **Operating Expenses** |                |                     |                 |                          |               |                           |                                  |
| Compensation        | 555,624          | 6,075,598           | 6,881,072       | 605,474                  | 7,288,442     | 1,212,844                 | 83.36%                           |
| Travel & Public Info| 12,279           | 247,982             | 437,803         | 189,821                  | 477,603       | 229,621                   | 51.92%                           |
| Office Expenses     | 63,967           | 860,212             | 827,634         | (32,578)                 | 907,529       | 47,317                    | 94.79%                           |
| Other Operating Expenses | 607,699       | 5,004,775           | 4,855,101       | (419,675)                | 5,145,546     | 140,771                   | 97.26%                           |
| **Subtotal Operating Expenses** | 1,239,568      | 12,188,568          | 12,531,609      | 343,041                  | 13,819,120    | 1,810,383                 | 88.20%                           |
| **Non-Operating Expenses** |              |                     |                 |                          |               |                           |                                  |
|                     | 3,772            | 686,269             | 793,925         | 107,656                  | 866,100       | 179,831                   | 79.24%                           |
| **Subtotal Operating & Non-Operating Expenses** | 1,243,340      | 12,874,837          | 13,325,534      | 450,697                  | 14,685,220    | 1,810,383                 | 87.67%                           |
| **Expensed Assets** | 2,299            | 102,243             | 75,368          | (26,875)                 | 82,220        | (20,023)                  | 124.35%                          |
| **Non-Cash Items**  | 302,744          | 912,555             | 679,490         | (233,064)                | 741,262       | (171,293)                 | 123.11%                          |
| **Total Expenses**  | 1,548,384        | 13,889,635          | 14,080,392      | 190,758                  | 15,508,702    | 1,619,067                 | 89.56%                           |
| **Net Revenues**    | 548,289          | 7,420,754           | 5,063,428       | 2,357,326                | 6,018,148     | 1,356,851                 | 76.69%                           |

### Purchased Servicing & Capital Outlay

|                     |                  |                     |                 |                          |               |                           |                                  |
| **Purchased Servicing Rights** | 428,888       | 3,544,838           | 3,391,667       | (153,171)                | 3,700,000     | 155,162                   | 95.81%                           |
| **Capitalized Assets** | 52,000          | 297,546             | 172,461         | (125,085)                | 188,139       | (109,407)                 | 158.15%                          |
| **Total Purchased Servicing & Capital Outlay** | 480,888       | 3,842,383           | 3,564,127       | (278,256)                | 3,888,139     | 45,756                    | 98.82%                           |
| **Total Including Capitalized Items** | 67,401         | 3,578,371           | 1,499,301       | 2,635,582                | 2,130,009     | 1,356,851                 | 36.30%                           |
September 10 – October 9, 2018

**MEDIA COVERAGE**

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<tr>
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<tr>
<td>9-13</td>
<td>Albuquerque Journal</td>
<td>Booming economy may cool by 2020</td>
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<tr>
<td>9-13</td>
<td>Rio Grande Sun</td>
<td>Restoration $4M Short of Finishing</td>
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<td>9-13</td>
<td>Las Cruces Sun-News</td>
<td>NM agency launches new down payment assistance program</td>
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<td>9-17</td>
<td>Gallup Independent</td>
<td>Tribe wants Hooghan Hozho for $2.6M</td>
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<td>9-24</td>
<td>Affordable Housing Finance</td>
<td>Development Highlights Communal Living on New Mexico’s Pueblo of Acoma</td>
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<td>9-27</td>
<td>Los Alamos Daily Post</td>
<td>Affordable Housing complex Gets Green Light</td>
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<td>10-3</td>
<td>Santa Fe Reporter</td>
<td>Poster Child</td>
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<td>Albuquerque Journal</td>
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**PRESS RELEASES, NEWSLETTERS and LENDER MEMOS**

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Booming economy may cool by 2020

Economist touches on troubling housing issues at MFA-hosted summit

BY STEVE SINOVIC
JOURNAL STAFF WRITER

The U.S. economy may be going “gangbusters” at the moment, but there are signs of a slowdown by 2020.

“Everything’s on fire” through 2019, economist Elliot Eisenberg told a crowd of housing industry professionals Wednesday during the 2018 New Mexico Housing Summit, which was presented by the New Mexico Mortgage Finance Authority. About 500 people attended Eisenberg’s keynote speech at Hotel Albuquerque.

Signs of a booming national economy are strong consumer confidence and spending, small-business optimism, and a rising stock market. Unconventional signs include record purchases of RVs, racehorses and trips to Las Vegas, Nev., said Eisenberg, who shared a wide range of economic projections during a highly energetic presentation.

“There’s nothing like 3.9 percent unemployment to make the world go ‘round,” Eisenberg said.

Eisenberg predicted the tax cut package passed by Congress will provide an economic stimulus through 2019, though the effects will wind down by 2020, shrinking gross domestic product, which hit 4 percent in the last quarter.

Trade tariffs also will hurt GDP growth by 2020 “unless some accommodation” is reached with China, Eisenberg said.

Another area of concern: With baby boomers retiring in droves, labor force participation and productivity gains have been weaker than the historical norm, Eisenberg said. The upshot: Labor shortages could become a more serious problem for future economic growth.

Another indicator dragging down the economy in the coming years: The burdens of student loans “have metastasized like mushrooms after a rainstorm,” Eisenberg said.

The main problem with the housing market around the country and in New Mexico is the lack of inventory. “We’re chronically underbuilt” for a nation of this size, he said.

Because builders face issues such as a contracting pool of construction workers and higher land and permitting costs, the single-family homes that do hit the market are increasingly higher-end products that maximize profits, said Eisenberg, who specializes in real estate and housing.

“We built 850,000 single-family homes last year,” the economist said. “That’s a travesty. And while demand is high, there’s very little builder activity at the newly built starter-home level.”

The Albuquerque area is averaging about 1,700 new homes a year, which is insufficient for a market this size, according to local homebuilder groups.
Restoration $4M Short of Finishing

Ohkay Owingeh project started
13 years ago
By Amanda Martinez
SUN Staff Writer

The Ohkay Owingeh Housing Authority is about $4 million away from completing its Owe’nah Bupingeh Pueblo restoration project.

The project started 13 years ago and since 2010, the Authority has restored 31 of the 56 homes in the more than 700-year-old Pueblo.

Now, Authority Executive Director Tomasita Duran and her team are pursuing new sources of funding to finish the project.

“Finding that angel out there who wants to support it and take it to the end is possible,” Duran said.

They hope to reach their $4 million goal through a mix of private donations, grants from national and local foundations and a New Mexico tax credit.

“We are the first (tribe) in New Mexico to pursue this route of funding,” she said.

Authority Also Received Grants from Kellogg

Continued from B1

Typically, Native American housing authority projects are funded with federal dollars and tribes compete amongst themselves for this funding.

Now, Development Director Leslie Colley educates private donors and foundations about the project. It is not an easy task.

She said there is often a lack of understanding amongst donors about Native American communities. Persistent stereotypes, such as tribes not needing money due to high casino revenues, still exist.

Local foundations have been very supportive of the project, Duran said.

Education works both ways and Colley and Duran have also had to educate Ohkay Owingeh tribal council members about raising money through other sources than the federal government.

The Housing Authority will also receive up to $500,000 in donations through the New Mexico Mortgage Finance Authority’s Affordable Housing tax credit.

Duran first got the idea for the project during a walk through the Pueblo in 2005.

“We were literally walking through one of the parts of the Pueblo and realized we were walking through the project,” she said.

The Housing Authority received a $7,500 grant from the New Mexico Historic Preservation Division. Duran hired young people from Ohkay Owingeh to complete an inventory of all 56 homes.

“Without that, we could not have done what we did,” she said.

They noted the size and location of each home, along with its materials and took measurements of all doors and windows.

What followed was five years of research and planning before construction began.

The Housing Authority received $9 million from 2010 to 2014, including $2 million from the American Recovery and Reinvestment Act signed into law by President Barack Obama.

When the project started, there were only 15 families living in the Pueblo.

Duran said the buildings were stuccoed sometime during the 1950s or 1960s. It was thought it would preserve the adobe walls underneath it forever.

Instead, the stucco did not allow the adobe to breath and water was unable to evaporate from the mud walls. The water washed away portions of walls in many of the buildings.

Techniques and building practices had to be created along the way.

“There is not a book that tells you how to do this in the most sacred place of our reservation,” Duran said.
Duran said.

The restorations have transformed the Pueblo.

Duran said children play outside in the evenings and hundreds gather to watch traditional dances during the Ohkay Owingeh Feast Days.

“I think what I’ve seen for the most part is people are really amazed at how the homes have turned out and are happy,” Ohkay Owingeh Housing Authority Executive Director Tomasita Duran said. “I can feel the difference just in how people see the Pueblo now.” This restored home along the southern edge of the Pueblo is one of the 31 homes already completed.
NM agency launches new down payment-assistance program

Gary Sandler, For the Sun-News Published 12:00 p.m. MT Sept. 13, 2018

The New Mexico Mortgage Finance Authority (MFA) has announced the release of HomeNow, which is a down-payment assistance loan available to lower-income, first-time homebuyers.

HomeNow is a zero-percent interest rate loan that is non-amortizing, which means that there are no monthly payments required.

According to Teri Baca, MFA homeownership representative, the program provides homebuyers who earn no more than 80 percent of the area median income (AMI) with a loan equal to 8.0 percent of the sales price of the home, or $8,000, whichever is less. Dona Ana County's area median income is currently around $38,700 for a family of four, according to the Mesilla Valley Public Housing Authority's website (www.mvpha.org).

The funds may be used to finance the minimum down payment requirement plus the closing costs needed to purchase a home. Here's how the program works.

Program explained

Let's say that a first-time buyer contracts to purchase a home for $150,000 and opts to finance it with an FHA loan. The down payment required for an FHA loan is 3.5 percent of the sales price, which in the case of our $150,000 purchase would be $5,250. Add to that amount roughly $3,000 in closing costs and the cash required to complete the purchase rises to around $8,250.

MFA then loans the buyer all but $500 of the $8,250, or $7,750. The buyer is then required to add just $500 of their own funds to complete the down payment and closing cost requirements. The zero-percent HomeNow second-mortgage then sits dormant for the buyer's entire term of ownership, with no monthly payments or interest required. The loan is then paid off when the home is sold or refinanced.

According to MFA's website, HomeNow will be forgiven after the 10th anniversary date of the purchase. Borrowers who occupy the home and don't refinance, transfer title, sell, rent or otherwise vacate during the first ten years of ownership will be eligible to have their HomeNow second mortgage forgiven in its entirety.
Buyers who have a credit score of at least 620 and invest a minimum of $500 of their own funds into the purchase of the home are eligible for the program. Baca goes on to say that, "MFA will finance most single-family property types including detached site-built, condominiums, townhomes, homes in planned unit developments and multi-wide manufactured homes that are on a permanent foundation and assessed as real property." To be eligible, a property must be located in New Mexico.

**FirstHome program**

The HomeNow program works hand-in-hand with MFA’s FirstHome program, which is a 30-year, fixed-interest rate first mortgage for first-time buyers. First-time buyers with incomes above 80 percent AMI have other down payment assistance options, such as FirstDown or NextHome.

FirstDown is a second mortgage of up to $8,000 that helps buyers cover down payment and closing costs that is fixed at 6.0 percent for 30-years, with payments of just $6.00 per month for each thousand dollars borrowed.

"FirstDown has more generous income limits than HomeNow," explained Baca.

MFA’s NextHome program is available to first-time and non-first time homebuyers with annual incomes of up to $91,000 per year. NextHome is a 30-year, fixed-rate mortgage at competitive rates and comes with a grant that is equal to 3 percent of the total loan amount. The grant never has to be repaid.

So how would someone find out if they qualify for one of these MFA programs?

“The good news for any potential homebuyer,” said Baca, "is that our eligible lenders will make the process as convenient and easy as possible for an applicant."

"MFA-approved lenders will sort through the program options and help determine which program or programs will best serve each individual borrower."

**Finding a lender**

To find an MFA-eligible lender simply log on to http://www.housingnm.org/homebuyers/find-a-participating-lender.

"Some MFA borrowers may also qualify for a special conventional loan, which requires a down payment of only 3 percent and allows for reduced mortgage insurance," added Baca.

So there you have it. If you’ve been waiting on the sidelines wondering when you should become a homeowner, now may be the time to act.

See you at closing!

Gary Sandler is a full-time Realtor and owner of Gary Sandler Inc., Realtors in Las Cruces. He can be reached at 575-642-2292 or Gary@GarySandler.com.
Tribe wants Hooghan Hozho for $2.6M

By Marley Shebala
Diné Bureau
navajo1@gallupindependent.com

WINDOW ROCK, Ariz. – Proposed Navajo Nation Council legislation seeks the purchase of Hooghan Hozho Apartments for more than $2.6 million by the Navajo Nation.

Council Delegate Edmund Yazzie — who represents the chapters of Churchrock, Iyanbito, Mariano Lake, Pinedale, Smith Lake, Thoreau — explained that Legislation 0300-18 seeks for the tribe to buy the apartments and even the land and give them back to Navajo Housing Authority.

Yazzie, who is sponsoring the bill, said the move to acquire Hooghan Hozho is to provide homes for people, including homeless people.

“And so that’s the main intent of the whole bill,” he added.

According to Yazzie’s legislation, “The property offered for sale to the Navajo Nation is the Hooghan Hozho Apartments, a multifamily apartment building with 44 units, approximately 68,200 square feet, located east of downtown Gallup. “The Navajo Nation entered into a purchase agreement with Community Area Resources Enterprise, Inc., known as C.A.R.E. 66 on Nov. 29, 2017,” the bill states.

The legislation also states that 40 of the 44 units are under the U.S. Housing and Urban Development Native American Housing Assistance and Self-Determination Act, and J.L. Gray is currently managing and maintaining the apartment complex.

Full occupancy

“Full occupancy, according to Yazzie’s legislation, is the main intent of the whole bill. “The complex is at full occupancy with 97 percent Native American, mostly Navajo, residents,” he says.

The legislative process

Yazzie’s bill requires it to go before the Resources and Development Committee and the Naabik’iyati Committee before it reaches the Council for final action.

Yazzie said that his bill would, hopefully, be on the Resources and Development proposed meeting agenda Wednesday.

He noted that Navajo Housing Authority, the Land Office, and related departments are in favor of his legislation for the tribe to purchase Hooghan Hozho.

Yazzie added, “The whole new (NHA) board is different now, and we’ve been working together. So, it’s more of helping and being in control where they can put people into housing.”

For example, he said, acting NHA Director Craig Dougall and the board informed him that NHA is working on renovating all the boarded up NHA houses across the Navajo Reservation.

“They’re actually working on getting them all filled (with residents),” Yazzie said. “So, we’re working well with NHA. I can’t believe I’m saying that, but things are moving along. I know prayers have been answered.”

And he said he met with Mervyn Tilden, a local advocate for street people, and Tilden urged him to not only provide housing but to also include rehabilitation services.

Yazzie emphasized that his proposed bill would benefit the people, especially people living around the Gallup area.

With this legislation, we want to show the county: we want to show the city that the Nation is doing their part instead of just relying on them all the time,” he said. “We want to get the city involved; we want to get the county involved because they’ve always said to us, ‘Navajo hasn’t done anything.’

Continued from Page 1
In this June 15, 2016, file photo, Gina Hickman, with New Mexico Mortgage Finance Authority, leans over the balcony of the third floor of Hoogan Hozho overlooking Coal Avenue in downtown Gallup during a tour before its opening.
AFFORDABLE HOUSING FINANCE

Development Highlights Communal Living on New Mexico’s Pueblo of Acoma

Cedar Hills Apartments brings 30 units of much-needed housing to pueblo.
By Christine Serlin

The 30-unit Cedar Hills Apartments provides the first affordable multifamily housing option for residents of the Pueblo of Acoma reservation in New Mexico. The Pueblo of Acoma Housing Authority’s (PAHA’s) new 30-unit Cedar Hills Apartments is helping to meet a critical housing need on an Indian reservation about an hour west of Albuquerque, N.M., that suffers from high unemployment and poverty rates and overcrowded units.

In addition, PAHA created the reservation’s first multifamily housing development to reintroduce communal living on the pueblo, the oldest continuously inhabited community in North America.
The ideas for the development started as a drawing on a napkin during an informal staff meeting. “We put our ideas down and what we wanted it to be. We want to continue to be here. We want our culture to survive and exist,” says Floyd Tortalita, executive director of PAHA. “There are things we have incorporated into this community to reflect that.”

PAHA teamed with Travois, a firm focused exclusively on promoting housing and economic development for American Indian, Alaska Native, and Native Hawaiian communities, and Travois Design and Construction, to create a development that fit in culturally and reflected the pueblo’s history.

Ashley Bland, Travois design director, says a big inspiration was the Sky City, the pueblo’s original village atop a 367-foot-tall mesa that has been inhabited since 1150 A.D.

The development is integrated into the side of a hill, with the buildings clad in stucco, resembling the original pueblo architecture and communal lifestyle. It’s laid out in a "U" shape with housing on three sides and the center designed as a gathering place, with a community center, a playground, a basketball court, a picnic area, and open recreation space with a walking trail.

“The goal being that all the units can look out on that space and with the units being close together to create a sense of community that mimics how they lived historically in the Sky City and on the pueblo,” says Bland.

Tortalita says he hopes the residents will take ownership of the community and knock on one another’s doors to share with one another. With not as many fluent speakers of the Acoma language today, he also says this is an opportunity for older residents to teach the children at the development.

“We are hoping the elders will intermingle with the younger families and share their stories and ideas in our language so the children will start to learn it,” he adds.

The development, which was completed in March, includes 16 two-bedroom and 14 three-bedroom units with rents ranging from $175 to $745. Three units are set aside for
households at or below 30% of the area median income (AMI), 20 units at or below 50% AMI, and seven units at or below 60% AMI. In addition, six units are specifically set aside for special-needs households.

A priority for PAHA, Cedar Hills Apartments features high-quality building materials and techniques, including a well-insulated and sealed building envelope; Energy Star-rated doors, windows, and lights; low-flow water fixtures and faucets; and drought-tolerant landscaping. It is Enterprise Green Communities and Energy Star certified.

The $7.6 million development was primarily financed with low-income housing tax credits allocated by the New Mexico Mortgage Finance Authority and equity provided by Raymond James Tax Credit Funds. PAHA committed over $430,000 to close the gap between the development cost and investor proceeds as well as a $1.2 million infrastructure commitment.
Affordable Housing Complex Gets Green Light

Submitted by Carol A. Clark on September 27, 2018 - 3:06pm

A view of the Bethel Development, Inc. affordable housing complex in Farmington is an example of what to expect in Los Alamos. Courtesy photo

By KIRSTEN LASKEY
Los Alamos Daily Post
kirsten@ladailypost.com

The housing demand is increasing in Los Alamos and the need for it to be affordable is just as high. While resources exist to help quench this need, a new rental housing project will soon be available to the public. Bethel Development, Inc., a company based in Farmington, won the highly competitive 2018 low-income housing tax credits from the Mortgage Finance Authority Housing of New Mexico. This paves the way for the company to construct a 70-unit apartment complex off DP Road. What makes this apartment complex different is it is affordable workplace housing.

Construction is anticipated to begin March 2019. Currently it is estimated the apartment complex will be completed by March 2020 and occupancy available by June 2020. In addition to constructing the apartments, some roadwork will be done.

The project cost is $14 million. While Bethel pursued the tax credits and will construct and manage the property, the County has contributed to the project.

“The County will contribute by donating the land … and the cost of building the offsite infrastructure in the roadway,” Community Development Department Director Paul Andrus said.

To get State approval for the project is good news, Andrus said.

“It was great ... we’re in the stage to put all the pieces together to get it rolling,” he said.

What makes the project so great is that it fulfills a need in the community, Andrus said.

“We have a shortage of workforce affordable housing so combined with this need we feel Bethel is a very good partner … the location is tremendous … it’s a win for the community,” he said.

The complex will feature 70 units with one to three bedrooms. Amenities include in-house supportive services for the residents, such as financial counseling, a community space and a playground. Plus, the
location is prime. Andrus pointed out that the area is in walking distance to the Canyon Rim Trail, an Atomic City Transit stop and Smith’s Marketplace.

To be able to rent an apartment, occupants need to income qualify. Renters cannot have a household income of more than 60 percent of the Area Median Income (AMI)

This is not the first time Bethel has pursued affordable housing in Los Alamos County; Andrus said two or three years ago the company was looking to do a project in the County but according to State standards, the County did not qualify as a “High Need Area”.

Andrus said the Mortgage Finance Authority awards the Housing Tax Credits based on points, which identifies communities as high, medium or low need. In the past, he said, the County didn't make the cut. But last year, because the rental housing vacancy rate dipped below two percent, the County was deemed a high need or Tier 1 community.

Not only will the project help address some of the housing need but Andrus pointed out that there are economic benefits as well.

“We know we’re growing and the way to accommodate economic growth is housing,” he said.

There are other affordable housing resources in town. Mesa Del Norte and Mountain Vista apartments are affordable housing and several landlords in town accept Section 8 housing vouchers. Additionally, the County offers its Homebuyer Assistance Program and the Home Renewal Program, both managed by the Los Alamos Housing Partnership under contract with the County.

Housing and Special Projects Manager Andrew Harnden said the programs have attracted a lot of interest. In fact, he said, interest in the homebuyer program has “increased by the quarter.”

Andrus pointed out there are many needs in the community. There’s a need for housing for senior citizens, there is a need for housing for the seasonal workforce such as laboratory post doc students, and millennials need housing as well as families.

“For a community our size there’s an awful lot of need,” he said.

Still, Andrus and Harnden said the County is dedicated to working with Council and finding additional resources to address these needs.
HUD No. 18-113
HUD Public Affairs
(202) 708-0685

HUD AND VA SECRETARIES ANNOUNCE HOUSING INITIATIVES TO SUPPORT HOMELESS VETERANS

HUD-VASH vouchers to provide housing for over 4,000 veterans

WASHINGTON – U.S. Department of Housing and Urban Development (HUD) Secretary Ben Carson and U.S. Department of Veterans Affairs (VA) Secretary Robert Wilkie today joined together at the VA Community Resource and Referral Center to announce $35 million in grants to combat veteran homelessness. The funding will be provided through the HUD-Veterans Affairs Supportive Housing (HUD-VASH) Program to 212 public housing agencies across the country to provide a permanent home for over 4,000 homeless veterans.

The Secretaries also announced an additional $7.4 million through the Veterans Housing Rehabilitation and Modification Pilot (VHRMP) Program to assist disabled veterans with modifying or rehabilitating their homes, making them more accessible.

“We have few responsibilities greater than making sure those who have sacrificed so much in service to their country have a home they can call their own,” said HUD Secretary Carson. “The housing vouchers awarded today ensure homeless veterans nationwide have access to affordable housing and the critical support services from the VA.”

“Assisting homeless Veterans to gain access to housing helps them in every aspect of their lives,” said VA Secretary Wilkie. “This joint effort ensures that the federal government’s efforts are aligned in reducing homelessness and aiding veterans. VA and HUD are proud to be teammates in a program that makes a tangible improvement in the lives of the nation’s Veterans.”

The HUD-VASH program combines rental assistance vouchers from HUD with case management and clinical services provided by VA. Since 2008, more than 93,000 vouchers have been awarded and approximately 150,000 homeless veterans have been served through the HUD-VASH program. More than 600 public housing authorities (PHAs) administer the HUD-VASH program, and this most recent award includes 22 additional PHAs, increasing HUD-VASH coverage to more communities. See the local impact of the housing assistance announced today.

In the HUD-VASH program, VA Medical Centers (VAMCs) assess veterans experiencing homelessness before referring them to local housing agencies for these vouchers. Decisions are based on a variety of factors, most importantly the duration of homelessness and the need for long-term, intensive support in obtaining and maintaining permanent housing. The HUD-VASH program includes both the rental assistance the voucher provides and the comprehensive case management that VAMC staff offers.

Veterans participating in the HUD-VASH program rent privately owned housing and generally contribute no more than 30 percent of their income toward rent. VA offers eligible homeless veterans clinical and supportive services through its medical centers across the U.S., Guam, Puerto Rico and the Virgin Islands. Read more about the HUD-VASH program.
Through the VHRMP program, grantees will make necessary physical modifications to address the adaptive housing needs of eligible veterans, including wheelchair ramps, widening exterior and interior doors, reconfiguring and reequipping bathrooms, or adding a bedroom or bathroom for the veteran’s caregiver to the home.

The purpose of this pilot program is to assist our nation’s low-income veterans living with disabilities who are in need of adaptive housing to help them regain or maintain their independence. By partnering with the VA, HUD is addressing these challenges by awarding competitive grants to organizations that primarily serve veterans and low-income people.

### Veterans Housing Rehabilitation and Modification Pilot Program (VHRMP)
#### Fiscal Year 2018 Awards

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<td>Habitat for Humanity International</td>
<td>$1,000,000</td>
<td>Georgia Total: $1,000,000</td>
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<td></td>
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<tr>
<td>New Mexico</td>
<td>The New Mexico Affordable Housing Charitable Trust</td>
<td>$1,000,000</td>
<td>New Mexico Total: $1,000,000</td>
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<td></td>
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<tr>
<td>Massachusetts</td>
<td>Revitalize Community Development Corporation</td>
<td>$730,000</td>
<td>Massachusetts Total: $1,730,000</td>
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<tr>
<td></td>
<td>Veterans, Inc.</td>
<td>$1,000,000</td>
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<tr>
<td>Texas</td>
<td>Easter Seal Central Texas, Inc.</td>
<td>$1,000,000</td>
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<table>
<thead>
<tr>
<th></th>
<th>Texas Total:</th>
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<tbody>
<tr>
<td></td>
<td>TOTAL</td>
<td>$7,430,000</td>
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HUD's mission is to create strong, sustainable, inclusive communities and quality affordable homes for all.


You can also connect with HUD on social media and follow Secretary Carson on Twitter and Facebook or sign up for news alerts on HUD's Email List.
Santa Fe is not alone in its troubles finding housing for lower- and middle-income earners. Across the state, and especially in Northern New Mexico, the housing divide is growing wider. Increasingly, the chasm between renting and owning is harder to cross.

According to a new report from the New Mexico Mortgage Finance Authority, just 14 percent of Santa Fe County renters can afford to buy a median-priced home. That’s second only to Taos County’s 10 percent. Affordability increases only slightly when considering the home-buying power of all households: 30 percent theoretically earn enough to buy a home in Santa Fe compared to a paltry 22 percent in Taos. The state agency warns that other factors mean even fewer people can afford a mortgage.

Among New Mexico’s urban counties—Santa Fe, Bernalillo, Sandoval, Valencia, Doña Ana and San Juan—Santa Fe stands alone in having below average housing affordability. Its struggles are similar to those found not only in tourist towns like Taos and Ruidoso, but to oil patch counties like Eddy and Lea.

“Maintaining a healthy affordable market is really important,” the Mortgage Finance Authority’s Monica Abeita told a legislative committee Monday. She directs policy and planning for the agency. “When prices go up, you don’t have anywhere to house your service workers unless your rents are fixed.”

That’s a familiar theme to state Sen. Nancy Rodriguez, D-Santa Fe, who chairs the New Mexico Mortgage Finance Authority Act Oversight Committee that Abeita spoke to this week. Aside from being a mouthful even for bureaucratic nomenclature, the group of legislators is in charge of monitoring the state’s effort to put roofs over the heads of its residents. Much of that work happens through the finance authority—but it also happens at the local level.

At the meeting, Alexandra Ladd, the
city of Santa Fe’s affordable housing director, gave lawmakers a glimpse of how cities and counties can find ways to use a patchwork of state laws and federal programs to leverage construction of affordable housing, while still giving private developers the bottom line they demand.

Santa Fe is one of the relatively few communities around the country that has what’s called inclusionary zoning. If developers want to build homes or apartments, they have to build and sell a percentage of them to income-certified residents. For single-family homes, it’s 20 percent of the development.

At Las Soleras, the city’s largest current development, builder Pulte Homes would have been required to build 60 affordable houses. That’s a big ask; big enough that Pulte’s stockholders wouldn’t tolerate eating into profit margins that deeply. So, Ladd explained, the city applied a state law that lets the government donate resources to private companies if the donation addresses affordable housing needs.

So instead of building 60 houses for low-income owners, Pulte proposed buying 4.5 acres zoned for multifamily housing and donating it, along with infrastructure for the site. Instead of giving it directly to the nonprofit Santa Fe Housing Trust to build a planned apartment complex with 73 affordable rental units, it donated the land to the city of Santa Fe, which acted as a pass-through. Pulte got a 50 percent state tax credit for its charity and, because the land was then donated to the Housing Trust by the city, it meant the Soleras Station project scored higher on its application for a federal Low Income Housing Tax Credit, which it won. Construction on the apartments began this fall.

Impressive though the Soleras Station solution might be, Santa Fe faces major challenges to home affordability. While owning a home is affordable for just three of every 10 households in the county, 71 percent of households in the county own a home. What that means is that a lot of people who have managed to buy a home in Santa Fe County spend more of their income on housing than is recommended—something that comes as no surprise to owners or renters. That number is generally considered to be around a third of household income.

The Mortgage Finance Authority says second homes like those in Santa Fe’s market play a huge role in pricing the market away from the middle class. “It really alters the housing market quite a bit,” Rodriguez said at the committee meeting.

The need for help is growing more evident. Last year, 2,500 families used mortgage products from the group. “And this year it’s going to be far more than that,” the authority’s executive director, Jay Czar, told lawmakers Monday.

Consider that prediction in light of the fact that, in most of New Mexico, population growth lags the rest of the US. In fact, all but two counties (Los Alamos and Sandoval) trail the rest of the country’s five-year growth rate. Coupled with low average income, New Mexico lands among the Mississippis and West Virginiats when it comes to household poverty. In the last year, the state’s population has ticked up ever so slightly, but with more people comes more need for places to live.

New Mexico’s way out won’t come quickly and, in the eyes of many who are looking for solutions, not without some creative thinking.
Treasurer faces re-election challenge

By Dan McKay / Journal Staff Writer
Published: Friday, October 5th, 2018 at 11:30pm
Updated: Friday, October 5th, 2018 at 11:31pm

SANTA FE – The race for New Mexico treasurer pits a politically experienced incumbent, Democrat Tim Eichenberg, against a former state employee making his first run for public office.

Republican Arthur Castillo, who worked as chief financial officer under a previous state treasurer, James Lewis, says he would bring a fresh perspective to the office and provide independent leadership.

Eichenberg, a former state senator and Bernalillo County treasurer, says he hopes to continue pushing for greater disclosure of investment fees paid by state agencies while making sound financial decisions as the state's banker.

The state treasurer manages and invests the cash used to operate state government, runs an investment pool for local governments and serves as a member of key state boards, such as the State Investment Council and Mortgage Finance Authority.

Eichenberg said he oversees an experienced staff that has a background in banking and is committed to his role as a board member on state agencies that help develop affordable housing for New Mexicans.

He said he would continue pushing for legislation aimed at requiring more public disclosure of how much state agencies pay in investment fees, commissions and similar expenses.

"The public has a right to know," he said.

A proposal he supported in 2017, Senate Bill 2, passed the Senate and House by overwhelming margins but was vetoed by Republican Gov. Susana Martinez, who said it would replicate information that's already available. Martinez's tenure ends this year.
Castillo said he has a broad mix of experience as an accountant and administrator for the state Treasurer’s Office, the city of Albuquerque, the University of Albuquerque and the Bernalillo County Treasurer’s Office.

“My whole plan is not to go in there and make wholesale changes,” Castillo said. “I want to get in there and see what needs to be adjusted or fixed and then move from there.”

He said he has never run for office and has “no political baggage.”

“I don’t owe anybody anything,” Castillo said. “I don’t have to bow down to anybody in the party or any political group.”
Interested Parties:

The New Mexico Mortgage Finance Authority (MFA) is pleased to announce that its draft Low Income Housing Tax Credit Qualified Allocation Plan effective for 2019 (Draft QAP) is now available for review and download. Both a clean version and a redline comparison version to the 2018 QAP are available from the MFA website: http://housingnm.org/developers/low-income-housing-tax-credits-lihtc

The 21-day period in which to provide public comment begins September 17, 2018 and continues through 5 p.m. on October 8, 2018. Written comments on the Draft QAP may be delivered by e-mail, mail, courier service, or by hand to MFA to the following address:

MFA
Attn: Shawn M. Colbert
344 Fourth St., SW
Albuquerque, NM 87102
scolbert@housingnm.org

Comments may also be made verbally at the following public hearing:

October 2, 2018 from 1:30 to 3:00 p.m.
MFA Board Room
344 Fourth St., SW
Albuquerque, NM 87102

This public hearing will be featured on MFA’s website as a webcast and available for viewing in real time at the following link:
http://www.housingnm.org/resources/webcasts.

The webcast is for viewing only. Therefore, webcast participants will not be able to actively engage or present their oral comments while viewing the webcast.

Thank you for your interest and participation.

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Albuquerque, NM 87102

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unsubscribe from this list  update subscription preferences
Dear Development Partners,

As you may know, the United Stated Government Accountability Office (GAO) has been conducting a national study on the Low Income Housing Tax Credit (LIHTC) program. The latest section of this study dealt with development costs. Simultaneously, the National Council of State Housing Agencies (NCSHA) conducted a parallel study that was done by Abt Associates.

Both reports were released last week:

- GAO report on the LIHTC program;
- Abt Associates report on the LIHTC program prepared for NCSHA

In addition, NCSHA generated a document that compared the two reports and published comments on the findings:

- Side-by-side comparison of the GAO and Abt Associates reports prepared by NCSHA; and
- NCSHA’s comments on the GAO report.

MFA’s board and staff have been working diligently for several years to reduce costs and improve the transparency of LIHTC projects. We appreciate the cooperation and input we’ve received from you along the way. In order to ensure that you have a chance to review these documents, we have provided links to each one below. Staff is currently analyzing how the information relates to operations in New Mexico as part of our ongoing efforts to implement policies and procedures that will improve program efficiencies.

GAO Report: Improved Data and Oversight Would Strengthen Cost Assessment and Fraud Risk Management (Sept-2018)
[View File]

NCSHA/Abt LIHTC Costs Analysis (8/31/18)
[View File]

Side-by-Side Study Comparison-GAO and Abt Associates (Sept 2018)
[View File]

NCSHA Comments on GAO Report on Housing Credit Development Costs
[View File]

Please let us know if you have any questions or if you require additional information.

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You are receiving this email because of your interest in affordable housing.

Our mailing address is:
MFA
344 4th St SW
THANK YOU!

The 2018 New Mexico Housing Summit was, by all accounts, one of the best ever! We are grateful that you were there and helped make it the outstanding event that it was.

We’ve posted dozens of photos and almost all of the session presentations on the summit website. There is also an attendee list that you can access through the main page. Click here to check it out.

And, we have the dates for the 2020 New Mexico Housing Summit!

September 14-16, 2020 Hotel Albuquerque

Be sure to mark your calendars now!

Summit Website >