NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, September 16, 2015 at 9:30 a.m.

Proposed Agenda

Chair Convenes Meeting
➢ Roll Call (Jay Czar)
➢ Approval of Agenda – Board Action
➢ Approval of 8/19/15 Board Meeting Minutes – Board Action
➢ Approval of 8/19- 20/15 Board Retreat Meeting Minutes – Board Action
➢ Employee Introductions: Angelina Martinez and Sophia Ruser (Jacqueline Boudreaux)

Board Action Items

Finance Committee
1. Data Privacy & Security Internal Audit Report (Tina McGregor, REDW)    YES
2. Follow Up on Open Internal Audit Observations (Steve Cogan, REDW)    YES
3. Internal Audit Status Report (Steve Cogan, REDW)             YES
4. Enterprise Risk Management Report (Steve Cogan, REDW)        YES
5. Production Statistics (Gina Hickman/Izzy Hernandez)               NO
6. FY2015-2016 General Fund Budget (Yvonne Segovia)                        YES
   ▪ Annual Review of Compensation & Benefits (Steve Smith, Chair, Compensation Committee) NO
7. FY2015-2016 NM Affordable Housing Charitable Trust Budget (Yvonne Segovia) YES
8. 2015 Preservation Revolving Loan Fund - Resolution to Borrow and Establish Accounts (Michael Scott) YES
9. 2015 Preservation Revolving Loan Fund – Program Policy (Michael Scott)  YES
10. 2015 Preservation Revolving Loan Fund – Notice of Funds Availability (Michael Scott) YES
11. MFA Approval of Request for Proposal Process to Facilitate the Transfer of Real Property (Jacqueline Boudreaux/Marjorie Martin) YES

Other
12. Year 2 (FY2016) MFA Strategic Plan (Monica Abeita)             YES
13. MFA 2016 Legislative Agenda (Monica Abeita)            YES
14. Financing Trends Among HFAs: Implications for MFA (David Jones, Vice President, CSG Advisors, Inc.) NO

Other Board Items

15. (Staff is available for questions)
   ▪ Staff Action Requiring Notice to Board
   ▪ To Be Announced (“TBA”) Activity Report

Monthly Reports

16. (Staff is available for questions)
   ▪ 7/31/15 Financial Statements
   ▪ Communications Department Report

Announcements and Adjournment

Confirmation of Upcoming Board Meetings
➢ September 16, 2015 – Wednesday, 9:30 a.m. (MFA)
➢ September 17, 2015 – MFA’s 40th Celebration Open House (MFA 5:00 p.m. – 7:00 p.m.)
➢ October 21, 2015 – MFA Wednesday, 9:30 a.m. (MFA)
➢ November 18, 2015 –
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- Approval of 8/19/15 Board Meeting Minutes – Board Action
- Approval of 8/19 - 20/15 Board Retreat Meeting Minutes – Board Action
- Employee Introductions: Angelina Martinez and Sophia Ruser (Jacqueline Boudreaux)

**Board Action Items**

<table>
<thead>
<tr>
<th>Finance Committee</th>
<th>Action Required?</th>
</tr>
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<tbody>
<tr>
<td>2. <strong>Follow Up on Open Internal Audit Observations (Steve Cogan, REDW)</strong> - REDW will present the results of their follow-up on open Internal Audit Observations from previously conducted internal audits, all of which have now been resolved.</td>
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<tr>
<td>3. <strong>Internal Audit Status Report (Steve Cogan, REDW)</strong> - REDW will report on the status of budgeted hours planned compared to actual hours incurred under the FY15 Internal Audit Plan approved by the Board in December, 2014.</td>
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<td>4. <strong>Enterprise Risk Management Report (Steve Cogan, REDW)</strong> - REDW will present the final Enterprise Risk Management report. The report is a result of an extensive risk assessment process conducted by staff, Board and REDW.</td>
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<td>5. <strong>Production Statistics (Gina Hickman/Izzy Hernandez)</strong> - In conjunction with the FY 2015-2016 General Fund Budget, staff will provide the Board a presentation on MFA production and financial highlights over the last 10-years.</td>
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<td>6. <strong>FY2015-2016 General Fund Budget (Yvonne Segovia)</strong> - MFA’s General Fund proposed budget for FY 2015-2016 is recommended for approval. Revenue is projected at $14,656,000, an increase of $113,000 or 1% over projected 9/30/15 actual and an increase of $1,712,000 or 13% over prior year budget. The expense budget is projected at $12,070,000, an increase of $1,872,000 or 18% over 9/30/15 projected actual and an increase of $1,420,000 or 13% over prior year budget. The FY 2015-2016 budgeted excess revenue over expenses is $2,587,000.</td>
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  - **Annual Review of Compensation & Benefits (Steve Smith, Chair, Compensation Committee)** - The committee believes that MFA’s compensation and benefit programs and the approach to the FY2016 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. |
| 7. **FY2015-2016 NM Affordable Housing Charitable Trust Budget (Yvonne Segovia)** - The NM Affordable Housing Charitable Trust Budget is recommended for approval. Revenue is projected at $9,331 and the expense budget is projected at ($9,664), resulting in a FY 2015-2016 budgeted excess expenses over revenue of ($333). |
| 8. **2015 Preservation Revolving Loan Fund - Resolution to Borrow and Establish Accounts (Michael Scott)** – Seeking Board approval for a USDA Rural Development (RD) loan award of $2,125,000 at a 1% interest rate with a
30 year term. RD loan award will be matched with $375,000 of MFA’s Primero Investment Fund. The RD award is the second PRLF loan award MFA has received from RD, the first of which MFA received in 2011. The PRLF loan will allow MFA to continue to assist in the preservation of existing multifamily affordable rental projects located throughout rural New Mexico. It is anticipated that MFA will be able to assist five projects each with a $500,000 low cost loan. These projects, typically, may be combined with other MFA and third-party financing sources.

9  2015 Preservation Revolving Loan Fund – Program Policy (Michael Scott) (see summary tab 8)

10  2015 Preservation Revolving Loan Fund – Notice of Funds Availability (Michael Scott) (see summary tab 8)

11  MFA Approval of Request for Proposal Process to Facilitate the Transfer of Real Property (Jacqueline Boudreaux/Marjorie Martin) - Last year, a non-profit entity known as Eastern Plains Housing Development Corporation (EPHDC) became defunct and no longer has legal claim to two rental housing assets for which EPHDC was the mortgagor and MFA the mortgagee. The assets comprise a total of five (5) single family rental homes in Clovis, NM and a nine (9) unit multifamily apartment complex with two units designated for persons with special needs, in Portales, NM. Since February, 2014 MFA has been overseeing property management and has invested funds to keep the assets stable until the threat of foreclosure and loss of affordable housing stock was successfully mitigated. Now, MFA must engage in an alternative (non-public) sale process of real property through a RFP process in order to finally and completely resolve this issue.

Other

12  Year 2 (FY2016) MFA Strategic Plan (Monica Abeita) - Board approval is requested for changes to the MFA Strategic Plan for Year 2 (FY 2016). MFA will complete the first year (FY 2015) of its three-year strategic plan on September 30, 2015 and will begin the second year (FY 2016) of the plan on October 1, 2015. Year 2 strategic plan changes include new/changed benchmarks and minor language changes.

13  MFA 2016 Legislative Agenda (Monica Abeita) - Board approval is requested for MFA’s legislative agenda for the 2016 New Mexico Legislative Session. The 2016 legislative agenda includes six appropriations requests: Regional Housing Authority Oversight, Affordable Housing Act Oversight, the New Mexico Housing Trust Fund, the NM Energy$mart Program, Down Payment Assistance and Veteran Home Rehabilitation.

14  Financing Trends Among HFAs: Implications for MFA (David Jones, Vice President, CSG Advisors, Inc.) – presentation.

Other Board Items

15  (Staff is available for questions)
   - Staff Action Requiring Notice to Board
   - To Be Announced (“TBA”) Activity Report

Monthly Reports

16  (Staff is available for questions)
   - 7/31/15 Financial Statements
   - Communications Department Report

Announcements and Adjournment

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- October 21, 2015 – MFA Wednesday, 9:30 a.m. (MFA)
- November 18, 2015 –
Minutes
Chair Dennis Burt, convened the meeting on August 19, 2015 at 9:37 a.m. Secretary Jay Czar called the roll. Members present: Chair Dennis Burt, Angel Reyes, Lieutenant Governor John Sanchez, Treasurer Tim Eichenberg, Sally Malavé (Designee for Attorney Hector Balderas) and Steven Smith. Absent: Randy McMillan. Czar informed the Board that the meeting was being held in accordance with the New Mexico Open Meetings Act.

Approval of Agenda - Board Action. Motion to approve the August 19, 2015 Board agenda as presented: Reyes. Second: Malavé. Vote: 6-0.

Approval of 6/17/15 Board Meeting Minutes – Board Action. Motion to approve the June 17, 2015 Board Meeting Minutes as presented: Smith. Second: Malavé, Vote: 6-0.

Employee Introductions: Dan Puccetti, Director of Housing Development introduced the following new employee: Susan Biernacki, Tax Credit Program Manager - Housing Development Department.

1 Ventana Fund Update (Todd Clarke, Chair) – Clarke began with background information. He then informed the board that Ventana Fund had been turned down on the CDFI certification in the spring. The Ventana Board and the consultant talked to representatives from the CDFI Fund via conference call. He indicated that they answered additional questions as well as cleared up some concerns they had and received the certification the following month. He stated that Ventana Fund has completed five loans since then totaling $1.35 mm in conjunction with MFA L1HTC deals. He further informed the Board a consultant had been hired to help find additional revenue and funding sources in the coming year. Chair Burt stated that it sounds like it’s been a great success and they are meeting the objectives established. Clarke thanked staff for their assistance.

Finance Committee

2 New Single Family Program Redesign (Erik Nore). Nore began his presentation by informing the board that in order to provide homeownership opportunities to a wider population of New Mexico homebuyers, increase production within the single family program and mitigate the effects that a competing program could have on MFA’s market share, staff recommends a redesign of the MortgageSaver, Mortgage Booster and HERO programs. He further explained the newly designed programs will be simplified, easily identifiable and will take full advantage of their financing structure. Nore then reviewed the changes of his memo under Exhibit A, located behind tab one, explaining which new programs would replace the current programs. He began with the First Home program explaining it will provide first time homebuyers with competitive interest rates. The First Down program will provide down payment assistance in conjunction with the First Home program. The Next Home program will expand MFA’s ability to provide down payment assistance to a larger segment of the market to non-first time homebuyers who meet program income limits. Nore also provided marketing slides MFA is considering for the redesigned programs. Motion to accept the New Single Family Program Redesign as presented: Smith. Second: Sanchez. Vote: 6-0. (See attachment A)

3 Internal Audit Services Request for Proposals (Yvonne Segovia). Segovia went over background information explaining MFA issued an RFP for Internal Audit Services in 2012. The contract was awarded to REDW and will expire on October 15, 2015. There are no extensions remaining on the contract. MFA is recommending issuing an RFP for Internal Audit and Related Services. The term is for two years with two one-year extensions at the Board’s option. Staff recommends the approval of the Request for Proposal for Internal Audit Services. Responses will be due to MFA by September 11, 2015. Motion to approve the Internal Audit Services Request for Proposals as presented: Malavé. Second: Reyes. Vote: 6-0. (See attachment B)
4 Housing Opportunity Fund Appropriations (Yvonne Segovia). Segovia went over background information starting with the inception of the HOF program explaining that it is funded by MFA’s General Fund reserves through appropriations designated by the Board. She explained the DPA Program exhausted all available appropriations in July due to the increased demand for the program. In addition, increased demand is anticipated for the Access Loan Program. The Partners, Primero Working Capital and BUILD IT Loan Guaranty Programs have excess appropriations which can be transferred to the DPA and Access Loan Programs. Segovia reviewed the Resolutions with staff’s recommendations in the various funds: $500,000 be transferred from the Partners Loan Program to the DPA Loan Program; $1,400,000 of new funds be appropriated to the DPA Loan Program; $100,000 be transferred from the Primero Working Capital Program, and $500,000 be transferred from the BUILD IT Loan Guaranty Program to the Access Loan Program; and $400,000 of new funds be appropriated to the Access Loan Program. Motion to approve the Housing Opportunity Fund Appropriations as presented: Sanchez. Second: Smith. Vote: 6-0. (See attachment C)

5 Areas of Statistically Demonstrated Need for 2016 QAP (Susan Biernacki and Dan Puccetti). Biernacki reviewed the handouts located behind tab five, they are: a memorandum explaining Selection Methodology, the 2016 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 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 this area, stating that the counties marked with asterisk are areas that remain as areas of need for a second year (under the two year criteria) although they do not meet criteria in 2016. Data sources used to compile population, population growth and vacancy rates include the U.S. census Bureau, as well as vacancy surveys performed by BBER in May and June, 2015, and the May, 2015 Apartment Market Survey Summary performed by CB Richard Ellis Multi-Housing Group. Projects on tribal trust lands have been included as Tier 1 Areas of Statistically Demonstrated Need. Staff recommends approval of the attached Selection Methodology and the attached 2016 list of Areas of Statistically Demonstrated Need. Upon approval, the 2016 QAP will be updated to include the 2016 Tier 1 and Tier 2 counties and will come to the Board for approval in October. Motion to approve the Areas of Statistically Demonstrated Need for 2016 QAP as recommended: Reyes. Second: Malavé. Vote: 6-0. (See Attachment D)

6 6/30/15 Quarterly Financial Statement Review (Gina Hickman) Hickman began her presentation by reviewing the financial narrative, which includes: payoff activity, total assets, deferred outflows of resources, and net position, general fund/housing program cash & securities and budget status. She also reviewed the comparative year-to-date figures, monthly financial graphs, allowance for mortgage loan loss activity and a spreadsheet which shows the valuations for GASB 31. The full report is located behind tab six and will be included in the official board packet. Hickman made reference to tab ten, S&P Issuer Credit Rating informing the board that MFA’s AA- issuer credit rating had been reaffirmed. Motion to approve the 6/30/15 Quarterly Financial Statements as presented: Smith. Second: Sanchez. Vote: 6-0. (See Attachment E)

- 6/30/15 Quarterly Investment Review (Kathy Keeler). Keeler reviewed the Quarterly Investment Review packet behind tab six which will be included in the official board packet. She reviewed Graph 1 highlighting the different types of investments, balances and compliance with Investment Policy ranges. She then continued to review a series of graphs and charts pertaining to MFA’s investments which highlighted more detailed information. Keeler also reviewed the General Fund Cash Flows stating that 6/30/15 ending cash and securities were $76.5 mm and that ending cash and securities for the next two fiscal years is projected to range between $76.7 mm to $80 mm. Discussion ensued regarding investments returns net of fees. Board was informed that fee information is available and will be included in the retreat presentation on 8/20/15. Motion to approve the 6/30/15 Quarterly Investment Review as presented: Reyes. Second: Sanchez. Vote: 6-0. (See Attachment E)

7 To Be Announced ("TBA") Single Family Program Administrative Contract Extension (Kathy Keeler). Keeler began her presentation by reviewing a timeline of events from the Board’s approval of the RFP to award of the contract to First Southwest at the Board’s August 2014 meeting. The initial period of the contract was for one-year with two one-year contract extensions at the option of the Board. She further informed the board that First Southwest has satisfactorily assisted MFA with funding its Single Family Mortgage Program.
The funding mechanism utilized by First Southwest has allowed MFA to maintain competitive mortgage rates as compared with the local market. Staff is requesting that the Board exercise the first of two available one-year contract extensions with First Southwest under the existing terms and conditions. Motion to approve the To Be Announced ("TBA") Single Family Program Administrative Contract Extension as presented: Malavé. Second: Reyes. Vote: 6-0. (See Attachment F)

Contracted Services / Credit Committee & HTF (Housing Trust Fund) Committee

Legal Services as Bond Counsel Professional Services Agreement Extension (Kathy Keeler). Keeler began her presentation by reviewing a timeline of events from the Board’s approval of the RFP to the award of the contract to Ballard Spahr at the Board’s September 2012 meeting. She highlighted an additional amendment to the original contract with Ballard Spahr which the Board approved at its October 2012 meeting concerning conflict of interest issues that may arise from time to time due to Ballard Spahr providing services to other entities working with MFA. If Ballard Spahr is requested or desires to undertake an engagement to represent another entity in connection with a financing through MFA, Ballard Spahr must obtain the consent of MFA prior to undertaking such an engagement. Keeler informed the Board that Ballard Spahr has satisfactorily provided Bond Counsel services to MFA for three years under the current PSA. Staff is requesting that the Board exercise the first of two available one-year contract extensions to extend the PSA under the same terms and conditions until September 19, 2016. Motion to approve the Legal Services as Bond Counsel Professional Services Agreement Extension as presented: Eichenberg. Second: Reyes. Vote: 6-0. (See Attachment G)

Village at Avalon Apartments - Waiver of QAP Limit (Susan Biernacki and Dan Puccetti). Bernacki explained Bernalillo County received a 4% LIHTC application in late 2014 with a request that the QAP private activity bond volume cap limit be increased to $19.4 million. The project is described as follows. DBG Properties, LLC proposes to develop a 240 unit project, referred to as the Village at Avalon Apartments, located in Albuquerque, NM, which will be a 100% affordable project for households earning no more than 60% of median income. The project will be financed with 4% tax credits and Multifamily Housing Revenue Bonds will be issued by Bernalillo County, NM. Bernalillo County expects to apply for a tax exempt bond volume cap allocation at the September, 2015 meeting of the New Mexico State Board of Finance. The purpose of the limit is to ensure that projects are only awarded enough private activity bond volume cap allocation to be financially feasible and to ensure that volume cap is available to multiple projects. The NM State Board of Finance has reserved $80 million in tax exempt bond cap for multifamily housing for 2015. To date, $6.5 million in tax exempt bond volume cap has been issued. Motion for Approve the Village at Avalon Apartments - Waiver of QAP Limit as presented: Sanchez. Second: Malavé. Vote: 6-0. (See Attachment H)

Other Board Items - Information Only

No questions were asked of staff.
- Staff Action Requiring Notice to Board
- To Be Announced ("TBA") Activity Report
- Strategic Plan-Quarterly Update Q3 (Dashboard)

Monthly Reports - No Action Required

No questions were asked of staff
- To Be Announced ("TBA") Activity Report
- Communications Department Report

Monthly Reports - No Action Required

No questions were asked of staff
- Quarterly Board Report
- Report of Potential Prepayments

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Burt informed the Board that the next meeting will be on September 16, 2015 at the offices of the MFA at 9:30 a.m. He also
reminded the Board that the MFA’s 40th Anniversary - Open House will be the following day on September 17th from 5:00 p.m. to 7:00 p.m.

There being no further business the meeting was adjourned at 10:45 a.m.

Approved: September 16, 2015

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Chair, Dennis Burt                Secretary, Jay Czar
NEW MEXICO MORTGAGE FINANCE AUTHORITY
MFA Board of Directors Retreat
Balloon Museum - West Meeting Room
9201 Balloon Museum Drive, Albuquerque, NM
August 19-20, 2015

Chair Burt convened the Retreat at 11:15 a.m. on August 19, 2015. Members present: Chair Dennis Burt, Angel Reyes, Sally Malavé (designee for Attorney General King), Treasurer Tim Eichenberg, Mark Van Dyke (designee for Lieutenant Governor John Sanchez), and Steven Smith. Absent: Randy McMillan. Day 2 – same attendees w/exception of Lieutenant Governor designee - Vince Torres.

MFA staff in attendance included: Jay Czar, Gina Hickman, Izzy Hernandez, Dolores Deer, Yvonne Segovia, Dan Puccetti, Leann Kemp, Erik Nore, Kathy Keeler, Dana Gohr, Jacqueline Boudreaux, Theresa Laredo-Garcia, Rose Baca-Quesada, Monica Abeita, and Sandra Marez. Troy Cucchiara joined the group later on day 1. General Counsel - Josh Allison.

Guests included: Day 2 – Deanna Woodring, Government Portfolio Advisors; Steve Cogan and Danny Martinez, REDW; Becky Mayeaux, St. Martins Hospitality Center; and Matt Tesky, Westar Mortgage.

On Wednesday, August 19, 2014 the Board of Directors of the New Mexico Mortgage Finance Authority (MFA) conducted its annual Board Retreat at the Albuquerque International Balloon Museum - West Meeting Room - located at 9201 Balloon Museum Drive, Albuquerque, NM. Chair Burt opened the retreat by thanking the Board members for their attendance as well as their time and commitment.

**Opening Presentation: MFA 40th Anniversary (Leann Kemp).** This presentation commemorated MFA’s 40th Anniversary by revisiting MFA’s colorful beginnings, its founders and four decades of work and growth that have made MFA’s mission a reality. The group broke for lunch following the presentation and reconvened for welcoming remarks.

**Welcoming Remarks.** The board watched the new MFA video which depicts major programs: first-time homebuyer loans, rental development, rehabilitation, weatherization, senior housing, rental assistance and homeless services.

Executive Director Czar thanked the Board for taking the time to attend and participate in the retreat. He reviewed production highlights and successes of MFA’s programs, many of which were covered in the 40th Anniversary presentation. The statistics are important but it’s the people and MFA’s impact on families that keeps the organization going. Czar commented that we are all committed to the mission; it’s an incredible responsibility and a wonderful opportunity. He stated that the board retreat would provide a lot of background information, stories, statistics, information about the strategic plan and presentations from outside experts.

Chair Burt stated that when he thinks of MFA two terms come to mind: legacy and stewardship. He is stunned at the intellect and the commitment that his fellow board members bring to this process. He asked the board members to share a few words about what MFA is doing and where it should be headed. Steven Smith, Treasurer Eichenberg, Sally Malavé, Angel Reyes and Mark Van Dyke expressed appreciation for staff’s knowledge, hard work, commitment, integrity, inspiration, capability and for being proactive. Board members were impressed by how many families have gained sure footing because of MFA and look forward to helping the next 50,000 families get into a home. MFA is a first-rate organization and members are proud to serve on the board. Chair Burt thanked the staff for all that they do.
Housing Market Trends (Theresa Garcia, Erik Nore). The years following the Great Recession were marked by a steady decline in homeownership and a corresponding increase in renters, who are now paying more of their income on housing than ever before. This presentation explored these trends and discussed why New Mexico and MFA see some bright spots for homeownership on the horizon.

NM Energy$mart: Reducing Costs for Low-Income Homeowners (Izzy Hernandez; Troy Cucchiara). NM Energy$mart provides weatherization and energy-efficiency upgrades to homeowners who earn 200 percent of poverty level or less. This presentation provided an overview of the program, discussed return on investment and explained how NM Energy$mart helps to change the lives of low-income New Mexicans.

MFA Legislative Strategy (Monica Abeita). Every year MFA requests state appropriations for state mandates and key programs. This presentation covered the legislative approach for 2016, which includes working closely with the New Mexico Department of Finance and Administration and submitting an Infrastructure Capital Improvements Plan (ICIP) for the first time.

Thursday, August 20

Raising the Bar for Investments and Operations (Gina Hickman, Deanne Woodring, Government Portfolio Advisors; Steve Cogan and Danny Martinez, REDW). In 2015 MFA undertook two major review processes with organization-wide impact. This presentation explored the results of MFA’s Investment Review by Government Portfolio Advisors and the Enterprise Risk Management process conducted by REDW.

New Resources for New Mexico’s Most Vulnerable Families (Jacqueline Boudreaux; Dan Puccetti; Becky Mayeaux, Housing Director of St. Martin’s Hospitality Center). In 2016 MFA expects to launch two new programs that target extremely-low income renters. This presentation provided an overview of the National Housing Trust Fund and HUD’s Section 811 Project Rental Assistance program and explored how these resources will help the state’s most vulnerable families.

What’s Next for Year Two of MFA’s Strategic Plan? (MFA Strategic Management Committee) In September 2015 the board will be asked to approve new benchmarks for year two of MFA’s three-year strategic plan. This presentation provided an overview of phased projects and other special initiatives planned for year two.

The Mortgage Lending Landscape: A Local Perspective (Matt Tesky, Westar Mortgage). The mortgage lending landscape has experienced significant changes since the Great Recession. Financial institutions large and small have had to adapt to survive. This presentation provided a local mortgage lender’s perspective on the current regulatory environment, mortgage loan servicing challenges and how MFA’s mission can positively impact New Mexicans.

Board Retreat Discussion and Wrap up, Chair Dennis Burt. Chair Burt concluded the retreat by thanking staff for their hard work. The purposeful, meaningful planning that staff does is critical because of the changing environment we are exposed to, as shown in the past two days’ presentations. Chair Burt asked his fellow board members for their impression of the retreat. Steven Smith, Vince Torres, Sally Malavé and Angel Reyes recognized the expansive level of the many different things MFA does and does well. They commented that an organization has to be proactive and lead to be successful and remain viable. As a company, MFA has the commitment and the solid foundation needed to be champions of change and embrace the challenges we face every day. It takes the entire organization and all resources to succeed. It is good to learn about the different avenues staff takes in pursuing new revenues.

Chair Burt recalls a comment from a legislator, asking when MFA would be locking its doors. He believed that the legislator misunderstood the breath of the MFA’s mission and thought it was very narrowly focused. As he sees the amount of activity going on, he cautioned that MFA be careful of how it selects opportunities. MFA has to be careful with the resources it has and the challenges it takes on. The needs of our state are so great there is always...
the temptation to reach beyond our ability to serve. Chair Burt echoed the comments of the other board members and thanked staff for all the hard work that they do. He specifically mentioned the risk assessment and the high value on maintaining focus. The retreat has been insightful and he looks forward to the next cycle.

Czar expressed his appreciation of staff. He described how MFA evaluates new opportunities through a program assessment tool, explaining that not all ideas make it this far. He referenced member Reyes’ comment that change is tough; overall as a staff, MFA embraces that challenge. Change is very rewarding for MFA because we actually see it happening. Czar invited the board to attend any of MFA’s functions to see firsthand how we impact the families of New Mexico. He thanked the board for their engagement, for bringing forth ideas, and for investing their time and effort. Having strong leadership on the Board is really important. The intent of the law that was passed 40 years ago is still relevant; the needs may vary, but they are there still there. Applause was given to the board.

There being no further business, the meeting was adjourned at 1:45 p.m.

Approved: September 16, 2015

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Chair, Dennis Burt             Secretary, Jay Czar
Tab 1
**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
*Finance/Operations Committee Meeting*  
**Tuesday, September 8, 2015 at 1:30 p.m.**  
conference call dial (641) 715-3276 Code for Board members and proxies 561172# MFA staff code 561172*

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<tr>
<th>Agenda Item</th>
<th>Committee Recommended</th>
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<tbody>
<tr>
<td>1 FY2015 External Audit Entrance Conference Laurie Tish, Amy Carter, Janna Skinner Moss Adams; Anna Williams, OSA (Office of the State Auditor)</td>
<td>3-0</td>
<td>YES</td>
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<td>2 Data Privacy &amp; Security Internal Audit Report (Tina McGregor, REDW)</td>
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<td>Discussion</td>
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<td>12 Sale of Real Property (EPMDC Eastern Plains Properties RFP) (Jacqueline Boudreaux/Marjorie Martin)</td>
<td>3-0</td>
<td>YES</td>
</tr>
</tbody>
</table>

Committee Members present:  
Steven Smith, Chair  
☑ present  □ absent  □ conference call  
Dennis Burt  
☑ present  □ absent  □ conference call  
John Sanchez or Proxy Mark Van Dyke or Vincent Torres  
☑ present  □ absent  □ conference call  

*Change in wording for Board meetings.*
New Mexico Mortgage Finance Authority
Data Privacy and Security Internal Audit
Executive Summary

July 2015
New Mexico Mortgage Finance Authority
Data Privacy and Security Internal Audit

Executive Summary

New Mexico Mortgage Finance Authority
Board of Directors and Management

REDW performed an internal audit of New Mexico Mortgage Authority’s (MFA) data privacy and security processes and controls. This audit was performed to assist management in determining if the confidentiality, integrity and availability of sensitive data was adequately protected in compliance with data privacy and security best practices. To gain an understanding of the processes and controls in place, we interviewed selected personnel and read applicable policies and procedures (P&P), laws and regulations.

REDW also assessed MFA’s privacy practices and compared these to the Consumer Financial Protection Bureau (CFPB) regulations as they relate to the Gramm-Leach-Bliley Act (GLBA) Privacy Rule.

SUMMARY OF PROCEDURES
We performed the following procedures:

- Performed an initial risk assessment, interviewed selected employees, and read relevant P&Ps and other documentation.
- Evaluated privacy and security processes and controls in place to protect the confidentiality, integrity and security of sensitive data in the MFA network.
- Evaluated and tested security and logical access control processes including access to sensitive data and access by terminated employees.
- Evaluated and tested security controls over sensitive data on mobile devices and removable media.

1 National Institute of Standards and Technology – Special Publication 800-122, and 800-53R4
2 CFPB 12 CFR Part 1016
• Verified the security controls on workstations and user access authorization over remote access connections.
• Evaluated and tested vendor access controls and access authorization.
• Evaluated IT Disaster Recovery Plan (DRP) and assessed if recovery of data and resources could be achieved in a timely manner.
• Evaluated computer security incident response plans and procedures and breach notification procedures.
• Evaluated IT security awareness training and performed social engineering tests on selected employees.
• Evaluated employee data privacy training and performed a “clean desk” test.
• Assessed privacy risk assessment and privacy impact analysis processes.
• Completed the CFPB GLBA Privacy Examination Checklist to compared MFA privacy practices to those required by CFPB regulations.

**SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

Based on our testing, most policies and procedures appeared to be consistently followed and errors/issues identified throughout the audit were minimal. Specifically, folder level permissions were enforced and appropriate, employee level privacy and security policies were contained in the Employee Handbook, employees had a signed confidentiality agreement on file, and MFA’s privacy practices and Notice of Privacy Practice were in alignment with CFPB/GLBA Privacy regulations.

We found the following weaknesses in the control environment that we consider to be high or moderate risks.

**IT Security Policies** - MFA has a document entitled Information System Policies. This document lists and describes many IT security controls that MFA has implemented as well as some procedures. This document does not contain formal approved IT policies. In order for MFA to meet best-practice security standards, formal written and approved IT security policies are required. Management should ensure that a comprehensive set of IT security policies are developed, documented, approved and implemented.

MFA staff will develop comprehensive Information Technology policies and will then be submitted for Board approval and implemented where exceptions are identified.

**Removable Media** - MFA does not have a policy to address the use of removable media. Removable media includes flash memory devices such as USB thumb drives, cameras, MP3 players, removable hard drives (including hard drive-based MP3 players), optical disks such as CD/DVD disks, and floppy disks. Of particular concern are USB thumb drives and other USB storage devices. Removable media is considered by security experts and the FBI to be one of the greatest risks to network and data security. All workstations tested had USB ports enabled and five of the 10 employees interviewed plugged in personally owned USB devices into MFA computers. MFA should consider implementing automated preventive controls over the use of USB flash drives. These automated controls can be configured to block the use of USB flash drives or automatically encrypt them if they are not encrypted.
MFA Staff will perform a risk assessment to determine the level of risk removable media presents.

Mobile Computing Devices - Mobile computing devices includes laptops, notebooks, tablets, iPads, and smart phones. The acceptable use policies in the Employee Handbook state that mobile computing devices are not considered secure computing devices. MFA does not have a mobile computing device policy to address the security of these devices. MFA owned and employee owned smartphones are used to synchronize MFA email. Security controls are not enforced on these devices. Most employees interviewed had implemented a PIN number or password on their smartphones, but this was by choice not MFA policy. Laptop hard drives are not encrypted. Management should develop and implement a mobile device policy and enforce security controls on smartphones. Consider encrypting the hard drives of MFA laptops.

MFA will develop and incorporate a mobile computing device policy into the IT policies and procedures.

Email Security - The email usage section of the Employee Handbook does not explicitly prohibit sending sensitive information by email unless encrypted. From interviews with employees sensitive information is sent by email unencrypted. Management should ensure that the email policy addresses not sending sensitive information by email unless it is encrypted. Consider either implementing an automated email encryption system or utilizing the internal secure file transfer system that is in place.

MFA will develop and incorporate an email usage policy into the IT policies and procedures.

Computer Security Incident Response Plan - MFA does not have a formal written computer security incident response plan (CSIRP) for responding to information security incidents such as malware attacks, intrusions, or other IT security incidents. From observation and inquiry, we determined that IT personnel are knowledgeable regarding security incidents and have investigated, contained and documented previous security incidents. Management should ensure that a formal written CSIRP is developed and implemented.

MFA staff will develop a computer security incident response plan which will be incorporated into the Disaster Recovery & Business Contingency Plan.

Local Administrator Rights - During our workstation testing we determined that the employees were local administrators on all 10 of the workstations tested. Being a local administrator allows the user to perform many administrative tasks on their computer including changing security settings and installing software. Management should ensure that users are not local administrators on their workstations unless there is a documented and approved business reason to grant them such access.

MFA staff will evaluate the need for users to be allowed local administrator rights and conduct a risk assessment of the impact of removing the access.

IT Security Awareness Training - MFA employees receive some security awareness training and privacy training as part of new hire orientation. IT sends out alerts and security reminders to all employees. MFA’s attorney sends a quarterly email privacy reminder to all employees. MFA employees do not receive regular/annual security awareness training after new hire orientation.
We performed social engineering tests on 10 randomly selected employees to see if we could get employees to give us their user ID and password. Only one employee gave use their user ID and password over the phone. However, it only takes one unaware employee who succumbs to a social engineering attack to potentially cause a security breach.

Management should provide an IT security awareness training refresher course annually to remind employees of their continuing responsibilities for security and privacy, and require mandatory attendance for all employees.

MFA will develop and incorporate a security awareness and privacy training policy into the IT policies and procedures.

**IT Disaster Recovery Plan** - MFA has a written Disaster Recovery Plan that addresses recovery of all areas of MFA including IT. The plan does not appear to have been updated since 2011. The plan requires testing of some areas weekly, some quarterly and some annually. No testing results are appended to the plan. From discussion with MFA personnel the disaster recovery plan is in the process of being updated. The IT section is being updated as recovery strategies have changed since 2011. Management should ensure that the IT disaster recovery plan is updated to reflect current recovery strategies as soon as is practically possible.

MFA will updated and test their Disaster Recovery & Business Contingency Plan by the end of September 2016.

**Remote Access** - The remote access section in the Employee Handbook states that remote access is limited to designated MFA personnel identified and approved by the employee’s supervisor. However, from discussion with IT personnel and observation, all employees have remote access configured on their workstation or laptop and all employees can use remote access. There is no remote access policy to address controls and approval of remote access. The employee is not required to sign an acceptable use of remote access agreement that requires them to restrict access to their remote access session and log off when they leave the session unattended. A remote access policy and procedures should be developed. The policy should require employees who work from home or in the field using remote access to sign an agreement regarding security controls over the remote access session.

MFA will develop and incorporate a remote access policy into the IT policies and procedures.

**IT Vendor Access Controls** - MFA does not have documented policies and procedures to address vendors/contractors accessing the network, applications and data remotely. MFA has one vendor (MITAS Group) who has one administrator account to access MITAS remotely for updates to the system and troubleshooting. This vendor potentially has access to sensitive data. MITAS Group has “always on” access to MITAS and can access the system whenever they want. The MITAS contract does not define MITAS Group roles and responsibilities for the privacy and security of MFA sensitive data as required by data privacy and security best practices. There is no confidentiality clause relating to MFA data in the MITAS Group contract. Management should ensure that a vendor access management policy and procedures is developed and the MITAS contract includes a confidentiality agreement. Consider disabling the one MITAS account and only enable it as needed.
MFA will develop and incorporate a vendor access management policy into the IT policies and procedures.

Albuquerque, New Mexico
July 8, 2015

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Tab 2
New Mexico Mortgage Finance Authority
Follow-Up on Open Internal Audit Observations
Executive Summary

June 2015
New Mexico Mortgage Finance Authority
Follow-Up on Open Internal Audit Observations

Executive Summary

New Mexico Mortgage Finance Authority
Board of Directors

We performed the internal audit services described below to assist New Mexico Mortgage Finance Authority (MFA) in evaluating whether open internal audit observations issued through July 2014 have been resolved.

SUMMARY OF PROCEDURES
We performed a variety of procedures in order to follow-up on the observations to determine if each had been resolved. We interviewed MFA employees, obtained the listing of open internal audit observations including the current status. We performed walk-throughs of various systems and processes, and tested various departmental activity, reports and supporting documentation. We classified each observation as resolved, pending resolution or unresolved.

SUMMARY OF RESULTS
Summary by internal audit with current status of observations:

<table>
<thead>
<tr>
<th>#</th>
<th>Observation</th>
<th>Current Status</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employee Management – March 2014</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Time Reporting Inconsistencies</td>
<td>Resolved</td>
</tr>
<tr>
<td></td>
<td>• Electronic Timecards</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Documentation Completion and Inconsistencies</td>
<td>Resolved</td>
</tr>
<tr>
<td></td>
<td>• Employee Documentation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Annual Award Documentation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Asset Management and Housing Development – July 2014</td>
<td>Resolved</td>
</tr>
<tr>
<td>1</td>
<td>Incomplete Inspection Reporting</td>
<td></td>
</tr>
</tbody>
</table>

* * * * *
Further detail of our purpose, objectives, scope, procedures, and observations is included in the full internal audit report.

Albuquerque, New Mexico
July 8, 2015
Tab 3
# Internal Audit Hours Summary

<table>
<thead>
<tr>
<th>Area</th>
<th>2015 Budgeted Hours</th>
<th>2015 Actual Hours</th>
<th>Variance (Over)/Under</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Risk Assessment consultation and Internal Audit plan</td>
<td>150</td>
<td>151</td>
<td>(1)</td>
<td>• ERM document and Internal Audit Plan were presented at the August Board retreat.</td>
</tr>
<tr>
<td>OMB Super Circular/Omni Circular readiness assessment and consulting</td>
<td>100</td>
<td>107</td>
<td>(7)</td>
<td>• No significant areas of improvement identified.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Minor changes needed to be in compliance with OMB Super Circular.</td>
</tr>
<tr>
<td>Information Technology-privacy and data security</td>
<td>130</td>
<td>120</td>
<td>10</td>
<td>• Audit is in the wrap-up phase and the report will be presented at the September Board meeting.</td>
</tr>
<tr>
<td>Follow-up on outstanding observations, annual reporting, and</td>
<td>40</td>
<td>25</td>
<td>15</td>
<td>• Three outstanding observations were resolved.</td>
</tr>
<tr>
<td>administration</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Hours through 8.25.2015</strong></td>
<td><strong>420</strong></td>
<td><strong>403</strong></td>
<td><strong>17</strong></td>
<td></td>
</tr>
</tbody>
</table>
Tab 4
New Mexico Mortgage Finance Authority

Enterprise Risk Management

July 2015
New Mexico Mortgage Finance Authority
Enterprise Risk Management

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PURPOSE AND OBJECTIVES 2
PLANNING AND RISK COMPILATION 2
SUMMARIZATION OF RISKS 2
RISK DISCUSSION AND PRIORITIZATION 4
MFA RISK RESPONSE 5
REDW CONTACT INFORMATION 5
New Mexico Mortgage Finance Authority
Enterprise Risk Management

Report

New Mexico Mortgage Finance Authority
Board of Directors and Management

INTRODUCTION

We performed the consulting service described below to assist New Mexico Mortgage Finance Authority (MFA) with enterprise risk management. Enterprise risk management is a formal approach to identifying and managing risks surrounding an organization’s goals and objectives and business opportunities.

Internal and external factors are always impacting organizations. Internal factors include human resources, processes and organizational structure. External factors include government, regulatory, environmental, competition and political influences. These factors should be identified and their impact considered.

Risk management provides leadership with the opportunity to timely identify, evaluate and implement controls to remove or mitigate risk. Residual risk may exist after initial risk mitigation and controls are implemented. Those residual risks should be identified, acknowledged and understood. Risk management is a dynamic process that can be shaped and improved over time.

The Committee of Sponsoring Organizations (COSO) provides useful guidance in its report, Embracing Enterprise Risk Management, Practical Approaches for Getting Started.

Major advantages that come from effective enterprise risk management include:

- An increased awareness of business challenges and opportunities
- Greater operational efficiencies as a result of identifying and implementing controls that prevent and mitigate risk
- Greater understanding of risks that can’t be controlled
- Improved compliance with external rules and regulations, including addressing the increasing regulatory focus on the effectiveness of organizational governance and risk assessment
- When there is a team approach and involvement, there will be greater understanding of the organization’s strategic goals and objectives
PURPOSE AND OBJECTIVES

Our consulting engagement focused on evaluating potential organizational risks and prioritizing the risks that are most critical to MFA’s strategic objectives. We also assisted in determining the risk likelihood, magnitude, and risk appetite of the risks identified.

PLANNING AND RISK COMPILATION

The following Board member and employees participated in the enterprise risk management assessment process:

• Steven Smith, Board Member
• Jay Czar, Executive Director
• Gina Hickman, Deputy Director of Finance and Administration
• Yvonne Segovia, Controller
• Marjorie Martin, In-House Attorney
• Izzy Hernandez, Deputy Director of Programs
• Erik Nore, Director of Homeownership
• Jacqueline Boudreaux, Director of Asset Management
• Dan Puccetti, Director of Housing Development
• Dolores Deer, Human Resources Manager
• Leann Kemp, Communications Manager
• Kathy Keeler, Finance Manager
• Monica Abeita, Senior Policy and Program Advisor
• Dana Gohr, Information Services Manager
• Theresa Garcia, Director of Servicing

SUMMARIZATION OF RISKS

We held an introductory meeting with MFA on April 2, 2015, to discuss the enterprise risk management process and the timing. The meeting participants were then tasked with identifying risks they felt affected MFA. Those risks were forwarded to REDW and summarized into risk categories for evaluation and prioritization. During subsequent group and individual meetings on May 11, 12 and 13, risks were further developed and clarified.

Staff Development/Capacity

• Reliance on key positions/personnel for institutional knowledge and program expertise
• Limited formal succession planning
• Training and development opportunities may not exist at all levels within the organization
Cyber Security
- Confidential information is not always encrypted
- Sensitive data is often transmitted in business communications with customers and partners
- Cyberattacks could compromise sensitive MFA data

Complexity/Changes in Regulations
- Program diversity and changes necessitates that MFA comply with numerous rules and regulations under different jurisdictions
- Overall regulatory environment is rapidly changing and expanding

Contractor/Subrecipient Issues
- MFA is experiencing difficulty in maintaining number and capacity of quality service partners
- MFA is held accountable for their partners’ performance to a certain extent
- MFA does not deliver services directly; they are reliant on our partners. MFA’s success is tied to their partner’s capacity and their success

Information Technology
- Technology could improve MFA’s effectiveness, efficiency and customer service
- Maintenance of current technology is critical to ongoing operations

Mission Focus
- The mission should be the driver for everything that MFA does
- Maintaining a focus on mission is essential for MFA to meet organizational and community goals
- The organization may benefit from reevaluating its mission statement

Funding and Services
- External funding for affordable housing has been flat. Additional cuts are proposed in the FY2016 Federal budget
- Tax reform could cause elimination of private activity bonds and modifications to low income housing tax credit programs
- Currently, the best execution for funding the single family program provides fee revenue as loans are sold rather than the long-term annuity provided by the bond execution, which is not currently feasible

Awareness and Marketing
- MFA may have opportunities to more efficiently market its services to potential users
- Program awareness is provided through participating lenders and realtors which could result in consumers not receiving all relevant information

Negative Public Perception
- There is a negative stigma that is sometimes applied to Section 8 housing
- Negative comments about the organization can come from former employees or disgruntled consumers
- Social media provides an outlet where frustrations can be disseminated to a wide audience
**Financial Management**
- SEC has issued new rules for money market accounts
- Investment risk should be acceptable while also providing an appropriate risk based rate of return

**Operations**
- MFA uses a third party provider to hedge To Be Announced (TBA) pipeline
- The speed at which MFA’s Mortgage-Backed Securities (MBS) prepay can significantly alter the future revenue stream and administrative fees

**Internal Policies and Procedures**
- Policies and procedures may not be meeting regulatory requirements
- Policies and procedures may be unnecessarily complex or burdensome

**RISK DISCUSSION AND PRIORITIZATION**
The risks summarized above were discussed at length in group and individual sessions, facilitated by REDW. During these conversations MFA looked at the likelihood, magnitude, and risk appetite of the risks and how they relate to the organization’s strategic goals. The graphic below depicts the results of those conversations. The risks in the red box in the upper right corner are deemed most critical to MFA and its strategic objectives.

During the risk identification process MFA also identified certain specific risks that, while not a part of the enterprise risk management process, will be addressed is a separate process. These risks include employee safety/security, pay practices/compensation consistency, disaster recovery plan, and servicing expansion.
MFA RISK RESPONSE
REDW recommends MFA take the risk assessment results and develop a risk response for the
most critical risks. The risk response should identify and evaluate existing controls and possible
responses to risk. MFA should evaluate the options in relation to its risk appetite, cost versus
benefit of potential risk responses, and the degree to which a response will reduce impact and/or
likelihood. Finally, we recommend MFA select and execute the responses that are most in line
with meeting its strategic goals.

REDW CONTACT INFORMATION

Steve Cogan, Principal                      Danny Martinez, Audit Manager
(505) 998-3256                                (505) 998-3260
scogan@redw.com                             dmartinez@redw.com

* * * * *

This report is intended solely for the information and use of MFA. We received excellent
cooperation and assistance from MFA personnel during the course of our assessment. We very
much appreciate the courtesy and cooperation extended to our personnel. We would be pleased
to meet with you to further discuss the enterprise risk management process and answer any
questions.

Albuquerque, New Mexico
August 26, 2015
Tab 5
Production Statistics
Actual 9/30/06 through 9/30/14
and Projected 9/30/15 and 9/30/16
Production & Financial Highlights

2006 STRONG STATE SUPPORT:
• 1st Housing Trust Fund Appropriation $10mm (2014 $18.7MM)
  Revenue, Production/Assets Managed
• Affordable Housing Act (2015 $42m Local Gov’t Contributions)
  Production/Assets Managed

2007 SINGLE FAMILY PROGRAM RECORD PRODUCTION:
• Single Family Housing Boom (-2008) Revenue, Production/Assets Managed
• Regional Housing Authority (-2015)
  Production/Assets Managed

2008 COLLAPSE OF ECONOMY & HOUSING:
• Recession (-2012) Revenue, Production/Assets Managed
  Expense
• Federal Fiscal Policy holding mortgage and investment interest rates at historical lows (-2015)
  Revenue, Production/Assets Managed
• Housing/Subprime Mortgage Crisis-housing market still showing instability (-2014)
  Expense, Production/Assets Managed, Revenue
• HERA Neighborhood Stabilization Program (-2014)
  Revenue, Production/Assets Managed

2009 FEDERAL STIMULUS:
• ARRA Funds for Weatherization Assistance Program, Tax Credit Assistance Program, Tax Credit Exchange Program, Homelessness Prevention & Rapid Rehousing Program (-2012)
  Production/Assets Managed, Revenue
• Tax Credit Loan Program Production/Assets Managed, Revenue
• New Issuance Bond Program (-2011) Production/Assets Managed, Revenue

2010 HISTORICAL LOW MORTGAGE RATES:
• High Single Family Prepayment Activity (-2013)
  Assets Managed, Revenue

2011 INNOVATION & NEW RESOURCES:
• Wells Fargo & USDA-Rural Development loan funding for Housing Opportunity Fund
  Production/Assets Managed, Revenue

2012 FEDERAL BUDGET REDUCTIONS:
• High Multi-family loan payoffs Assets Managed, Revenue
• HUD HOME funding reductions (-2014, Proposed in 2015)
  Production/Assets Managed, Revenue
• DOE Weatherization Assistance Program funding reductions (-2013)
  Production/Assets Managed, Revenue
• Increase in rental demand (-2015) Production/Assets Managed, Revenue
• HUD Section 8 Project Based Contract Administration program scope changes (-2015)
  Revenue, Expenses

2013 INNOVATION & NEW RESOURCES:
• To Be Announced (TBA) Single Family Loan Execution (-2015)
  Production, Revenue

2014 INNOVATION & NEW RESOURCES:
• Decrease in Single Family Prepayment Activity (-2015)
  Revenue, Assets Managed
• Ventana Fund Contribution (-2015) Expense, Production for NM
• Small Business Investment Council loan funding for Housing Opportunity Fund (-2015)
  Production/Assets Managed, Revenue

2015 STABILIZED HOUSING MARKET & ECONOMY:
• Highest Single Family Production since 2009 Revenue, Production/Assets Managed
• 40th Anniversary Celebration

IMPACT LEGEND:
Red: Negative Impact
Green: Positive Impact
Assets Managed:
Average Financial Assets
vs. Average Assets Under Management
FY 2006-2016
Financial Data:
General Fund Excess Revenue Over Expenses vs.
Combined Excess Revenue Over Expenses
FY 2006-2016
Production Data:
Multi-Family Loans/Subsidies vs. Single Family 1st Mtg. Loans Purchased FY 2006-2016
Production Data:
Funds Disbursed-Federal & State Programs
FY 2006-2016
Production Data:
Funds Disbursed-Housing Opportunity Fund
FY 2006-2016
MFA Total Housing Dollars Produced
FY 2006-2016

[Bar chart showing the total housing dollars produced from FY 2006 to FY 2016, with projections for FY 2015 and FY 2016. The chart displays the trend of housing dollars produced, with a notable peak in FY 2007 and a decline in subsequent years.]
### FINANCIAL DATA

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Average Financial Assets ($)</td>
<td>1,458,379</td>
<td>1,547,079</td>
<td>1,645,282</td>
<td>1,663,443</td>
<td>1,669,110</td>
<td>1,556,397</td>
<td>1,387,923</td>
<td>1,229,385</td>
<td>1,090,640</td>
<td>996,469</td>
<td>939,489</td>
</tr>
<tr>
<td>% Change</td>
<td>2.07%</td>
<td>6.08%</td>
<td>6.35%</td>
<td>1.10%</td>
<td>0.34%</td>
<td>-6.75%</td>
<td>-10.82%</td>
<td>-11.42%</td>
<td>-11.29%</td>
<td>-8.63%</td>
<td>-5.72%</td>
</tr>
<tr>
<td>Funds Disbursed GF Non-Operating ($)</td>
<td>2,381,034</td>
<td>2,472,021</td>
<td>2,683,094</td>
<td>2,805,001</td>
<td>3,009,226</td>
<td>2,910,113</td>
<td>2,770,325</td>
<td>2,687,314</td>
<td>2,583,285</td>
<td>2,345,201</td>
<td>2,288,221</td>
</tr>
<tr>
<td>% Change</td>
<td>1.91%</td>
<td>3.82%</td>
<td>5.84%</td>
<td>5.44%</td>
<td>6.64%</td>
<td>5.28%</td>
<td>4.48%</td>
<td>7.49%</td>
<td>4.88%</td>
<td>3.24%</td>
<td>-2.43%</td>
</tr>
<tr>
<td>Combined Excess Revenue over Expenses ($)</td>
<td>17,182</td>
<td>9,424</td>
<td>7,898</td>
<td>1,048</td>
<td>6,643</td>
<td>4,115</td>
<td>8,989</td>
<td>7,471</td>
<td>7,897</td>
<td>4,463</td>
<td>4,561</td>
</tr>
<tr>
<td>% Change</td>
<td>10.87%</td>
<td>(9.75%)</td>
<td>(1.37%)</td>
<td>(7.31%)</td>
<td>5.15%</td>
<td>(2.52%)</td>
<td>4.87%</td>
<td>(1.51%)</td>
<td>0.42%</td>
<td>(3.43%)</td>
<td>0.09%</td>
</tr>
<tr>
<td>General Fund Excess Revenue Over Expenses ($)</td>
<td>4,069</td>
<td>4,166</td>
<td>4,148</td>
<td>1,102</td>
<td>4,653</td>
<td>3,439</td>
<td>4,549</td>
<td>3,234</td>
<td>5,006</td>
<td>3,380</td>
<td>2,587</td>
</tr>
<tr>
<td>% Change</td>
<td>172.29%</td>
<td>-56.80%</td>
<td>16.51%</td>
<td>-83.12%</td>
<td>347.34%</td>
<td>-38.05%</td>
<td>337.24%</td>
<td>-18.94%</td>
<td>5.71%</td>
<td>-43.49%</td>
<td>2.20%</td>
</tr>
<tr>
<td>General Fund Revenue Actual ($)</td>
<td>10,765</td>
<td>12,009</td>
<td>11,913</td>
<td>10,828</td>
<td>13,470</td>
<td>12,689</td>
<td>13,559</td>
<td>12,278</td>
<td>15,238</td>
<td>14,544</td>
<td>14,656</td>
</tr>
<tr>
<td>% Change</td>
<td>183.6%</td>
<td>23.8%</td>
<td>-0.43%</td>
<td>-56.57%</td>
<td>158.29%</td>
<td>-26.09%</td>
<td>32.26%</td>
<td>-28.90%</td>
<td>54.77%</td>
<td>-32.47%</td>
<td>-23.48%</td>
</tr>
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<td>General Fund Expenses Budget ($)</td>
<td>8,016</td>
<td>8,328</td>
<td>8,409</td>
<td>9,352</td>
<td>9,638</td>
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<td>3.06%</td>
<td>31.28%</td>
<td>-25.67%</td>
<td>-1.13%</td>
<td>16.04%</td>
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<td>General Fund Expenses Actual ($)</td>
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<td>7,765</td>
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<td>8,817</td>
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<td>9,011</td>
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<td>(0.07%)</td>
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<td>0.23%</td>
<td>0.43%</td>
<td>1.65%</td>
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<td>5.84%</td>
<td>7.66%</td>
<td>3.47%</td>
<td>8.51%</td>
<td>26.89%</td>
<td>4.18%</td>
<td>7.70%</td>
<td>5.16%</td>
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<td>5-year average percent underbudget</td>
<td>16.82%</td>
<td>14.87%</td>
<td>13.48%</td>
<td>10.33%</td>
<td>8.39%</td>
<td>10.47%</td>
<td>10.14%</td>
<td>10.15%</td>
<td>10.49%</td>
<td>9.63%</td>
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<td>General Fund Operating Expenses ($)</td>
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<td>6,862</td>
<td>6,906</td>
<td>8,087</td>
<td>7,372</td>
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<td>3.85%</td>
<td>-3.96%</td>
<td>-2.72%</td>
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<td>127.41%</td>
<td>-2.82%</td>
<td>-17.53%</td>
<td>-18.63%</td>
<td>303.28%</td>
<td>-14.75%</td>
<td>-26.74%</td>
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### PERSONNEL DATA

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<tr>
<td>Employees</td>
<td>Salary &amp; Benefits</td>
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<td>62.92</td>
<td>65.92</td>
<td>66.25</td>
<td>66.75</td>
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</tbody>
</table>
### Production Data

#### Single Family 1st Mtg Loans
- **Number of Units Reserved** (unduplicated):
  - 2006: 2,485
  - 2007: 2,655
  - 2008: 2,266
  - 2009: 2,011
  - 2010: 1,568
  - 2011: 1,226
  - 2012: 1,128
  - 2013: 1,330
  - 2014: 1,117
  - 2015: 1,732
  - 2016: 1,800
- **Dollar of Loans Reserved**:
  - 2006: $277,325
  - 2007: $347,043
  - 2008: $296,773
  - 2009: $239,145
  - 2010: $194,553
  - 2011: $149,224
  - 2012: $99
  - 2013: $896
  - 2014: $1,143
  - 2015: $939
  - 2016: $1,150

#### Number of Units Purchased (unduplicated):
- 2006: 1,332
- 2007: 2,040
- 2008: 1,969
- 2009: 1,313
- 2010: 1,451
- 2011: 999
- 2012: 896
- 2013: 1,143
- 2014: 939
- 2015: 1,150
- 2016: 1,250

#### Dollar of Loans Purchased:
- 2006: $154,775
- 2007: $266,394
- 2008: $261,518
- 2009: $161,733
- 2010: $180,483
- 2011: $123,343
- 2012: $106,948
- 2013: $141,817
- 2014: $114,276
- 2015: $144,500
- 2016: $156,250

#### Multi-Family Loans/Bonds Closed & Tax Credits Allocated
- **Number of Units (unduplicated)**:
  - 2006: 1,308
  - 2007: 3,070
  - 2008: 1,506
  - 2009: 1,441
  - 2010: 1,524
  - 2011: 752
  - 2012: 1,351
  - 2013: 1,750
  - 2014: 975
  - 2015: 926
  - 2016: 900
- **Dollar of Loans/Subsidies**:
  - 2006: $54,261
  - 2007: $109,091
  - 2008: $78,573
  - 2009: $82,651
  - 2010: $45,177
  - 2011: $54,763
  - 2012: $77,762
  - 2013: $13,939
  - 2014: $34,225
  - 2015: $30,000

#### Housing Programs
- **Homeless Persons Served (#)**:
  - 2006: 9,026
  - 2007: 13,613
  - 2008: 12,490
  - 2009: 18,365
  - 2010: 15,004
  - 2011: 6,925
  - 2012: 11,500
  - 2013: 11,500
- **Single Family Homeowner Rehab (#)**:
  - 2006: 1,334
  - 2007: 1,163
  - 2008: 2,092
  - 2009: 2,135
  - 2010: 2,913
  - 2011: 2,817
  - 2012: 2,707
  - 2013: 1,108

#### Funds Disbursed ($)
- **Federal & State Programs**:
  - 2006: $39,726
  - 2007: $38,382
  - 2008: $37,002
  - 2009: $42,781
  - 2010: $89,368
  - 2011: $81,611
  - 2012: $57,690
  - 2013: $47,174
  - 2014: $42,223
  - 2015: $40,304
  - 2016: $43,000
- **MFA Housing Opportunity Fund**:
  - 2006: $39,726
  - 2007: $38,382
  - 2008: $37,002
  - 2009: $42,781
  - 2010: $89,368
  - 2011: $81,611
  - 2012: $57,690
  - 2013: $47,174
  - 2014: $42,223
  - 2015: $40,304
  - 2016: $43,000

#### Funds Obtained
- 2006: $10.182
- 2007: $12.838
- 2008: $14.031
- 2009: $20.052
- 2010: $10.920
- 2011: $6.265
- 2012: $9.524
- 2013: $15.076
- 2014: $12.601
- 2015: $12.679
- 2016: $8.647

#### Total Families Served
- 2006: 3,974
- 2007: 6,273
- 2008: 5,567
- 2009: 4,889
- 2010: 5,888
- 2011: 4,568
- 2012: 4,954
- 2013: 3,963
- 2014: 3,022
- 2015: 3,430
- 2016: 3,599

#### Total Housing Dollars Produced
- 2006: $261,441
- 2007: $426,930
- 2008: $387,540
- 2009: $293,723
- 2010: $408,934
- 2011: $255,872
- 2012: $226,482
- 2013: $273,043
- 2014: $179,162
- 2015: $227,189
- 2016: $237,542

#### Assets Managed/Active FTE
- 2006: 42.016
- 2007: 40.636
- 2008: 41.978
- 2009: 43.099
- 2010: 44.280
- 2011: 41.722
- 2012: 42.712
- 2013: 39.190
- 2014: 36.860
- 2015: 34.280

#### Housing $ Produced/Active FTE
- 2006: 4.613
- 2007: 7.018
- 2008: 6.063
- 2009: 4.513
- 2010: 6.017
- 2011: 3.668
- 2012: 3.489
- 2013: 2.718
- 2014: 3.571
- 2015: 3.559

#### Funds Obtained/Active FTE
- 2006: 0.180
- 2007: 0.211
- 2008: 0.220
- 2009: 0.308
- 2010: 0.161
- 2011: 0.090
- 2012: 0.147
- 2013: 0.240
- 2014: 0.191
- 2015: 0.199
- 2016: 0.130

#### Funds Disbursed/Active FTE
- 2006: 0.918
- 2007: 0.841
- 2008: 0.738
- 2009: 0.753
- 2010: 1.444
- 2011: 1.242
- 2012: 0.989
- 2013: 0.842
- 2014: 0.744
- 2015: 0.736
- 2016: 0.750
Tab 6
MEMORANDUM

TO: Board of Directors

Through: Finance Committee – September 8, 2015

Through: Policy Committee – September 2, 2015

FROM: Yvonne Segovia, Controller

DATE: September 16, 2015

SUBJECT: Fiscal Year (FY) 2015-2016 General Fund Budget

Recommendation:

Staff recommends approval of the budget as reflected on the attached schedules.

Discussion:

Attached is MFA’s General Fund proposed budget for FY 2015-2016. Revenue is projected at $14,656,000, an increase of $113,000 or 1% over projected 9/30/15 actual and an increase of $1,712,000 or 13% over prior year budget. The expense budget is projected at $12,070,000, an increase of $1,872,000 or 18% over 9/30/15 projected actual and an increase of $1,420,000 or 13% over prior year budget. The FY 2015-2016 budgeted excess revenue over expenses is $2,587,000.

ANALYSIS OF SIGNIFICANT INCREASES (DECREASES) IN PROPOSED BUDGET TO PROJECTED ACTUAL AND PRIOR YEAR (PY) BUDGET

REVENUE: INCREASE OVER PY ACTUAL $112,552 1%; INCREASE OVER PY BUDGET $1,712,331 13%

The increase over prior year actual is primarily a result of interest earned on the warehouse loans and increased activity anticipated in servicing fees due to expanded Mortgage Operations, and an increase in investment interest income from Mortgage-backed Securities. These increases are offset by State Investment Council (SIC) Fair Market Value adjustments included in FY15...
actuals. SIC Fair Market Value adjustments are not budgeted. The increase over prior year budget also includes an anticipated increase in To Be Announced (TBA) transaction fees and bond administration fees related to increased Single Family Program production.

**OPERATING EXPENSES: INCREASE OVER PY ACTUAL $867,987 11%; INCREASE OVER PY BUDGET $694,885 9%**

**Salaries:** Increase over PY Actual $270,983 7%; Increase over PY Budget $136,692 4% - See Attached Organization Chart
Regular merit increases are budgeted at 2.75% next year. In addition, the increase in actual and budget includes 1.5 additional full-time equivalent (FTE) positions, including a Compliance Officer effective 10/1/2015 and a full-time Management Trainee that is budgeted to begin 4/1/2016.

**Payroll Taxes, Employee Benefits:** Increase over PY Actual $184,853 11%; Increase over PY Budget $186,976 11%
The increase in taxes and benefits over actual and budget is primarily due to salary increases and changes in staff positions. In addition, the increase includes an overall increase in benefit premiums of approximately 7%.

**Repairs, Maintenance & Leases:** Increase over PY Actual $155,547 49%; Increase over PY Budget $157,762 50%
The increase over prior year actual and budget is for repairs to the building, including repair of the trim and parapets, painting of the building interior, and replacement of the carpet.

**Interest Expenses:** Decrease under PY Actual ($54,256) (38%); Decrease under PY Budget ($63,760) (41%)
The decrease under prior year actual and budget is because the MFA building bond was paid in full in September, 2015.

**Contractual Services:** Increase over PY Actual $141,159 16%; Increase over PY Budget $157,290 19%
The increase over prior year actual and budget is for consultant services related to the expansion of Mortgage Operations, and expanded internal audit services; professional support for Information Systems; Low Income Housing Tax Credit Program, and the Disaster Recovery & Business Contingency Plan; and contractors to make changes to cubicles, offices and the reception area. This increase is offset by a decrease in consultant fees for the investment advisor, legal counsel and a compliance consultant.

**Direct Servicing Expenses:** Increase over PY Actual $62,761 114%; Increase over PY Budget $72,327 159%
The increase over prior year actual and budget is for subservicing fees related to the expansion of Mortgage Operations.

**NON-OPERATING EXPENSES: DECREASE UNDER PY ACTUAL ($437,697) (27%); DECREASE UNDER PY BUDGET ($442,166) (27%)**

- **Capacity Building & Program Development:** Decrease under PY Actual ($449,216) (33%); Decrease under PY Budget ($450,500) (33%)
  The decrease under prior year budget is primarily due to a decrease in the Ventana Fund contribution and the Affordable Housing Act housing plan contracts.

**CAPITAL OUTLAYS: INCREASE OVER PY ACTUAL $1,425,975 9701%; INCREASE OVER PY BUDGET $1,425,975 9701%**

- The increase over prior year actual and budget is for the purchase of mortgage servicing rights related to the expansion of Mortgage Operations.

**NON-CASH ITEMS: INCREASE OVER PY ACTUAL $15,497 2%; DECREASE UNDER PY BUDGET ($258,206) (27%)**

- The decrease under prior year budget is related to a decrease in the Provision for Losses due to an adjustment in the second mortgage loan anticipated portfolio losses.

**Summary:**

MFA’s General Fund proposed budget for FY 2015-2016 is recommended for approval. Revenue is projected at $14,656,000, an increase of $113,000 or 1% over projected 9/30/15 actual and an increase of $1,712,000 or 13% over prior year budget. The expense budget is projected at $12,070,000, an increase of $1,872,000 or 18% over 9/30/15 projected actual and an increase of $1,420,000 or 13% over prior year budget. The FY 2015-2016 budgeted excess revenue over expenses is $2,587,000.
### NEW MEXICO MORTGAGE FINANCE AUTHORITY
### GENERAL FUND
### Fiscal Year 2015-2016 Budget

#### PROPOSED MORTGAGE OPERATIONS BUDGET 2016

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>Proposed Total</th>
<th>Operational Budget 2016</th>
<th>Total Proposed Budget 2016</th>
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<tbody>
<tr>
<td>Salaries</td>
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<td>3,901,196</td>
<td>3,830,214</td>
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<td>Overtime</td>
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<td>3,442</td>
<td>3,383 (155)</td>
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<td>Incentives</td>
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<td>258,820</td>
<td>247,180 (11,640)</td>
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<td>Payroll taxes, Employee Benefits</td>
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<td>1,917,785</td>
<td>1,732,832 (184,853)</td>
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<td><strong>TOTAL COMPENSATION</strong></td>
<td><strong>6,081,243</strong></td>
<td><strong>6,081,243</strong></td>
<td><strong>5,610,481</strong></td>
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#### TRAVEL & PUBLIC INFORMATION

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>2016</th>
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<th>Inc/(Dec) %</th>
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<tbody>
<tr>
<td>Customer Relations</td>
<td>4,987</td>
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<td>Public Information</td>
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<td>10,000</td>
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<td>In-State Travel</td>
<td>88,750</td>
<td>88,750</td>
<td>75,153</td>
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<td>Out-of-State Travel</td>
<td>19,570</td>
<td>112,266</td>
<td>87,943</td>
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<td><strong>TOTAL TRAVEL &amp; PUB. INFO.</strong></td>
<td><strong>508,409</strong></td>
<td><strong>408,259</strong></td>
<td><strong>333,924</strong></td>
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#### OFFICE EXPENSES

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<thead>
<tr>
<th>Expense Description</th>
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<th>Inc/(Dec) %</th>
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<tbody>
<tr>
<td>Utilities/Property Taxes</td>
<td>77,445</td>
<td>77,445</td>
<td>76,088</td>
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<tr>
<td>Leasehold Expense</td>
<td>(1,000)</td>
<td>(1,000)</td>
<td>(1,944)</td>
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<td>Insurance, Property &amp; Liability</td>
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<td>118,314</td>
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<td>Repairs, Maintenance &amp; Leases</td>
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<td>474,824</td>
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<td><strong>TOTAL OFFICE EXPENSES</strong></td>
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<td><strong>645,014</strong></td>
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#### OTHER OPERATING EXPENSES

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<td>Interest Expense</td>
<td>90,156</td>
<td>90,156</td>
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<td>58,233</td>
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<td>Education &amp; Training</td>
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<td>73,263</td>
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<td>Contractual Services</td>
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<td>Professional Services-Program</td>
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<td>Rebate Analysis Fees</td>
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<tr>
<td>Direct Servicing Expenses</td>
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<tr>
<td>Program Expense-Other</td>
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<td>Miscellaneous</td>
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<td><strong>TOTAL OTHER OPER. EXP.</strong></td>
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<td><strong>1,410,522</strong></td>
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#### TOTAL OPERATING EXPENSES

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<td><strong>TOTAL OPERATING EXPENSES</strong></td>
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#### NON-OPERATING EXPENSES

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<tbody>
<tr>
<td>Program Training &amp; Technical Assistance</td>
<td>289,125</td>
<td>289,125</td>
<td>277,606</td>
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<td>Program Development/Capacity Building Costs</td>
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<td>909,750</td>
<td>1,358,966</td>
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<tr>
<td><strong>TOTAL NON-OPERATING EXPENSES</strong></td>
<td><strong>1,198,875</strong></td>
<td><strong>1,198,875</strong></td>
<td><strong>1,836,572</strong></td>
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#### TOTAL OPERATING & NON-OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>2016</th>
<th>2015</th>
<th>Inc/(Dec) %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL OPERATING &amp; NON-OPERATING EXPENSES</strong></td>
<td><strong>170,477</strong></td>
<td><strong>9,753,852</strong></td>
<td><strong>9,924,329</strong></td>
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</table>

#### CAPITAL OUTLAY & SERVICING ACTIVITY

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>2016</th>
<th>2015</th>
<th>Inc/(Dec) %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL CAPITAL OUTLAY &amp; SERVICING ACTIVITY</strong></td>
<td><strong>1,365,000</strong></td>
<td><strong>75,675</strong></td>
<td><strong>1,440,675</strong></td>
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<tr>
<td><strong>NON-CASH EXPENSES</strong></td>
<td><strong>704,690</strong></td>
<td><strong>704,690</strong></td>
<td><strong>689,193</strong></td>
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<tr>
<td><strong>TOTAL EXPENSES, CAPITAL &amp; NON-CASH OUTLAY</strong></td>
<td><strong>1,535,477</strong></td>
<td><strong>10,534,216</strong></td>
<td><strong>12,069,693</strong></td>
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#### EXCESS REVENUE OVER EXPENSES

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>2016</th>
<th>2015</th>
<th>Inc/(Dec) %</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXCESS REVENUE OVER EXPENSES</strong></td>
<td><strong>(793,610)</strong></td>
<td><strong>3,380,318</strong></td>
<td><strong>2,586,709</strong></td>
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</tbody>
</table>

---

**Budget '16 to '15**

- **TOTAL PROJECTED REVENUE:** 741,867
- **PROJECTED EXPENSES:** 13,914,535
- **TOTAL PROJECTED EXPENSES:** 14,656,402
- **9/30/2015 Projected:** 14,543,850
- **Approved Budget:** 12,944,071
- **Inc(Dec) Budget '16 to Actual '15:** 1%
- **Inc(Dec) Budget '16 to Budget '15:** 1%
- **Inc(Dec) %**
  - **TOTAL PROJECTED REVENUE:** 3%
Annual Review of Compensation and Benefits
MEMORANDUM

To: Board of Directors

From: MFA Board Compensation Committee

Date: September 16, 2015

Re: Annual Review of Compensation and Benefits

BACKGROUND:

In October of 2012 Board Chair Dennis Burt established the MFA Board Compensation Committee. The purpose of the committee is to provide the appropriate oversight and transparency over MFA compensation and benefits. 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/Housing Program budget approval. Members are as follows:

Steven Smith, MFA Board Treasurer, Committee Chair
Angel Reyes, MFA Board Vice President
John Sanchez, Lt. Governor, State of New Mexico

ITEMS FOR DISCUSSION:

The committee met July 29, 2015 and reviewed the following:

- Salary Market Survey Process and Results
- Incentive Compensation
- Benefits

The Compensation Committee reviewed MFA’s compensation program for reasonableness and fairness. In addition the committee discussed the General Fund/Housing Program compensation and benefits budget outlook for FY2016. The committee also discussed benefit premium increases, proposed employee raises, and staffing levels.

RECOMMENDATION:

The committee believes that MFA’s compensation and benefit programs and the approach to the FY2016 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.
Tab 7
MEMORANDUM

TO: Board of Directors

Through: Finance Committee – September 8, 2015

Through: Policy Committee – September 2, 2015

FROM: Yvonne Segovia, Controller

DATE: September 16, 2015

SUBJECT: FY 2015-2016 NM Affordable Housing Charitable Trust Budget

Recommendation:

Staff recommends approval of the budget as reflected on the attached schedules.

Background:

The New Mexico Affordable Housing Charitable Trust is a legally separate trust for which the MFA Board provides oversight.

Discussion:

Attached is the proposed budget for the New Mexico Affordable Housing Charitable Trust for FY 2015-2016. Revenue is projected at $9,331, including contributions, and the expense budget is projected at ($9,664), resulting in a FY 2015-2016 budgeted excess expenses over revenue of ($333).

The expense budget includes salaries and indirect costs provided by MFA to support the non-profit organization. It also includes advertising funds to support the Strategic Plan initiatives.
Summary:

The NM Affordable Housing Charitable Trust Budget is recommended for approval. Revenue is projected at $9,331 and the expense budget is projected at ($9,664), resulting in a FY 2015-2016 budgeted excess expenses over revenue of ($333).
# NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST
## Fiscal Year 2015-2016 Budget

<table>
<thead>
<tr>
<th></th>
<th>Proposed Budget 2016</th>
<th>9/30/2015 Projected</th>
<th>9/30/2015 Actual</th>
<th>Approved Budget 2015</th>
<th>Inc(Decr) Budget '16 to Actual '15</th>
<th>Inc(Decr) Budget '16 to Budget '15</th>
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<tr>
<td><strong>TOTAL PROJECTED REVENUE</strong></td>
<td>9,331</td>
<td>10,317</td>
<td>9,830</td>
<td>(986)</td>
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<td>(499)</td>
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<td><strong>PROJECTED EXPENSES</strong></td>
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<td><strong>COMPENSATION</strong></td>
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<td>Salaries</td>
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<td>3,645</td>
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<td>1,622</td>
<td>619</td>
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<td>5,267</td>
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<td><strong>TRAVEL &amp; PUBLIC INFO</strong></td>
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<td>Customer Relations</td>
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<td>-</td>
<td>(21)</td>
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<td>Public Information/Advertising</td>
<td>4,000</td>
<td>-</td>
<td>5,000</td>
<td>4,000</td>
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<td>5,000</td>
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<td>Utilities/Property Taxes</td>
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<td>Leasehold Expense</td>
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<td>8</td>
<td>(13)</td>
<td>(3)</td>
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<td>23</td>
<td>13</td>
<td>159</td>
<td>169</td>
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<td>Supplies</td>
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<td>39</td>
<td>11</td>
<td>(12)</td>
<td>16</td>
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<td>27</td>
<td>13</td>
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<td>9</td>
<td>17</td>
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<td>11</td>
<td>1</td>
<td>16</td>
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<td>125</td>
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<td>Interest Expense</td>
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<td>-</td>
<td>(0)</td>
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<td>Dues &amp; Periodicals</td>
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<td>(0)</td>
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<td>Education &amp; Training</td>
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<td>(0)</td>
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<td>(2,128)</td>
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<td>-</td>
<td>(0)</td>
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<td><strong>TOTAL OTHER OPER. EXP.</strong></td>
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<td>2,128</td>
<td>-</td>
<td>(2,128)</td>
<td>-</td>
<td></td>
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<tr>
<td><strong>TOTAL OPERATING EXPENSES</strong></td>
<td>9,664</td>
<td>7,725</td>
<td>7,173</td>
<td>1,939</td>
<td>2,491</td>
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<td><strong>NON-OPERATING EXPENSES</strong></td>
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<td></td>
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<td><strong>TOTAL CAPACITY BUILDING COSTS</strong></td>
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<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
<td><strong>TOTAL OPERATING &amp; NON-OPERATING EXPENSES</strong></td>
<td>9,664</td>
<td>7,725</td>
<td>7,173</td>
<td>1,939</td>
<td>2,491</td>
<td></td>
</tr>
<tr>
<td><strong>EXCESS (DEFICIT) REVENUE OVER EXPENSES</strong></td>
<td>(333)</td>
<td>2,591</td>
<td>2,657</td>
<td>(2,924)</td>
<td>(2,990)</td>
<td></td>
</tr>
</tbody>
</table>
Tab 8
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee – 9/8/15

Through: Policy Committee – 9/2/15

FROM: Michael Scott

DATE: September 16, 2015

SUBJECT: 2015 Preservation Revolving Loan Fund – Approvals for

1. Resolution to Borrow and Establish Accounts
2. Program Policy
3. 2015 Notice of Funds Availability (NOFA)

Recommendation:

Housing Development is recommending and requesting Board approvals for the following items related to a Preservation Revolving Loan Fund (PRLF) award from USDA Rural Development (RD):

1. Approval of the Resolution to Borrow and Establish Accounts allowing MFA to enter into documentation to secure the PRLF loan award from RD and to establish accounts for the administration of the loan funds per RD requirements, which includes MFA providing $375,000 in matching funds from its Primero Investment Fund, and
2. Approval of the 2015 PRLF Program Policy, and
3. Approval of the 2015 Notice of Funds Availability (NOFA)

Background:

MFA received Board approval on December 17, 2014 to apply for an RD PRLF loan award. MFA received an award of $2,125,000 to be an intermediary lender for RD’s PRLF program for the purpose of providing loans for the revitalization and rehabilitation of housing currently financed by RD through its multifamily housing loan program under Sections 514, 515 and 516 of the Housing Act of 1949. In the application for the funds MFA committed to providing $375,000 in matching funds from the Primero Investment Fund during the term of the program.
Discussion:

To obtain the funds, MFA will need to execute certain documents required by RD that include, but are not limited to, a loan agreement, promissory note, and security agreement.

The terms of the loan are as follows:

- **Amount:** $2,125,000
- **Rate:** 1.0%
- **Term:** 30 years
- **Collateral:** Pledge of all assets placed in the Preservation Revolving Loan Fund and accounts established for the program.
- **Repayment:** Interest only, paid annually, for up to 3 years, then principal and interest payments annually for the remaining loan term (27 years).

As required by RD, MFA will also need to establish two accounts. One for the proceeds of the PRLF award and a second account into which MFA’s matching funds of $375,000 will be deposited. The matching fund account will be collateral for the fund for up to three years and then can be used to fund projects under this program. This account must be a countersignature account requiring authorized signatures from both MFA and USDA Rural Development.

Summary:

Seeking Board approval for a USDA Rural Development (RD) loan award of $2,125,000 at a 1% interest rate with a 30 year term. RD loan award will be matched with $375,000 of MFA’s Primero Investment Fund. The RD award is the second PRLF loan award MFA has received from RD, the first of which MFA received in 2011. The PRLF loan will allow MFA to continue to assist in the preservation of existing multifamily affordable rental projects located throughout rural New Mexico. It is anticipated that MFA will be able to assist five projects each with a $500,000 low cost loan. These projects, typically, may be combined with other MFA and third-party financing sources.
RESOLUTION OF NEW MEXICO MORTGAGE FINANCE AUTHORITY (MFA) AUTHORIZING
THE BORROWING OF UP TO $2,125,000 FROM THE UNITED STATES DEPARTMENT OF
AGRICULTURE RURAL DEVELOPMENT (USDA RD) UNDER THE SECTION 515 MULTI-
FAMILY HOUSING PRESERVATION REVOLVING LOAN FUND (PRLF) DEMONSTRATION
PROGRAM, AND COMMITMENT OF $375,000 OF MFA FUNDS, AND ESTABLISHMENT OF
A COUNTERSIGNATURE ACCOUNT

WHEREAS the legislated responsibility of the MFA is to help provide decent,
affordable housing to all New Mexicans; and

WHEREAS USDA RD awarded MFA $2,125,000 under the PRLF Demonstration
Program structured as a loan; and

WHEREAS MFA committed to provide $375,000 of Primero Loan Funds to the PRLF;
and

WHEREAS USDA RD requires the $375,000 to be placed in an interest bearing
countersignature account ("Intermediary Fund Account");

WHEREAS USDA RD requires that MFA maintain a separate bank account for PRLF
funds ("PRLF Bank Account");

WHEREAS USDA RD will have as security for the PRLF loan a collateral assignment
of the Intermediary Fund Account, the PRLF Bank Account, and all investments derived from the
proceeds of the PRLF;

WHEREAS MFA has determined the terms and conditions of the loan represent an
acceptable means to help capitalize a loan program that would target the rehabilitation of existing
Section 515, 514 and 516 USDA RD properties; therefore

IT IS RESOLVED:

The MFA Board agrees to borrow up to $2,125,000 from USDA Rural Development
at 1% per annum for a term of 30 years. Payment of principal can be deferred for three years.
Only annual interest payments will be made during the deferral period, then regular amortized
annual payments will begin. The proceeds will be used to establish and operate a revolving loan
program for the preservation of low income multifamily housing within the Rural Development
Sections 515, 514, and 516 portfolio.

The MFA Board agrees to place $375,000 of the Primero Loan Funds in an interest-
bearing countersignature account that will require a signature from both a USDA employee
authorized by USDA RD and a MFA employee authorized in accordance with the current
Authorized Signature Resolution ("Intermediary Fund Account"). In accordance with the
agreement with USDA RD, the funds must remain in the account until the first complete revolution of the PRLF or three years, whichever occurs first.

The MFA Board agrees to pledge, as security for the loan, a lien on the PRLF revolving fund, the portfolio of investments derived from the proceeds of the loan award, the Intermediary Fund Account and the PRLF Bank Account. The security interest in the PRLF Bank Account will among other rights, give USDA RD signature authority if needed to access this collateral in the case of MFA default on the loan.

The staff of MFA as designated by the Authorized Signatures Resolution are hereby authorized and directed to execute and deliver all notes, pledges, loan documents and other instruments necessary or convenient to consummate the transaction contemplated by this resolution.

After discussion, the foregoing Resolution was duly moved by _,
________________________, and seconded by_,
________________________; adopted by the following vote:

Aye          Nay          Absent

PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY THIS __________DAY OF SEPTEMBER 2015

________________________
Chairman

(SEAL)

ATTEST:

________________________
Secretary
Tab 9
A. INTRODUCTION/PURPOSES

MFA uses two key documents to regulate the use of the Preservation Revolving Loan Fund Program (PRLF). This document, the Program Policy, is the first of these documents. It is a set of broad policy statements to establish the fundamental program parameters. Although the program selection criteria, processing details, and requirements could change to ensure full utilization of the funding, the underlying premises of the policy should remain much the same over time. The policy is approved by the Board and expresses its general intentions concerning the use of the funds. Any changes to the policy in the future will require board approval.

The second key program document, the Preservation Revolving Loan Fund Program Manual, provides detailed direction to staff in the day to day operations of the program. It addresses application requirements, application processing and approval procedures, due diligence requirements, underwriting standards, limits and other criteria used to structure the award, documentation, file maintenance, interdepartmental coordination, Rural Development coordination and reporting, etc. It is updated from time to time as needed. In addition, all individual awards will continue to be approved through the staff and/or board and board committee process, consistent with MFA's authorization policy.

These two documents provide direction to staff in the day to day operations of the program in addition to the PRLF Notice of Funding Availability dated September 23, 2014, the terms of the loan with USDA Rural Development, and all other applicable guidance published by USDA Rural Development.

B. THE PROGRAM – DESCRIPTION OF THE PRLF PROGRAM

USDA Rural Development has approved MFA as an intermediary of the Section 515 Multi-Family Housing Preservation Revolving Loan Fund. MFA is to establish a program for the purpose of providing loans to ultimate recipients for the preservation of housing currently financed by Rural Development through its multifamily housing loan program under Sections 514, 515 and 516 of the Housing Act of 1949. This initiative is supported by funds provided by USDA Rural Development in the amount of $2,125,000. MFA is providing matching funds equal to $375,000. To the extent that program funding is received from the USDA Rural Development, the program must comply with requirements of the PRLF as established by USDA Rural Development.

C. DEPARTMENTAL RESPONSIBILITIES

Following standard agency practice the program design and implementation, submission to USDA Rural Development for approval of projects and funding, establishment of application requirements and selection criteria, review and selection of projects, structuring and underwriting of awards, documentation and processing of awards, and compliance with USDA Rural Development requirements, are the primary responsibility of MFA’s Housing Development Department, under the direction of the Director of Housing Development. Various additional
activities that are essential to the program and to the Development Department’s activity but will be carried out by other departments of MFA include, but may not be limited to, the following:

1. Disbursement of funds, tracking of program expenditures, financial and fund reporting to USDA Rural Development (Accounting);
2. Various compliance and monitoring activities to ensure that use restrictions are properly implemented and documented, program compliance and long term viability of the buildings (Asset Management);
3. Monitoring compliance with federal requirements, as needed (Community Development);
4. Loan Servicing (Servicing); and
5. Legal Counsel preparation and/or review of documents (as needed).

The Development Department will coordinate its activities with the other departments as needed. Management is the primary entity responsible for internal allocations of any needed resources to this program, for problem solving, and interdepartmental coordination activities.

D. DESIGN AND DEVELOPMENT

The purpose of the program is to provide rehabilitation funds to properties that may not otherwise have resources available to complete the needed scope of work. The near team goal is to meet physical rehabilitation needs for existing rural multifamily housing and the long term benefit is the preservation of affordable housing supply. With these goals in mind, the program is being designed to efficiently reach targeted projects by providing staff flexibility in program design to meet expenditure deadlines and comply with USDA guidance. Any major changes in the design of the program will be submitted to the MFA Board of Directors for approval.

E. OVERALL PROGRAM OBJECTIVES

The following apply to all of MFA’s housing development activities, including the PRLF:

1. Program resources will be used in the most efficient way possible as reflected in efforts to maximize leverage through commitments of resources from other sources and establish limits for awards to any given project.
2. Program funding will generally emphasize the greatest level of affordability possible where that is the prominent need. However, this may also allow for mixed income projects where such projects are deemed to be more responsive to local needs.
3. Program design will promote an equitable geographic distribution of funds throughout the state of New Mexico, subject to demand for the program and the requirements of the PRLF.
4. Program design will address housing production for special needs populations identified by MFA from time to time, including minority and/or under served communities, people with disabilities, and people living within special socio-economic circumstances.

F. BASIC EXCHANGE PROGRAM PARAMETERS

1. The application process will give priority to projects that demonstrate the highest degree of readiness to proceed.
2. Awards will be made in the form of loans.
3. MFA is responsible for repaying the funds to USDA Rural Development over 30 years at an interest rate of 1%. Loans to eligible recipients will be structured to be repaid over a
similar period of time. MFA will relend these funds at a higher rate of interest to help cover the costs of administering these funds.

4. Eligible projects must be multifamily housing currently financed by Rural Development through its multifamily housing loan program under Sections 514, 515 and 516.

5. Staff will underwrite all projects to ensure financial feasibility and will apply industry practice in assessing each project proposed. Award amounts will not exceed the amount necessary to fill any funding gaps and to ensure the financial feasibility of the project.

6. All awards will be approved by staff and/or the Board of Directors and its designated committees, consistent with MFA’s authorization policy.

7. MFA may charge fees for its services in operating the program.

8. Loans will be fully documented with use of appropriate loan documents.

G. PROCESSING OF APPLICATIONS AND AWARDS

Staff will determine application requirements, process and underwrite awards, and perform a variety of other activities required to operate the program. Application requirements will be posted on MFA’s website. Applications will be received on an on-going basis as long as funding is available. PRLF awards will be approved in accordance with the authorization levels approved by the Board.
New Mexico Preservation Revolving Loan Fund (PRLF)
Notice of Funding Availability (NOFA)
& Application Guidelines

Introduction and Background

USDA Rural Development (RD) has approved the New Mexico Mortgage Finance Authority (MFA) as an intermediary of the Section 515 Multi-Family Housing Preservation Revolving Loan Fund (PRLF) for the purpose of providing loans for the revitalization and rehabilitation of housing currently financed by RD through its multifamily housing loan program under Sections 514, 515 and 516 of the Housing Act of 1949. This initiative is supported by funds provided by USDA Rural Development in the amount of $2,125,000. MFA is providing matching funds equal to $375,000.

The MFA is a governmental instrumentality separate and apart from the state, created by the New Mexico Mortgage Finance Authority Act for the purpose of financing affordable housing for low and moderate income New Mexico residents.

The purpose of the PRLF, as laid out in the Notice of Funding Availability by USDA first published in the Federal Register on September 23, 2014, is to provide affordable funding for preservation and rehabilitation of USDA RD assisted projects in the state. Additionally, the program must comply with the requirements of the PRLF as established by USDA RD. The policy establishes that these funds will be awarded to eligible projects in the form of amortizing loans. Loan size will be determined by MFA staff based on standard underwriting guidelines, project feasibility, and project need.

Contact Person

Applicants are encouraged to direct questions regarding the Preservation Revolving Loan Fund Notice of Funding Availability (“NOFA”) and Funding Application Guidelines to:

Mr. Michael Scott
New Mexico Mortgage Finance Authority
344 4th Street SW
Albuquerque, NM 87102
Phone: (505) 767-2262 or toll-free statewide (800) 444-6880
E-mail: mscott@housingnm.org
TTY/Voice:
711, or if no answer:
1-800-659-8331 (English)
OR
1-800-327-1857 (Spanish)
A New Mexico Relay CA will answer by saying: "New Mexico Relay Go Ahead."

Application Submission and Due Date

In order to be considered for funding, completed applications must be received at MFA’s office in Albuquerque by 4:00 PM, on {Date}¹ to be set approximately one (1) year from Month, Day, Year). After this date applications will be reviewed on an ongoing basis as long as funds are available. The required forms will be provided electronically and may be downloaded from MFA’s website at http://www.housingnm.org/developers.

PRLF NOFA Rev 09/16/15

¹ Date of application submission deadline will be approximately one (1) year from the date of the loan documents between USDA and MFA.
Applications will NOT be accepted electronically or via facsimile. Applications shall be submitted in six-tab file folders marked “New Mexico 515 Multi-Housing Financing Preservation Revolving Loan Fund.”

**Eligible Applicants**

Eligible applicants include non-profit organizations, for-profit organizations, governmental housing agencies, regional housing authorities, governmental entities, governmental instrumentalties, tribal governments, tribal housing agencies, builders, corporations, limited liability companies, partnerships, joint ventures, syndicates, associations, or other entities that can assume contractual liability and legal responsibility by executing one or more written agreements entered into with MFA.

To be eligible to receive Preservation Revolving Loan Fund assistance, an applicant shall:

- Currently own or possess a binding purchase agreement for a property currently financed under Sections 514, 515 and 516 of the Housing Act of 1949.
- Be organized under state, local, or tribal laws and provide proof of such organization and that the applicant is in good standing, as applicable.
- Have a functioning accounting system that is operated in accordance with generally accepted accounting principles or has designated an entity that will maintain such an accounting system consistent with generally accepted accounting principles.
- Provide most recent audit or accountant reviewed statements and have no significant findings on its most recent MFA monitoring or outstanding or unresolved issues with MFA; if applicable.
- Not have been suspended, debarred or otherwise restricted by MFA or any department or agency of the Federal government or any State government from doing business with such department or agency because of misconduct or alleged misconduct.
- Have among its purposes significant activities related to providing housing or services to persons of low or moderate income.
- Not have defaulted on any obligation with MFA or any other government lender.

If a non-profit organization, an applicant shall:

- Provide proof of its 501(c)(3) tax status;
- Provide proof that it is in compliance with the Charitable Solicitations Act NMSA 1978, §57-22-1, etc. seq. and with the filing requirements by the New Mexico Attorney General’s Office under that Act; and
- Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual.
- Provide most recent audited financial statements, with no significant financial audit findings.

**Eligible Activities: Rental Housing**

- Preservation of housing currently financed by RD through its multifamily housing loan program under Sections 514, 515 and 516 of the Housing Act of 1949.

**Eligible Expenses**

Subject to applicable law, PRLF financing may be used only for reasonable and customary costs that are directly attributable and traceable to the construction and/or rehabilitation of
eligible projects. MFA seeks to fund hard construction costs that will provide the rehabilitation
and revitalization of existing USDA financed projects. It is MFA’s request that items required in
the process such as relocation, furniture, fixtures and equipment desired for improved livability
be paid out of other sources of funding to maximize the impact of this funding.

**Beneficiary Income Limits and Other Requirements**

Tenant income eligibility must adhere to the requirements set forth as USDA 7 CFR Part 3560.152. The income limits and requirements vary depending on the type of housing provided.

**Housing Standards**

All housing receiving PRLF financing must meet housing standards prior to occupancy and
throughout the affordability period. This includes the development standards set forth by USDA
found in 7 CFR Part 1924, subparts A and C. Standards must be met for both the type of
housing and the type of activity, including meeting all state and local code requirements, federal
fair housing requirements, ADA, Model Energy codes as applicable and must meet MFA design
standards.

**Funding Terms and Conditions**

All awards of PRLF funds shall be subject to the availability of funds and applicable law. The
MFA will allocate only the minimum amount of PRLF funds that MFA determines to be
necessary for the financial feasibility of the project and its viability as a qualified affordable
housing project throughout the affordability period. Applications will be underwritten and awards
structured to ensure that these funds will be repaid. Principles of sound underwriting and risk
management will be applied when reviewing all applications.

All PRLF financing will be in the form of amortizing loans with interest, which may be for interim
and/or permanent financing for amortizing terms not to exceed 25 years. Loans can be
structured with an initial interest only period with a term not to exceed 18 months. The terms
and conditions for each loan will be based on the financing needs of each project or activity. All
loans will be secured by mortgages and/or other appropriate liens and the recording of Land
Use Restriction Agreements (LURAs) will be required for all loans. These LURAs shall remain
in place throughout the required affordability period regardless of the status of the loan or
changes in ownership, unless equal or more restrictive land use restrictions are in place from
other funding sources or imposed through permanent affordability mechanisms such as deed
restrictions or land trusts. These can include USDA Restrictive Use Provisions as outlined in 7
CFR Part 3560.662.

**Funding Limits and Restrictions**

Awards of PRLF funds are contingent on fund availability and are further subject to applicable
law. If these are not available any loan or other agreement between the MFA and any
successful, eligible applicant shall terminate upon written notice being given by the MFA to the
applicant. The MFA’s decision as to whether sufficient appropriations are available or whether
PRLF may be awarded, subject to applicable law. shall be accepted by any applicant and shall
be final.

**Maximum Funding Amount**

Maximum funding amount is $500,000 per project. However, MFA, in its discretion, may set
additional limits on the amount of PRLF funding to be awarded per application, per NOFA, per
sponsor, per year, or otherwise. MFA staff will monitor these limits and will modify where appropriate.

**Developer and Consultant Fees**

Developer and Consultant Fees are limited to the following percentages of acquisition and site improvements, hard construction costs, professional fees, financing costs, and soft costs, unless further restricted by other funding sources.

- Small project (5 or fewer units): 15%
- Standard project (6 or more units): 12%

**Builder Fees**

“Builder Fees” generally covers Builder overhead, profit and general requirements. Builder fees are limited to the following percentages of site improvements and hard construction costs, unless further restricted by other funding sources.

- Small project (5 or fewer units): 15%
- Standard project (6 or more units): 13%

**Evaluation of Applications, Award Notice, and Negotiation**

Subject to applicable law and the rules set out by USDA RD, applications will be evaluated by MFA staff using the criteria listed below, with final selection to be made in accordance with the current Delegations of Authority in place at MFA. In the event of a tie score, staff will recommend approval based on project readiness, the income level of families served (i.e. the lower the area median income (AMI) percentage, the higher the weight), financial need, and other factors as determined by staff. As a condition of any award of PRLF funds, all applicants shall be required to comply with all applicable federal, state and local laws, rules and ordinances.

MFA shall enter into loan agreements and related agreements with the applicants whose applications are deemed to be most advantageous to achieving the goals of the PRLF. The loan and related agreements shall include provisions for adequate security against the loss of PRLF funds in the event that a successful applicant abandons or otherwise fails to complete a PRLF project and, further, shall include remedies and default provisions in the event of the unsatisfactory performance by the successful applicant. MFA may provide applicants whose applications are reasonably likely, in MFA’s discretion, to be selected, an opportunity to discuss and revise their proposals prior to award for the purpose of obtaining final and best applications. Applications shall be evaluated using the criteria listed below.

**Threshold Requirements**

To be considered for funding, an applicant must first demonstrate that it meets each of the following threshold criteria:

1. The application is complete and legible, including all schedules and attachments, and is submitted by the application deadline.
2. The application complies with all applicable requirements established in these guidelines and NOFA.
3. The applicant must demonstrate appropriate site control for a property currently financed under Sections 514, 515 and 516 of the Housing Act of 1949.
4. The applicant provides sufficient evidence of its ability to undertake and complete the proposal in the areas of financing, acquiring, rehabilitating, developing, and/or managing an affordable housing project.

5. The application provides sufficient evidence that the proposed project is financially and technically feasible and includes a proposed budget and performance schedule for the proposed project.

Applications that do not meet all of the threshold requirements will not receive further consideration for funding and will be returned to the applicant.

**Evaluation Criteria**

Applications meeting the minimum threshold criteria will be reviewed according to the following evaluation criteria.

1. The degree to which the applicant has demonstrated its ability to undertake and complete the proposed project in the areas of financing, acquiring, rehabilitating, developing, and/or managing an affordable housing project. Adequate assurance of repayment of the loan evidenced by the fiscal and managerial capabilities of the project sponsor. The sponsor’s prior calendar year audit, where applicable, must indicate an unqualified audited opinion which provides a statement relating to the accuracy of the financial statements. Furthermore any principal must not be suspended by MFA or on the “List of Parties Excluded from Federal Procurement and Non-Procurement Programs.”

2. The degree to which the applicant has leveraged other public or private sector resources appropriate for the proposed type of affordable housing project or activity. Each project must demonstrate leverage of non-federal funds at a 1:1 level with PRLF funds requested. Applicants are expected to access other resources that are available for the type of housing project proposed. The evaluation will be based on the amount of the loan, together with other funds available and is adequate to complete the preservation or revitalization of the project. The loan underwriting must support a minimum 1.20X DSCR on all hard debt and maximum 75% LTV requirement on all hard debt service.

3. The degree to which the applicant has demonstrated readiness to proceed. More weight will be awarded to applicant projects that are ready to begin implementation immediately with environmental review requirements completed, land control secured, planning design and permitting complete, and other resources firmly committed.

4. The degree to which the applicant has demonstrated the cost effectiveness and cost reasonableness of the proposed project or activity. Evaluation of this category will include the source of the applicant’s cost estimates, data from experience on prior projects in New Mexico, and consultation with construction cost experts.

**Application Format and Instructions to Applicants**

Proposals must include and address the following, pursuant to the PRLF Application Package:

1. Completed and executed PRLF Application, including all requested and applicable documentation attached as appendices.
2. Resumes or biographical profiles and related information on applicant’s development and/or management team and qualifications evidencing ability to manage proposed project.

3. Current audits for the previous two fiscal year ends (FYE) (i.e., no more than 18 months old). An internally prepared FYE statement is acceptable for the most recent FYE if the audit is not yet available. Applicants without an audit must submit accountant reviewed reports for the same time periods.

4. Year-to-date internally prepared financial statements (dated within 3 months of the application) that demonstrate the financial and management stability of the applicant.

5. Narrative, supported by the application and schedules, that describes the need for the PRLF award, the value that the PRLF award has on reducing the cost of the housing, and the benefit to the community and/or beneficiaries of a proposed project.

6. Applicant Certification: Applicant will certify that they will comply with specific USDA regulations including but not limited to: management regulations found in 7 CFR Part 3560, Subpart C, tenant eligibility requirements contained in 7 CFR 3560.152, Restrictive Use Provisions contained in 7 CFR Part 3560.662 and housing accessibility requirements found at 7 CFR 3560.60(d). Applicant will certify that they will comply with other Federal Government requirements including: Title VIII of the Fair Housing Act, Title VI of the Civil Rights Act of 1964, the Equal Credit Opportunity Act, the Age Discrimination Act of 1975, Executive Order 12898, the Americans with Disabilities Act and Section 504 of the Rehabilitation Act of 1973.

7. Applicants must be in compliance with all USDA program requirements or have an agency approved workout plan in place which will correct a non-compliance status. Applicant must not be debarred or suspended from any other Federal government programs nor be delinquent in any debt or non-tax judgment lien.

8. Applicant must demonstrate that it is unable to provide funding to preserve and revitalize existing 514, 515 and 516 properties from their own resources, and are unable to obtain the necessary credit from other sources upon terms and conditions the applicant would be reasonably be expected to fulfill.

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

10. The MFA requires that applicants be Equal Opportunity Employers (if applicable). Please state that applicant complies fully with all applicable government regulations regarding nondiscriminatory employment practices.

11. Disclosure: Please provide a statement disclosing the following or stating they are not applicable:
   a. Any political contribution or gift valued in excess of $2,500.00 (singularly or in the aggregate) made by Applicant or on Applicant’s behalf to any elected official of the State of New Mexico currently serving or who has served on the MFA Board in the past three (3) years.
   b. Any current or proposed business transaction between applicant and any MFA
member, officer, employee or their employer or other potential conflict which may
give rise to a claim of conflict of interest. Applicant shall warrant that it has no
interest, direct or indirect, which would conflict in any manner or degree with the
performance of services required under any loan agreement that may be
awarded as a result of this NOFA.

**Incurred Expenses**

MFA shall not be responsible for any expenses incurred by an applicant in applying for PRLF
funding. All costs incurred by an applicant in the preparation, transmittal or presentation of any
application or material submitted in response to this NOFA will be borne solely by the applicant.

**Award Notice**

MFA shall provide written notice of the award to all applicants within fifteen (15) days of the date
of the award. The award shall be contingent upon successful negotiations of a final loan
agreement and related agreements between MFA and the applicant whose application has
been selected by MFA for PRLF financing. Commitment of loan funds is not finalized until an
affirmative decision on proceeding with funding is received by USDA RD.

**Loan Agreement**

A successful applicant will enter into a loan agreement and related agreements with MFA for the
services to be performed. Related agreements may include, but are not limited to, notes,
financing statements, and Land Use Restriction Agreements. The loan agreement shall include
the scope of services, term of performance, fees or costs, and shall describe the conditions
under which the successful applicant shall perform the scope of services. The loan agreement
will also contain USDA Restrictive Use Provisions found in 7 CFR Part 3560.662.

**Environmental**

Applicant will provide the Environmental Review Officer at MFA the proper documentation to
prepare a properly completed from FmHA 1940-20. This form will be submitted to USDA who
must clear project under 7 CFR Part 1940 before the project can begin construction. The
environmental review allows MFA to determine whether there are any significant impacts that
could adversely affect the environment, inform the public about the project and any
environmental impacts, and provide an opportunity for comment or objection to the use of
federal funds.

**Application Confidentiality**

Prior to the application submission, MFA encourages inquiries and contacts with its Contact
Person from potential applicants regarding the NOFA or sound housing project policies and
procedures. The MFA shall not disclose any information regarding a proposed application
provided during such inquiries and contacts to any third party.

After the application submission and until awards are made and notice given to all applicants,
the MFA will not disclose the contents of any application or discuss the contents of any proposal
with an applicant or potential applicant, so as to make the contents of any offer available to
competing or potential applicants.

After the awards have been made and notice given to all applicants, all applications shall be
available and open to the public for review.
Irregularities in Applications

MFA may waive technical irregularities in the form of proposal of any applicant selected for award which do not alter the price, quality or quantity of the services offered.

Responsibility of Applicants

If an applicant who otherwise would have been awarded a loan agreement is found not to be a responsible applicant, a determination, setting forth the basis of the finding, shall be prepared and the applicant disqualified from receiving the award.

A responsible applicant means an applicant who submits an application that conforms in all material respects to the requirements of this NOFA and the PRLF application and who has furnished, when required, information and data to prove that the applicant’s financial resources, production or service facilities, personnel, service reputation and experience are adequate to make satisfactory delivery of the services described in this NOFA.

Protest

Any applicant who is aggrieved in connection with this NOFA or the award of a loan agreement pursuant to the PRLF application process may protest to MFA. The protest must be written and addressed to the Contact Person. The protest must be delivered to MFA within fifteen (15) calendar days after the notice of award or decline. Upon the timely filing of a protest, the Contact Person shall give notice of the protest to all applicants who appear to have a reasonable prospect of being affected by the outcome of the protest. The applicants receiving notice may file responses to the protest within seven (7) calendar days of notice of protest. A committee appointed by the MFA Board Chair shall review the protest and responses to the protest and shall make a recommendation to the Board of Directors regarding the disposition of the protest.

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

Nondiscrimination

In accordance with Federal Law and U.S. Department of Agriculture Policy, this institution is prohibited from discriminating on the basis of race, color, national origin, sex, age or disability.

To file a complaint of discrimination, write USDA Office of Civil Rights, 1400 Independence Avenue SW, Washington, DC 20250-9410 or call (800) 795-3272 voice or (202) 720-6382 TTY

Modifications to Notice of Funding Availability

This NOFA may be modified by MFA staff from time to time to the extent that revisions are required in order to insure full utilization of the funds or if there are changes in the federal guidance for this program.
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee – September 8, 2015

Through: Policy Committee – August 18, 2015/September 2, 2015

FROM: Jacqueline Boudreaux, Director of Asset Management and; Marjorie Martin, Attorney

DATE: September 16, 2015

SUBJECT: MFA Approval of Request for Proposal Process to Facilitate the Transfer of Real Property

Recommendation:
Staff recommends approval of a Request for Proposal written for the Purchase and Preservation of Affordable Housing.

Background:
In February, 2014 Eastern Plains Housing Development Corporation (EPHDC) became defunct and MFA became involved to ensure properties formerly owned by EPHDC continued to operate as affordable properties and be available for resident occupants. MFA has since worked to get a court appointed receiver, functioning as the Trustee for Receivership, for the assets in which MFA holds the mortgage. Since, MFA has financially supported the ongoing operations of these assets where it was reasonable to do so; and we have confirmed to the courts at least two properties formerly owned by EPHDC will be transferred to a new owner through the selection of a person or entity as purposed purchaser of the affordable properties located in Roosevelt and Curry counties respectively. To this end, MFA must engage in an alternative (non-public) sale process of real property through the instrumentality of an Affordable Housing Properties RFP (attached).
Discussion:
The real properties in question (listed below) will be transferred to a person or entity that will comply with the existing Land Use Restriction Agreements (LURAs) and all other regulatory loan documents. In exchange, the person or entity will benefit from a lower sale price over that of a typical property foreclosure. MFA has received a legal judgement from the applicable county courts (Curry and Roosevelt) to use this alternative sale process by which potential buyers will be procured through a Request for Proposal (RFP) method.

1. Clovis Rental Properties
   MFA mortgage note for HOME Loan #HM060; LURA expires in 2022
   Description: Five (5) single family rental homes (occupied with leases in place) in Curry County and located at 3300 Cesar Chavez, 3301 Vinton Street, 3305 Vinton Street, 3309 Vinton Street, and 3313 Vinton Street, in Clovis, NM.

2. Portales Special Needs (aka JK Lyons)
   MFA mortgage note for Primero Loan #MF99028
   MFA does not carry a mortgage note for HOME; however, there is a HOME deed restriction which expires on 04/2016
   LIHTC LURA dated 09/22/1994 expires in 2027
   Description: Multifamily complex that comprises nine (9) units in Roosevelt County and is located at 109 North Avenue I (Units # 1-9) in Portales, NM.

The sale price for both properties listed above is based on the Unpaid Principal Balance of the loans and any expenses paid by MFA since EPHDC was defunct in February, 2014. The unpaid balance for Loan #HM060 is $178,500 and other debt is $3,251.80. The unpaid balance for Loan #MF99028 is $90,882.94 and other debt is $1,127.37. In addition, MFA’s debt for legal and contractor fees is $45,591 (as of 6/30/15) and MFA is expected to spend another $18,213 (by 12/31/15) for a combined total of $65,133.

Full Timeline for Affordable Housing Properties RFP

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<th>Date</th>
<th>Event</th>
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<tr>
<td>9/02</td>
<td>MFA Policy Committee (follow-up to 8/18 meeting)</td>
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<td>9/08</td>
<td>Finance Committee</td>
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<tr>
<td>9/16</td>
<td>MFA Board of Directors</td>
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<tr>
<td>9/17</td>
<td>Publish RFP (MFA website and email distribution to known potential purchasers; website FAQ process will close on 10/01)</td>
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<tr>
<td>10/08</td>
<td>RFP closes on 4 p.m. MDT</td>
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<tr>
<td>10/27</td>
<td>MFA Policy Committee</td>
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<td>11/10</td>
<td>Finance Committee</td>
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<tr>
<td>11/18</td>
<td>MFA Board of Directors</td>
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The fee for service contract between MFA and Sandra Hidalgo is effective through December 31, 2015. Staff anticipates the term of the contract will carry through to the end of her legal obligations as Trustee in Receivership for these assets. Sandra Hidalgo has consented to continue to provide property management services and will join MFA in all activities related to the RFP process through to the end of the final court order and approval of new purchaser.

**Summary:**
Last year, a non-profit entity known as Eastern Plains Housing Development Corporation (EPHDC) became defunct and no longer has legal claim to two rental housing assets for which EPHDC was the mortgagor and MFA the mortgagee. The assets comprise a total of five (5) single family rental homes in Clovis, NM and a nine (9) unit multifamily apartment complex with two units designated for persons with special needs, in Portales, NM. Since February, 2014 MFA has been overseeing property management and has invested funds to keep the assets stable until the threat of foreclosure and loss of affordable housing stock was successfully mitigated. Now, MFA must engage in an alternative (non-public) sale process of real property through a RFP process in order to finally and completely resolve this issue.

**Attachments**
1. Affordable Housing Properties RFP
Tab A
New Mexico Mortgage Finance Authority
Request for Proposals
To Purchase and Maintain Affordable Housing Properties

Part I: Background & General Information

Introduction

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

Purpose

The purpose of this Request for Proposals (RFP) is to solicit proposals for the purchase of two affordable rental properties, in accordance with the New Mexico Mortgage Finance Authority Procurement Policy, from qualified person(s) or entity ("Offerors") which by reason of their financial stability and affordable housing experience are able to own and operate affordable housing properties.

The affordable rental properties are (1) Clovis Rental Properties, MFA loan #HM060 and (2) Portales Special Needs a.k.a. JK Lyons Apartments, MFA Loan #MF99028 (Property Description and Physical Condition Reports and Financial Disposition Reports see Attachments 2 and 3). Clovis Rental Properties has a HOME Loan #HM060 and the LURA expires in 2022. Portales Special Needs has a Primero Loan #MF99028, a HUD HOME deed restriction which expires on 04/2016, and a Low Income Housing Tax Credit Land Use Restriction Agreement which expires in 2027. The non-profit entity, Eastern Plains Housing Development Corporation was defunct on or around February, 2014. MFA, due to its loan interest and interest to preserve affordable housing, acted to ensure property operations were maintained. MFA acted through the courts in Roosevelt and Curry Counties to appoint a Trustee in Receivership which was approved in November, 2014 for Loan #HM060 and later approved in June, 2015 for Loan #MF99028. To date, a Final Default Judgement for Appointment of Receiver, Foreclosure, and for Alternative Sale Process (attached) for both properties has been secured and therefore, MFA is issuing this Affordable Housing Properties RFP.

Questions and Answers

Questions pertaining to this RFP and application must be submitted via the MFA website at http://www.housingnm.org/rfp. Then under “Current RFP’s,” select “Affordable Housing Properties RFP.” On the Affordable Housing Properties RFP page, select the “Affordable Housing Properties FAQs” link. Questions will be checked on a daily basis. The FAQ will open the day after the RFP issues and will close on October 1, 2015. To submit your questions, scroll down to the “Ask a question” section, enter your name, email address, and type your question in the “Question” box, type in the two (2) words in the CAPTCHA box and click on “Send my question”. MFA will make every attempt to answer questions within two (2) business days.

Proposal Submission

The original and six (6) copies of a proposal must be received by MFA at our office located at 344 Fourth Street S.W., Albuquerque, NM 87102 no later than Thursday, October 8, 2015 at 4:00 p.m., Mountain Time. Proposals shall be in sealed envelopes marked “Response to Affordable Housing Properties RFP.”
Incomplete proposals shall not be considered.

Discussion may be conducted with Offeror(s) to provide clarification, but proposals may be selected or rejected without such discussions.

**Proposal Tenure**

All proposals shall include a statement that the proposal shall be valid until final transfer of properties to selected purchaser(s), for 120 calendar days from the proposal due date, with the option to extend this date if agreed upon by both parties.

**RFP Revisions and Supplements**

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

**Incurred Expenses**

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

**Cancellation of Requests for Proposals or Rejection of Proposals**

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

**Evaluation of Proposals**

Proposals will be evaluated by an Internal Review Committee (IRC) of MFA staff, to include the Trustee in Receivership, using the criteria listed in Part II Minimum Qualifications and Requirements and Part III Evaluation Factors herein. MFA may provide Offerors whose proposals are reasonably likely, in MFA’s discretion, to be selected, an opportunity to discuss and revise their proposals prior to award, for the purpose of obtaining final and best offers. Proposals shall be evaluated on the criteria listed in Part IV Evaluation Criteria, herein.

**Notice of Selection**

MFA shall provide written notice of the selected Offeror(s), within ten (10) days of the date of final selection to all persons or entities who have submitted a proposal. The IRC will request approval of the selected Offeror from the MFA Board of Directors on or about November 18, 2015. The full Board of Directors shall select the Offeror(s) whose proposal(s) will meet the requirements of the Trustee in Receivership and the Final Default Judgement for Appointment of Receiver, Foreclosure, and for Alternative Sale Process documents.
**Negotiation of Final Purchase Agreement**

The selection shall be contingent upon successful negotiations of a final purchase agreement entered into between the selected purchaser(s) and the Trustee in Receivership for the properties. If a final negotiation cannot occur with the selected Offeror, then MFA will enter into negotiations with the other Offeror(s). The final selection will then be referred to the Contracted Services Committee of the MFA Board of Directors for recommendation, with proposed approval to be determined by the full Board of Directors. A final approval of Offeror(s) will be determined by judicial order from local courts in both Roosevelt and Curry counties.

**Proposal Confidentiality**

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

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

**Irregularities in Proposals**

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

**Responsibility of Offerors**

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

**Part II: Minimum Qualifications and Requirements**

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

1. All Offerors must meet all qualifications
2. Be in good standing with the MFA to include no debarment from future business with MFA and no current or recent (last three years) issues of non-compliance with MFA loan servicing department, housing development, and asset management.

3. Be an experienced owner and operator of affordable properties to include and not be limited to physical condition, compliance with applicable housing regulations and written agreements, loan requirements, adherence to New Mexico Landlord-Tenant Law, and adherence to Federal and State Fair Housing and Equal Opportunity Laws. Provide an inventory of your property portfolio to include a description of type of housing, units, special preferences such as elderly, disabled, family, and persons with special needs.

4. Be able to assume or payoff both property loans totaling $273,762. Be able to pay MFA the amount of $65,133 for other debt incurred associated with the loans, such as attorney and contractor fees.

5. Provide at least one letter of support from Roosevelt and Curry County officials or the same from local municipalities. All letters must be signed by an authorized representative.

**Part III: Evaluation Factors**

Offerors may respond to this RFP to own and operate affordable housing properties. There are three key evaluation factors: (1) financial capacity, (2) owner and management experience, and (3) commitment to preserve affordable housing.

**Part IV: Evaluation Criteria**

MFA shall select the Offeror whose proposal most clearly demonstrates the ability to own and manage affordable properties. Proposals shall be evaluated primarily on financial stability of persons or entities and on experience. Proposals shall be scored from zero to 100 points based on the criteria listed below. Please note that a serious deficiency in any one criterion may be grounds for rejection regardless of overall score.

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<th>Criteria</th>
<th>Point Range</th>
<th>Maximum Points</th>
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<td>Complete submission of all requirements under Part III, Owner and Management Experience and Commitment to Preserve Affordable Housing</td>
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<td>1. inventory of property portfolio</td>
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<td>2. organizational chart and staff bios</td>
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<td>3. listing of staff credentials</td>
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<td>4. fair housing and equal opportunity training</td>
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<td>5. operational plan</td>
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<td>6. copies of monitoring reports</td>
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<td>Complete submission of all requirements under Part III, Commitment to Preserve Affordable Housing</td>
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<td>1. letter of commitment</td>
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<td><strong>Maximum Points</strong></td>
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Part V: Proposal Format and Instructions to Offeror

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

1. Letter of Transmittal

   A. Include the following information:

   1. Name, address and telephone number of Offeror and name of contact person
   2. A signature of the Offeror or any partner, officer or employee who certifies that he or she has the authority to bind the Offeror
   3. Date of proposal
   4. A statement that the Offeror, if awarded the contract, will comply with the contract terms and conditions set forth in this RFP
   5. A statement that the Offeror’s proposal is valid until final transfer of properties to selected purchaser(s), for 120 calendar days from the proposal due date, with the option to extend this date if agreed upon by both parties

2. All Offeror’s must provide audited financial statements and associated management letters for the most recent fiscal year and two previous years. Non-profit and for profit entities that receive federal or state funding from MFA must provide an annual independent financial audit or audited financial statements from a certified auditor of their choice. An independent CPA’s auditors report (Audit) conducted in accordance with Government Auditing Standards (GAS). The GAS Audit will include an independent auditors report on the following: 1) financial statements; and 2) Internal Control over financial reporting and compliance. The Audit will also include the auditor’s management letter if there is one, and the Offeror’s response to any audit findings. Any repeat and unresolved audit findings, as determined by MFA, may result in disqualification

3. If the Offeror is a non-profit then the Offeror must submit proof of 501(c) (3) status. Provide proof of current registration as a charitable organization with the New Mexico Attorney General’s Office, covering the fiscal year ending in 2015 or proof of exemption therefrom. Information can be submitted online and verification obtained via https://secure.nmag.gov/coros/. Verification should be in the form of the first page of the “NM Charitable Organization Registration Statement.”

4. If the Offeror has a Board of Directors, the Offeror must submit bylaws or board resolution requiring board fiscal oversight that demonstrates financial integrity. Additionally, provide a listing of your current Board Members to include: 1) Name, 2) Home Address, 3) Employer, 4) Position on the Board, 5) Area of Expertise/Qualification, 6) Years on the Board, and 7) Term Expiration Date. The Offeror must submit policies and procedures approved by its Board of Directors to demonstrate checks and balances, sound organization system of checks and balances (segregation of duties) in fiscal management. Policy describes separate roles and responsibilities for cash receipts, check requests, check cutting/preparation and check signing. Attach a board approved policy and procedure on the organization’s system of checks and balances for fiscal management.
5. Offerors must provide at a minimum the following documents to support evaluation of these criteria:

   A. Property Ownership and Management Experience

      1. inventory of your property portfolio to include a description of type of housing, units, special preferences such as elderly, disabled, family, persons with special needs

      2. organizational chart to include names of employees and job titles and bios for key staff members to include executive and management or supervisory staff members

      3. listing of staff credentials, professional certifications related to affordable housing industry, memberships; staff will need to include those members indicated in “c” above and all property site employees

      4. documentation of fair housing and equal opportunity training for attendance in the past twelve months

      5. operational plan for the company or corporation to include identification of roles and responsibilities along the chain of command from management and supervisor to property site staff members

      6. copies of monitoring reports for all properties in the Offerors portfolio, located in New Mexico, from all applicable federal and state housing agencies to include the most recent report received

      7. copy of Qualified Broker license to conduct business in New Mexico; license must be current; this is only provided if applicable to the Offerors business model (required and not scored)

   B. Commitment to Preserve Affordable Housing

      1. letter of commitment which indicates the number of years the Offeror is willing to extend the affordability period beyond those identified in the existing Deed Restrictions and Land Use Restriction Agreements

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

7. The location of Offeror’s main office and the locations of any of Offeror’s branch offices.

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

9. Offeror shall provide MFA with written certification that Offeror is eligible to participate in any and all federal or state funded housing programs; is not currently facing disciplinary action by any federal, state
or local entity; is not suspended, debarred or excluded from participation in any federal or state funded housing program; and is not listed as an excluded party (ies) on the System for Award Management’s list of excluded parties accessed at www.sam.gov.

10. Please provide any other relevant information which will assist MFA in evaluating Offeror’s ability to own and operate affordable housing properties in New Mexico.

New Mexico Mortgage Finance Authority

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

Management
Jay Czar, Executive Director
Gina Hickman, Deputy Director of Finance & Administration
Izzy Hernandez, Deputy Director of Programs

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<tr>
<th>MFA Staff Roster</th>
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<td>Al Radicioni</td>
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<tr>
<td>Angel Candelaria</td>
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<td>Angelina Martinez</td>
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<td>Anita Racicot</td>
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<td>Barbara Tashkandy</td>
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<td>Blanca Vasquez</td>
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<td>Carmela Arellano</td>
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<td>Carol Salazar</td>
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<td>Christina Gerwin</td>
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<td>Cynthia Marquez</td>
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<td>Dana Goh</td>
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<td>Dan Puccetti</td>
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<td>Debbie Davis</td>
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<td>Desarey Maldonado</td>
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<td>Dolores Deer</td>
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<td>Doris Clark</td>
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<td>Eric Schmieder</td>
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### MFA Staff Roster, continued

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<tr>
<th>Name</th>
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<tbody>
<tr>
<td>Erik Nore</td>
<td>Sandra Marez</td>
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<tr>
<td>Eunice Duran</td>
<td>Sarah Marinelli</td>
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<tr>
<td>Felicia C de Vaca</td>
<td>Shannon Tilseth</td>
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<td>Francina Martinez</td>
<td>Shawn Rasmussen</td>
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<td>Frankie Salcido</td>
<td>Sophia Ruser</td>
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<td>Stacy Huggins</td>
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<td>Gina Hickman</td>
<td>Stacy Vernon</td>
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<td>Izzy Hernandez</td>
<td>Susan Biernacki</td>
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<td>Jacqueline Boudreaux</td>
<td>Suzette Chavez</td>
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<td>Jay Czar</td>
<td>Teresa Chiarolanza</td>
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<tr>
<td>Jeannette Marquez</td>
<td>Teri Baca</td>
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<tr>
<td>Judy Amador</td>
<td>Theresa Garcia</td>
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<tr>
<td>Karen Anderson</td>
<td>Troy Cucchiara</td>
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<tr>
<td>Kathy Keeler</td>
<td>Yvonne Eylicio Reed</td>
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<tr>
<td>Kathy Griego</td>
<td>Yvonne Segovia</td>
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### RFP Attachments

1. Property Description and Physical Condition Report with enclosed surveys and photos
2. Regulatory Documents: Deed Restriction and Land Use Restriction Agreements
Tab B
PROPERTY DESCRIPTION AND PHYSICAL CONDITION REPORT

CLOVIS SINGLE FAMILY HOME UNITS

August 11, 2015

Sandra Hidalgo

Court Appointed Receiver
3300 Cesar Chaves (formerly Jefferson Street), Clovis, New Mexico

The Certificate of Occupancy issued on 12/22/2003

Lot size dimensions: 75.68’ x 110.6’ x 75’ x 117.9’

Legal Description: Lot 19, Block 6 Pierce Addition Unit Number Two, City of Clovis, Curry County, New Mexico

Site area: .197 acre

Single Family unit: 1,302 sq. ft.

3 bedroom, 2 bath, 1 car garage, manual garage door

Foundation: Concrete

Exterior Walls: Stucco

Roof Surface: Shingle

Gutter and Downspouts: Overhang

Additional Features: Porch, Patio, Wooden 6’ Fence, Sprinkler System front and back

Windows: Double pane aluminum windows

Interior:

Living room and hallway: 6”x48” Oak Vinyl Flooring – New 2015


Trim: Wood

Stove and Refrigerator: Electric – 2003

Heat Pump – Refrigerated Air

Items needing repair or updating:

Roof is aged due to being open to northerly winds. Have been replacing shingles as needed. Fences are aged and rotting, falling down.

Units are occupied by tenants. Tenants moved in in 2004.

Current rent: $489.00

See attached Photos and Survey
3301 Vinton St., Clovis, New Mexico

The Certificate of Occupancy issued on 12/22/2003

Lot size dimensions: 75’ x 110.6’ x 75’ x 110.6’

Legal Description: Lot 1, Block 6 Pierce Addition Unit Number Two, City of Clovis, Curry County, New Mexico

Site area: .197 acre

Single Family unit: 1,313 sq. ft.

3 bedroom, 2 bath, 1 car garage, manual garage door

Foundation: Concrete

Exterior Walls: Stucco

Roof Surface: Shingle

Gutter and Downspouts: Overhang

Additional Features: Porch, Patio, Wooden 6’ Fence, Sprinkler System front and back

Windows: Double pane aluminum windows

Interior:

Living room and hallway: Carpet – Aged (2003)


Trim: Wood

Stove and Refrigerator – Electric – 2003

Heat Pump – Refrigerated Air

Items needing repair or updating:

Roof is aged due to being open to northerly winds. Have been replacing shingles as needed. Fences are aged and rotting, falling down.

Units are occupied by tenants. Tenants moved in 2010

Current Rent: $520 – Voucher holder – Tenant pays $321.00 – Voucher pays $199.00

See Attached Photos and Survey
3305 Vinton St., Clovis, NM

The Certificate of Occupancy issued on 12/22/2003

Lot size dimensions: 60’ x 110.6’ x 60’ x 110.6’

Legal Description: Lot 2, Block 6 Pierce Addition Unit Number Two, City of Clovis, Curry County, New Mexico

Site area: .152 acre

Single Family unit: 1,273 sq. ft.

3 bedroom, 2 bath, 1 car garage, manual garage door

Foundation: Concrete

Exterior Walls: Stucco

Roof Surface: Shingle

Gutter and Downspouts: Overhang

Additional Features: Porch, Patio, Wooden 6’ Fence, Sprinkler System front and back

Windows: Double pane aluminum windows

Interior:

Living room and hallway: 6”x48” Oak Vinyl Flooring – New 2015


Trim: Wood

Stove and Refrigerator: Electric - New - 2015

Items needing repair or updating:

Roof is aged due to being open to northerly winds. Have been replacing shingles as needed. Fences are aged and rotting, falling down.

Units are occupied by tenants. Tenants moved in in 2015

Current rent $550.00

See Attached Photos and Survey
3309 Vinton St., Clovis, New Mexico

The Certificate of Occupancy issued on 12/22/2003

Lot size dimensions: 60’ x 110’ x 60’ x 110’

Legal Description: Lot 3, Block 6 Pierce Addition Unit Number Two, City of Clovis, Curry County, New Mexico

Site area: .15 acre

Single Family unit: 1,324 sq. ft.

3 bedroom, 2 bath, 1 car garage, manual garage door

Foundation: Concrete

Exterior Walls: Stucco

Roof Surface: Shingle

Gutter and Downspouts: Overhang

Additional Features: Porch, Patio, Wooden 6’ Fence, Sprinkler System front and back

Windows: Double pane aluminum windows

Interior:

Living room and hallway: 6”x48” Oak Vinyl Flooring – New 2015


Trim: Wood

Stove and Refrigerator: Electric – 2003

Heat Pump – Refrigerated Air

Items needing repair or updating:

Roof is aged due to being open to northerly winds. Have been replacing shingles as needed. Fences are aged and rotting, falling down.

Units are occupied by tenants. Tenants moved in in 2015

Current Rent $550

See Attached Photos and Survey
3313 Vinton St., Clovis, New Mexico

The Certificate of Occupancy issued on 12/22/2003

Lot size dimensions: 100’ x 110.6’ x 48.4’ x 152.65’

Legal Description: Lot 4, Block 6 Pierce Addition Unit Number Two, City of Clovis, Curry County, New Mexico

Site area: .22 acre

Single Family unit: 1,274 sq. ft.

3 bedroom, 2 bath, 1 car garage, manual garage door

Foundation: Concrete

Exterior Walls: Stucco

Roof Surface: Shingle

Gutter and Downspouts: Overhang

Additional Features: Porch, Patio, Wooden 6’ Fence, Sprinkler System front and back

Windows: Double pane aluminum windows

Interior:

Living room and hallway: 6”x48” Oak Vinyl Flooring – New 2015


Trim: Wood

Stove and Refrigerator – Electric – 2003

Heat Pump – Refrigerated Air

Items needing repair or updating:

Roof is aged due to being open to northerly winds. Have been replacing shingles as needed. Fences are aged and rotting, falling down.

Units are occupied by tenants. Tenants moved in in 2015

Current Rent: $550.00

See Attached Photos and Survey
Tab C
Tab D
Tab E
PROPERTY DESCRIPTION AND PHYSICAL CONDITION REPORT

Portales Special Needs Limited Partnership

James K. Lyons Multi Family Apartments

109 N. Ave. I

August 11, 2015

Sandra Hidalgo

Court Appointed Receiver
James K. Lyons Apartments, 109 N. Ave. I, Apts. 1 thru 9

Legal Description:
Lot B in Santa Fe Acres Subdivision a Replat of Block A of Wood Addition and Block 14 of Crosby Addition to the Town, now City of Portales, Roosevelt County, New Mexico.

This tract is in the Portales 100 year flood zone

Lot Size: 132.0’ x 190.0’ x 132.0’ x 190.0’

Acreage: .58 acre

Project Completed – March 1996

Aged – 19.6 years

Exterior Dimensions of Buildings:
Building 1 – 25’ x 41.4’ – 1,027.5 sq. ft.
Building 2 – 108.9’ x 33.4’ – 3,637.26 sq. ft.
Building 3 – 63’ x 33.4’ – 2,104.2 sq. ft.

Apartments in each Building:
Building #1 – 1 Unit - 2 Bedroom, 1 Bath – 839 sq. ft.
Building #2 – 5 Units - 1 Bedroom, 1 Bath – 680 sq. ft. per unit – 3,400 sq. ft.
Building #2 – 3 Units - 1 Bedroom, 1 Bath – 680 sq. ft. per unit – 2,040 sq. ft.

Total Interior Sq. Footage: 6,279 sq. ft.

Exterior: Frame/Stucco

Roof: Metal

Utilities: All electric

Sprinkler System

Windows: Vinyl Double Hung

Flooring: Carpet in Living area and bedroom, vinyl flooring in Kitchen and Bathroom

Unit #5 and Unit #9 – Wheelchair Accessible


2 Bedroom does not have washer and dryer


Parking: Concrete
Metal Doors: Each unit has two doors, front and back.

Sidewalk: 4’ wide around the front and back of units

Landscape: grass and rock

Fence: 6’ Wooden Fence, Two front gates to enter courtyard and two back gates to the alley.

Small Storage Building on Property

Unit #1 – Vacant – Currently working to fill

Unit #2 – Occupied – Current Rent $430.00

Unit #3 – Occupied – Current Rent $430.00

Unit #4 – Occupied – Current Rent $460.00, Voucher – Tenant Pays $210, Voucher Pays $250

Unit #5 – Occupied – Current Rent $454.00

Unit #6 – Occupied – Current Rent $476.00

Unit #7 – Occupied – Current Rent $430.00

Unit #8 – Occupied – Current Rent $447.00

Unit #9 – 2 Bedroom is vacant – Needs new Heat Pump

See Attached Photos and Survey
Tab G
Tab H
NEW MEXICO MORTGAGE FINANCE AUTHORITY
HOME PROGRAM

SINGLE FAMILY RENTAL HOUSING
LAND USE RESTRICTION AGREEMENT

THIS LAND USE RESTRICTION AGREEMENT, is made and entered into as of July 1, 2002, between the NEW MEXICO MORTGAGE FINANCE AUTHORITY, a Public Body Politic and Corporate constituting a Governmental Instrumentality (the "Lender"), and EASTERN PLAINS HOUSING DEVELOPMENT CORPORATION, a New Mexico Non-Profit Corporation (the "Owner"), owning the real property described in Exhibit A hereto (the "Property").

WITNESSETH:

WHEREAS, the Lender concurrently herewith is making a mortgage loan ("Mortgage Loan") to the Owner pursuant to a Loan Agreement of even date herewith (the "Loan Agreement"), which Loan is evidenced by a mortgage note signed by Owner, as maker and borrower (the "Mortgage Note"), and secured by a mortgage (the "Mortgage") from the Owner as mortgagor, to Lender, as mortgagee; and

WHEREAS, the Owner intends to use the proceeds of the Mortgage Loan to assist it in financing the purchase and construction of a single family residential rental development on the Property (the "Development"); and

WHEREAS, the Mortgage Loan will be funded from moneys made available under the HOME Investment Partnership Act, 42 USC Section 12701 et seq (the "Act") and federal regulations at 24 CFR Part 92 "HOME Investments Partnership Program," as amended (the "Regulations") (collectively, the "HOME Program"); and

WHEREAS, the Lender can make the Mortgage Loan available to the Owner only if the Owner agrees to the restrictions and requirements set forth herein;

NOW, THEREFORE, in consideration of the mutual covenants and understandings set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Lender and the Owner do hereby agree as follows:

Section 1. Definitions:

In addition to terms defined elsewhere herein, unless otherwise expressly provided herein, the following terms shall have the respective meanings set forth below for the purposes hereof:

"Agreement" means this Land Use Restriction Agreement.

"Closing Date" means the date of funding of the Mortgage Loan.
"Development" means the single family residential rental development to be purchased and constructed on the Property, the purchase and construction of which are to be financed in part with the proceeds of the Mortgage Loan.

"Loan Agreement" means that certain Loan Agreement, dated even herewith, between the Lender, as lender, and the Owner, as borrower.

"Low-Income Families" means families whose incomes do not exceed 80% of the median income, as defined by HUD, for the area in which the project is located, to be determined by the Department of Housing and Urban Development (HUD) with adjustments for smaller and larger families, except that the Department of Housing and Urban Development may establish income ceilings higher or lower than 80% of the median for the area on the basis of HUD findings that such variations are necessary because of construction costs or fair market rents, or unusually high or low family incomes.

"Restriction Period" means the period beginning on the date the Development is placed in service and ending (i) Twenty (20) years after such date or (ii) the date on which the Mortgage Loan is no longer outstanding, whichever occurs later.

"Very Low-Income Families" means families whose incomes do not exceed 50% of the median income, as defined by HUD, for the area in which the project is located, to be determined by the Department of Housing and Urban Development with adjustments for smaller and larger families, except that the Department of Housing and Urban Development may establish income ceilings higher or lower than 50% of the median for the area on the basis of HUD findings that such variations are necessary because of construction costs or fair market rents, or unusually high or low family incomes.

Section 2. Term of Agreement:

This Agreement shall become effective on the Closing Date. Unless sooner terminated or amended in accordance with the terms hereof, this Agreement shall continue in full force and effect until the expiration of the Restrictions Period.

Section 3. Rent Restrictions; Occupancy Requirements:

During the Restrictions Period:

(a) The Development shall not, with respect to each unit, bear rents greater than the lesser of:

(i) The fair market rent for existing housing for comparable units in the area as established by HUD under 24 CFR Section 888.111, less the monthly allowance for the utilities and services (excluding telephone) to be paid by the tenant; or

(ii) A rent that does not exceed 30 percent of the adjusted income of a family whose gross income equals 65 percent of the median income for the area, as determined by HUD, with adjustment for number of bedrooms in the unit, except that HUD may establish income ceilings higher or lower than 65 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of
prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. In determining the maximum monthly rent that may be charged for a unit that is subject to this limitation, the Owner must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant. HUD will provide average occupancy per unit and adjusted income assumptions to be used in calculating the maximum rent allowed under this paragraph (a)(ii).

(b) Not less than 20 percent of the rental units shall be:

(i) Occupied by Very Low-Income Families and bearing rents not greater than 30 percent of the gross income of a family whose income equals 50 percent of the median income for the area, as determined by HUD, with adjustment for small and larger families, except that HUD may establish income ceilings higher or lower than 50 percent of the median for the area on the basis of HUD's findings that such variations are necessary because of prevailing levels of construction costs or fair market rents, or unusually high or low family incomes. (In determining the maximum monthly rent that may be charged for a unit that is subject to this limitation, the Owner must subtract a monthly allowance for any utilities and services (excluding telephone) to be paid by the tenant. HUD will provide average occupancy per unit assumptions to be used in calculating the maximum rent allowed under this Section. If the rent determined under this paragraph (b) is higher than the applicable rent under paragraph (a) of this Section 3, then the applicable maximum rent for units under this paragraph would be that calculated under paragraph (a) of this section except for units that receive Federal or State project-based rental assistance.

(ii) Occupied by Very Low-Income Families whose rent does not exceed 30 percent of the family's adjusted income as determined by HUD. If a unit receives Federal or State project-based rental subsidy and the family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e. tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy program.

(c) The Development shall be occupied only by households that qualify as Very Low Income or Low-Income Families; and

(d) Owner shall not refuse to lease any unit in the Development because the prospective tenant is a holder of a certificate or voucher under 24 CFR part 982—Section 8 Tenant-Based Assistance: Unified Rule for Tenant-Based Assistance under the Section 8 Rental Certificate Program or to the holder of a comparable document evidencing participation in a HOME tenant-based assistance program because of the status of the prospective tenant as a holder of such certificate, voucher or comparable HOME tenant-based assistance document.

Section 4. Rent Schedule and Utility Allowances:

The Lender shall review and approve rents proposed by the Owner for units with "flat rents", i.e., units subject to the maximum rent limitations in Section 3, and, if applicable, must review and approve, for all units subject
to the maximum rent limitations, the monthly allowances, proposed by the Owner, for utilities and services to be paid by the tenant. The Owner must reexamine the income of each tenant household living in low-income units at least annually. The maximum monthly rent must be recalculated by the Owner and reviewed and approved by the Lender annually, and may change as changes in the applicable gross rent amounts, the income adjustments, or the monthly allowance for utilities and services warrant. Any increase in rents is subject to the provisions of outstanding leases. In any event, the Owner must provide tenants of those units not less than 30 days prior written notice before implementing any increase in rents. Regardless of changes in fair market rents and in median income over time, the qualifying rents are not required to be lower than those in effect on the date of this Agreement.

Section 5. Increases in tenant income:

Units shall continue to qualify as affordable housing despite a temporary noncompliance with Section 3, if the noncompliance is caused by increases in the incomes of existing tenants and if actions satisfactory to HUD are being taken to ensure that all vacancies are filled in accordance with Section 3 until the noncompliance is corrected. Tenants who no longer qualify as Low-Income Families must pay as rent the lesser of the amount payable by the tenant under State or local law or 30 percent of the family's adjusted monthly income, as re-certified annually. The preceding sentence shall not apply with respect to funds made available for units that have been allocated a low-income tax credit by a housing credit agency pursuant to section 42 of the Internal Revenue Code 1986 (26 U.S.C. 42).

Section 6. Lease Provisions:

(a) All forms of leases used with respect to the Development must be approved in advance by the Lender. In addition, all leases must be for a term of not less than one year, unless by mutual agreement between the Owner and the tenant.

(b) Prohibited lease terms. The lease may not contain any of the following provisions:

(1) Agreement to be Sued:

Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the Owner in a lawsuit brought in connection with the lease;

(2) Treatment of Property:

Agreement by the tenant that the Owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The Owner may dispose of this property in accordance with state law;
(3) **Excusing Owner from Responsibility:**

Agreement by the tenant not to hold the Owner or the Owner's agents legally responsible for any action or failure to act, whether intentional or negligent;

(4) **Waiver of Notice:**

Agreement of the tenant that the Owner may institute a lawsuit without notice to the tenant;

(5) **Waiver of Legal Proceedings:**

Agreement by the tenant that the Owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties;

(6) **Waiver of a Jury Trial:**

Agreement by the tenant to waive any right to a trial by jury;

(7) **Waiver of Right to Appeal Court Decisions:**

Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease; and

(8) **Tenant Chargeable with Cost of Legal Actions Regardless of Outcome:**

Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the Owner against the tenant. The tenant, however, may be obligated to pay fees and costs if the tenant loses.

(e) **Termination of Tenancy:**

The Owner may not terminate the tenancy or refuse to renew the lease of a tenant except for serious or repeated violation of the terms and conditions of the lease; for violation of applicable federal, state, or local law; for completion of the tenancy period for transitional housing; or for other good cause. Any termination or refusal to renew must be preceded by not less than 30 days written notice served by the Owner upon the tenant specifying the grounds for the action.

(d) **Maintenance and replacement:**

The Owner must maintain the premises in compliance with all applicable housing quality standards and local code requirements.
(e) Tenant selection:

The Owner must adopt written tenant selection policies and criteria that have been approved in writing by the Lender and that:

(1) Are consistent with the purpose of providing housing for Very Low-Income and Low-Income Families;

(2) Are reasonably related to program eligibility and the applicants' ability to perform the obligations of the lease;

(3) Give reasonable consideration to the housing needs of families that would have a preference under 24 CFR Section 960.211 (federal selection preferences for admission to Public Housing); and

(4) Provide for:

   (I) The selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and

   (ii) The prompt written notification to any rejected applicant of the grounds for any rejection.

Section 7. Premature Termination:

(a) This Agreement and the covenants, representations and restrictions set forth herein shall terminate in the event of an involuntary non-compliance caused by fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in federal law or an action of a federal agency after the Closing Date which prevents the Lender from enforcing this Agreement, or condemnation or similar event relating to the Development but only when the Mortgage Loan is paid in full within a reasonable period, not to exceed six months following such fire, seizure, requisition, foreclosure, transfer of title by deed in lieu of foreclosure, change in federal law or action by a federal agency after the Closing Date which prevents the Lender from enforcing this Agreement.

(b) However, this Agreement and its restrictions, covenants and representations shall not terminate if, during the Restriction Period, the Development is damaged or destroyed by fire, condemnation or other casualty and the insurance or condemnation proceeds received as a result of such fire, condemnation or other casualty are used for any purpose other than repayment of the Mortgage Loan in full. So long as the Mortgage Loan is outstanding, in the event of an involuntary non-compliance caused by seizure, requisition, foreclosure or transfer of title by deed in lieu of foreclosure, this Agreement and its restrictions, covenants, and representations shall be binding upon any successor in title to the Owner as a covenant running with the land. If this Agreement or its restrictions, covenants and representations are terminated under paragraph (a) above, they will be automatically reinstated according to the original terms if, during the Restrictions Period, the Owner or any entity that includes the
Owner or those with whom the Owner has, or had, family or business ties, obtains an ownership interest in the Development following such seizure, requisition, foreclosure or transfer of title by deed in lieu of foreclosure.

Section 8. Uniformity:

The provisions hereof shall apply uniformly to the entire Development.

Section 9. Burden of Agreement:

This Agreement shall inure to the benefit of and shall be binding upon the legal representatives, successors and assigns of all parties hereto. No part of the Development shall be voluntarily transferred by the Owner prior to expiration of the Restrictions Period unless prior thereto or simultaneously therewith the transferee enters into an agreement, in form acceptable to the Lender, assuming all obligations of the Owner hereunder with respect to the transferred property. This Agreement constitutes a covenant "running with the land" in respect to the real property upon which the Development is located.

Section 10. Events of Default:

If any one or more of the following occur, it is hereby defined as and declared to be and to constitute an "Event of Default" under and for purposes of this Land Use Restriction Agreement:

(a) Default in the performance or observance of any of the covenants, agreements or conditions on the part of the Owner in this Land Use Restriction Agreement contained; or

(b) An "event of default" (as defined therein) shall have occurred under the Loan Agreement or the Mortgage.

Section 11. Remedies: Enforceability:

If the Lender becomes aware of an Event of Default hereunder, it shall give immediate written notice thereof to the Owner, directing the Owner to remedy the Event of Default within a reasonable specified period of time (not to exceed 30 days after the date of the notice). After the period specified in the notice herein-above provided for, if the Event of Default has not been fully remedied by the Owner to the satisfaction of the Lender, the Lender may (i) institute and prosecute any proceeding at law or in equity to abate, prevent or enjoin any such Event of Default; (ii) to compel specific performance hereunder; (iii) to recover monetary damages, together with the cost and expenses of any proceedings for the collection thereof caused by such Event of Default, including reasonable attorneys fees; (iv) take any other action available to remedy the Event of Default; or (v) pursue any combination of these remedies. No delay in enforcing the provisions hereof as to any Event of Default shall impair, damage or waive the right of any party entitled to enforce the same or to obtain relief against or recover for the continuation or repetition of such Event of Default or any similar Event of Default thereof at any later time or times. No person other than the Lender shall be entitled to enforce this Agreement.
Section 12. Amendment: Termination:

This Agreement shall not be amended, revised or terminated prior to the termination of covenants, representations and restrictions provided for herein except by an instrument in writing duly executed by the Lender and the Owner or their respective successors or assigns and duly recorded.

Section 13. Governing Law:

This instrument shall be governed by the laws of the State of New Mexico.

Section 14. Severability:

If any provision hereof is determined to be invalid, illegal or unenforceable by a court of competent jurisdiction, the validity, legality and enforceability of the remaining portions shall not in any way be affected.

Section 15. Multiple Counterparts:

This instrument may be simultaneously executed in multiple counterparts, all of which shall constitute one and the same instrument and each of which shall be deemed to be an original.

Section 16. Conflict with HUD Regulations or Low Income Housing Tax Credit Provisions:

Notwithstanding anything in this Agreement to the contrary, the provisions hereof are subordinate to all applicable HUD regulations and related administrative requirements under the HOME Program. In the event of a conflict between the provisions of this Agreement and the provisions of any applicable HUD regulations or HUD administrative requirements, the HUD regulations and related administrative requirements shall control. In addition, notwithstanding anything in this Agreement to the contrary, the provisions hereof are subordinate to all applicable provisions of Section 42 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder which are applicable to the Development.

Section 17. Limitation of Liability:

This Agreement is expressly non-recourse to Owner, EASTERN PLAINS HOUSING DEVELOPMENT CORPORATION, a New Mexico Non-Profit Corporation. Notwithstanding anything contained herein to the contrary, Lender shall not have any recourse against the assets Owner for obligations undertaken by or imposed upon Owner by this Land Use Restrictions Agreement, the Loan Agreement, the Mortgage Note or the Mortgage except for the interest of Owner in the Property or the improvements located thereon. In the event of a default under this Land Use Restriction Agreement, the Loan Agreement, the Mortgage Note or Mortgage, Lender shall be entitled to collect any amounts due it as a result of such default only from the assets of the Owner, the Property and the improvements located thereon and Owner's interests therein.
IN WITNESS WHEREOF, the Lender and the Owner have each caused this instrument to be signed and attested in its behalf by its duly authorized representatives all as of the ___ day of July, 2002.

LENDER:

NEW MEXICO MORTGAGE
FINANCE AUTHORITY
344 4th Street S.W.
Albuquerque, N.M. 87102

By: [Signature]
James W. Stretz, Executive Director

OWNER:

EASTERN PLAINS HOUSING DEVELOPMENT
CORPORATION, a New Mexico Non-Profit Corporation

By: [Signature]
Theresa Trujillo
Its: Chairman of the Board of Directors

ACKNOWLEDGMENTS

STATE OF NEW MEXICO

COUNTY OF BERNALILLO

This Instrument was acknowledged before me this ___ day of July, 2002 by James W. Stretz as Executive Director of New Mexico Mortgage Finance Authority.

[Official Seal]

DEBORAH S. DAVIS
Notary Public

My Commission Expires 8/19/05
STATE OF NEW MEXICO  
COUNTY OF CURRY  

This instrument was acknowledged before me on July __, 2002 by Theresa Trujillo as Chairman of the Board of Directors of Eastern Plains Housing Development Corporation, as New Mexico Non-Profit Corporation.

My commission expires: 9-13-2005

[Signature]
Daphne Garcia  
Notary Public
EXHIBIT A

LEGAL DESCRIPTION

Lots One (1), Two (2), Three (3), Four (4), and Nineteen (19) all in Block Six (6) of the PIERCE ADDITION Unit Two (2) to the City of Clovis, Curry County, New Mexico, as shown by the official recorded plat thereof.
Tab I
NEW MEXICO MORTGAGE FINANCE AUTHORITY
PRIMERO INVESTMENT FUND
PROPERTY USE RESTRICTION AGREEMENT

This Property Use Restriction Agreement is made and entered into this 29th day of August, 2002, by and between the NEW MEXICO MORTGAGE FINANCE AUTHORITY, a public body politic and corporate, separate and apart from but constituting a governmental instrumentality of the State of New Mexico ("MFA"), and PORTALES SPECIAL NEEDS LIMITED PARTNERSHIP, a New Mexico limited partnership ("Owner").

Owner has obtained a loan of funds from MFA (the "Loan") for the purpose of refinancing the property described below. MFA requires Owner to agree to restrict the use of such property pursuant to the terms hereof as a condition of making of the Loan. Therefore, in consideration of the Loan from MFA to Owner, Owner hereby agrees that the real estate located at 109 North Avenue I, Portales, New Mexico and more specifically described as:

Lot B, Santa Fe Acres Subdivision, a replat of Block A, Wood Addition and Block Fourteen (14), Crosby Addition to the City of Portales, according to the official plat recorded in Cabinet A, slide 332, Plat Records, Roosevelt County, New Mexico.

(the "Property") is subject to the following restrictions:

1. The Property and the improvements located thereon must be used to pay off the existing first mortgage and loans encumbering a nine (9) unit apartment complex (the "Project") with two (2) units to be rented to persons or families earning no more than fifty-percent (50%) of the area median income and seven (7) units to be rented to persons or families earning no more than sixty-percent (60%) of the area median income. Twenty five percent (25%) of the units (2 units) shall be rented to special needs tenants.

2. Owner shall give MFA specific answers in writing to questions upon which information is desired from time to time relative to the income, assets, liability, contracts, operation, and condition of the Project.

3. MFA will have the right to inspect the Property.

4. Owner shall not transfer, assign, dispose of, encumber or refinance the Property without written approval by the MFA. If refinancing is proposed by Owner, MFA must approve the refinancing in writing and may negotiate and amend, in whole or in part any part of this Property Use Restriction Agreement.

5. If Owner defaults in the performance of any of its obligations under this Agreement, MFA shall be entitled to apply to any court having jurisdiction over the subject matter for specific performance of this Agreement, for the appointment of a receiver to take over and operate the Property in accordance with the terms of this Agreement or for such relief as may be appropriate.
The costs and reasonable attorney fees if any such action will be paid by Owner.

6. MFA will deliver to Owner a release of this Property Use Restriction Agreement when Owner has repaid the Loan to MFA in full and has executed an acceptable replacement.

7. This Agreement shall inure to the benefit of, and shall be binding upon the respective successors and assigns in the title to the property.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the date first above written.

LENDER:

NEW MEXICO MORTGAGE FINANCE AUTHORITY

By

[Signature]

Lynn Wehrli
Its Director of Housing Development

OWNER:

PORTALES SPECIAL NEEDS LIMITED PARTNERSHIP, a New Mexico limited partnership

BY: EASTERN PLAINS HOUSING DEVELOPMENT CORPORATION, a New Mexico nonprofit corporation, its General Partner

By

[Signature]

Theresa Trujillo
Its Chairman
STATE OF NEW MEXICO

COUNTY OF BERNALILLO

This instrument was acknowledged before me on Aug 27th, 2002, by Lynn Wehrli as the Director of Housing Development of the New Mexico Mortgage Finance Authority.

Notary Public
Patricia R. Clark
My Commission Expires: 3-27-03

STATE OF NEW MEXICO
COUNTY OF

This instrument was acknowledged before me on August 29, 2002, by Theresa Trujillo as Chairman of Eastern Plains Housing Development Corporation, a New Mexico nonprofit corporation as general partner of Portales Special Needs Limited Partnership, a New Mexico limited partnership.

Notary Public
Dorothy M. Monroe
My Commission Expires: 12/21/2003

ROOSEVELT CO. NM
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2007 AUG 30 RH 4:09
JOYCE LEE FRAZIER CLERK
Tab J
WHEREAS, the New Mexico Mortgage Finance Authority, whose address is 344 Fourth Street, S.W., Albuquerque, New Mexico 87102 ("Mortgagor") has an interest in the following described real property located in Roosevelt County, New Mexico, which is described as follows:

Lot B, Santa Fe Acres Subdivision, a Plat of Block A, Wood Addition and Block Fourteen (14), Crosby Addition to the City of Portales, according to the official plat recorded in Cabinet A, slide 332, Plat Records, Roosevelt County, New Mexico.

(the "Property") pursuant to the terms of a certain Mortgage dated March 25, 1996 and recorded in the real estate records of Roosevelt County, New Mexico on April 2, 1996, in Book 32 Page 82 and a certain Assignment of Leases, Rents and Profits, dated March 15, 1996 and recorded in the real estate records on March 15, 1996 in Book 31 page 686; and

WHEREAS, Portales Special Needs Limited Partnership, a New Mexico limited partnership, whose address is Eastern Plains Housing Development Corporation 304 Main Street Suite One, Clovis, New Mexico 88101 ("Mortgagor") has applied to New Mexico Mortgage Finance Authority ("Lender") for a permanent loan in the amount of $125,500 to be secured by a Mortgage on the Property.

NOW THEREFORE, in consideration of One Dollar (1.00) and other good and valuable consideration, receipt of which is hereby acknowledged, the undersigned Mortgagor does hereby subordinate to Lender all its rights in the Property to said Mortgage of Lender; and

IT IS FURTHER AGREED that Lender is relying on this subordination in the above described mortgage transaction and that Lender's Mortgage when executed shall be a secured lien on the Property prior and superior to the interest of Mortgagor notwithstanding the date of execution, the date of recording, or the date of disbursement of funds by Lender.

AND IT IS FURTHER AGREED, that Mortgagor hereby assumes no personal liability to Lender and that Lender shall give written notice to Mortgagor at least fifteen (15) days prior to the exercise of its right to foreclose on the Property by certified U.S. mail to the address of Mortgagor contained herein, or to such other address as may hereafter be designated in writing by Mortgagor. Mortgagor shall have the right, but not the obligation to cure any default of the Mortgagor in its obligations to Lender.

The Mortgagor represents that it has not sold, assigned, conveyed or agreed to sell, assign or convey to anyone the Mortgagor's interest in the Property or Mortgagor's mortgage and that Mortgagor's mortgage is presently in effect and not now in default by either the Mortgagor or the Mortgagor.
IN WITNESS WHEREOF, this Subordination of Mortgage has been executed as of this 29th day of August, 2002

NEW MEXICO MORTGAGE FINANCE AUTHORITY

By: [Signature]
Its: Director of Housing Development

ACKNOWLEDGMENT

STATE OF NEW MEXICO ss.
COUNTY OF BERNALILLO

The foregoing instrument was acknowledged before me on August 29, 2002 by Lynn Wheller as Director of Housing Development of the New Mexico Mortgage Finance Authority, a public body politic and corporate, separate and apart from but constituting a governmental instrumentality of the State of New Mexico, on behalf of such public body.

[Signature]
Notary Public

My commission expires: 4/22/08

ROOSEVELT CO. NM

Certification

All microphotographic images of documents on this film strip are of authorized documents in the possession of this agency as noted in the statement of Document Certification on file at this agency. These documents are routinely microfilmed as a necessary operation in the generation of an inviolate document file.

Sept 3, 2002
NEW MEXICO STATE HOUSING AUTHORITY
HOME RECONSTRUCTION PROGRAM
RENTAL RESTRICTION

Place: 109 North Avenue L, Units #1-9, Portales, New Mexico
Date: March 25, 1994

1. OWNER acknowledges receipt of the sum of one-hundred and eighty-two thousand, one-hundred dollars ($182,100.00) from the New Mexico State Housing Authority as a deferred loan for rehabilitation of rental property located at 109 North Avenue L, Units #1-9, Portales, New Mexico, 88130.

2. Owner shall maintain said property as a rental property which is to be rented or leased for residential purposes only for a period of thirty (30) years following the date of completion of the rehabilitation.

3. Owner shall maintain said property in a safe and sanitary condition in compliance with the New Mexico State Housing Authority Rehabilitation Standards and all State of New Mexico Building, Plumbing, Electrical and Mechanical Codes for the term of this Note.

4. HUD regulation 24 CFR 92.252(1)(5), provides that owner(s) of project(s) constructed with HOME Rental Production funds must comply, for a period of twenty (20) years after the project is completed, not to convert the rental units to condominiums or to any other ineligible form of cooperative ownership.

5. The owner shall not discriminate against prospective tenants on the basis of, or eligibility for, housing assistance under any Federal, State, or local housing assistance program; except for a housing project for elderly persons, on the basis that the tenants have minor children or children who will be residing with them during the term of this Note.

6. Owner shall keep the improvements now existing, or hereafter erected, on the property insured against any fire and hazards and extended coverage at all times. If the rental property is in a flood plain, Owner agrees to obtain flood insurance (IF APPLICABLE) for the value of the improvements located thereon.

7. If Owner within twenty (20) years from the execution of this Note, defaults on any of the above numbered conditions, then Owner shall become liable to pay the New Mexico State Housing Authority the principal balance of one-hundred and eighty-two thousand, one-hundred dollars ($182,100.00) plus an amount equal to nine-thousand, one-hundred, and five dollars ($9,105.00) of said balance on each succeeding anniversary date of the Note.

8. If Owner does not default on any of the above numbered conditions within twenty (20) years from the execution of this Note, the Owner shall have no obligation to repay the deferred loan to the New Mexico State Housing Authority and the New Mexico State Housing Authority shall release its mortgage on said property. This Note can be assumed as long as there is a written agreement stating that the buyer will assume responsibility for the Note on all attached conditions.

9. If Owner defaults the New Mexico State Housing Authority may, at its option, accelerate maturity and the unpaid balance shall become immediately due and payable without demand or notice. If this Note is reduced to a judgement, the judgment shall bear interest at the statutory rate.

10. If this Note is placed in the hands of an attorney for collection or is collected through probate or bankruptcy court or through other legal proceedings, Owner agrees to pay all costs of collection including reasonable attorney's fees and court costs.

11. Owner acknowledges that this is a program for low and very low-income families, and thereby agrees to market rental units using a method which will effectively reach these renters.

12. IN WITNESS WHEREOF, THIS NOTE HAS BEEN EXECUTED BY THE UNDERSIGNED OWNER(S) ON THE DATE FIRST WRITTEN ABOVE.

[Signature]
OWNER
Portales Special Needs Limited Partnership located at 200 Main Street, Clovis, New Mexico 88101, for consideration paid, grants to the New Mexico State Housing Authority, whose address is 810 West San Mateo, Suite D, Santa Fe, New Mexico 87505, the following described real estate in Roosevelt County, New Mexico located at 109 North Avenue I, Unit #1-9, Portales, New Mexico 88101 and more specifically described as follows:

Lot B of the Santa Fe Acres Subdivision to the City of Portales

Subject to reservations, easements, restrictions and agreements of record, with mortgage covenants. This mortgage is subordinate to mortgages placed on the property by the Western Bank of Clovis and the New Mexico Mortgage Finance Authority.

This mortgage secures the performance of the obligations of the attached Deed Restriction and is upon the statutory mortgage condition for the breach of which it is subject to foreclosure as provided by law. The amount specified for insurance as provided in the statutory mortgage condition is $183,100.00 and the hazards to be insured against are fire and hazards and extended coverage.

James K. Leyon-Chavez  3/25/96
OWNER  DATE

ACKNOWLEDGMENT FOR CORPORATION

State of New Mexico  )
County of Curry  )

The foregoing instrument was acknowledged before me this 25th day of March, 1996 by James K. Leyon of the Portales Special Needs Limited Partnership a non-profit corporation, on behalf of said corporation.

For Recorder’s Use

ROOSEVELT CO. NM

BK 32  PG 83
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MAUDEE HARAGAN-CLERK

Certification

All microfilmed images of documents on this file strip are of authorized documents in the possession of this agency as noted in the Statement of Document Certification on file at this agency. These documents are routinely microfilmed at a necessary connection to the operation of this office.
ASSIGNMENT OF LEASES, RENTS AND PROFITS

THIS ASSIGNMENT OF LEASES, RENTS AND PROFITS ("Assignment") is made this 15th day of March, 1996, by PORTALES SPECIAL NEEDS LIMITED PARTNERSHIP, a New Mexico limited partnership (the "Borrower") in favor of NEW MEXICO MORTGAGE FINANCE AUTHORITY, a public body politic and corporate constituting a governmental Instrumentality (the "Lender").

RECITALS

Lender has determined to make a loan to Borrower in the principal amount of Fifteen Thousand and No/100 Dollars ($15,000.00) (the "Loan") in accordance with the terms of a Loan Agreement, dated March 15, 1996, executed by Borrower and Lender (the "Loan Agreement"). The Loan has been made to Borrower and is evidenced by a Promissory Note, dated March 15, 1996, made by Borrower and payable to the order of Lender (the "Note"). The Note is secured by a Mortgage, dated March 15, 1996, from Borrower to Lender (the "Mortgage").

Borrower wishes and intends, by the execution and delivery of this Assignment, to secure the full and punctual payment and performance of its obligations under the Loan Agreement, the Note, the Mortgage and under this Assignment (collectively, together with any other documents or Instruments relating to the Loan, the "Loan Documents") including, without limitation, all sums which may become due under the Note and the Mortgage.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower does hereby sell, assign, transfer, set over and deliver unto Lender, its successors and assigns, all leases, written or oral, whether now existing or hereafter executed and as such leases may have been or from time to time may be modified, and all agreements for use or occupancy of any portion of the premises, together with the buildings and improvements thereon, more particularly described in Exhibit A attached hereto as a part thereof (the "Premises").

TOGETHER WITH any and all extensions and renewals thereof and any and all further leases, lettings or agreements (including subleases thereof and tenancies following attornment) upon or covering use or occupancy of all or any part of the Premises (collectively, the "Leases");

TOGETHER WITH any and all guaranties of lessee's performance under any of the Leases; and

TOGETHER WITH the immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues and profits now due or which may become due or to which Borrower may now or shall hereafter (including the period of redemption, if any) become entitled or may demand or claim, arising or issuing from or out of the Leases or from or out of the Premises or any part thereof.

SUBJECT, however, to a license hereby granted by Lender to Borrower, as trustee for the benefit of Lender but limited as hereinafter provided, to collect and receive all of the rents, income, receipts, revenues, issues and profits (collectively, the "Income") so long as there shall exist no default by Borrower under this Assignment or any of the Loan Documents.

TO HAVE AND TO HOLD the same unto Lender, its successors and assigns forever, or for such shorter period as hereinafter may be indicated.

ABSOLUTELY AND FOR THE PURPOSE OF SECURING the repayment of the Loan, as evidenced by the Note bearing even date herewith, made by Borrower in favor of Lender, including any
extensions, modifications or amendments thereof and any note or note supplemental thereto, as well as
the performance of the obligations of Borrower set out in this Assignment and the other Loan Documents.

BORROWER IRREVOCABLY CONSTITUTES and appoints Lender as its lawful attorney in its
name and stead to:

1. Collect any and all of the Income;

2. Use such measures, legal or equitable, as in its discretion may be deemed necessary or
appropriate to enforce the payment of the Income and/or any security given in connection therewith;

3. Secure and maintain the use and/or possession of the Premises and/or any part thereof;

4. Fill any and all vacancies and to rent, lease and/or let the Premises and/or any part
thereof at its discretion;

5. Adjust, settle or otherwise deal with any abatements and to execute and/or render any
and all instruments deemed by Lender to be necessary or appropriate in connection therewith; hereby
granting full power and authority to Lender to use and apply the Income to the payment of any taxes,
assessments and charges of any nature whatsoever that may be levied or assessed in connection with
the Premises, to the payment of premiums on such policies of insurance on or in connection with the
whole or any part of the Premises as may be deemed advisable by Lender, to the payment of any and all
indebtedness, liability or interest of Borrower under the Note or any of the Loan Documents, whether now
or hereafter existing, to the payment of all expenses in the care and management of the Premises,
including such repairs, alterations, additions and/or improvements to the Premises, or any part thereof,
as may be deemed necessary or advisable by Lender, to the payment of attorney's fees, court costs,
labor, charges and/or expenses incurred in connection with any and all things which Lender or any
cause to be done by virtue hereof, and to the payment of such interest on the indebtedness or on any of
the foregoing, if any, as may be deemed necessary or advisable by Lender, also hereby granting to
Lender full power and authority to make contracts for the care and management of the whole or any part
of the Premises in such form and providing for such compensation as may be deemed advisable by
Lender, and for the performance or execution of any or all of these presents, to constitute, appoint,
authorize in its place and stead, put and substitute one attorney or attorneys, and/or the same at its
pleasure again to revoke, and to do, execute, perform and finish for Borrower and in Borrower's name all
and singular those things which shall be necessary or advisable for Borrower's said attorney or its
substitute or substitutes shall deem necessary or advisable in and about, for, touching or concerning
these presents or the Premises as thoroughly, amply and fully as Borrower could so concerning the
same, being personally present, and whatsoever Borrower's said attorney, or its substitute or substitutes
shall do or cause to be done in, about or concerning these presents or the Premises or furnishings
therein or any part of any of them, Borrower hereby ratifies and confirms; and also hereby granting to
Lender full power and authority to exercise at any and all time each and every right, privilege and power
herein granted, without notice to Borrower.

TO PROTECT THE SECURITY OF THIS ASSIGNMENT, Borrower covenants and warrants
that:

1. Borrower is the owner in fee simple absolute of the Premises and has good right to
assign the Leases and Income hereby assigned, and that no other person, firm or corporation has any
right, title or interest therein except for those listed in the mortgage dated March 15, 1990 from the
Borrower to the Lender, and lessees.

2. Borrower has duly and punctually performed all and singular the terms, covenants and
warranties of the existing Leases on Borrower's part to be kept, observed and performed.
3. Borrower has not previously sold, assigned, transferred, mortgaged or pledged the income from the Premises, whether now due or hereafter to become due.

4. No request will be made of any lessee to pay rent, and no rent will be accepted, in advance of the dates upon which such rent becomes due and payable under the terms of the Leases, it being agreed between Borrower and lessees that rent shall be paid as provided in Leases and not otherwise.

5. Upon default beyond applicable cure periods, if any, under the terms of the Loan Documents or of this Assignment, or at any time after such default, Lender, its successors or assigns, at its or their option and without further consent thereto by Borrower or any subsequent owner of the Premises, may enter in and upon the Premises and take possession thereof, and collect the income and profits thereof, and apply same to the payment of the cost of all alterations, renovations, repairs, replacements and expenses incident to the taking and retaining possession of the Premises and the management and operation thereof (including, but not limited to, the maintenance of property insurance on the Premises; all taxes, charges, claims, assessments, water rents and any other liens which may be prior in lien to the Loan Documents; and the indebtedness evidenced and secured by the Loan Documents together with all costs and attorney’s fees, in such order or priority as to any of such items as Lender, in its sole discretion, may determine, and notwithstanding any statute, law, custom or use to the contrary). Furthermore, Lender may do every act and thing that Borrower or any subsequent owner of the Premises might or could do.

6. Upon curing all defaults, Borrower, its successors or assigns, shall again be entitled to collect and retain the income under the Leases.

7. Upon payment of all indebtedness evidenced and secured by the Loan Documents, this Assignment shall be rendered null and void and of no further force and effect and Lender shall execute such document or documents in recordable form as may be required by Borrower as evidence thereof.

8. Lender shall not be obligated to perform or discharge, nor does it hereby undertake to perform or discharge, any obligation, duty or liability under the Leases, or under or by reason of this Assignment, and Borrower shall and does hereby agree to indemnify Lender for, and to hold Lender harmless of and from, any and all liability, loss or damage which it may incur under the Leases or under or by reason of this Assignment, and of and from any and all claims and demands whatsoever which may be asserted against it by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in the Leases. Should Lender incur any such liability, loss or damage under said Leases or under or by reason of this Assignment or in the defense of any such claims or demands, the amount thereof, including costs, expenses and reasonable attorneys’ fees, shall be secured hereby. Borrower shall reimburse Lender therefore immediately upon demand, and upon the failure of Borrower so to do, Lender may declare all sums secured hereby as aforesaid to be immediately due and payable in full, subject to any applicable grace periods contained in the Loan Documents.

9. Lender shall not be responsible for the control, care or management of the Premises, nor for carrying out any of the terms and conditions of the Leases, nor for any waste committed or permitted on the Premises by any lessee nor shall Lender be liable by reason of any dangerous or defective condition or on about the Premises.

10. Lender shall not in any way be responsible for failure to do any or all of the things for which rights, interests, powers and/or authority are herein granted it and Lender shall be liable only for such moneys as it actually receives under the terms hereof, provided, however, that failure of Lender to do any of the things or exercise any of the rights, interests, powers and/or authorities hereunder shall not
be construed to be a waiver of any of the rights, interests, powers or authorities hereby assigned and
granted to Lender.

11. Borrower will execute, upon the request of Lender any and all instruments requested by
Lender reasonably required to carry these presents into effect or to accomplish any other purpose
deemed by Lender to be necessary or appropriate in connection with these presents or the Premises.
Borrower will, at the request of Lender, execute specific assignments of any present or future leases
affecting any part of the Premises.

12. These presents shall in no way operate to prevent Lender from pursuing any remedy that
it now or hereafter may have because of any present or future breach of the terms or conditions of the
Loan Documents or any extension thereof. The receipt by Lender of any rents, issues or profits pursuant
to this instrument after the institution of foreclosure proceedings under the Mortgage shall not cure such
default nor affect such proceedings or any suit pursuant thereto.

13. Upon default beyond applicable cure periods, if any, by Borrower under the terms of the
Loan Documents or this Assignment, Borrower does further specifically authorize and instruct each and
every present and future lessee of the whole or any part of the Premises to pay all unpaid Rents agreed
upon in each tenancy to Lender upon receipt of demand from Lender to so pay the same.

14. Lender (a) may take or release other security; (b) may release any party primarily or
secondarily liable for any indebtedness secured hereby; (c) may grant extensions, renewals or
indulgences with respect to such indebtedness; and (d) may apply any other security therefor held by it to
the satisfaction of such indebtedness, all of the foregoing to be without prejudice to any of Lender's rights
hereunder.

15. Nothing contained in this Assignment, and no act done or omitted by Lender pursuant to
the powers and rights granted Lender by this Assignment, shall be deemed to be a waiver by Lender of
Lender's rights and remedies under the Loan Documents, but this Assignment is made and accepted
without prejudice to any of the rights and remedies possessed by Lender under the terms of the Loan
Documents. The right of Lender to collect the Indebtedness and to enforce any other security therefor
owned by it may be exercised by Lender either prior to, simultaneously with, or subsequent to any action
taken by it hereunder or under the Loan Documents.

16. In the event the Loan Documents are transferred by Lender to any other person or entity,
Borrower covenants and agrees that all the provisions herein contained shall be applied to and inure to
the benefit of the holder of the Loan Documents in the same manner and to the same extent as if it was
the original assignee of the Leases herein named.

17. Borrower hereby authorizes Lender to give notice in writing of the Assignment at any
time to any tenant under any of said Leases.

18. The terms, covenants, conditions and warranties contained herein and the powers
granted hereby shall run with the land, shall inure to the benefit of and bind all parties hereto and their
respective heirs, executors, administrators, successors and assigns, and all lessees, subtenants and
assigns of same, and all occupants and subsequent owners of the Premises.

19. This Assignment shall be governed by and construed in accordance with the law of the
State of New Mexico.

20. To the extent, if at all, Section 56-7-1, N.M.S.A. 1978 is applicable to any agreement to
indemnify contained herein, notwithstanding anything to the contrary herein, Borrower's agreement to
indemnify Lender shall not extend to any liability, claims, damages, losses or expenses, including
attorney's fees, arising out of (i) preparation or approval of maps, drawings, opinions, reports, surveys, change orders, designs or specifications by Lender, or the agents or employees of Lender or (ii) the giving or failure to give direction or instructions by Lender, or the agents or employees of Lender, where such giving or failure to give direction or instructions is the primary cause of bodily injury to persons or damage to property.

IN WITNESS WHEREOF, Borrower has caused this Assignment of Leases, Rents and Profits to be duly executed as of the date first above written.

PORTALES SPECIAL NEEDS LIMITED
PARTNERSHIP, a New Mexico limited partnership

By: Eastern Plains Housing Development Corporation, general partner

By: [Signature]
Name: James R. Lyon
Title: Chairman

STATE OF NEW MEXICO
COUNTY OF Roosevelt

This instrument was acknowledged before me on March 15, 1996 by [Signature]
Chairman of Eastern Plains Housing Development Corporation, general partner of Portales Special Needs Limited Partnership, a New Mexico limited partnership.

C. J. Williams
NOTARY PUBLIC

My commission expires:
February 23, 2000
EXHIBITA

Real Property Description

Lot B of the Santa Fe Acres Subdivision to the City of Portales.
Tab K
NEW MEXICO STATE HOUSING DIVISION
1994 LOW INCOME HOUSING TAX CREDIT PROGRAM
DECLARATION OF LAND USE RESTRICTIVE COVENANTS

PROJECT NAME : Portales Special Needs L.P.,
PROJECT NUMBER : NM-94-20000

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS (this "Agreement"),
dated as of 9/22/94, by Portales Special Needs L.P., and its successors and assigns (the
("Owner") is given as a condition precedent to the allocation of low-income housing credits by
the New Mexico State Housing Division, an instrumentality of the State of New Mexico and a
public corporation (together with any successor to its rights, duties and obligations, the
"Division").

WITNESSETH:

WHEREAS, the Owner is or shall be the owner of a low-income rental housing development
located on the lands in the City of Portales, County of Roosevelt, State of New Mexico more
particularly described in Exhibit #A hereto, known as or to be known as Portales Special Needs
(the "Project"); and

WHEREAS, the Division has been designated by the Governor of New Mexico as the housing
credit agency for the State of New Mexico for the allocation of low-income housing credit
dollars (the "Credit"); and

WHEREAS, the Owner has applied to the Division for an allocation of Credit to the Project in
an amount not to exceed $21,450.00; low-income housing credit dollars; and

WHEREAS, the Owner has represented to the Division in the Owner’s Low-Income Housing
Credit Application (the "Application") that the Owner shall lease 20 % of the units in the
Project to individuals or families whose income is 50 % or less of the area median gross income
and 80 % of the units in the Project to individuals or families whose income is 60 %
(including adjustments for family size) as determined in accordance with Section 42 of the
Internal Revenue Code ("Low-Income Tenants"); and

WHEREAS, the Division has determined the Project would support a Credit allocation in the
amount of $21,450.00; and

WHEREAS, the Owner has represented to the Division in the Owner’s Application that it will
impose additional rent restrictions or will covenant to maintain the Section 42 rent and income
restrictions for an additional period of time; and (Check if applicable ___)

WHEREAS, the Code has required as a condition precedent to the allocation of the credit that
the Owner execute, deliver and record in the official land deed records of the county in which
the Project is located this Agreement in order to create certain covenants running with the land for the purpose of enforcing the requirements of Section 42 of the Code and GRFA Occupancy Restrictions found in Section 5 hereof by regulating and restricting the use and occupancy and transfer of the Project as set forth herein; and

WHEREAS, the Owner, under this Agreement, intends, declares, and covenants that the regulatory and restrictive covenants set forth herein governing the use, occupancy and transfer of the Project shall be and are covenants running with the Project Land for such term stated herein binding upon all subsequent owners of the Project Land for such term, and are not merely personal covenants of the Owner;

NOW, THEREFORE, in consideration of the promises and covenants hereinafter set forth, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Owner agrees as follows:

SECTION #1: DEFINITIONS

All words and phrases defined in Section 42 of the Code and by Treasury or HUD regulations pertaining thereto shall have the same meaning in this Agreement.

SECTION #2: RECORDING AND FILING; COVENANTS TO RUN WITH THE LAND

(a) Upon execution and delivery by the Owner, the Owner shall cause this Agreement and all amendments hereto be recorded and filed in the official public land deed records of the county in which the Project is located, and shall pay all fees and charges incurred in connection therewith. Upon recording, the Owner shall immediately transmit to the Division an executed original of the recorded Agreement showing the date, deed book and page numbers of record. The Owner agrees that the Division will not issue the Internal Revenue Service Form 8609 constituting final allocation of the Credit unless and until the Division has received the recorded executed original of the Agreement.

(b) The Owner intends, declares and covenants, on behalf of itself and all future Owners and operators of the Project Land during term of this Agreement, that this Agreement and the covenants and restrictions set forth in this Agreement regulating and restricting the use, in this Agreement regulating and restricting the use, occupancy and transfer of the Project Land and the Project (i) shall be and are covenants running with the Project Land, encumbering the Project Land for the term of this Agreement, binding upon then Owner’s successors in title and all subsequent Owners and Operators of the Project Land, (ii) are not merely personal covenants of the Owners and (IA) shall bind the Owner (and the benefits shall insure to the Authority and any past, present or prospective tenant of the Project) and its respective successors and assigns during the term of this Agreement. The Owner hereby agrees that any and all requirements of the laws of the State of New Mexico to be satisfied in order for the provisions of this Agreement to constitute deed restrictions and covenants running with the land shall be deemed to be satisfied in full,
and that any requirements of privileges of the state are intended to be satisfied, or in the alternate, that an equitable servitude has been created to insure that these restrictions run with the land. For the longer of the period this Credit is claimed or the term of this Agreement, each and every contract, deed or other instrument hereafter executed conveying the Project or portion thereof shall expressly provide that such conveyance is subject to this Agreement, provided, however, the covenants contained herein shall survive and be effective regardless of whether such contract, deed or other instrument hereafter executed conveying the Project or portion thereof provides that such conveyance is subject to this Agreement.

(c) The Owner covenants to obtain the consent of any prior recorded lienholder on the Project to this Agreement and such consent shall be a condition precedent to the issuance of Internal Revenue Service Form 8609.

SECTION 3 REPRESENTATIONS, COVENANTS, AND WARRANTIES OF THE OWNER

The Owner hereby represents, covenants and warrants as follows:

(a) The Owner is a New Mexico Limited Partnership duly organized under the laws of the State of New Mexico, and is qualified to transact business under the laws of this State, (ii) has the power and authority to own its properties and assets and to carry on its business as now being conducted, and (iii) has the full legal right, power and authority to execute and deliver this Agreement.

(b) The execution and performance of this Agreement by the Owner (i) will not violate or, as applicable, have not violated any provisions of any indenture, agreement, mortgage, mortgage note, or any other instrument to which the Owner is a party or by which it or the Project is bound, and (iii) will not result in the creation or imposition of any prohibited encumbrance of any nature.

(c) The Owner will, at the time of execution and delivery of this Agreement, have good and marketable title to the premises constituting the Project free and clear of any lien or encumbrance (subject to encumbrances created pursuant to this Agreement, any loan documents relating to the Project or other permitted encumbrances.)

(d) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of the Owner, threatened against or affecting it, or any of its properties or rights, which, if adversely determined, would materially impair its right to carry on business substantially as now conducted (and as now contemplated by this Agreement) or would materially adversely affect its financial condition.

(e) The Project constitutes or will constitute a qualified low-income building or qualified low-income project, as applicable, as defined in Section 42 of the Code and applicable regulations.
(f) Each unit in the project contains complete facilities for living, sleeping, eating, cooking and sanitation (unless the project qualifies as a single-room occupancy project or transitional housing for the homeless) which are to be used on other than a transient basis.

(g) During the term of this Agreement, all units subject to the Credit shall be leased and rented or made available to members of the general public who qualify as Low-Income Tenants (or otherwise qualify for occupancy of the low-income units) under the applicable election specified in the Section 42(g) of the Code.

(h) The Owner agrees to comply fully with the requirements for the Fair Housing Act as it may from time to time be amended.

(i) During the term of this Agreement, the Owner covenants, agrees and warrants that each low-income unit is and will remain suitable for occupancy.

(j) Subject to the requirements of Section 42 of the Code and this Agreement, the Owner may sell, transfer or exchange the entire Project at any time, but the Owner shall notify in writing and obtain the agreement of any buyer or successor or other person acquiring the Project or any interest therein that such acquisition is subject to the requirements of this Agreement and to the requirements of Section 42 of the Code and applicable regulations. This provision shall not act to waive any other restriction on sale, transfer, or exchange of Project or any low-income portion of the Project. The Owner agrees that the Division may void any sale, transfer or exchange of the Project or any low-income portion of the Project if the buyer or successor or other person fails to assume in writing the requirements of Section 42 of the Code.

(k) The Owner agrees to notify the Division in writing of any sale, transfer, or exchange of the entire Project or any low-income portion of the Project.

(l) The Owner shall not demolish any part of the Project or substantially subtract from any real or personal property of the Project or permit the use of any residential rental unit for any other purpose than rental housing during the term of this Agreement unless required by law.

(m) The Owner represents, warrants and agrees that if the Project, or any part thereof, shall be damaged or destroyed or shall be condemned or acquired for public use, the Owner will its best efforts to repair and restore the Project to substantially the same condition as existed prior to the event causing such damage or destruction, or to relieve the condemnation, and thereafter to operate the Project in accordance with the terms of this Agreement.

(n) The Owner warrants that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event, the requirements of this Agreement are paramount and controlling as to the rights
and obligations herein set forth and supersede any other requirements in conflict herewith.

SECTION #4: INCOME RESTRICTIONS AND RENTAL RESTRICTIONS

The Owner represents, warrants and covenants throughout the term of this Agreement and in order to satisfy the requirements of Section 42 of the Code ("Section 42 Occupancy Restrictions") that:

(a) Check applicable percentage election

(1)___ At least 20% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 50% or less of the area median income.
(2)___ At least 40% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 60% or less of area median income.
(3)___ 100% of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 60% or less of area median income.

(b) The determination of whether a tenant meets the low-income requirement shall be made by the Owner at least annually on the basis of current income of such Low-Income Tenant.

SECTION #5: GRFA OCCUPANCY RESTRICTIONS (OPTIONAL)

This Section is intended to make enforceable those extended use or deeper targeting covenants which the Owner represented to the Division in its Application. That portion of the Application relating to such deeper targeting or extended use is attached hereto as Exhibit B and incorporated herein.

The Owner represents, warrants and covenants throughout the term of this Agreement that:

(Check if applicable)

(a)___ Throughout the term of this Agreement the low income units shall rent for at least ___% lower than the maximum gross rent allowed under Section 42 of the Code.

(b)___ The Owner will extend the Section 42 income and rental restrictions for ___ years after the close of the compliance period.

(c)___ Regardless of any provisions in Section 6 of this Agreement to the contrary, the GRFA Occupancy Restrictions provided by this Section shall remain in place for a period of ___ years except in the case of foreclosure or deed in lieu of foreclosure.

SECTION #6: TERM OF AGREEMENT

(a) Except as hereafter provided, this Agreement and the Section 42 Occupancy Restrictions specified herein shall commence with the first day in the Project period on which any
building which is part of the Project is placed in service and shall end on the date which is 15 years after the close of the compliance period.

(b) Notwithstanding subsection (a) above, the Owner shall comply with the requirements of Section relating to the extended use period for an additional 15 years, provided however, the extended use period for any building which is part of this Project shall terminate:

(1) On the date the building is acquired by foreclosure or instrument in lieu of foreclosure; or

(2) On the last day of the compliance period if the Owner has properly requested that the Division assist in procuring a qualified contract for the acquisition of the low-income portion of any building which is a part of the Project and the Division is unable to present a qualified contract.

(c) Notwithstanding subsection (b) above, the section 42 rent requirements shall continue for continue for a period of three years following the termination of the extended use requirement pursuant to the procedure specified in subsection (b) above. During such three year period, the Owner shall not evict or terminate the tenancy of an existing tenant of any low-income unit other than for good cause and shall not increase the gross rent above the maximum allowed under the Code with respect to such low-income unit.

(d) If the Owner has agreed to optional GRFA Occupancy Restrictions as reflected in Section 5 of this Agreement, this Agreement shall not terminate until the time period for compliance with such GRFA Occupancy Restrictions has expired.

SECTION #7: ENFORCEMENT OF GRFA OCCUPANCY RESTRICTIONS
(a) The Owner shall permit, during normal business hours and upon reasonable notice, any duly authorized representative of the Division, to inspect any books and records of the Owner regarding the Project with respect to the incomes of Low-Income Tenants which pertain to compliance with the GRFA Occupancy Restrictions specified in this Agreement.

(b) The Owner shall submit any other information, documents or certifications requested by the Division which the Division shall deemed reasonably necessary to substantiate the Owner's continuing compliance with the provisions of the GRFA Occupancy Restriction specified in this Agreement.

SECTION #8: ENFORCEMENT OF SECTION #42 OCCUPANCY RESTRICTIONS

(a) The Owner covenants that it will not knowingly take or permit any action that would result in a violation of the requirements of Section 42 of the Code and applicable regulations of this Agreement. Moreover, the Owner covenants to take any lawful action
(including amendment of this Agreement as may be necessary, in the opinion of the Division) to comply fully with the Code and with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury, or the Internal Revenue Service, or the Department of Housing and Urban Development from time to time pertaining to the Owner's obligations under the Section 42 of the Code and affecting the Project.

(b) The Owner acknowledges that the primary purpose of requiring compliance by the Owner with the restrictions provided in this Agreement is to assure compliance of the Project and the Owner with Section 42 of the Code and the applicable regulations. AND BY REASON THEREOF, THE OWNER IN CONSIDERATION FOR RECEIVING LOW-INCOME HOUSING CREDITS FOR THIS PROJECT HEREBY AGREES AND CONSENTS THAT THE DIVISION AND ANY INDIVIDUAL WHO MEETS THE INCOME LIMITATION APPLICABLE UNDER SECTION 42 (WHETHER PROSPECTIVE, PRESENT OR FORMER OCCUPANT) SHALL BE ENTITLED, FOR ANY BREACH OF THE PROVISIONS HEREOF, AND IN ADDITION TO ALL OTHER REMEDIES PROVIDED BY LAW OR IN EQUITY, TO ENFORCE SPECIFIC PERFORMANCE BY THE OWNER OF ITS OBLIGATIONS UNDER THIS AGREEMENT IN A STATE COURT OF COMPETENT JURISDICTION. The Owner hereby further specifically acknowledges that the beneficiaries of the Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of any default hereunder.

(c) The Owner hereby agrees that the representations and covenants set forth herein may be relied upon the Division and all persons interested in Project compliance under Section 42 of the Code and the applicable regulations.

(c) The Owner agrees that if at any point following execution of this Agreement, Section 42 of the Code or regulations implementing said Section require the Division to monitor The Section 42 Occupancy Restrictions, or, alternatively, the Division chooses to monitor Section 42 Occupancy Restrictions, the Owner will take any and all actions reasonably necessary and required by the Division to substantiate the Owner's compliance with the Section 42 Occupancy Restrictions or GRFA Occupancy Restrictions and will pay a reasonable fee to the Division for such monitoring activities performed by the Division.

SECTION #9: MISCELLANEOUS

(a) Severability. The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

(b) Notices. All notices to be given to this Agreement shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.
To the Owner:

ATTENTION:

The Division, and the Owner, may, by notice given hereunder, designate any further of different addresses to which subsequent notices, certificates or other communications shall be sent.

(c) Amendment. The owner agrees that it will take all actions necessary to comply with the Code any and all applicable rules, regulations, policies, procedures, rulings or other official statements pertaining to the Credit.

(d) Subordination of Agreement. This Agreement and the restrictions hereunder are subordinate to the loan and loan documents, if any, on the Project except insofar and Section 42 requires otherwise (relating to the three-year vacancy control during the extended use period).

(e) Governing Law. This Agreement shall be governed by the laws of the State of New Mexico and, where applicable, the laws of the United States of America.

(f) Survival of Obligations. The obligations of the Owner as set forth herein and in the Application shall survive the allocation of the Credit and shall not be deemed to terminate or merge with the awarding of the allocation.
IN WITNESS WHEREOF, the Owner has caused this Agreement to be signed by its duly authorized representatives, as of the day and year first written below.

OWNER

Eastern Plains Housing Development Corp.

OWNER By:

By: [Signature]

OWNER SIGNATURE

Jim Lyon

NAME (PRINTED OR TYPED)

Chairman

TITLE OF SIGNATORY

OFFICIAL SEAL

SANDRA A. HIDALGO

NOTARY PUBLIC IN AND FOR THE STATE OF NEW MEXICO

My Commission Expires 6-22-96

DATE SIGNED

9-22-94

Sandra A. Hidalgo

SIGNATURE OF NOTARY PUBLIC

Sandra A. Hidalgo

PRINTED NAME OF NOTARY PUBLIC

New Mexico Curry

NOTARY PUBLIC IN AND FOR THE STATE OF NM COUNTY OF Curry

6-22-96

DATE COMMISSION EXPIRES

ROOSEVELT CO. NM

BK 32 PG 84

1996 APR -2 AM 8: 23

MAUDENE HARGAN-CLERK

BY [Signature]
Tab 12
MEMORANDUM

TO: Board of Directors

Through: Strategic Management Committee

FROM: Monica Abeita, Sr. Policy and Program Advisor

DATE: September 16, 2015

SUBJECT: Year 2 (FY 2016) MFA Strategic Plan

Recommendation:

Staff recommends board approval of the attached red-line changes to the MFA Strategic Plan, which include new/changed benchmarks for Year 2 (FY 2016) and minor language changes.

Background:

MFA’s current three-year strategic plan is for FY 2015-2017. MFA will complete the first year of the plan (FY 2015) on September 30, 2015 and will begin the second year of the plan (FY 2016) on October 1, 2015. The Strategic Management Committee has drafted 1) changes to benchmarks to reflect work planned for FY 2016 and 2) minor language changes to reflect changes in conditions. Proposed changes to the MFA Strategic Plan for Year 2 were presented at the board retreat.

Summary:

Board approval is requested for changes to the MFA Strategic Plan for Year 2 (FY 2016). MFA will complete the first year (FY 2015) of its three-year strategic plan on September 30, 2015 and will begin the second year (FY 2016) of the plan on October 1, 2015. Year 2 strategic plan changes include new/changed benchmarks and minor language changes.
Executive Summary

During its 40 years of existence, MFA has grown into a reputable organization recognized for its prudent fiscal management, strong regulatory compliance, professional staff and dedication to customer service. This solid foundation is MFA’s undisputed strength and allows the organization to successfully administer more than 30 affordable housing programs for the benefit of the citizens of New Mexico.

MFA’s 2015-2017 Strategic Plan is designed to respond to the unique and changing environment in which the organization will operate for the next three years. This new environment is characterized by: flat or decreasing federal funding; New Mexico’s sluggish recovery from the Great Recession; demographic changes, including an increase in senior and Millennial Generation households and population loss in many rural areas, resulting in fewer housing services and providers.

To navigate the challenges and opportunities that lie ahead, MFA will leverage its stability as a proven organization with innovation and flexibility. MFA will focus on the following five priorities to strategically align its work with the environment in which we operate:

1. **Operational Excellence.** MFA will channel its strengths in the areas of financial stewardship, operations, professional staff and core programs to foster creativity, flexibility and innovation. This approach will allow MFA to grow to meet New Mexico’s changing affordable housing needs, rather than being constrained by a challenging economic environment.

2. **New Resources.** As government funding for traditional affordable housing programs decreases, MFA will cultivate resources that create new opportunities for affordable housing. Some of these resources may supplement traditional government funded programs and some may address unique niches or needs in New Mexico communities.

3. **Effective Partnerships.** MFA relies upon its partners—service providers, housing authorities, local and tribal governments, advocacy organizations, developers and property owners and managers—to execute programs and build and manage affordable housing across the state. As regulations increase and administrative fees and profits shrink, many partners are shutting their doors or turning to other types of work. While MFA is limited in its ability to improve this situation, it is committed to providing quality training and technical assistance, identifying new funding sources and opportunities for partners and expanding the capacity of partners to provide a wide range of affordable housing services statewide.
4. **Expanded Homeownership Opportunities.** During the Great Recession, MFA experienced lower volumes, higher delinquencies, increased competition, difficult financing executions and tightening regulations for its single family loan products. However, strong MFA market share and rising market interest rates present opportunities that MFA will embrace through enhanced marketing to potential borrowers, expansion of the lender/REALTOR® network, best financing executions and technology and product innovation.

5. **Expanded Rental Opportunities.** Traditional funding sources have not kept pace with the substantial increase in demand for affordable rental housing. Wage stagnation, unemployment, foreclosures and increases in market rents have encouraged the demand for affordable rentals, as have millennials and down-sizing baby boomers, whose demographics make up large shares of the population. Also, slim operating margins and capital needs pose a challenge to the viability of existing properties. Working within this environment, MFA will focus on the sustainability of multifamily properties, proactive oversight of the MFA portfolio and novel strategies to increase and diversify funding sources.
MFA Mission and Core Values

Vision

All New Mexicans will have quality affordable housing opportunities.

Mission

Provide innovative products, education and services in collaboration with strategic partners to finance the purchase, construction and preservation of quality affordable housing to strengthen the social and economic development of New Mexico.

Core Values

- Hire the best qualified employees representing the diversity of the state, pay them competitively, treat them fairly and provide opportunities for advancement.

- Provide prompt, courteous, quality service.

- Foster a dynamic professional environment of excellence that supports a high level of integrity, transparency, collaboration and commitment to mission.

- Allocate resources to serve those with the greatest need while promoting partnerships to maximize housing opportunities.

- Practice cost-effective operations and prudent fiscal management.

- Promote sustainable growth, innovation and environmentally conscious practices.

MFA Mandate

In 1975, the New Mexico state legislature created the New Mexico Mortgage Finance Authority as a public body politic and corporate, separate and apart from the state, constituting a governmental instrumentality, with the power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation and improvement of residential housing for persons and families of low or moderate income within the state.
Priority 1: Operational Excellence

1.1 Maintain prudent stewardship of MFA’s financial resources.

MFA has the unique responsibility of administering its affordable housing assets and liabilities, federal, state and grant funds as well as the earnings it generates from its lending and investment activities. MFA has long maintained a level of excellence in this regard with its strong financial statements, unqualified financial statement audits and rigorous audit, financial reporting processes, internal control structure and strong issuer credit rating. MFA will build upon this solid foundation by continuing development of financial reporting processes, identifying process efficiencies, establishing a new rating agency relationship, soliciting investment strategies that support the changing economic environment, and monitoring adequacy of reserve levels as well as identifying availability of reserves for programs. Ensuring balance sheet strength and strong financial performance will be crucial to meeting housing needs.

1.1 Benchmarks

- General fund liquid cash reserves at minimum level consistent with policy
- Unqualified opinion on MFA financial statements and no material weakness in internal control over financial reporting or major programs (excluding first-time audits)
- Operating performance and profitability equal to net revenues over total revenues of at least 5.25-xx percent (based on five-year average)
- Balance sheet strength equal to net asset position over total bonds outstanding of at least 20.32-xx percent (based on five-year average)
- Maintain or improve credit rating

1.2 Create a fulfilling work environment to attract, and retain and develop quality employees.

MFA has an excellent benefits package, an incentive compensation plan and strong policies on conflict management and the prevention of harassment and discrimination. The fact that many employees remain with MFA for long periods of time is reflective of job fulfillment and MFA’s employee-first focus. MFA’s Human Resources Department is committed to providing the highest level of customer service for all of MFA.

MFA will focus on new initiatives, staff development and capacity, to ensure that it can retain and attract new employees, taking into account the impending changes that will occur as millennials...
enter the workforce. These initiatives focus on: competitive compensation; fine tuning the benefits package to ensure its sustainability; work-life balance initiatives such as flexible work arrangements, volunteer opportunities and physical and mental health wellness programs; employee recognition and enhanced staff training. Evaluation tools, particularly the annual employee satisfaction survey, will help assess and improve the MFA work environment. Additionally, MFA will evaluate succession planning needs to create redundancies and assist in managing turnover risks. MFA will also continue to evaluate and implement green initiatives to make its facility more energy efficient.

1.3 Identify and implement technology solutions that improve operational efficiency, data security and customer service.

MFA has a capable Information Systems department that protects MFA from threats and vulnerabilities while ensuring system availability. Information Systems supports specific department and program technology needs by utilizing software solutions purchased or developed internally.

In the years that lie ahead, technology will become a greater part of MFA’s value proposition. Increased regulatory requirements will be integrated into software systems to provide ongoing monitoring and reporting. A number of customer-directed improvements are planned for online and paperless processes as are new technology solutions to improve operational efficiency and data tracking capabilities.

1.3 Benchmarks
- Protect MFA data and systems from threats through semi-annual vulnerability scans
- Maintain system availability at 99 percent
- Begin to implement priority recommendations from the data security and privacy audit
- Increase connection speeds

1.4. Maintain standards of excellence and promote innovation in MFA programs.

All MFA programs maintain a high standard of excellence through professional program management, consistent compliance and strong working relationships with partners. MFA’s 30-plus affordable housing programs include core programs that are the traditional domain of state housing finance agencies. Other programs have been established internally as a result of new federal funding or in partnership with the state of New Mexico and other entities to better meet New Mexico’s unique affordable housing needs.

MFA will continue to ensure compliance with funding source requirements as well as adapt existing programs, propose new ways to meet unmet housing needs, respond to changing demographics and funding and take advantage of new opportunities.
1.5 Manage organizational risks.

All organizations must have a clear understanding of their risk profile in order to manage the decision-making process and future of an organization. The goal is to effectively manage risks that can potentially threaten the position of an organization within a tolerable range of performance. MFA and other housing finance agencies are particularly affected by the financial risks of operating in capital markets, dependency on federal fiscal policy, limited federal funds for affordable housing programs, complexity of financial programs and products and financial uncertainty associated with the economy.

Standard tools and processes, such as MFA’s internal risk reporting and compliance reports, are used to manage these risks. MFA will continue to identify and research pertinent changes in regulations and accounting standards and implement any adjustments that are necessary to ensure continued internal and partner compliance. Other risk management initiatives, such as disaster recovery planning and succession planning, will also be addressed.

1.6 Improve collaboration throughout MFA.

By virtue of the number of programs it manages, MFA personnel is highly-specialized and is often siloed into program areas. Collaboration across the entire organization is critical for achieving MFA’s vision. MFA will undertake a number of initiatives to increase collaboration and enhance communication among staff, the MFA Board of Directors and partners.

1.5 Benchmarks

- Complete internal audit risk assessment report
- Develop and implement a work plan to mitigate risk associated with complexities and changes in regulation
- Update disaster recovery plan
- Implement, train staff and begin to test key components of the disaster recovery plan

1.6 Benchmark

- Develop work plan for collaboration activities
- Focus collaboration around quarterly all-staff meetings and increased use of the Intranet
Priority 2: New Resources

2.1 Market the MFA Charitable Trust to generate tax deductible contributions for affordable housing.

The New Mexico Affordable Housing Charitable Trust is a non-profit organization established by MFA in 2007. The Charitable Trust provides a vehicle for individuals to donate to affordable housing and receive both a charitable deduction from the IRS and a 50 percent state tax credit. MFA will work to expand awareness of the Charitable Trust and thereby increase contributions.

This three-year plan includes awareness and education targeted to Certified Public Accountants, bankers and lawyers, employers and to professionals who advise their clients on tax-related matters. Other opportunities for investment in the Charitable Trust will also be explored.

2.2 Expand mission-driven fee-for-service activities.

MFA has substantial expertise that allows it to provide services in core areas. For instance, MFA has held the HUD contract for Section 8 Project Based Contract Administration for 13 years, services loan portfolios on behalf of local governments and provides fiscal agent services for housing programs run by other entities. Fees from these activities are an important part of MFA’s budget and will become increasingly important as federal funding is reduced in future years.

During the course of this strategic plan, MFA will focus on two primary fee-for-service activities that will require internal evaluation to assess viability and profitability. Subservicing, acquisition of servicing on existing Mortgage Backed Securities, multifamily servicing and specialized servicing for targeted business opportunities will be considered. MFA is currently participating in a pilot project for physical inspection that seeks to align inspection standards among HUD, USDA and housing finance agencies. The pilot provides an ideal opportunity to assess demand for physical inspection services, build MFA’s capacity through staff certifications and infrastructure and potentially offer physical inspection services to partners. MFA will also assess providing other mission-related services as opportunities arise.

2.1 Benchmarks
- Develop educational materials
- Outreach to at least one professional group and to at least three communities or employers

2.2 Benchmarks
- Evaluate subservicing expansion opportunities
- Implement mortgage operations for subservicing expansion
- Evaluate physical inspection opportunities
2.3 Develop innovative funding streams for NM Energy$mart and other traditional grant-funded programs.

Many federal housing programs have experienced deep cuts in the past few years. MFA has responded by seeking new funding sources to augment and reduce dependence on federal budgets.

This three-year strategic plan focuses on expanding and adapting the NM Energy$mart program to take advantage of additional funding and partnerships including matching funds from electric cooperatives, funding from large utilities, potential new energy efficiency programs and expansion into new markets.

2.4 Generate new resources for affordable housing through state programs, grants and private funding opportunities.

There are several state programs and funding sources in New Mexico that are not used for affordable housing but for which affordable housing is an eligible use. Specifically, live/work housing is an eligible use of Local Economic Development Act (LEDA) funds raised by local governments. Affordable housing is an eligible use of Community Development Block Grants (CDBG) administered by the Department of Finance and Administration, Colonias Infrastructure Funds administered by the Colonias Infrastructure Board and Industrial Revenue Bonds issued by local governments. MFA will work closely with state agencies and local governments to expand the use of these funding sources for affordable housing purposes. MFA will also support other state initiatives that could leverage more resources for affordable housing in New Mexico. Finally, MFA will continually monitor and evaluate new funding opportunities, including federal, state and foundation grants as well as private funding sources. MFA will apply for those resources if they are determined to be beneficial to MFA.
Priority 3: Effective Partnerships

3.1 Develop expertise and capacity of Regional Housing Authorities to provide a range of affordable housing services statewide.

MFA has oversight responsibility for New Mexico’s three Regional Housing Authorities (RHAs), which are structured to serve three large areas of the state. As some rural communities lose population and as decreased funding makes it difficult to sustain small organizations, many public housing authorities plan to consolidate under the RHAs in their areas. MFA has provided leadership and support for the first such consolidation of Taos County Housing Authority into the Northern RHA. MFA will assist with future consolidations as appropriate.

New Mexico RHAs primarily administer Section 8 vouchers and/or manage low-rent units. As more service providers struggle to maintain operations, RHAs could be further developed to provide additional services and become full-service affordable housing providers. As regional entities, they have the scale to support program administration and can take advantage of direct assistance from MFA. MFA will assist with training and technical assistance, capacity building and identification of additional funding sources to encourage RHAs that possess sufficient capacity to expand.

3.2 Provide quality training and technical assistance to our partners.

MFA provides valuable training and technical assistance to service provider partners, local and tribal governments, developers, property owners and managers as well as REALTORS® and lenders. Over the course of this strategic plan, MFA will explore ways to expand specialized training and technical assistance. MFA will continue to help communities develop and implement affordable housing plans and ordinances. Additional funding will be sought to support these efforts.

3.1 Benchmarks

- Provide RHA specialty training to enhance organizational capacity
- Assist RHAs with consolidation or transfers of troubled PHAs
- Hold three peer exchange meetings annually
- Implement one new service or program as capacity and funding allow

3.2 Benchmarks

- Assist three local governments in creating affordable housing plans and ordinances
- Provide directed management and/or administrative technical assistance to at least three organizations
- Assist three local governments with implementation of one or more affordable housing plan goals
- Facilitate five stakeholder meetings with non-profits, owners/managers, developers and servicing partners
3.3 Strengthen MFA’s influence on affordable housing policy and funding at the state and federal levels.

Federal and state policy forms the basis of MFA’s core programs. MFA consistently monitors these policies and maintains strong working relationships with public officials to advance New Mexico’s affordable housing priorities. At the federal level, MFA will focus on maintaining funding levels for key housing programs and advancing new affordable housing opportunities. In addition, housing finance reform and comprehensive tax reform will be continually monitored as potential risks.

MFA was established by the New Mexico State Legislature in 1975. It is an instrumentality of the state rather than a state agency and receives no state funds for operations. Nevertheless, there is a strong relationship between the state and MFA by virtue of MFA’s responsibilities under its state charter, state affordable housing laws that MFA must implement and special state appropriations for some MFA programs. MFA will continue to create an annual state legislative agenda requesting recurring appropriations for state mandates, permanent funding for the Housing Trust Fund and special appropriations. Outreach and education on the state legislative agenda will occur year-round through meetings with state legislators and constituents, regular meetings of the Mortgage Finance Authority Act Oversight Committee and communication with the Legislative Council Service and the Legislative Finance Committee. MFA will also continue to support other state initiatives to leverage more resources for affordable housing in New Mexico.

3.3 Benchmarks
- Develop state legislative agenda and lobby for appropriations and policy
- Develop federal policy priorities and communicate them to NM’s congressional delegation
- Undertake year-round outreach with state and federal officials
3.3 Increase visibility and public awareness of MFA.

MFA informs the public about its existence, mission and programs in a variety of ways including direct advertising, collateral materials, informational correspondence, signage, earned media and trade show and event sponsorships and participation. MFA is featured regularly in earned media spots and news stories. MFA has partner-specific outreach through newsletters, legislative updates and specialty publications such as the Housing Services Directory and annual report. One of the primary ways MFA connects with its partners is through events: the biennial housing summit, alternating biennial open house and support of partner events such as ground breakings and ribbon cuttings. In addition, MFA houses important information for partners on its website and maintains more than 4,000 partner contacts in its database. MFA presents best practice awards to its partners at every housing summit and presents a variety of recognition awards throughout the year.

MFA plans a multi-faceted media campaign in 2015 to celebrate its 40th anniversary. Also, MFA will develop general promotional materials and media to familiarize the public with the organization. MFA will continue its public relations approach of proactively identifying and responding to issues of importance to partners, communities and elected officials.

3.4 Benchmarks

- Develop and update MFA materials including brochures, and annual report and Housing Services Directory
- Organize or participate in five public awareness events and outreach
- Plan and execute the NM Housing Summit
- Maintain website content and database
Priority 4: Expanded Homeownership Opportunities

4.1 Utilize best financing executions for MFA’s homeownership program.

Traditionally, MFA has financed its single family mortgage program loans through Mortgage Revenue Bond (MRB) issuance. Adverse market conditions have hindered effective bond financing in recent years. As a result, MFA and many other housing finance agencies have shifted their financing executions to include the To Be Announced (TBA) market to fund their single family programs. As the MRB market recovers, MFA will proactively monitor the market to determine the most efficient and profitable way to finance the single family program. Deeper experience with TBA financing structures will enable MFA to offer more innovative mortgage products and foster a unique perspective on financing underserved homebuyers.

4.2 Implement innovations in single family mortgage products and servicing to address customer needs and make MFA more competitive.

During the course of this strategic plan, MFA plans to transition from paper intensive loan processes to streamlined paperless online processes that will more closely align with industry standards and make MFA’s programs more attractive to potential lender partners.

Innovation will also occur with MFA’s mortgage products themselves, through the introduction of new loan products and changes to existing products. Less restrictive TBA financing mechanisms will allow greater innovation in program design. MFA will have a new emphasis on assessing competing programs within the state and responding quickly with innovative products to remain relevant in the marketplace.

In addition, MFA will proactively manage operational risks associated with utilizing a master servicer for the single family program, including legacy master servicing relationships. MFA will monitor the market for potential master servicer relationships, manage legacy master servicer relationships and develop a contingency plan in the event MFA is unable to procure a traditional master servicer.

4.1 Benchmarks

- Average internal rate of return on traditional single family bond programs equal to or greater than 14 percent
- Average internal rate of return on pass through single family bond programs equal to or greater than 100 percent
- Mortgage rates no more than 25 basis points above traditional market
- Spread for bond issues of 1.1 percent to 1.125 percent
- Administrative fees of at least 18 basis points on all bond issues
- Profitability of 1.5xx percent on TBA executions

4.2 Benchmarks

- Provide mortgage financing to 1,150-1,250 homebuyers
- Maintain MFA single family market share at 26.5-31 percent or greater
- Maintain loan defaults, workouts and foreclosures to MFA below 2.30-.xx percent
4.3 Increase awareness and use of MFA mortgage products through marketing and REALTOR®/lender outreach.

MFA’s mortgage products are made available to borrowers through MFA approved mortgage lenders and participating REALTORS® located throughout the state. These professionals play a large role in educating MFA borrowers about MFA programs and products. Expanding MFA will continue to expand the pool of MFA-knowledgeable lenders and REALTORS® in all areas of the state is a high priority. Additionally, MFA will work to create and distribute materials to targeted groups of potential homebuyers to let them know about down payment assistance and other MFA products. that can be branded and used by REALTORS® and lenders as they work with first-time homebuyers. Additional advertising and marketing initiatives will be explored and considered to increase production in MFA’s single family program.

4.4 Expand MFA’s presence in housing and credit counseling.

MFA’s role in administering housing counseling programs is changing. In recent years, MFA did not apply for national housing counseling grants because they do not adequately cover administration costs. Housing counseling activities related to foreclosure prevention activities have been primarily funded through the New Mexico Attorney General’s Keep Your Home New Mexico Program, which funds non-profit contractors to provide foreclosure counseling throughout the state. MFA has served as the program administrator for the housing counseling component of the program and will likely continue to provide these oversight services in the future. is considered the expert in the state for managing these types of programs. However, the attorney general’s program will only provide funding for the next year or two. Because MFA recognizes while the AG’s program provided much needed resources related to foreclosure counseling, there is an unmet demand for housing and credit financial literacy counseling, especially in the rural areas of the state. MFA will seek to expand its presence in this arena by leveraging industry resources and partnerships to increase the quality and availability of housing counseling activities throughout the state. MFA will also seek funding through the state of New Mexico and other viable channels to increase housing counseling resources and capacity statewide.
Priority 5: Expanded Rental Opportunities

5.1 Foster sustainability of multifamily properties through sound underwriting and continual improvement of MFA financing programs.

Rental properties that are not financially sound are a drain on MFA’s resources, create community blight and potentially trap low-income families in unhealthy living situations. To ensure that MFA continues to promote the development of housing that provides families with quality living environments well into the future, MFA will use comprehensive underwriting procedures based on proven methodologies and reliable data. Procedures will be updated with improved underwriting tools and benchmarks using the best practices of the industry. Data on the operations of properties in the MFA portfolio will be collected and analyzed, resulting in proactive asset management.

5.1 Benchmarks

- Evaluate at least one software alternative for the Low Income Housing Tax Credit program
- Evaluate software needs for MFA’s Asset Management and Housing Development departments
- Evaluate HUD’s risk rating system for use at MFA
- Partner with HUD on evaluating multifamily risk rating systems

5.2 Preserve existing properties through proactive oversight of MFA’s portfolio and collaboration with property owners and managers.

Many existing rental housing units are in need of capital improvement but have limited funds available to pay for them. MFA and its partners will work to proactively manage the portfolio of properties and prioritize which properties to preserve with the resources that are available. As part of its process of continual education and oversight, MFA will also recommend operating cost reductions such as energy efficiency improvements.

5.2 Benchmarks

- Yield a net increase of multifamily rental units in MFA’s portfolio
- Yield a collection rate of 95 percent or greater for compliance monitoring and fees
- Provide at least three formal training events to housing partners
- Inventory archive of completed 8609 forms
- Update MFA’s Low Income Housing Tax Credit year 15 listing to identify projects that may opt out of the program
- Modify staff guidelines to increase owner response to closing out monitoring findings and deficiencies
5.3 Evaluate and utilize new resources to address increased demand for rental housing.

Even as government funding for traditional affordable housing programs decreases, MFA must continue to facilitate the growth of quality, affordable rental housing throughout New Mexico. MFA will recommend refinancing options for existing bond deals and will identify and assess traditional and non-traditional funding sources, underutilized state funding, bonds for multifamily rental projects as well as other novel and innovative funding sources. These sources will help to meet increased demand for rental housing, supplement government funding and address unique niches or needs in New Mexico’s diverse communities. MFA will also partner with housing finance agency peers and other industry leaders to identify innovative financing structures.

5.4 Continue to serve as New Mexico’s Project-Based Contract Administrator for HUD Section 8.

MFA has administered the HUD contract for Section 8 Project Based Contract Administration (PBCA) for 13 years. As the in-state housing finance agency, MFA is uniquely qualified to perform this work because it understands New Mexico’s affordable housing needs and strives to build capacity and work cooperatively with property owners and managers. Unfortunately, HUD’s process to award PBCA contracts is currently under litigation, placing PBCA administrative fees to MFA at risk. MFA will continue to successfully perform its PBCA scope of work, monitor and represent New Mexico’s interests in PBCA litigation and respond to new solicitations of HUD PBCA contracts.
Tab 13
MEMORANDUM

TO: Board of Directors

Through: Policy Committee

FROM: Monica Abeita, Sr. Policy and Program Advisor

DATE: September 16, 2015

SUBJECT: MFA 2016 Legislative Agenda

Recommendation:

Staff recommends board approval of MFA’s legislative agenda for 2016.

Background:

MFA’s is proposing the following six appropriation requests for the 2016 New Mexico Legislative Session. As discussed at the board retreat, MFA is also pursuing these requests through other channels, including the NM Department of Finance and Administration (DFA) budget and the state capital outlay process. MFA’s Legislative Oversight Committee reviewed these requests at its July meeting and, pending MFA board approval, will endorse bills at its November meeting.

1. Regional Housing Oversight, $300,000—Recurring
   State mandate, inclusion in DFA budget requested
2. Affordable Housing Act Oversight, $250,000—Recurring
   State mandate, inclusion in DFA budget requested
3. New Mexico Housing Trust Fund, $5 million
   Also submitted as a capital outlay request
4. Low-Income Residential Energy Conservation (NM EnergySmart), $1 million—Recurring
   Also submitted as a capital outlay request
5. Down Payment Assistance, $1.65 million
   Also submitted as a capital outlay request
6. Veteran Home Rehabilitation, $2 million
   Requested by Senator Richard C. Martinez of MFA’s Legislative Oversight Committee
Summary:

Board approval is requested for MFA’s legislative agenda for the 2016 New Mexico Legislative Session. The 2016 legislative agenda includes six appropriations requests: Regional Housing Authority Oversight, Affordable Housing Act Oversight, the New Mexico Housing Trust Fund, the NM Energy$mart Program, Down Payment Assistance and Veteran Home Rehabilitation.
Proposed 2016 MFA Legislative Agenda

Appropriation Requests

1. **Regional Housing Oversight**  
   **$300,000—Recurring**  
   In 2006, MFA was mandated by the state to restructure and oversee the Regional Housing Authorities. However, as a governmental instrumentality, MFA receives no operating funds from the state. MFA is requesting recurring funding for oversight and to ensure that New Mexico’s three Regional Housing Authorities have the support and training necessary to operate efficiently and to create affordable housing in rural and unserved areas. In the past, MFA has requested that this mandate be transferred to DFA if recurring funding for MFA is not approved.

2. **Affordable Housing Act Oversight**  
   **$250,000—Recurring**  
   MFA is mandated by the state to oversee the Affordable Housing Act, which permits state and local governments to contribute public funds, buildings and other resources for affordable housing. However, as a governmental instrumentality, MFA receives no operating funds from the state. MFA is requesting recurring funding for MFA oversight of the Affordable Housing Act and to provide technical assistance to local communities for development and implementation of affordable housing plans and ordinances. In the past, MFA has requested that this mandate be transferred to DFA if recurring funding for MFA is not approved.

3. **New Mexico Housing Trust Fund**  
   **$5 million**  
   The Housing Trust Fund was created by the State Legislature in 2005 with an initial appropriation of $10 million and additional appropriations of $8.7 million since that time. For every dollar appropriated, at least $14 additional dollars are leveraged to finance affordable housing. A $5 million appropriation will leverage $70 million to build more than 500 quality affordable homes for low-income New Mexicans.

4. **Low-Income Residential Energy Conservation**  
   **$1 million—Recurring**  
   MFA’s NM Energy $mart program weatherizes the homes of approximately 1,000 low-income families each year. State funding is leveraged five to one with two federal programs. Based on income eligibility, more than 300,000 New Mexican households are eligible for weatherization services. A $1 million appropriation will provide weatherization for approximately 200 additional homes statewide, creating jobs and saving low-income families hundreds of dollars on energy bills each year.

5. **Down Payment Assistance**  
   **$1.65 million**  
   Through a network of lenders, MFA provides low-interest mortgage loans to first-time homebuyers and non-first time homebuyers who work in critical occupations. Along with each home purchase, MFA offers an average of $5,500 in down payment assistance (DPA). Ninety to 95 percent of all MFA borrowers utilize DPA. In many cases, lack of a down payment is what keeps otherwise creditworthy households from purchasing a home. As the economic climate improves, MFA needs additional capital for DPA to keep pace with the uptick in mortgage loans, estimated at 300 additional loans per year.
6. **Veteran Home Rehabilitation** $2 million
   This appropriation will provide funding for honorably discharged veterans in New Mexico who earn 60 percent or less of Area Median Income. A $2 million appropriation will enable rehabilitation of approximately 100 homes, including replacement of appliances and repairs to address structural damage, health and safety code requirements and accessibility.
Tab 14
FINANCING TRENDS AMONG HFAS: IMPLICATIONS FOR MFA
Table of Contents

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MFA Bond Execution 10
Single Family Revenue Generation 11
Rating Agency View of MFA 12
Financing Opportunities/Conclusions 13
Historical Mortgage Rates, 2013 to date

**New Mexico Rates**

**National Rates**

**MFA’s Approach:**
- Daily and weekly monitoring of interest rates
- Emphasis to remain competitive to market and attractive to homebuyers

Source: HSH.com
### Mortgage Rate Information

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<tr>
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<th>2015A</th>
<th>2014A</th>
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<tr>
<td>MMFA Regular Saver (1+1)</td>
<td>3.50%</td>
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<tr>
<td>Fannie Mae 60-day Commitment Rate (net yield)</td>
<td>3.50%</td>
<td>3.75%</td>
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<td>Fannie Mae 90-day Commitment Rate (net yield)</td>
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<td>Freddie Mac National Weekly Survey - Avg Rate(2)</td>
<td>3.76%</td>
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<td>Freddie Mac National Weekly Survey - Avg Pts(2)</td>
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<td>Freddie Mac Southwest Weekly Survey - Avg Rate(2)</td>
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<td>Freddie Mac Southwest Weekly Survey - Avg Pts(2)</td>
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### Market Indices

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<td>10-Year Treasury</td>
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<td>30-Year Treasury</td>
<td>2.75%</td>
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### Bond Financing Information

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<td>30-Year MMD</td>
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<td>30-Year NAMT Bond</td>
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<tr>
<td>Spread to 30-Year MMD</td>
<td>1.08%</td>
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<tr>
<td>Premium PAC Yield (5yr avg life)</td>
<td>1.95%</td>
<td>2.40%</td>
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<td>Spread to 5 Year MMD</td>
<td>0.82%</td>
<td>1.20%</td>
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### 100% Market: Fixed Rate 30yr Level Debt with Prem PAC(2)

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<td>Cost of Funds (Bond Yield)</td>
<td>3.28%</td>
<td>4.05%</td>
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<td>FSMR - GMNA Regular Saver (1+1)</td>
<td>4.28%</td>
<td>4.88%</td>
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<tr>
<td>FSMR - GMNA Saver Zero</td>
<td>4.53%</td>
<td>5.38%</td>
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<td>FSMR - GMNA Saver Plus</td>
<td>5.69%</td>
<td>5.69%</td>
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<td>FSMR - 100% GMNA Regular Saver (1+1)</td>
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### Zero Needed for New Issuance(4)

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<tr>
<td>Issuance Size</td>
<td>$35.0m</td>
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<td>TBA Pricing Pass-through (GNMA II)</td>
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<tr>
<td>TBA Pricing Pass-through (GNMA II)</td>
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<td></td>
</tr>
<tr>
<td>TBA Pricing Pass-through (GNMA II)</td>
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<tr>
<td>TBA Yield Pass-through (GNMA @3.00%) @ 100% PSA</td>
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<tr>
<td>TBA Yield Pass-through (GNMA @3.00%) @ Dealer PSA</td>
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<td></td>
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<tr>
<td>Dealer Forecasted PSA</td>
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### Current Reservation Rates

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<tr>
<td>Saver</td>
<td>3.50%</td>
<td>4.00%</td>
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<tr>
<td>Zero</td>
<td>3.75%</td>
<td>4.50%</td>
</tr>
<tr>
<td>Plus</td>
<td>4.50%</td>
<td>5.00%</td>
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<tr>
<td>Net Profit of Current Rates (if Sold)(10)</td>
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<tr>
<td>Saver</td>
<td>2.19%</td>
<td>0.55%</td>
</tr>
<tr>
<td>Zero</td>
<td>1.70%</td>
<td>1.82%</td>
</tr>
<tr>
<td>Plus</td>
<td>1.78%</td>
<td>1.06%</td>
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</table>
Municipal Bonds Have Underperformed Treasuries:

Primary Causes:
- Absolute low levels of interest rates
- Slower growth economy
- Fed “Quantitative Easing”, etc.
- US Treasuries attractive as global safe investment

Impact on MFA:
- Traditional tax-exempt municipal bonds do not generate competitive mortgage rates
- Requires alternative funding sources for new production

<table>
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<tr>
<th></th>
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<tbody>
<tr>
<td><strong>MRB Bond Yield</strong></td>
<td>3.31%</td>
<td>3.39%</td>
<td>0.08%</td>
<td>4.66%</td>
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<tr>
<td><strong>10 Year UST</strong></td>
<td>2.51%</td>
<td>2.16%</td>
<td>(0.35%)</td>
<td>4.81%</td>
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<td><strong>Spread</strong></td>
<td>0.80%</td>
<td>1.23%</td>
<td>0.43%</td>
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Continued Shift to MBS Secondary Market Execution

- MBS sales via TBA (“To be Announced”) market has become standard execution for many HFAs
- MBS future delivery prices have become method by which HFAs set interest rates, as opposed to tax-exempt bond yields
- **MFA has been using this execution successfully since 2013**

MFA Production has also shifted to TBA

- Loan purchased forecasted as $152.7 million in FY15, an increase of 34% over FY14 production of $114 million.

*Based on MBS settled or funded with bonds each fiscal year.*
Use of Bonds

1. New production bond issuance more selective
2. Refinancing debt to lock in lower borrowing costs
   • Many bonds sold as taxable so that HFA can retain more savings than if bonds were tax-exempt
   • *In FY15, MFA refinanced over $45mm, generating $3.3mm in present value savings*
3. Traditional bond structures (serials, term, PAC bonds)
   • Still not attractive without some form of subsidy
4. Varying techniques to make bond issue effective, including:
   • Monthly pass-through bonds
Monthly Pass-Through Bonds

1. Repayments on the mortgage-backed securities are “passed through” monthly to redeem bonds

2. More attractive to investors given greater ability to forecast how the bond will be redeemed

3. *MFA has been a front-runner among HFAs in pass-through bond market*
   - 8 sub-series issued totaling $150mm since January 2013

4. Refinancing existing, higher rate debt with monthly pass-through bonds can generate significant savings and improved revenue streams
   - *In FY 2015, MFA refunded over $45mm, generating $3.3mm in present value savings*
Despite Challenging Bond Market, MFA has Remained Active

MFA Recent Bond Activity, and Revenue Generation:

### 2013 - 2014 YTD

<table>
<thead>
<tr>
<th>(in $ millions)</th>
<th>2013A</th>
<th>2013B</th>
<th>2013C</th>
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<td>Jun-14</td>
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<td>Bond Structure:</td>
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<td>Financing Type:</td>
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<tr>
<td>Bond Proceeds (par):</td>
<td>$25.0 mm</td>
<td>$36.2 mm</td>
<td>$30.0 mm</td>
<td>$15.0 mm</td>
<td>$12.5 mm</td>
<td>$118.7 mm</td>
</tr>
<tr>
<td>First Year Revenue Stream:</td>
<td>$95,000</td>
<td>$441,000</td>
<td>$63,000</td>
<td>$37,500</td>
<td>$351,000</td>
<td>$987,500</td>
</tr>
</tbody>
</table>

### 2015 (est.)

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bond Structure:</td>
<td>Traditional</td>
<td>Pass-Through</td>
<td>Pass-Through</td>
<td>Pass-Through</td>
<td>Pass-Through</td>
<td></td>
</tr>
<tr>
<td>Financing Type:</td>
<td>New Money</td>
<td>Refunding</td>
<td>Refunding</td>
<td>Refunding</td>
<td>Refunding</td>
<td></td>
</tr>
<tr>
<td>Bond Proceeds (par):</td>
<td>$35.0 mm</td>
<td>$7.2 mm</td>
<td>$25.7 mm</td>
<td>$13.8 mm</td>
<td>$24.7 mm</td>
<td>$106.5 mm</td>
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<tr>
<td>First Year Revenue Stream:</td>
<td>$87,500</td>
<td>$195,000</td>
<td>$143,500</td>
<td>$325,000</td>
<td>$524,500</td>
<td>$1,275,500</td>
</tr>
</tbody>
</table>
MFA Has Generated a Mix of Revenue Streams

MFA has generated both immediate revenue from TBA...

...as well as long-term revenue streams from bonds.

Single Family TBA Revenue:
Production FY 2013 - FY 2015 (est.)

Single Family Forecasted Bond Revenue:
New Production and Refundings during
FY 2013 - FY 2015 (est.)

* Issuer fee run at 150% PSA
MFA as viewed by Rating Agencies

MFA’s Issuer Credit Rating was affirmed by Standard & Poor’s (“S&P”) in June 2015 with a “AA-” / Stable rating

Strengths noted by S&P included:
• High quality of MFA’s loan portfolio
• Improved profitability in 2014
• Low risk debt profile; 99% fixed rate bonds
• Very low amount of general obligation debt
• High level of legislative and gubernatorial support of MFA
• Stable and effective management

<table>
<thead>
<tr>
<th>MFA Current Ratings</th>
<th>S&amp;P</th>
<th>Moody’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issuer Credit Rating</td>
<td>AA-</td>
<td>--</td>
</tr>
<tr>
<td>2005 Indenture</td>
<td>AA+</td>
<td>Aaa*</td>
</tr>
<tr>
<td>2009 New Issue Bond Indenture</td>
<td>AA+</td>
<td>--</td>
</tr>
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</table>

* Bonds beginning 2015A and after.

Rating Definitions

<table>
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<th>Moody’s</th>
<th>S&amp;P</th>
<th>Fitch</th>
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<td>Aaa</td>
<td>AAA</td>
<td>AAA</td>
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<tr>
<td>Aa</td>
<td>AA</td>
<td>AA</td>
</tr>
<tr>
<td>A</td>
<td>A</td>
<td>A</td>
</tr>
<tr>
<td>Baa</td>
<td>BBB</td>
<td>BBB</td>
</tr>
<tr>
<td>Ba</td>
<td>BB</td>
<td>BB</td>
</tr>
<tr>
<td>B</td>
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<td>B</td>
</tr>
<tr>
<td>C</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>1,2,3</td>
<td>+/-</td>
<td>+/-</td>
</tr>
</tbody>
</table>

1,2,3 +/- +/+
1. Continued evaluation of optimal single family funding strategy, considering the impact on:
   • Managing pipeline interest rate risk, current profitability, generation of ongoing future revenue streams, and rebuilding assets and balance sheet.

2. Refinancing existing higher rate bonds
   • Takes advantage of continued low interest rate environment

3. Combining TBA program with bonds as long-term funding
   • Could significantly reduce the interest rate risk to MFA of accumulation MBS for a future bond issue as rates are attractive

4. Providing long-term funding for multifamily affordable housing projects
   • Permanent lender on tax credit projects

5. Debt refinance opportunities on existing bonds / projects
   • Multifamily pass-through bonds are attractive funding sources as well
Tab 15
<table>
<thead>
<tr>
<th>Department and Program</th>
<th>Project</th>
<th>Action Taken</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>Housing Development - State Tax Credit Award</td>
<td>White Sands Habit for Humanity</td>
<td>Approve a $45,000 State Tax Credit request to WSHFH to finance the construction of five (5) single family homeownership units for families earning at or below 50% AMI</td>
<td>Approved by Policy Committee 08/10/2015</td>
</tr>
<tr>
<td>Housing Development - Primero Investment Fund Loan Award</td>
<td>White Sands Habit for Humanity</td>
<td>Approve a $125,000 Primero Investment Fund construction loan to WSHFH to finance the construction of three (3) single family homeownership units for families earning at or below 50% AMI</td>
<td>Approved by Policy Committee 08/10/2015</td>
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<tr>
<td>Housing Development - State Affordable Housing Tax Credit Program</td>
<td>Oshara Village</td>
<td>Amended the Master LURA to (1) exclude sites that did not benefit from the State Affordable Housing Tax Credit Program; and (2) raise the affordability levels of the remaining sites to 120%AMI, the limit allowed by the program.</td>
<td>Approved by Isidoro Hernandez, Deputy Director of Programs 8/14/15</td>
</tr>
<tr>
<td>Housing Development- LIHTC</td>
<td>LIHTC Consultant RFQ</td>
<td>PC Approved RFQ Committee’s recommendation of award to HFA Consulting LLC (Deborah Baker)</td>
<td>PC approval received 8/25/15</td>
</tr>
</tbody>
</table>
The $15 million, 2014 Series A bond issue's estimated net economic benefit on a present value basis is estimated to be $232,624 which is 1.6%

1/2014 10,830,669 8/2014 12,757,188 3/2015 10,794,262
9/2013 10,168,885 6/2014 13,655,444
1/2015 3,565,264 8/2015 22,117,716

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

Original Total Dollar
Original Total Dollar
Original Total Dollar
Original Total Dollar

Ginnie Pipeline
Fannie Pipeline

<table>
<thead>
<tr>
<th>Settlement Date</th>
<th>Number of Settlements</th>
<th>Issue Balance</th>
<th>Fees as a % of TBA Settlement Fees ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/17/2014</td>
<td>86</td>
<td>10,702,565</td>
<td>2.409% 257,166.84</td>
</tr>
<tr>
<td>11/19/2014</td>
<td>70</td>
<td>8,202,932</td>
<td>3.136% 256,799.65</td>
</tr>
<tr>
<td>12/17/2013</td>
<td>28</td>
<td>3,395,807</td>
<td>6.241% 213,068.64</td>
</tr>
<tr>
<td>1/16/2014</td>
<td>17</td>
<td>2,082,698</td>
<td>2.709% 56,418.49</td>
</tr>
<tr>
<td>2/18/2014</td>
<td>64</td>
<td>8,012,104</td>
<td>1.971% 157,915.78</td>
</tr>
<tr>
<td>3/18/2014</td>
<td>36</td>
<td>4,291,783</td>
<td>3.356% 144,072.61</td>
</tr>
<tr>
<td>4/17/2014</td>
<td>64</td>
<td>7,919,096</td>
<td>4.110% 325,524.13</td>
</tr>
<tr>
<td>5/19/2014</td>
<td>50</td>
<td>6,331,616</td>
<td>4.305% 272,628.47</td>
</tr>
<tr>
<td>6/18/2014</td>
<td>70</td>
<td>8,156,908</td>
<td>3.026% 247,043.41</td>
</tr>
<tr>
<td>7/17/2014</td>
<td>81</td>
<td>9,970,565</td>
<td>2.961% 295,274.54</td>
</tr>
<tr>
<td>8/20/2014</td>
<td>102</td>
<td>12,140,553</td>
<td>2.973% 361,588.16</td>
</tr>
<tr>
<td>9/16/2014</td>
<td>66</td>
<td>7,961,653</td>
<td>3.511% 279,584.56</td>
</tr>
<tr>
<td>10/21/2013</td>
<td>95</td>
<td>11,799,312</td>
<td>3.278% 380,854.02</td>
</tr>
<tr>
<td>11/19/2014</td>
<td>86</td>
<td>11,007,045</td>
<td>2.706% 304,966.15</td>
</tr>
<tr>
<td>12/16/2013</td>
<td>52</td>
<td>6,466,930</td>
<td>2.418% 156,378.34</td>
</tr>
<tr>
<td>1/16/2015</td>
<td>76</td>
<td>9,111,264</td>
<td>2.991% 209,480.00</td>
</tr>
<tr>
<td>2/17/2015</td>
<td>50</td>
<td>6,370,549</td>
<td>2.079% 132,116.29</td>
</tr>
<tr>
<td>3/19/2015</td>
<td>21</td>
<td>2,650,122</td>
<td>2.078% 55,080.46</td>
</tr>
<tr>
<td>4/20/2015</td>
<td>24</td>
<td>3,076,386</td>
<td>1.793% 55,172.24</td>
</tr>
<tr>
<td>5/18/2015</td>
<td>30</td>
<td>4,628,722</td>
<td>2.126% 85,680.76</td>
</tr>
<tr>
<td>6/16/2015</td>
<td>52</td>
<td>9,782,242</td>
<td>2.561% 178,759.91</td>
</tr>
<tr>
<td>7/17/2015</td>
<td>103</td>
<td>13,983,671</td>
<td>2.056% 272,237.75</td>
</tr>
<tr>
<td>8/17/2015</td>
<td>110</td>
<td>12,227,023</td>
<td>1.843% 220,867.57</td>
</tr>
</tbody>
</table>

Subtotal 1,386 $173,772,795 2.6631% 4,627,718.07
Less: Hedge Advisor Fee $ (87,007.55)
$ 8,820,831
Total 1,386 $173,772,795 2.7025% 4,118,847.91

POTENTIAL MBS SETTLEMENT VOLUME BY MONTH

<table>
<thead>
<tr>
<th>Settlement Month</th>
<th>Number of Settlements</th>
<th>Issue Balance ($)</th>
<th>Estimated % Gain/Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>September</td>
<td>295</td>
<td>39,103,598</td>
<td>1.7328</td>
</tr>
<tr>
<td>October</td>
<td>206</td>
<td>26,670,973</td>
<td>1.410%</td>
</tr>
<tr>
<td>November</td>
<td>132</td>
<td>17,407,687</td>
<td>1.4207</td>
</tr>
</tbody>
</table>

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

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

SINGLE FAMILY PIPELINE SALES (Does not include HERO)**

<table>
<thead>
<tr>
<th>Original Total Dollar</th>
<th>Original Total Dollar</th>
<th>Original Total Dollar</th>
<th>Original Total Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale Date</td>
<td>Sale Date</td>
<td>Sale Date</td>
<td>Sale Date</td>
</tr>
<tr>
<td>Original Total Dollar</td>
<td>Dollar Amount per Month**</td>
<td>Sales Date</td>
<td>Dollar Amount per Month**</td>
</tr>
<tr>
<td>Sale Date</td>
<td>$31,994,530</td>
<td>5/2014</td>
<td>$11,313,772</td>
</tr>
<tr>
<td>8/2013</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9/2013</td>
<td>10,168,885</td>
<td>6/2014</td>
<td>13,655,444</td>
</tr>
<tr>
<td>12/2013</td>
<td>9,631,312</td>
<td>7/2014</td>
<td>14,524,854</td>
</tr>
<tr>
<td>1/2014</td>
<td>10,830,669</td>
<td>8/2014</td>
<td>12,757,166</td>
</tr>
<tr>
<td>2/2014</td>
<td>9,062,516</td>
<td>9/2014</td>
<td>11,941,549</td>
</tr>
<tr>
<td>3/2014</td>
<td>13,586,180</td>
<td>10/2014</td>
<td>12,415,490</td>
</tr>
<tr>
<td>5/2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6/2015</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Initial amount that was pledged to TBA. Does not reflect any cancellations after the initial sale date.

S:\Everyone\Board Agenda Items and Board Committees\Board Packets\[2015September10, 2015\]Board Packet - September 2015 Board TBA Activity Report.docx
Tab 16
New Mexico Mortgage Finance Authority

Combined Financial Statements
and Schedules

July 31, 2015
NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the ten-month period ended July 31, 2015

• New issues:
  Single Family issue:  $13.8 mm 2015 Series D Bonds (Refunding)
  Multi-family issue:  None

• Payoffs:
  This month:  Payoff activity increased to $7.7 mm in July in comparison to June at $5.9 mm and May at $7.1 mm.  One year ago, in July 2014, payoffs were $6.8 mm.  The last 6 months’ average monthly payoff amount is $6.9 mm.
  Trend:  Payoffs for FY14 were $92.2 mm, down 51% from FY13’s payoffs of $189.1 mm.  Current year payoffs are $69.6 mm, which is (11%) less than last year at this same time.  FY15 annualized payoffs are 13% of the portfolio.  From 2010 through 2014, five-year average payoffs were 14% of five-year average portfolio.  Growth in our portfolio of single family loans and MBS has shown a decrease of (7.8%) since the beginning of the fiscal year ten months ago.  (See graph of payoffs.)

• Total assets and deferred outflows of resources:  (p. 1)
  This month:  $983.3 mm shows a decrease in total assets from May of ($25.2) mm due to Single Family Program debt service of ($41.2) mm offset by $13.8 mm 2015 Series D bond issuance and $3.4 mm in regular principal and interest payments collected.  Growth in assets year to date (ten months) is a decrease of (4.0%).  We are expecting a decrease of (5.4%) in assets for the current year.  Estimates assume prepayments will continue to exceed new assets recorded as MFA will continue to utilize the secondary market to fund the Single Family Mortgage Program as needed based on market conditions.  In this funding execution, MFA does not issue debt to fund the program but instead the mortgage backed securities (assets) are sold to investors.  (See graph of total assets.)

• Net position: (p.2)
  This month:  $204.0 mm net position reflects July excess revenues of $.2 mm primarily due to ($.6) mm in State Investment Council portfolio fair market value losses, ($.2) in cost of issuance expense related to 2015 Series D, offset by $.6 mm in revenue related to the acceleration of amortizations on bond and mortgage backed security premium due to debt service and unanticipated TBA transaction fees of $.2 mm.  (See graph of income.)
  Trend:  MFA is forecasting a (43%) decrease in excess revenues for the current year, or $4.5 mm compared to last year’s $7.9 mm which included unanticipated TBA transaction fees of $2.3 mm and SIC fair market value gains of $2.6 mm.  Our current FY15 estimates anticipate continued improvement in the interest rate environment and economy in general providing stability to both production levels and investment yields.  Income year to date (ten months) of $5.8 mm is 44% above target, and (21%) below last year’s year-to-date income.  Performance is better than expected as of July due to $1.7 mm in positive budget variances.  See budget status below.

• General Fund/Housing Program cash & securities (book = cost, except SIC funds are marked to market):  $77.6 mm at July 31.  Unrealized gain (loss) on securities as of July 31 (includes the bond ladder and mortgage backed securities held as General Fund investments): $1,256,329.  SIC gain (loss) year to date as of July (General Fund only): ($173,826).  UPDATE: Cash and securities total $73.5 mm at August 27, 2015.

• Budget status:  The General Fund and Housing Programs ended the ten-month period with expenditures (19%) under budget primarily due to the timing of expenditures related to capacity building and training/technical assistance in the non-operating expense budget, staff vacancy savings, as well as lower than anticipated provision for loan loss expense.

• Comparative year-to-date figures:

<table>
<thead>
<tr>
<th></th>
<th>10 months</th>
<th>10 months</th>
<th>% Change</th>
<th>Forecast</th>
<th>Actual / Forecast</th>
<th>Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7/31/15</td>
<td>7/31/14</td>
<td>Year/Year</td>
<td>7/31/15</td>
<td></td>
<td>9/30/15</td>
</tr>
<tr>
<td>Single family issues (new money only):</td>
<td>$35.0</td>
<td>$15.5</td>
<td>N/A</td>
<td>$31.3</td>
<td>0%</td>
<td>$35.0</td>
</tr>
<tr>
<td>Multifamily issues:</td>
<td>$11.0</td>
<td>$0.0</td>
<td>N/A</td>
<td>$11.0</td>
<td>0%</td>
<td>$11.0</td>
</tr>
<tr>
<td>Payoffs:</td>
<td>$69.6</td>
<td>$78.3</td>
<td>-11%</td>
<td>$70.8</td>
<td>-2%</td>
<td>$85.0</td>
</tr>
<tr>
<td>Interest margin-Single Family Program:</td>
<td>$0.177</td>
<td>($0.214)</td>
<td>-183%</td>
<td>$0.208</td>
<td>-15%</td>
<td>$0.250</td>
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<tr>
<td>Total assets:</td>
<td>$982.1</td>
<td>$1,044.9</td>
<td>-6%</td>
<td>$974.5</td>
<td>1%</td>
<td>$967.5</td>
</tr>
<tr>
<td>Total bonds outstanding</td>
<td>$761.8</td>
<td>$831.9</td>
<td>-8%</td>
<td>$759.7</td>
<td>0%</td>
<td>$747.0</td>
</tr>
<tr>
<td>Earning assets:</td>
<td>$980.4</td>
<td>$1,037.3</td>
<td>-5%</td>
<td>$963.4</td>
<td>2%</td>
<td>$956.5</td>
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<tr>
<td>Avg. earning assets:</td>
<td>$1,031.4</td>
<td>$1,123.0</td>
<td>-8%</td>
<td>$1,005.4</td>
<td>3%</td>
<td>$983.9</td>
</tr>
<tr>
<td>Excess revenue over expenses:</td>
<td>$5.841</td>
<td>$7.386</td>
<td>-21%</td>
<td>$4.057</td>
<td>44%</td>
<td>$4.463</td>
</tr>
<tr>
<td>Return on avg. assets (ann'lzd):</td>
<td>0.6358%</td>
<td>0.74%</td>
<td>-14%</td>
<td>0.45%</td>
<td>41%</td>
<td>0.45%</td>
</tr>
<tr>
<td>Return on avg. earning assets (ann'lzd):</td>
<td>0.61799%</td>
<td>0.72%</td>
<td>-14%</td>
<td>0.44%</td>
<td>39%</td>
<td>0.45%</td>
</tr>
<tr>
<td>Net position:</td>
<td>$204.0</td>
<td>$197.6</td>
<td>3%</td>
<td>$202.2</td>
<td>1%</td>
<td>$202.6</td>
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<td>General Fund expenses:</td>
<td>$7.146</td>
<td>$8.232</td>
<td>-13%</td>
<td>$8.859</td>
<td>-19%</td>
<td>$10.649</td>
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<tr>
<td>General Fund revenues:</td>
<td>$11.577</td>
<td>$13.106</td>
<td>-12%</td>
<td>$10.735</td>
<td>8%</td>
<td>$12.944</td>
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<td>YTD 7/31/15</td>
<td>YTD 7/31/14</td>
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<td>-----------------------------------</td>
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<tr>
<td><strong>ASSETS:</strong></td>
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<td><strong>CURRENT ASSETS:</strong></td>
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<td>CASH &amp; CASH EQUIVALENTS</td>
<td>$29,472</td>
<td>$21,905</td>
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<td>SHORT-TERM INVESTMENTS</td>
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<td>196</td>
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<tr>
<td>ACCRUED INTEREST RECEIVABLE</td>
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<tr>
<td>MORTGAGE PAYMENT CLEARING</td>
<td>244</td>
<td>238</td>
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<tr>
<td>OTHER CURRENT ASSETS</td>
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<td>1,021</td>
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<tr>
<td>ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)</td>
<td>(0)</td>
<td>-</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>INTER-FUND RECEIVABLE (PAYABLE)</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>34,769</td>
<td>27,404</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CASH - RESTRICTED</td>
<td>41,505</td>
<td>44,138</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LONG-TERM &amp; RESTRICTED INVESTMENTS</td>
<td>62,896</td>
<td>61,995</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FNMA, GNMA, &amp; FHLMC SECURITIZED MTG. LOANS</td>
<td>657,263</td>
<td>728,920</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MORTGAGE LOANS RECEIVABLE</td>
<td>186,386</td>
<td>182,769</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALLOWANCE FOR LOAN LOSSES</td>
<td>(2,369)</td>
<td>(2,506)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FIXED ASSETS, NET OF ACCUM. DEPN</td>
<td>1,025</td>
<td>1,152</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER REAL ESTATE OWNED, NET</td>
<td>553</td>
<td>951</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER NON-CURRENT ASSETS</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTANGIBLE ASSETS</td>
<td>73</td>
<td>69</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>982,100</td>
<td>1,044,892</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>REFUNDINGS OF DEBT</td>
<td>1,205</td>
<td>1,371</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS &amp; DEFERRED OUTFLOWS OF RESOURCES</strong></td>
<td>983,305</td>
<td>1,046,263</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET POSITION:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCRUED INTEREST PAYABLE</td>
<td>8,461</td>
<td>9,455</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCOUNTS PAYABLE AND ACCRUED EXPENSES</td>
<td>4,732</td>
<td>4,943</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>13,193</td>
<td>14,398</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT</td>
<td>761,796</td>
<td>831,925</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MORTGAGE &amp; NOTES PAYABLE</td>
<td>4,012</td>
<td>2,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ACCRUED ARBITRAGE REBATE</td>
<td>85</td>
<td>82</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER LIABILITIES</td>
<td>245</td>
<td>237</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>779,332</td>
<td>848,642</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>NET POSITION:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT</td>
<td>(798)</td>
<td>(781)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNAPPROPRIATED NET POSITION (NOTE 1)</td>
<td>63,774</td>
<td>66,394</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>APPROPRIATED NET POSITION (NOTE 1)</td>
<td>140,997</td>
<td>132,008</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>203,973</td>
<td>197,621</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES &amp; NET POSITION</strong></td>
<td>983,305</td>
<td>1,046,263</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## NEW MEXICO MORTGAGE FINANCE AUTHORITY

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

**FOR THE TEN MONTHS ENDED JULY, 2015**

*(THOUSANDS OF DOLLARS)*

<table>
<thead>
<tr>
<th></th>
<th>YTD 7/31/15</th>
<th>YTD 7/31/14</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Loans</td>
<td>$31,190</td>
<td>$34,984</td>
</tr>
<tr>
<td>Interest on Investments &amp; Securities</td>
<td>2,333</td>
<td>2,655</td>
</tr>
<tr>
<td>Loan &amp; Commitment Fees</td>
<td>348</td>
<td>198</td>
</tr>
<tr>
<td>Administrative Fee Income (EXP)</td>
<td>4,311</td>
<td>3,873</td>
</tr>
<tr>
<td>RTC, Risk Sharing &amp; Guaranty Income</td>
<td>190</td>
<td>86</td>
</tr>
<tr>
<td>Housing Program Income</td>
<td>1,049</td>
<td>1,170</td>
</tr>
<tr>
<td>Loan Servicing Income</td>
<td>(61)</td>
<td>274</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>123</td>
<td>2</td>
</tr>
<tr>
<td><strong>SUBTOTAL OPERATING REVENUES</strong></td>
<td>$39,484</td>
<td>$43,244</td>
</tr>
</tbody>
</table>

| **NON-OPERATING REVENUES:** |             |             |
| Arbitrage Rebate Income (Expense) | - | - |
| Gain(Loss) Asset Sales/Debt Extinguishment | (482) | 2,384 |
| Other Non-Operating Income | 31  | 26          |
| Grant Award Income | 37,393 | 35,400 |
| **SUBTOTAL NON-OPERATING REVENUES** | $36,942 | $37,809 |

| **TOTAL REVENUES** | $76,426 | $81,053 |

| **OPERATING EXPENSES:** |             |             |
| Administrative Expenses | 6,311 | 5,750 |
| Interest Expense | 28,448 | 33,224 |
| Amortization of Bond/Note Premium(Discount) | (3,059) | (3,506) |
| Provision for Loan Losses | 288  | 483         |
| Mortgage Loan & Bond Insurance | - | - |
| Trustee Fees | 76  | 81          |
| Amort. of Serv. Rights & Depreciation | 119 | 201 |
| Amortization of Bond Issuance Costs | -  | 421         |
| Bond Cost of Issuance | 1,003 | -           |
| **SUBTOTAL OPERATING EXPENSES** | $33,186 | $36,654 |

| **NON-OPERATING EXPENSES:** |             |             |
| Capacity Building Costs | 521  | 1,821       |
| Grant Award Expense | 36,878 | 35,192 |
| **SUBTOTAL NON-OPERATING EXPENSES** | $37,399 | $37,013 |

| **TOTAL EXPENSES** | $70,585 | $73,667 |

| **EXCESS REVENUES OVER EXPENSES** | $5,841 | $7,386 |
| **OTHER FINANCING SOURCES (USES)** | - | - |
| **EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES AND OTHER FINANCING SOURCES(USES)** | $5,841 | $7,386 |

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

| **NET POSITION AT 7/31/2015** | $203,973 | $197,621 |
## MFA Net Position as of July 31, 2015:

### UNAPPROPRIATED NET POSITION:

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$36,997</td>
<td>is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.</td>
</tr>
<tr>
<td>$26,746</td>
<td>is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.</td>
</tr>
<tr>
<td>$31</td>
<td>held for New Mexico Affordable Housing Charitable Trust.</td>
</tr>
<tr>
<td><strong>$63,774</strong></td>
<td>Total unappropriated Net Position</td>
</tr>
</tbody>
</table>

### APPROPRIATED NET POSITION: GENERAL FUND

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

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$83,628</td>
<td>for use in the Housing Opportunity Fund ($66,843 in loans plus $16,785 unfunded, of which $9,940 is committed).</td>
</tr>
<tr>
<td>$32,334</td>
<td>for future use in Single Family &amp; Multi-Family housing programs.</td>
</tr>
<tr>
<td>$11,162</td>
<td>for loss exposure on Risk Sharing loans.</td>
</tr>
<tr>
<td>$(798)</td>
<td>invested in capital assets, net of related debt.</td>
</tr>
<tr>
<td>$3,503</td>
<td>for the future General Fund Operating Budget Y E 9/30/15 ($10,649 total budget less $7,146 expended budget through 07/31/15.)</td>
</tr>
<tr>
<td><strong>$129,829</strong></td>
<td>Subtotal - General Fund</td>
</tr>
</tbody>
</table>

### APPROPRIATED NET POSITION: HOUSING

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

<table>
<thead>
<tr>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$10,371</td>
<td>for use in the federal and state housing programs administered by MFA.</td>
</tr>
<tr>
<td><strong>$10,371</strong></td>
<td>Subtotal - Housing Program</td>
</tr>
<tr>
<td><strong>$140,200</strong></td>
<td>Total appropriated Net Position</td>
</tr>
<tr>
<td><strong>$203,973</strong></td>
<td>Total combined Net Position at July 31, 2015</td>
</tr>
</tbody>
</table>

Total combined Net Position, or reserves, at July 31, 2015 was $204.0 million, of which $63.8 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $140.2 million of available reserves, with $77.6 million primarily liquid in the General Fund and in the federal and state Housing programs and $62.6 million illiquid in the programs of the General Fund, have been

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

MFA's general plan for bond program reserves as they may become available to MFA over the next 30 years is to use the reserves for future programs, loss exposure coverage, and operations.
### PRO RATA BUDGET YTD @ 7/31/15

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**GENERAL FUND & HOUSING PROGRAMS-OPERATING EXPENSES-BUDGET VARIANCE REPORT**  
**ACTUAL FOR THE TEN MONTHS ENDED 7/31/15 & ACTUAL TO BUDGET FOR FISCAL YTD**

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

| REVENUES |  |  |  |  |  |  |
|----------|----------------------------|------|------------|----------|------------|
| INTEREST INCOME | 447,495 | 4,351,754 | 4,369,823 | 18,069 | 5,243,787 | 892,033 | 82.99% |
| OTHER REVENUE   | 470,451 | 7,225,185 | 6,365,549 | (859,636) | 7,700,284 | 475,099 | 93.83% |
| TOTAL REVENUES  | 917,946 | 11,576,939 | 10,735,372 | (841,567) | 12,944,071 | 1,367,132 | 89.44% |

| OPERATING EXPENSES |  |  |  |  |  |  |
|---------------------|----------------------------|------|------------|----------|------------|
| COMPENSATION        | 570,422 | 4,518,147 | 4,778,939 | 260,792 | 5,745,876 | 1,227,729 | 78.63% |
| TRAVEL & PUB. INFO. | 29,706 | 243,805 | 304,307 | 60,502 | 365,168 | 121,363 | 66.77% |
| OFFICE EXPENSES     | 66,021 | 532,411 | 522,251 | (10,160) | 626,701 | 94,290 | 84.95% |
| OTHER OPER. EXP.    | 93,881 | 924,897 | 1,071,037 | 146,140 | 1,292,824 | 367,927 | 71.54% |
| TOTAL OPERATING EXPENSES | 760,030 | 6,219,260 | 6,676,533 | 457,274 | 8,030,569 | 1,811,309 | 77.44% |

| NON-OPERATING EXPENSES: |  |  |  |  |  |  |
|-------------------------|----------------------------|------|------------|----------|------------|
| TOTAL NON-OPERATING EXPENSES | 20,670 | 521,277 | 1,367,344 | 846,257 | 1,641,041 | 1,119,764 | 31.77% |

| TOTAL OPERATING & NON-OPERATING EXPENSES |  |  |  |  |  |  |
|------------------------------------------|----------------------------|------|------------|----------|------------|
| 780,699                                  | 6,740,537 | 8,044,067 | 1,303,530 | 9,671,610 | 2,931,073 | 69.69% |
| SERVICING & CAPITAL OUTLAY               | -              | 10,322  | 12,250  | 1,928  | 14,700  | 4,378  | 70.21% |

| TOTAL OPERATING, NON-OPERATING EXPENSES & SERV. & CAPITAL OUTLAY |  |  |  |  |  |  |
|------------------------------------------------------------------|----------------------------|------|------------|----------|------------|
| 780,699 | 6,750,859 | 8,056,317 | 1,305,459 | 9,666,310 | 2,935,451 | 69.69% |

| NON-CASH ITEMS |  |  |  |  |  |  |
|----------------|----------------------------|------|------------|----------|------------|
| 24,456         | 395,268                  | 802,413 | 407,145 | 962,896 | 567,628 | 41.05% |

| TOTAL OPER., NON-OPER. EXP., SERV. & CAPITAL OUTLAY & NON-CASH ITEMS |  |  |  |  |  |  |
|---------------------------------------------------------------------|----------------------------|------|------------|----------|------------|
| 805,155 | 7,146,127 | 8,868,731 | 1,712,604 | 10,649,206 | 3,503,079 | 67.10% |

| EXCESS REVENUE OVER EXPENSES |  |  |  |  |  |  |
|-------------------------------|----------------------------|------|------------|----------|------------|
| 112,791                   | 4,430,812 | 1,876,641 | (2,554,171) | 2,294,865 | (2,135,947) | 22.33% |

**PLUS CAPITALIZED ASSETS:**  
- 19%

**EXCESS REVENUE OVER EXPENSES PLUS CAPITALIZED ASSETS:**  
- 4,430,812
August 11 – September 8, 2015

**MEDIA COVERAGE**

<table>
<thead>
<tr>
<th>Date</th>
<th>Source</th>
<th>Article Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>8-18</td>
<td>Hobbs News-Sun</td>
<td><em>Incentive cut?</em></td>
</tr>
<tr>
<td>8-21</td>
<td>Los Alamos Monitor</td>
<td><em>Nuisance proposal heard on Tuesday</em></td>
</tr>
<tr>
<td>9-1</td>
<td>Santa Fe New Mexican</td>
<td><em>Proof of Santa Fe’s tight rental market</em></td>
</tr>
</tbody>
</table>

**PRESS RELEASES, NEWSLETTERS and LENDER MEMOS**

<table>
<thead>
<tr>
<th>Date</th>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>8-12</td>
<td>E-blast</td>
<td>Open house invitation</td>
</tr>
<tr>
<td>8-14</td>
<td>Lender Memo 15-25</td>
<td>Lender Training Webinar</td>
</tr>
<tr>
<td>8-19</td>
<td>Tribal Update</td>
<td></td>
</tr>
<tr>
<td>8-21</td>
<td>Developer e-blast</td>
<td>Notice of QAP comment period</td>
</tr>
<tr>
<td>8-31</td>
<td>Lender Memo 15-27</td>
<td>New MFA Single Family Programs</td>
</tr>
<tr>
<td>8-31</td>
<td>Lender Memo 15-28</td>
<td>Revised Down Payment Assistance Funding Process</td>
</tr>
<tr>
<td>9-2</td>
<td>Lender Memo 15-29</td>
<td>September 2015 Webinar Training Schedule</td>
</tr>
</tbody>
</table>
Hobbs considers cutting home-building subsidies

Incentive cut?

SEAN CZARNECKI
NEWS-SUN

The Hobbs City Commission was unanimous in its decision to table a resolution that would've cut its reimbursement program for market rate housing by 50 percent during its meeting Monday.

For now the current incentive survives unscathed. The commission decided to schedule a work session to discuss the matter further with developers at a later date. Between a week performance by the oilfield and a housing short-

age researchers call “chronic,” the commissioners had to weigh in one hand fiscal responsibility and in the other, community reinvestment.

Commissioner Marshall Newman of District 1 made the motion to table the resolution.

“I’m inclined to make a motion to table,” he said, “pending further discussion with local contractors and local sub-contractors to get input as far as the impact it will make on them. I received num-

Commissioner Marshall Newman of District 1 made the motion to table the resolution.

“I’m inclined to make a motion to table,” he said, “pending further discussion with local contractors and local sub-contractors to get input as far as the impact it will make on them. I received num-

Weekly phone calls from local sub contractors.”

The program would've cost the city a maximum amount of $1 million in 2016: three $200,000 single-family housing projects for a total of $600,000 and two $200,000 multi-family housing projects for a total of $400,000.

“This cuts the past incentive by about 50 per-

cent,” City Manager J.J Murphy said. “With the current economy, what we thought is, if in six months, the gross receipts tax revenue start coming back, we can always add more money to the budget. But this would hopefully maintain some current development.”

Mayor Sam Cobb said the city operates on a $200 million budget, unadjusted for changes in revenue and project costs.

Once the commission tabled the resolution, they invited public comment.

Stepping up to the podium, builders, developers and real estate agents were emphatic in their argument. They believe house sales remain strong, new housing is critical to ensure the community’s growth and the reimbursement program was helpful, even necessary, in continuing housing development in Hobbs, they indicated.

Explaining that Black Gold Estates decided to take on the Zia Crossing development under the assumption an incentive would be provided, Leon Ivie said, “Quite frankly we feel we’ve been mis-

led. We don’t think we’ve really been appreci-

ated for the effort we made for the city. And the incentive is paramount to us for continuing this development.”

Black Gold Estates has invested $8.3 million into the development, Ivie said. Zia Crossing is meant to be an 800-home subdivision upon completion.

THE CITY’S REIMBURSEMENT PROGRAM

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ated for the effort we made for the city. And the incentive is paramount to us for continuing this development.”

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THE CITY’S REIMBURSEMENT PROGRAM

today allows developments like Zia Crossing to offer new homes for affordable prices, according to Tom French, president of French Brothers, one of the development’s builders.

“That reimbursement goes straight to the consumer,” French said in an interview with the News-Sun. “Because it lowers our cost and because we’re production builders, we pass that cost savings straight to the purchaser.”

The reimbursement works on two different lev-

eels, French said: in monetary terms and symbolic terms. At the same time it lowers the cost of building — an expensive feat for French since he has to hire tradesmen from out-of-town — “it really shows the City of Hobbs is committed to solving the housing problem,” he said.

“With oil prices as uncertain as they are, some sense of stability between us and the city would be fantastic.” French went on to say. “We have plenty of uncertainty in areas we have no control over.”

Reducing the program would stand in stark con-

trast to the recommendations made in a recent housing study by Boulder-based RRC Associates, which commended the reimbursement program.

The study also recommends that the city build between 1,290 and 2,290 housing units, more than half of which should be for ownership, over the
next five years.

The city is supposed to have 757 multi-family and 141 single-family housing units once the reimbursement funds are dispersed, according to city documents.

Since 2012, when the commission approved the program’s first iteration, the city allocated a total of $3.47 million to multi-family housing developments and $1.94 million for single-family units, according to city documents.

**ALSO IN THE BALANCE** was the city’s policy for incentivizing low-income housing. The Hobbs City Commission voted to continue that policy un molested.

Developers for low-income housing compete for housing tax credits from the New Mexico Mortgage Finance Authority. To make a project more competitive, municipalities can pledge to foot as much as 10 percent of the development costs.

As policy stands today, the city pledges to pay for the full 10 percent of the development’s costs to projects that win tax credits from the NMMFA.

This policy will cost the city $2.2 million. Any changes in that tally will be reflected in the first quarterly budgetary adjustment made in October.

For the past couple years, low-income housing developments in Hobbs have found success winning tax credits.

Out of seven projects in 2015, one project in Hobbs received $10.88 million in housing tax credits: the 65-unit Parkside Terrace, located at the corner of South Fowler and East White.

In other matters, during the discussion agenda, senior staff engineer Sheila Baker and Police Chief Chris McCall delivered a presentation updating the commissioners on traffic calming measures the city can take. Also, the commission discussed the items on their five-year Infrastructure Capital Improvements Plan.

ICIP is a list ranking a city's priorities, and qualifies the city to apply for state and federal grants for the cataloged projects.

The Hobbs Planning Board recommended the following projects to be the city’s top five priorities last year: WWTP Effluent System, Sewer Main Replacement Program, Community Housing Projects, Drainage Master Plan, and a Multi-Generational Recreation Center. The five projects had a total cost of around $116.5 million.

The Hobbs City Commission also approved by unanimous vote:

- The final adoption of the annexation of 1.37 acres of land located northeast of the Apodaca-Grimes intersection. This is the first annexation of land the City of Hobbs has acquired this year. In 2014, the city annexed 102.32 acres.
- A contract allowing the NMJC men’s golf team to use Rockwind Community Links. The City of Hobbs has already established similar agreements with Hobbs Municipal Schools and the University of the Southwest.

Sean Czarnecki can be reached at 391-5434 or reporter1@hobbnews.com.
Nuisance proposal heard on Tuesday

County > CEDD lays out plan for addressing blight

BY ARIN MCKENNA
lareporter@lamonitor.com

Los Alamos County staff and elected officials have heard numerous complaints about vacant properties, blighted areas and nuisance violations over the years.

At Tuesday’s Los Alamos County Council work session, Community and Economic Development Department (CEDD) Director Anne Laurent and Housing and Special Projects Manager Paul Andrus laid out a plan to address the problem.

CEDD has identified 61 vacant properties through utility records and boots-on-the-ground confirmation. The postal office reports 250 vacant housing units based on no mail activity at the address. Approximately 20 percent of downtown Los Alamos properties are vacant, underutilized or blighted (roughly 50 of 250 acres). White Rock contains approximately 6 acres of blighted commercial land.

Chair Kristin Henderson noted that the most prevalent complaint she heard on the campaign trail and continues to hear concerns blight. Councilors also heard several complaints on this issue at the county fair.

During public comment, residents provided their own horror stories of neighborhood properties sitting vacant for years, living in a “construction zone” for seven years due to an unfinished remodeling project next door and neighbors with 11 vehicles in their yard.

Disgruntled residents could see signs of change in the near future.

Council members threw their support behind several CEDD proposals to address those issues.

Councilor James Chrobocinski was “excited” about the plan, noting that as a realtor showing newcomers around town he frequently encounters skepticism that Los Alamos has the highest concentration of millionaires in the United States.

“I’m very sensitive to property rights, but when a private individual is neglecting or misusing his property to the extent that it affects the property values of all the people around him, it becomes beyond that one property,” Chrobocinski said. “It becomes an issue that needs to be dealt with.

It becomes a nuisance, it becomes a hazard and it’s negatively impacting our community as a whole and it needs to be dealt with.”

CEDD has stepped up enforcement in the past year, addressing nearly 400 property maintenance cases. Approximately 90 percent of those cases have been resolved, 28 of those in municipal court.

“What’s not reflected here is that a lot of those come back to us. You can resolve an abandoned vehicle or you can resolve a weed issue and have it come back in a very short amount of time,” Laurent said.

Among other things, CEDD is proposing stiffer penalties for repeat offenders, something several councilors embraced.

The plan put forth by the CEDD utilizes a carrot-and-stick approach, combining stronger codes and stepped up enforcement with programs to help low-income homeowners.

Staff proposes finding ways to better track vacant properties, such as requiring registration and informing the owner or responsible party of their
responsibilities for maintaining the property.

Code changes will be introduced that allow for additional fines and fees if the violations occur.

Another provision would allow the county to step in to correct a situation, with the recommendation that fees for intervention should be greater than what the owner would incur for doing the work themselves, to disincentivize relying on the county.

If fees and fines are not paid, a lien could be imposed that could ultimately result in foreclosure.

Enforcement would be combined with proactive measures, such as a first time homeowners incentive program, an owner-occupied rehabilitation program for low-income households, waiving or reimbursing permit fees for eligible homeowners and instituting an acquisition, rehabilitation and resale program to income eligible buyers.

CEDD would work to develop partnerships with Community Development Corporations, nonprofit and private financial institutions to help implement those programs.

Andrus previewed one such initiative, a $234,660 contract with the Los Alamos Housing Partner (LAHP) that comes to council for approval Tuesday.

LAHP will assist homeowners at or below 80 percent area median income with housing rehabilitation needs.

Approximately 341 homeowners are within that range.

If approved, the program will provide loans for home improvement the owners could not otherwise afford, which can be used for general improvements, emergency repairs, structural and electrical repairs, furnace replacement, handicap modifications and to address fire code deficiencies.

The program would also be open to quad and condo homeowners.

LAHP will provide administration and operational oversight, including applicant intake and client assistance, bidding and project management and inspection and contractor coordination and training.

LAHP also proposes writing grants and leveraging additional funding sources from the New Mexico Mortgage Finance Authority, the Federal Home Loan Bank and the United States Department of Agriculture. They would also establish and maintain a local contractor database.

Initially, LAHP anticipates having the capacity and funding to address 12 to 15 units annually.

The low number concerned Vice Chair David Izrailevitz.

Although the program could be expanded, Andrus anticipates there would be a waiting list for the program.

“This could really help us with critical employee housing programs,” Izrailevitz said. “We have teachers who are income-limited to be able to live in Los Alamos.”

In other initiatives, CEDD proposed reducing the time it takes to resolve a complaint (currently 14 to 90 days) by reducing the number of courtesy notices prior to issuing a court citation. That would require more staff time in court but reduce overall time commitment.

To address the perpetual construction projects, staff proposed reducing the time allotted for building permits — currently three years with an option for an additional six month renewal — and restricting renewal of permits, perhaps by disincentives such as assessing fines or increased fees.

In order to address nuisance vehicles, CEDD proposed revising chapter 38 of the Municipal Code to restrict large vehicle parking on streets, restrict parking areas, hours and days in neighborhoods and restrict front yard parking.

Laurent acknowledged that the Comprehensive Plan update would have to identifying alternative parking for large vehicles.

Councilors expressed strong support for the plan and urged staff to take aggressive action.

“I think it falls within government’s responsibilities to protect neighbors’ rights, property rights, especially when there’s something not normal,” Councilor Steve Girrens said. “And an extended vacancy is not normal. Not finishing a home is not normal, and that’s a property rights violation. I can’t believe the building permit is three and a half years. It should be like 18 months. You get it done. It’s not a hobby.”

“I think this is a whole area that as a county government we’ve been remiss in,” Chair Kristin Henderson said.

Since Tuesday was a work session, no action was taken. Staff anticipates returning with concrete proposals for implementing the plan — including code changes — before the end of the year.
Proof of Santa Fe’s tight rental market

If anyone needs proof that the rental vacancy rate is low in Santa Fe, the New Mexico Mortgage Finance Authority has delivered the data. Each year the agency ranks communities on need, so it can set priorities for the awarding of low-income housing credits. In any given year there may be 20 projects proposed statewide, and just four or five get awarded the credits.

The credits are essential for those looking to build rental units for tenants of low or modest income — and there have been few rental projects in Santa Fe that move forward without them.

Even nonprofits that are tax-exempt but engage in housing construction can sell the credits to large corporations and then use that money to help finance construction.

In the coming year, Santa Fe is one of eight counties in the state that is designated as Tier 1, meaning it has the most need for affordable rental housing. Of the eight counties in the tier, Santa Fe has a vacancy rate of 2.8 percent, according to the Mortgage Finance Authority. The other counties in need and their vacancy rates are Chaves (2.1 percent), Cibola (2.8), Curry (1.7), Eddy (0.9), Lea (4.7), Sandoval (3.2) and Taos (3.7).

The average rental vacancy rate statewide is 5.3 percent, with Socorro County the highest in the state at 10.6 percent.

When Titan Aerospace sought to expand at the Moriarty Municipal Airport, it accepted two types of tax money from the state for economic development.

Both awards came before the company, which is developing drone technology, was purchased by Google. Titan has since announced that it is moving to California, and the state is trying to recover or claw back some of the money.

The first award from the state was to train Titan workers — and those funds were distributed under the Job Training Incentive Program (JTIP) for 18 jobs over two phases in 2013. The total amount paid for the training was $330,000.

The company also received taxpayer money under another program called LEDA — Local Economic Development Act.
With LEDA, the state helps pay for public improvements needed by a company that wants to locate or expand. In the case of Titan, $995,000 was spent on water and sewer infrastructure at the airport. It was the LEDA program that was greatly expanded in the past year by the Legislature as New Mexico tries to beef up its private-sector employment base.

The agreement required Titan to have 35 employees at the airport earning more than $40,000 by late 2017.

With Titan moving to California — and taking many employees who were trained with New Mexico tax dollars with it — the state is expecting Google to return all the LEDA funds, and those dollars could then be used to support another project.

But, according to the monthly Labor Market Review, published by the state Department of Workforce Solutions, “it is too late for the state to recover the JTIP funds.”

Lower energy prices also mean there may be little or no increase in Social Security payments for 2016.

“Unless there is significant inflation over the next few months, Social Security beneficiaries shouldn’t expect a cost-of-living adjustment in their benefits for 2016. On the bright side, for those working and paying into the Social Security system via payroll taxes, when there isn’t a COLA increase, there’s also no corresponding increase in the amount of wage income subject to Social Security payroll taxes, currently $118,500. While that may be little comfort to those living on Social Security benefits, take heart that the Trustees do expect a COLA for 2017,” reports MarketWatch.

Another benefit tied to the cost-of-living index is the minimum wage in the city of Santa Fe and the county. If inflation remains tame the rest of the year, then it is probable that the wage will not be increased from its current level of $10.84 or it will rise just a few cents.

The new wage determination would be made in January for an adjustment on March 1.

Bruce Krasnow
Business Matters
Join Us For
MFA’s 40th Anniversary Celebration

If you are a former or current employee, board member, committee member, partner or friend of MFA, be sure to stop by to renew old acquaintances and share memories.

delicious food
music by Le Chat Lunatique

Thursday, September 17 2015
5-7 p.m.
MFA
344 Fourth St. SW
TO: Participating Lenders  
FROM: Erik Nore, Director of Homeownership  
DATE: August 14, 2015  
RE: Memo No. 15-25  

- August 2015 Web Training Schedule  
  - New Compliance Review Addendum  
    - August 19, 2015 – 10:00 am MDT  
    - August 19, 2015 – 1:00 pm MDT  
  - Compliance Submission and Review Process  
    - August 20, 2015 – 10:00 am MDT  
  - Closed Loan Submission and Review Process  
    - August 21, 2015 – 1:00 pm MDT  
  - Electronic File Submission Compliance and Closed Loan (Document Imaging)  
    - August 25, 2015 – 1:00 pm MDT  

MFA will be offering overall training for the **NEW** Compliance Review Addendum, Compliance and Closed Loan Submission and Review process and the Electronic File Submission process within the single-family loan programs.

Join us for the informative training session (via webinar) that pertains to your position:  

**NEW Compliance Review Addendum**
When: Wednesday, August 19, 2015  
Time: 10:00 am – 11:00 am MDT  
and  
When: Wednesday, August 19, 2015  
Time: 1:00 pm – 2:00 pm MDT

**Compliance Submission and Review Process**

When: Thursday, August 20, 2015  
Time: 10:00 am – 11:30 am MDT

**Closed Loan Submission and Review Process**

When: Friday, August 21, 2015  
Time: 1:00 pm – 2:30 pm MDT

**Electronic File Submission (Compliance and Closed Loan) Rebroadcast**

When: Tuesday, August 25, 2015  
Time: 1:00 pm – 2:30 pm MDT

**To Participate:**

Register via the MFA Lender Training link [http://www.housingnm.org/lender-training](http://www.housingnm.org/lender-training) no later than 5:00 PM MST on the business day prior to the training. Please register for the individual session(s) that will be attended. The materials will be sent to you the evening before the training. Below is the link and call in numbers for all of the sessions.

Conference Dial-in Number: (641) 715-3276  
Participant Access Code: 297334#  

Thank you for participating in MFA’s program. Should you have any questions, please contact an MFA Homeownership Representative at 1-800-444-6880 or 505-843-6880.
NM Tribal Homeownership Coalition Meeting Reminder
San Felipe Pueblo Housing Authority
Friday, August 21
1 PM to 3 PM

Directions: San Felipe Pueblo Housing Authority (SFPHA) is reached by Exit 252 off I 25 (about 30 Miles north of Albuquerque. Turn west at the exit and go about 1.5 miles...SFPHA is just past the Tribal Administration Building on the left side of the road. The phone number is 505 771-9291

Draft Agenda

August 21, 2014
San Felipe Pueblo Housing Authority

Invocation

Welcome
Isaac Perez  Ex Dir SFPHA

Introductions
Group

Financing Mutual Help
Rose Marquez, Ex Dir
Cha Piyeh, Inc

Home Sale

USDA RD, NM
Lynn Trujillo
Native American Coordinator

Legal Services
Serge Martinez, Assistant Professor of Law, UNM

Affordable Housing

Opportunities in Rehab
John Quale, Professor/Director of Architecture, UNM
New Home Construction and Subdivision field trip

Don’t miss this important meeting. We'll see the new homes which San Felipe has built with their Force Account, and get an update on the financing. Also the speakers from UNM can lead to new partnerships and improved housing for your community. And meet Lynn Trujillo, the NM RD Native American Coordinator. See you on the 21st!! Eric

Loan Wars: Indian Mortgage Program Pushes Back Against Criticism

Mark Fogarty
Indian Country Today 8/14/15

A federal Inspector General’s office has rapped a popular American Indian mortgage program, alleging lax underwriting. But the guarantor of the loans, the Department of Housing and Urban Development’s Office of Native American Programs, has pushed back hard against that assessment.

The HUD Inspector General has alleged ONAP’s Office of Loan Guarantee “did not provide adequate oversight of the Section 184 program, resulting in an increased overall risk to the program, including guaranteeing 3,845 loans totaling more than $705 million that were not underwritten in accordance with program guidelines. On an annualized basis looking forward, this is equivalent to $77 million in loans that have a higher risk of loss in the first year.”

Claiming that the OLG did not adequately supervise the mortgage program (which has extended more than $4.5 billion in credit through more than 28,000 loans since 1995), OIG said “a review of 95 statistically sampled loans guaranteed from January 1, 2010, to July 31, 2014, determined that 32 of 95 loans had material underwriting
deficiencies.

“The OLG did not adequately monitor, track, and evaluate participating lenders to ensure that loans were underwritten in accordance with the Section 184 processing guidelines,” according to the inspector general’s report. “This lack of oversight and high incidence of poorly underwritten loans has the potential to negatively impact the financial standing of Native American communities.”

In addition, the inspector general said HUD did not satisfactorily review enough of the lenders and loans in the program, which guarantees 100 percent of a lender’s outlays. “For fiscal year 2014, OLG conducted monitoring reviews of three lenders, but only eight loans were reviewed of 3,447 loans originated by 128 lenders,” the report stated.

The Inspector General’s report recommends a slew of corrective actions, including a standardized monthly delinquency report format and a policy for denying payments to direct guarantee lenders for claims on loans that have material underwriting deficiencies.

Rodger Boyd, HUD assistant deputy secretary for Native programs, rebutted the OLG report by saying its statistical sample was too small and didn’t correlate with actual program losses.

Boyd, Navajo, said that claims on the program from inception to March 31 of this year come to 662 loans for copy14 million. That is about 2.5 percent of total loans, and less than the amount HUD has received in fees and the guarantee amounts provided by Congress.

Many of the losses came during the years after the financial collapse of 2008, Boyd wrote in his reply to the inspector general.

He also said OLG has initiated an increase in premiums to reduce risk to the agency.

Boyd did acknowledge “there is significant room for improvement in this area.”

According to tables in the report, HUD 184 loans made in 2014 and 2015 have shown no claims at all, despite OIG’s fear of higher first-year losses in the program. For 2013, about $200,000 of claims have been made on just two loans out of more than 3,000 made.

HUD does not make section 184 loans directly but through authorized lenders. Individual Indians, tribes and their housing entities are eligible for HUD 184s. HUD also administers a second lending program, Title VI, often used for development or infrastructure costs of housing projects.

Read more at http://indiancountrytodaymedianetwork.com/2015/08/14/loan-wars-indian-mortgage-program-pushes-back-against-criticism-161358
Interested Parties:

The New Mexico Mortgage Finance Authority (MFA) is pleased to announce that our 2016 Draft Low Income Housing Tax Credit Qualified Allocation Plan (Draft QAP) and 2016 Draft Mandatory Design Standards for Multifamily Rental Housing (Draft Design Standards) are now available for review and download from the MFA website: [http://housingnm.org/developers/low-income-housing-tax-credits-lihtc](http://housingnm.org/developers/low-income-housing-tax-credits-lihtc)

The 30-day period in which to provide public comment begins August 21, 2015 and continues through 5 PM on September 21, 2015. Written comments on the Draft QAP and Draft Design Standards may be delivered by e-mail, mail, courier service or hand-delivered to MFA at the following address:

MFA
Attn: Susan H. Biernacki
344 4th St. SW
Albuquerque, NM 87102
sbiernacki@housingnm.org

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

*September 10, 2015 from 10:30 AM to 12:00 PM*
MFA board room
344 4th St. SW
Albuquerque, NM 87102

Thank you for your interest and participation.

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Albuquerque, NM 87102

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TO: Participating Lenders

FROM: Erik Nore, Director of Homeownership

DATE: August 31, 2015

RE: Memo No. 15-27

- New MFA Single Family Programs

Effective October 1, 2015, MFA is pleased to announce a redesign of the Single Family Program which provides more streamlined product offerings, simplified closing and funding procedures as well as a new non-first time homebuyer program.

The new programs will feature a product for first time homebuyers (“First Home”) which can be paired with down payment assistance second mortgage loan (“First Down”) and a product for non-first time homebuyers (“Next Home”) that offers a 3.0% grant and simplified qualifying guidelines.

The First Home, First Down and Next Home programs will replace the Mortgage$aver, Mortgage Booster and HERO programs. However, the new programs will be similar in structure and much simplified in design. A brief description of each of the programs is listed below:

**First Home**

- First Home is for first time homebuyers and is very similar to the Mortgage$aver Zero program.

- The qualifications guidelines, documentation requirements, interest rate
structure, etc. essentially mirror the Mortgage$aver Zero program.

- If you have originated a Mortgage$aver Zero loan, you already know how to originate a First Home loan.

**First Down**

- First Down is also for first time homebuyers and is very similar to the Mortgage Booster program.

- As you may have guessed, the qualification guidelines, documentation requirements, interest rates essentially mirror the Mortgage Booster program.

- If you have originated a Mortgage Booster loan, you know how to originate a First Down loan.

As the names imply, First Home and First Down go together. This is the MFA program that enables New Mexican’s to purchase their first home.

**Next Home**

- Next Home provides a first mortgage and 3.0% down payment assistance grant to non-first time homebuyers or step up homebuyers.

- It is similar to the HERO and Plus programs, but does not have the first time homebuyer restriction of the Plus program or targeted occupation requirements of the HERO program.

- The program will feature a single statewide income limit and purchase price limit, regardless of family size ($75,000 income limit and $350,000 purchase price limit.

- **Simple income qualification:** The homebuyer’s credit qualifying income (i.e. Final DU) is the program qualifying income for Next Home.

- **Reduced documentation:** Since the Next Home qualifying income is based on the credit qualifying income (which has already been calculated by the lender), there is no need to submit paystubs, W-2’s, tax returns, bank statements or, verification of employment to MFA for review.
Next Home Compliance Review packages will have less paperwork.

Next Home can be a government loan (FHA, VA, and USDA-RHS) or a conventional FNMA HFA Preferred loan.

Next Home requires a $500 borrower contribution.

**Lender Training on New Programs**

In the next few days, MFA will be sending out registration information for training on the new programs. There will be a number of trainings held throughout the month of September.

**Participating Lenders will be required to attend training before originating the new programs.**

Training will focus on the following:

- Program guidelines, including loan reservation processes and file uploads
- Documentation requirements for the new programs
- Process for completing the MFA Application Addendum (MFA source document)
- Program policies and revised Compliance Manual.

Please feel free to contact any member of the Homeownership Department if you have questions or for further clarification.

Thank you for participating in MFA’s single family program.
TO: Participating Lenders  
FROM: Erik Nore, Director of Homeownership  
DATE: August 31, 2015  
RE: Memo No. 15-28  

- Revised Down Payment Assistance Funding Process

**Background:**

Currently, MFA table funds all types of down payment assistance ("DPA") at closing, including grants and second mortgage loans. Second mortgage DPA loans are also closed in MFA’s name. The implementation of the TILA-RESPA Integrated Disclosure ("TRID") rule on October 3, 2015 requires MFA to revise the process and procedure for the funding of all types of DPA.

**Effective October 1, 2015, MFA will no longer table fund down payment assistance.** Participating Lenders will directly fund all types of DPA at closing as well as close DPA second mortgage loans in the name of the Participating Lender and assign/endorse to MFA when the loan is purchased.

**Revised Down Payment Assistance Funding Process:**

On behalf of MFA, Participating Lenders will directly fund both DPA second mortgage loans and DPA grants at closing. Second mortgage DPA loans will be closed in the name of the Participating Lender and assigned to MFA at the time the second mortgage loan is purchased. In a similar fashion, DPA grant funds will be reimbursed to the Participating Lender at the time the first mortgage loan is purchased.
Under the new process, the Master Servicer ("Idaho Housing") will purchase both first mortgage and second mortgage loans from Participating Lenders. First and Second mortgage closed loan packages will be delivered/uploaded to Idaho Housing via Lender Connection.

In addition, Participating Lenders can utilize the Mortgage Electronic Registration System ("MERS") to register and transfer the ownership interest and servicing rights on second mortgage DPA loans to MFA. As is current practice, Participating Lenders will continue to register and transfer MFA first mortgage loans to Idaho Housing.

The new process will also allow Participating Lenders to use a standard FNMA security instruments (MERS or non-MERS) on second mortgage DPA loans as well as the ability to print borrower/loan specific checklists and closing documents ("doc sets") from the online reservation/document imaging system.

**Documentation of DPA funding**

In addition, MFA will be providing a revised DPA funding/commitment form that complies with FHA/HUD regulations regarding the funding of DPA by an FHA approved mortgagee on behalf of a Government Entity and FNMA requirements regarding gift funds and community second mortgages.

MFA will be publishing a training schedule for the new process in the next few days. Program documents will be distributed in the next few weeks.

Thank you for participating in MFA’s program. Should you have any questions, please contact a member of the MFA Homeownership Department at 1-800-444-6880 or 505-843-6881.
TO: Participating Lenders

FROM: Erik Nore, Director of Homeownership

DATE: September 2, 2015

RE: Memo No. 15-29

**September 2015 Webinar Training Schedule**

- New MFA Single Family Programs
- New Down Payment Assistance Funding Process

MFA will be offering webinar training for the **NEW** MFA Single Family Programs and Down Payment Assistance Funding Process, which will both be effective **October 1, 2015**.

The training is **mandatory** for all staff originating, processing, closing and shipping MFA loans. Participating Lenders must have their staff attend one of the trainings in order to originate, fund and deliver loans under the new programs/process.

**Single Family Program Webinar Training:**

MFA will offer three (3) individual webinars on the New Single Family Programs

Each of the three(3) New Single Family Program webinars will cover the same material

Participating Lenders are only required to attend one of the New Single Family Program webinars.
Down Payment Assistance Funding Process Webinar Training:

MFA will be offered three (3) individual webinars on the Down Payment Assistance Funding process.

Each of the three (3) Down Payment Assistance Funding process webinars will cover the same material.

Participating Lenders are only required to attend one of the Down Payment Assistance Funding webinars.

- *Thursday, September 10, 2015 10:00am-11:00am MDT*
- *Thursday, September 17, 2015 10:00am-11:00am MDT*
- *Wednesday, September 23, 2015 10:00am-11:00am MDT*

To Participate:

Register via the MFA Lender Training link [http://www.housingnm.org/lender-training](http://www.housingnm.org/lender-training) no later than 5:00 PM MST on the business day prior to the training. Please register for the individual session(s) that will be attended in order for MFA to track attendance. The materials will be sent to you the evening before the training. Below is the link and call in numbers for all of the sessions.

Conference Dial-in Number: (641) 715-3276
Participant Access Code: 297334#


Thank you for participating in MFA’s program. Should you have any questions, please contact an MFA Homeownership Representative at 1-800-444-6880 or 505-843-6880.