NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, September 18, 2019 at 9:30 a.m.

Agenda

Chair Convenes Meeting

- Roll Call (Jay Czar)
- Approval of Agenda – Board Action
- Approval of August 20, 2019 Board Meeting Minutes – Board Action
- Approval of August 20-21, 2019 Board Retreat Meeting Minutes – Board Action
- New Employee Introductions:
  - Jessica Cage – Marketing Specialist (Leann Kemp)
  - Leann McDonald – Programs Analyst (Patrick Ortiz)
  - Janet Armijo – Secondary Market Loan Processor (Olivia Martinez)
  - John Garcia – Assistant Director of Community Development (Gina Bell)
  - Kevin Drexel – Assistant Director of Housing Development (Shawn Colbert)

Board Action Items

<table>
<thead>
<tr>
<th>Board Action Items</th>
<th>Action Required?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>YES</td>
</tr>
<tr>
<td>2</td>
<td>NO</td>
</tr>
<tr>
<td>3</td>
<td>YES</td>
</tr>
<tr>
<td>4</td>
<td>YES</td>
</tr>
<tr>
<td>5</td>
<td>YES</td>
</tr>
<tr>
<td>6</td>
<td>YES</td>
</tr>
<tr>
<td>7</td>
<td>YES</td>
</tr>
<tr>
<td>8</td>
<td>YES</td>
</tr>
<tr>
<td>9</td>
<td>YES</td>
</tr>
<tr>
<td>10</td>
<td>YES</td>
</tr>
<tr>
<td>11</td>
<td>YES</td>
</tr>
</tbody>
</table>

Contracted Services/Credit Committee

<table>
<thead>
<tr>
<th>Contracted Services/Credit Committee</th>
<th>Action Required?</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 Commissioner Recommendation for Western Regional Housing Authority (Gina Bell)</td>
<td>YES</td>
</tr>
<tr>
<td>13 Approval for Eastern Regional Housing Authority (ERHA) to Sell Rio Felix Apartments (Gina Bell &amp; Chris Herbert executive director ERHA)</td>
<td>YES</td>
</tr>
<tr>
<td>14 State Neighborhood Stabilization Program (“NSP”) RFP (Izzy Hernandez)</td>
<td>YES</td>
</tr>
</tbody>
</table>

Other Board Items

15 (Staff is available for questions)
- Staff Action Requiring Notice to Board
- JLG North Apartments Projects Series 2019 and JLG South Apartments Projects Series 2019 Multifamily Bond Pricing Summaries

Monthly Reports

16 (Staff is available for questions)
- July 31, 2019 Financial Statements
- Communications Department Reports
Announcements and Adjournment

Confirmation of Upcoming Board Meetings

- October 16, 2019 – Wednesday (Albuquerque – MFA)
- November 20, 2019 – Wednesday (Silver City - tentative)
- December 18, 2019 – Wednesday (Albuquerque – MFA)

Adjournment
NEW MEXICO MORTGAGE FINANCE AUTHORITY  
Board Meeting  
344 4th St. SW, Albuquerque, NM  
Wednesday, September 18, 2019 at 9:30 a.m.  
Summary Agenda

<table>
<thead>
<tr>
<th>Chair Convenes Meeting</th>
<th>Action Required?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appoint new members</td>
<td></td>
</tr>
<tr>
<td>Approve Agenda</td>
<td></td>
</tr>
<tr>
<td>Approve of prior meeting</td>
<td></td>
</tr>
<tr>
<td>Approve of prior meeting</td>
<td></td>
</tr>
</tbody>
</table>

**Summary Agenda**

- **Chair Convenes Meeting**
  - Roll Call (Jay Czar)
  - Approval of Agenda – Board Action
  - Approval of August 20, 2019 Board Meeting Minutes – Board Action
  - Approval of August 20-21, 2019 Board Retreat Meeting Minutes – Board Action
  - New Employee Introductions:
    - Jessica Cage – Marketing Specialist (Leann Kemp)
    - Leann McDonald – Programs Analyst (Patrick Ortiz)
    - Janet Armijo – Secondary Market Loan Processor (Olivia Martinez)
    - John Garcia – Assistant Director of Community Development (Gina Bell)
    - Kevin Drexel – Assistant Director of Housing Development (Shawn Colbert)

**Board Action Items**

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Action Required?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Information Technology Security Internal Audit Report</td>
<td>YES</td>
</tr>
<tr>
<td>2</td>
<td>Production Statistics</td>
<td>NO</td>
</tr>
<tr>
<td>3</td>
<td>FY 2019-2020 General Fund Budget</td>
<td>YES</td>
</tr>
<tr>
<td>4</td>
<td>FY 2019-2020 NM Affordable Housing Charitable Trust Budget</td>
<td>YES</td>
</tr>
<tr>
<td>5</td>
<td>2020 Areas of Statistically Demonstrated Need for 2020 Qualified Allocation Plan</td>
<td>YES</td>
</tr>
<tr>
<td>6</td>
<td>Single Family Mortgage Program Policy Revisions</td>
<td>YES</td>
</tr>
<tr>
<td>7</td>
<td>MFA Strategic Plan, Changes for Year 3 (FY 2020)</td>
<td>YES</td>
</tr>
<tr>
<td>8</td>
<td>Election of Officers</td>
<td>YES</td>
</tr>
<tr>
<td>9</td>
<td>Appointment and Approval of Board Committees</td>
<td>YES</td>
</tr>
</tbody>
</table>
Development, Bond Structures, Investment Banking Underwriting) and Contracted Services/Credit Committee – YES

10 Chair Reyes disclosures in relation to the Partners Program and Board action on Partners Program Applications (Jeremiah Ritchie) - MFA staff provides background regarding the Partners Program and participation of Chairman Reyes and Centinel Bank of Taos, requesting Board authorization of Partners Program applications. YES

11 Housing Opportunity Fund Appropriations (Yvonne Segovia) - In order to meet anticipated demand, Staff recommends $8,262,000 be appropriated to the First Down DPA Loan Program, of which $3,372,000 will be transferred from the Primero Program, $281,000 will be transferred from the Partners Program, $2,961,000 will be transferred from the Access Program, resulting in $1,648,000 of new funds being appropriated to the Housing Opportunity Fund. YES

Contracted Services/Credit Committee

12 Commissioner Recommendation for Western Regional Housing Authority (Gina Bell) - Western Regional Housing Authority has a vacancy on its Board of Commissioners for Grant County. Martha Salas fulfills the requirements per the state statute SB 48 and has expressed interest in serving as a commissioner. Staff recommends board approval and submission of the recommendation to Governor Lujan-Grisham for approval and appointment. YES

13 Approval for Eastern Regional Housing Authority (ERHA) to Sell Rio Felix Apartments (Gina Bell & Chris Herbert executive director ERHA) - As required by Senate Bill 20, staff is seeking MFA Board approval for the sale of the Rio Felix Apartments located in Hagerman to Turnaround Properties, LLC in the amount of $460,000. Rio Felix Apartments is owned by the Regional Housing Authority of Region VI, New Mexico Inc., a New Mexico non-profit corporation and wholly owned subsidiary of Eastern Regional Housing Authority. YES

14 State Neighborhood Stabilization Program (“NSP”) RFP (Izzy Hernandez) - Staff recommends approval of the 2019 State Neighborhood Stabilization Program (NSP) RFP. The purpose of the program is to assist communities that have been or are likely to be affected by foreclosed and abandoned properties. The estimated funding available for award under this 2019-2020 NSP RFP is $3,526,506. YES

Other Board Items

Information Only

15 (Staff is available for questions)
- Staff Action Requiring Notice to Board
- JLG North Apartments Projects Series 2019 and JLG South Apartments Projects Series 2019 Multifamily Bond Pricing Summaries

Monthly Reports

No Action Required

16 (Staff is available for questions)
- July 31, 2019 Financial Statements
- Communications Department Reports

Announcements and Adjournment

Discussion Only

Confirmation of Upcoming Board Meetings
- October 16, 2019 – Wednesday (Albuquerque – MFA)
- November 20, 2019 – Wednesday (Silver City - tentative)
- December 18, 2019 – Wednesday (Albuquerque – MFA)

Adjournment
Minutes
Chair Reyes convened the meeting on August 20, 2019 at 9:35 a.m. Secretary Czar called the roll Members present: Chair Angel Reyes, Sally Malavé (designee for Attorney General Hector Balderas), Lieutenant Governor Howie Morales, Rebecca Wurzburger and Derek Valdo. Absent: Tim Eichenberg and Randy McMillan. Czar informed the Board that everyone had been informed about today’s meeting in accordance with the New Mexico Open Meetings Act.

Chair Reyes welcomed new and existing board members and staff. He informed the audience of the microphone sensitivity.

Lieutenant Governor Morales congratulated member Angel Reyes on his appointment as Chair to the MFA Board of Directors and administered the Oath of Office. Chair Angel Reyes welcomed new members Rebecca Wurzburger and Derek Valdo to the MFA Board of Directors and administered the Oath of Office to the newly appointed board members.

**Approval of Agenda - Board Action.** Motion to approve the August 20, 2019 Board agenda as presented: Malavé. Second: Wurzburger. Vote: 5-0.

**Approval of July 17, 2019 Board Meeting Minutes – Board Action.** Motion to approve the July 17, 2019 Board Meeting Minutes as presented: Malavé. Second: Morales. Vote: 3-0. (Valdo & Wurzburger abstained not in attendance at this meeting).

**Finance Committee**

1. **6/30/19 Quarterly Financial Statement Review (Gina Hickman).** Hickman presented the Quarterly Financial Statements located behind tab one which will be included in the official board packet. She began her presentation with the Summary of highlights. She began by explaining the comparative year to date template and then reviewed the highlights for the June 30, 2019 year to date metrics and variances which included the following: Production, Balance Sheet, Income Statement, Moody’s Benchmarks and Servicing. Hickman then reviewed the monthly and quarterly graphs and the Loan and Credit Line Activity report. Motion to approve the 6/30/19 Quarterly Financial Statement Review as presented: Morales. Second: Wurzburger. Vote: 5-0.

2. **6/30/19 Quarterly Investment Review (Gina Hickman).** Hickman presented the Quarterly Investment Review packet behind tab two which will be included in the official board packet. She began by reviewing the General Fund Investment Compliance Report, the Portfolio Summary-Short & Intermediate Term Investments, the Portfolio Summary-Long Term State Investment Council Investments, the Portfolio Summary-Housing Trust Fund and the General Fund Investment Portfolio Metrics highlighting the asset class balances and yields/rates of returns. Motion to approve the June 30, 2019 Quarterly Investment Review as presented: Malavé. Second: Morales. Vote: 5-0.

3. **Capital Magnet Fund Grant Application (Gina Hickman).** Hickman informed the board that MFA is requesting board approval to apply for a $5 million grant to the Capital Magnet Fund, U.S. Department of Treasury, for an affordable housing fund to provide down payment assistance (DPA) for MFA mortgage loans. She provided background information from the memo located behind tab three which will become a part of the official board packet; informing the board that there had been four previous rounds of the Capital Magnet Fund. In 2017 MFA was awarded $3.6 mm to support DPA in New Mexico, in conjunction with receiving these funds the HomeNow program was developed. This DPA program is a 10-year, non-amortizing, forgivable loan used in conjunction with the FIRST HOME program. It serves borrowers under 80% area median income and carries a 0% interest rate and no payment. Assistance is limited to the lesser of 8% of the purchase price or $8,000. Hickman also reviewed the Details of the CMF grant 1-8 as listed in the memo. Motion to approve the application for the Capital Magnet Fund Grant as presented: Valdo. Second: Morales. Vote: 5-0.
4 General Fund Broker/Dealers, Custodians and Depositories (Gina Hickman). Hickman explained that at least annually and as needed, MFA staff reviews and updates the list of brokers, dealers, custodians and depositories. The Broker/Dealer, Custodian and Depository List includes firms that are part of our Underwriting Team, other underwriters with local offices who have expressed interest in working with MFA by responding to our most recent underwriting request for proposal (RFP) and who meet the required criteria in the Investment Policy. Depository and custodial relationships are established as part of either an RFP process or are institutions utilized by the State of New Mexico. The one exception is the Federal Home Loan Bank of Dallas, a government-sponsored enterprise, which provides financial services to member institutions including Housing Finance Agencies. She further explained that a due diligence review was conducted and organizations meet established qualifications as stated in the MFA Investment Policy. Motion to approve the Approval of Broker/Dealers, Custodians and Depositories as presented: Wurzburger. Second: Malavé. Vote: 5-0.

5 New Mexico Affordable Housing Charitable Trust Broker/Dealers, Custodians and Depositories (Gina Hickman). Hickman presented the New Mexico Affordable Housing Charitable Trust (NMAHCT) Broker/Dealer, Custodian and Depository List which includes firms that meet the required criteria in the NMAHCT Investment Policy. Depository and custodial relationships are established as part of either an RFP process or are institutions utilized by the State of New Mexico. The one exception is the Federal Home Loan Bank of Dallas, a government-sponsored enterprise, which provides financial services to member institutions including Housing Finance Agencies. A due diligence review was conducted and organizations meet established qualifications as stated in the NMAHCT Investment Policy. Motion to approve the New Mexico Affordable Housing Charitable Trust Broker/Dealers, Custodians and Depositories as presented: Malavé. Second: Valdo. Vote: 5-0.

6 Internal Audit Request for Proposal (RFP) (Robyn Powell). Powell began by requesting board approval for the Request for Proposal for Internal Audit Services. Responses will be due to MFA by September 12, 2019 and recommendations for award will be presented at the October Board meeting. She explained that the function of the Internal Audit is to provide an independent appraisal of activity within the organization as a service to Management and the Board of Directors through the Finance Committee. The Internal Auditor assists Management in managing risks effectively in order to sustain operations and achieve business objectives. She further explained they do this by evaluating, monitoring and reporting on the items listed in the memo located behind tab six, which will become a part of the official board packet. Powell further informed the board that MFA issued a Request for Proposal for Internal Audit Services in 2015. The contract was awarded to REDW and will expire on October 21, 2019. There are no extensions remaining on the contract. Motion to approve the Internal Audit Request for Proposal (RFP) as presented: Malavé. Second: Morales. Vote: 5-0.

7 2019 Series F Single Family Bond Resolution (Gina Hickman). Hickman began her presentation by informing the board that staff is recommending the approval of the 2019 Series F Single Family Bond Resolution in the amount of not to exceed $150 million to provide funding for new single family mortgage loans. The 2019 Series F bond issue is anticipated to be in the $100-$150 million range based on the current level of loan reservations since bond proceeds will be used to originate these new single family mortgage loans. Given Board approval of the bond resolution, the 2019 Series F bond issue will be the first bond issue for fiscal year 2020. MFA anticipates selling bonds and closing in the October to November time frame depending on actual reservation activity and bond market conditions. The Trustee is Zions Bank. The underwriters on this bond transaction will be RBC Capital Markets LLC and Raymond James & Associates, Inc. in addition to the selling group. Hickman reviewed Exhibit A highlighting the bond maximum parameters as follows: Maturity Date not to exceed 7/1/2052, Principal Amount not to exceed $150mm Interest Rate not to exceed 5% and Authority Contribution not to exceed $2.4mm. Motion to approve the 2019 Series F Single Family Bond Resolution as recommended: Wurzburger. Second: Morales. Vote: 5-0.

8 Appointment of the Nominating Committee to Elect Officers (Chair, Angel Reyes). Chair Reyes stated that he has appointed a Nominating Committee to Elect Officers, they are: Lieutenant Governor Howie Morales, Attorney General Hector Balderas and himself. He further informed the board that the Nominating Committee shall be responsible for presenting nominations for officers, other than the Chairman and the Executive Director, including without limitation the Vice Chairman, the Secretary, the Assistant Secretary, the Treasurer
and the Assistant Treasurer. The Chairman shall appoint a Nominating Committee during or prior to April of each year. The Nominating Committee shall consist of three members of the Authority. The nominations shall be presented and elections held no later than the June meeting of the board of directors held in such year. The vote for officers shall be held in such manner as the directors may determine. He further stated because there has been a change in board members we will be electing officers in the upcoming months. Non-Action Item

**Contracted Services/Credit Committee & Housing Trust Fund Committee**

9 Approval of Northern Regional Housing Authority Director (Gina Bell). Bell began her presentation by providing the board background information on MFA’s oversite of the Senate Bill 20 (Laws of New Mexico 2009, Chapter 28) amending the Regional Housing Law 11-3A-20 NMSA 1978, to redefine the activities of the regional housing authorities of certain activities, to include MFA’s Board of Director approval of Executive Director’s for the Regional Housing Authorities. Bell provided historical information as to the agencies status provided in the memo located behind tab nine, which will be made a part of the official board packet. On March 16, 2016 MFA’s Board of Director’s approved Richard Frey as Executive Director for the NRHA. Mr. Frey’s employment ended on April 6, 2018. Michael Cabral was assigned as Acting Executive Director by NRHA’s Board. The agency continues to struggle and remains in troubled status with HUD; therefore the Board of Directors began soliciting applicants for an Executive Director in April 2019. A total of 31 resumes were received and the NRHA Board interviewed 5 of the applicants on June 14, 2019. Mr. Cabral was one of the applicants interviewed for the position. A copy of the search/interview process is attached as Exhibit A. A list of the top choice applicants were provided to HUD as a second source of review. Through this process Judith Carlin was chosen as the top candidate. The NRHA Board met on July 31, 2019 and formally approved Ms. Carlin as the Executive Director. She passed a background check and the Board Chair has negotiated employment, contingent on MFA’s Board of Director’s approval. Upon final approval, Ms. Carlin would begin her employment at NRHA in September 2019. Bell reviewed Ms. Carlin’s resume which is also included as part of tab nine. Staff recommends approval of hiring Judith Carlin as the Executive Director at Northern Regional Housing Authority (NRHA). Motion to approve Judith Carlin as the Executive Director of the Northern Regional Housing Authority Executive Director as presented: Wurzburger. Second: Malavé. Vote: 5-0.

**Presentations**

10 Recognition of former MFA Board Chair Dennis Burt and former Treasurer Steven Smith. Chair Reyes took a moment to recognize former members; Chair Dennis Burt and Steven Smith. He stated that the board and staff would like to take a moment to thank Dennis Burt for his leadership and support. He then thanked Steven Smith for his time and commitment to not just the board but the board committees he also served on. Jay Czar on behalf of the staff and the affordable housing network thanked them for their passion to our mission. He spoke of how much they had brought to the board. He spoke to the committees and reporting created through Burt’s leadership, stating it was such a great contribution. They were presented with Nambe plaques which read, “With sincere appreciation for your dedication and significant contribution to the New Mexico Mortgage Finance Authority.” They also presented former Chair Burt with his gavel which received very good use during his tenure. Former Chair Burt talked about his future plans, what MFA has meant to him and thanked the board and staff for their recognition. Former member Smith thanked the board and staff for their recognition and the opportunity to serve.

**Other Board Items - Information Only**

11 There were no questions asked of staff.
- Staff Action Requiring Notice to Board
- FY 2019 Q3 Strategic Plan Dashboard

**Monthly Reports - No Action Required**

12 There were no questions asked of staff.
- Communications Department Reports

**Monthly Reports - No Action Required**

13 There were no questions asked of staff.
Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Reyes informed the Board that the next Board of Directors meeting will be held on September 18, 2019 at the offices of the MFA.

There being no further business the meeting was adjourned at 11:00 a.m.

Approved: September 18, 2019

______________________________  ________________________________
Chair, Angel Reyes             Secretary, Jay Czar
Chair Reyes convened the Retreat at 11:21 a.m. on August 20, 2019. Members present: Chair Angel Reyes, Sally Malavé (designee for Attorney General Hector Balderas), Lieutenant Governor Howie Morales, Martina C’ de Baca (designee for Lieutenant Governor Howie Morales), Derek Valdo, Rebecca Wurzburger and Treasurer Tim Eichenberg (arrived during the BBER presentation 12:25 p.m. - 1st day). Absent: Randy McMillan.

Day 2 – Same members present.

MFA staff in attendance included: Jay Czar, Gina Hickman, Izzy Hernandez, Dolores Wood, Yvonne Segovia, Shawn Colbert, Leann Kemp, Joseph Navarrete, Jeff Payne, Rose Baca-Quesada, Gina Bell, Rebecca Velarde, Robin Powell, Patrick Ortiz, René Acuña, Dana Gohr (a.m.) and Sandra Marez. General Counsel – Jeremiah Ritchie and Eleanor Werenko (end of day one for the Bond Presentation and Reception).

2nd day – Dana Gohr covered for Joseph Navarrete in the p.m. René Acuña and Eleanor Werenko were not in attendance.

Guests - Roselyn Nguyen. Additional guests and staff included will be listed in the minutes with the topic they presented.

On Tuesday, August 20, 2019 the Board of Directors of the New Mexico Mortgage Finance Authority (MFA) conducted its annual Board Retreat at the Sandia Resort – Roadrunner Room, located at 30 Rainbow Road NE, Albuquerque NM to discuss MFA’s programs, housing needs and related topics. No action was taken by the Board on any items during the retreat.

Chair Reyes opened the retreat by thanking staff and the board members for their attendance as well as their time and commitment. He thanked past chair Dennis Burt for his service as well as former member Steven Smith. Czar made a few opening remarks and also thanked past Chair Dennis Burt and member Steven Smith.

Dennis Burt and Steven Smith attended the first part of the board retreat. They shared with the new members their reflections on their time on the board and offered some thoughts about MFA’s future.

The following topics were presented on day one of the MFA Board of Directors Retreat and will be made a part of the official board retreat packet.

**New Mexico Economic Trends (Jeffrey Mitchell, UNM BBER).** Mitchell’s presentation covered big picture economic indicators and trends affecting both the New Mexico and U.S. economy. University of New Mexico Bureau of Business and Economic Research (UNM BBER) is the #1 resource for New Mexico data.

**New Mexico Consolidated Plan (Rebecca Velarde).** Velarde presented the Consolidated Plan. She explained that it is a five-year plan and is required by the U.S. Department of Housing and Urban Development (HUD). It is used to assess the state’s housing and community development needs, create goals to meet the needs and plan MFA’s HUD funds for the next five years.
Homeownership Program Briefing (Jeff Payne and René Acuña). Payne and Acuña explained to the board that MFA provides single family mortgage programs through partnering with mortgage lenders and provides down payment assistance to help qualifying low-to moderate-income homebuyers. The Homeownership Department has seen record production in recent years and continues to adapt in the face of challenges to accomplish its mission.

Community Development Program Briefing (Gina Bell and Rose Baca-Quesada). Bell and Baca-Quesada informed the Board that the Community Development Department administers ten programs utilizing a variety of federal, state and private funding sources. The programs include funding homeless shelters, rental assistance, rehabilitation and weatherization utilizing non-profit, local government and for-profit service providers.

Bond Training (Jere Thompson and Kim Magrini, Ballard Spahr). MFA’s bond counsel Jere Thompson and Kimberly Magrini provided an extensive overview of bond issuance at MFA and the board’s role, including highlights of federal tax and securities law.

Wednesday, August 16
Staff continued with day two of the presentations which will be made a part of the official board retreat packet:

Board Governance Training (Jeremiah Ritchie, Sheehan and Sheehan). MFA’s general counsel Jeremiah Ritchie presented on the statutory organization, powers and responsibilities of MFA, as well as the unique status of MFA as a governmental instrumentality and what that means for board governance.

Information Technology Strategic Update (Joseph Navarrete). Navarrete explained that as MFA grows, so does our need to expand our operating systems and platforms. He outlined MFA’s plans for technology to support the organization’s long-term strategic growth and security needs.

Housing Development and Asset Management Program Briefing (Shawn Colbert and Patrick Ortiz). As the Director of Housing Development, Colbert explained that MFA provides financing for multifamily and single family development to benefit low- to moderate-income households. As Director of the Asset Management, Mr. Ortiz explained that in addition to providing financing for these projects, Asset Management ensures many of the state’s existing affordable housing assets meet compliance requirements, including income and rent restrictions as well as physical standards.

Nuevo Atrisco: A Model for Mixed Use Development (Chris Baca, YES Housing and Steve Maestas, Maestas Development Group). Baca and Maestas are the developers on the Nuevo Atrisco project on Albuquerque’s Westside. MFA’s affordable housing partners presented on Nuevo Atrisco, which is the fascinating culmination of a private/public partnership and will create a revitalized gateway on Central Avenue with a combination of retail, entertainment and an affordable housing project.

Strategic Planning and Enterprise Risk Management Activity (Izzy Hernandez, Rebecca Velarde, and Robyn Powell). Hernandez, Velarde and Powell informed the Board that MFA’s Strategic Plan is updated every five years and creates goals and objectives for the organization, plans strategic initiatives to meet the goals and creates benchmarks to measure our performance. Each year, MFA evaluates the factors and risks that drive our strategic initiatives and proposes updates.

Board Retreat Discussion and Wrap-Up (Chair Angel Reyes). Chair Reyes concluded by thanking staff for putting together a fabulous retreat. Chair Reyes spoke briefly about the selection process for MFA’s new executive director. He was highly complementary of Mr. Czar’s leadership over the last 13 years and the manner in which he
has daily “done the board members’ management jobs for them.” He concluded by stating we will find new ways to get the work done because there is much need.

Chair Reyes asked fellow board members for their feedback on the retreat. New board members expressed their appreciation for the warm way in which they had been welcomed to the retreat, to the board and to MFA. They also expressed their gratitude for the helpful information provided in the past two days and look forward to working with the board and staff.

Board Retreat Discussion and Wrap-Up (Jay Czar). Czar thanked the board for their engagement, for bringing forth ideas, and for investing their time and effort. He spoke of the level of confidence made when MFA was made aware that Reyes was made Chair of the Board – it will provide continuity and Chair Reyes inspires MFA. Having strong leadership on our Board is really important. Board members have accomplished so much in their own right and wanting to serve the public makes a big difference. He provided insight as well as assuring the board it would be a smooth transition, stating he would be available to assist. Czar thanked the Board, the staff and everyone back at the office for their contributions to MFA.

There being no further business the meeting was adjourned at 2:51 p.m.

Approved: September 18, 2019

_________________________   ____________________________
Chair, Angel Reyes        Secretary, Jay Czar
New Mexico Mortgage Finance Authority

Information Technology Security Internal Audit Report

July 2019
Table of Contents

INTRODUCTION

PURPOSE AND OBJECTIVES

SCOPE AND PROCEDURES PERFORMED

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSE

PROCESS IMPROVEMENT OPPORTUNITIES
New Mexico Mortgage Finance Authority
Information Technology Security Internal Audit

Report

New Mexico Mortgage Finance Authority
Board of Directors and Management

INTRODUCTION

We performed the internal audit services described below to assist MFA in evaluating compliance with policies and procedures relating to Information Technology (IT) security. Our internal audit focused on evaluating MFA’s IT security processes and controls to assist management in determining if MFA was in compliance with policies and procedures (P&Ps) and reflect best security practices and sound internal controls. To gain an understanding of the processes and controls in place, we interviewed selected personnel, read applicable policies and procedures (P&P), and tested selected controls.

Our services were performed in accordance with the terms of our Professional Services Agreement and engagement letter for internal audit services and the applicable Standards for Consulting Services prescribed by the American Institute of Certified Public Accountants. Although we have included management’s responses in our report, we do not take responsibility for the sufficiency of these responses or the effective implementation of any corrective action.

PURPOSE AND OBJECTIVES

Our internal audit focused on evaluating and testing MFA’s IT security processes and controls. The primary objectives were to assist management in determining whether processes related to data security reflected sound internal control, best practices, and compliance with MFA’s policies and procedures.

We held an entrance conference with management staff on June 28, 2019, to discuss the timing and scope of the audit. We also held an exit conference on July 26, 2019, to discuss the observations and recommendations. Management responses are included.
SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations, we interviewed the following personnel:

- Gina Hickman, Deputy Director Finance and Administration
- Joseph Navarrete, Chief Information Officer
- Rob Jones, Information Systems Technician III
- Dominic Baca, Database Programmer
- Robyn Powell, Compliance Officer
- Leann Kemp, Director of Communications and Marketing
- Jessica Cage, Marketing Specialist
- Dolores Wood, Human Resources Director

Additionally, we read applicable portions of MFA IT policies and procedures.

We performed the following testwork:

User Logical Access Controls: We obtained a list of all newly hired employees, employees who changed job position, and employees who terminated employment between July 1, 2018, and July 1, 2019. We selected all 12 new hires, and all 10 terminated employees and tested to determine if approvals and required documentation was obtained before new hires were given access to the network and applications; and, whether access permissions were removed timely for the terminated employees. We were unable to test the employees changing job position since none of these involved a change in access levels.

Additionally, we assessed the procedures and frequency of user access level reviews for reasonableness.

Signing of Acceptable Use and Data Security Policy: We obtained a list of current employees and randomly selected 12 to test that they had signed the Acceptable Use and Data Security Policy in the past 12 months.

Workstation Security: We performed the following procedures on a sample of nine selected workstations to verify the security controls on workstations, and determine if security controls could be changed. We verified whether:

- Employees had administrator rights on their computer;
- The Microsoft security patch/update and virus pattern updates were current;
- Controls over password protected screen savers were in place;
- The workstation was properly secured (i.e. there was no obvious evidence of passwords written down on, near or around the workstation);
- Any unapproved websites were in the browsing history;
- Business files were saved in “My Documents” folder /or other C: Drive location;
- The user could access proxy websites and webmail; and,
- The user could copy data to and from the workstation via an unsecured USB device.
**Employee Security Awareness:** In addition to the workstation security testing, we also interviewed the same nine employees to evaluate their understanding of security awareness and training programs. We inquired:

- When they last received security awareness training;
- If they use a USB device or similar (connect smart phone to computer);
- What social media sites do they access and are they aware of the security risks;
- If they access personal webmail from MFA computers;
- If they use VPN for remote access;
- If they store MFA data on the C: drive, USB’s;
- If they are aware of:
  - How to recognize a security incident and where to report it;
  - The business continuity plan – fire drill, training;
  - Social engineering techniques;
  - Password security and creating a strong password;
  - Dangers related to USB devices;
  - Risks related to email and phishing attacks; and,
- If they had any security concerns.

**Mobile Device and Removable Media Security:** To evaluate security controls over sensitive data on mobile devices and removable media, using the sample of nine employees from above, we performed the following:

- Tested if USB ports were active and the employee could copy files to and from a USB flash drive;
- Determined if any devices plugged into the workstations were encrypted;
- Inquired who used smart phones to synchronize MFA email to their phone and if a PIN number or password had been implemented on their phone; and,
- Checked laptops to determine if the hard drive was encrypted.

**Vendor Access Controls:** In order to evaluate and test the adequacy, appropriateness, authorization, security and effectiveness of vendor access controls, we obtained a list of vendors with remote access, or potential access, to sensitive data on the MFA network. We determined through inquiry what data they had access to and security controls on their network accounts.

**IT Vendor Management:** In order to evaluate and test the IT vendor management controls we performed the following:

- Obtained and evaluated the Vendor Management Policy and Procedures;
- Obtained and evaluated vendor risk assessment and risk assessment tool;
- Obtained and assessed the documented due diligence done on the outsourced service provider replacing Mitas (Associated Software Consultants – PowerLender); and,
- Assessed four contracts for security and confidentiality language.
Remote Access Security: To determine the security controls and employee access authorizations over remote access connections, we performed the following:

- Obtained a list of employees who have remote access and determine whether access was approved;
- Assessed whether the nine selected employees (from workstation testing) can only access their own computer through remote access and whether they use remote access;
- Evaluated security controls over remote access sessions; and,
- Evaluated the security control over the new telecommuting pilot project.

Other Procedures:

- We assessed the completeness and accuracy of all IT and acceptable use policies and procedures, including a gap analysis based on the National Institute of Standards and Technology and International Organization for Standardization frameworks;
- We inspected physical/environmental controls, via walkthroughs, of the data centers;
- We evaluated the controls around social media use and monitoring techniques;
- We tested automated email encryption process to ensure sensitive data was secure;
- We tested three servers to determine if they had security patches installed in a timely manner;
- We assessed the written IT Disaster Recovery Plan and testing reports;
- We evaluated backup and restore procedures and assessed the backup schedule log;
- We evaluated computer security incident response processes and documentation of security incidents;
- We evaluated vulnerability scanning process and sample vulnerability scans and penetration testing;
- We evaluated log monitoring process and alerts; and,
- We assessed configuration management and patching process.

Observations, Recommendations and Management Response

During the course of the audit, we identified many areas, which processes and related controls appeared to be functioning properly, most noticeably were the email encryption system, testing of the business continuity and disaster recovery plan, IT access permissions for newly hired and terminated employees and the Security Awareness Training program.

We identified the following weaknesses in IT security internal controls and policies and procedures:

1) Removable Media

MFA addresses the use of removable media in the Acceptable Use and Data Security Policy. IT has implemented a process where any removable media inserted into a computer is immediately scanned for malware and the user cannot run an executable program. The policy also states that when sensitive data is on the USB it must be encrypted; however, there are no controls in place to ensure employees are properly encrypting sensitive information. Additionally, seven of the nine workstations/thin clients tested allowed the employee to read from or write to a USB
without it being encrypted. Two employees would not allow us to insert a USB into their device, which shows they are aware of the risks of USB devices. While MFA allows USB devices to be used, removable media, including USB drives, are now considered by security experts and the FBI to be one of the greatest risks to network and data security. A great deal of data can be stored on USB drives and they are, by default, not secure. USB drives are also becoming a source of malware infection that is not detected by most antivirus programs.

**Potential Risk**: High – We consider this a high-risk area because if a USB device that contains unencrypted MFA sensitive data is lost that data can be accessed by anyone. While MFA has implemented measures to prevent malware, antivirus programs are not completely effective in identifying all emerging data theft/intrusion strategies.

**Recommendations**

1. Allow only authorized personnel to use ‘white listed’ MFA owned encrypted USB drives for business purposes.
2. Management may also consider implementing automated preventive controls over the use of USB flash drives. These automated controls can be configured to block the use of unauthorized USB flash drives or automatically encrypt them if they are not encrypted.

**Management Response**

Management agrees with this observation which highlighted a gap in our coverage for virtual desktops using our current software CrowdStrike, where the software did not provide the device control that is seen on our physical desktops. We will evaluate and implement a solution that ensures all USB devices are controlled by our system and provide full encryption of those devices.

2) **IT Security Policies**

IT utilizes a data security policy manual that addresses 11 policy areas in more detail than the employee-centric Acceptable Use Policy. This manual was created in 2016; however, it has not been formally approved. While this manual contains many critical policies and procedures, it lacks guidance for some essential processes based on a gap analysis using the NIST SP800-53 R4 and ISO/IEC 27002 recommended best-practices.

**Potential Risk**: Moderate – We consider this a moderate-risk area since IT security polices provide the basis for an information security program and establish the direction for processes and controls.

**Recommendations**

In order for MFA to meet best-practice security standards formal written and approved IT security policies are required that address IT security controls and are IT operations-centric rather than employee-centric. IT should consider updating the data security policy manual created by the CIO and, once updated, have formally approved. In addition, REDW provided MFA with a listing of other policies to consider, ranked in order of implementation importance. Management should ensure these policies are reviewed and approved by management and updated annually by IT, if needed.
Management Response
Management agrees with this observation. MFA will develop comprehensive Information Technology policies identified in the policy gap analysis matrix provided by REDW in the recommended phases. (Phase 1 12/31/19, Phase 2 6/30/20, and Phase 3 12/31/20). Upon completion of each phase the Chief Information Office will provide a formal approval of those policies.

3) Computer Security Incident Response Plan
MFA has an Incident Response Plan/Procedures which includes procedures to respond to specific security incidents. In addition, MFA has a documented approved Data Breach Notification Policy and Procedures which is based on the NM Data Breach Notification Act and includes a section related to data breach responses. These combined serve as the Computer Security Incident Response Plan (CSIRP); however, this plan has not been tested. Data security best-practices require organizations to have a formal, written CSIRP that is tested at least annually, and a trained team of people to evaluate and investigate possible attack scenarios so that the organization can effectively handle and mitigate the impact of these scenarios.

MFA also has a draft Incident Response Plan Policy which requires each business unit to develop their own (CSIRP) as part of their business continuity operations, however, a CSIRP should be independent of a business continuity plan and an enterprise wide solution (i.e. not specific to individual business units).

Potential Risk: Moderate – We consider this a moderate risk because without a tested CSIRP MFA could be ineffective in responding and/or recovering from a data breach or cybersecurity attack.

Recommendations
Management should consider the following:
1. Update the Incident Response Plan Policy to remove the statement that all business units have their own CSIRP. This policy should then be approved.
2. Ensure the CSIRP plan is tested annually and the testing documented. Testing could be in the form of a table top exercise.

Management Response
Management agrees with this observation. MFA will develop the Computer Security Incident Response Plan, which combines the Incident Response Plan/Procedures and Data Breach Notification Policy, along with removing the requirement for all business units having to create their own CSIRP. Upon completion, the plan will be approved and tested annually.

4) IT Risk Assessment
MFA has an Enterprise Risk Assessment Policy as part of the Internal Audit Policy. The policy requires the Compliance Officer to conduct an annual enterprise risk management assessment that identifies the areas of risk and ranks them low, medium or high. The most recent enterprise risk assessment ranked data security, technology, and disaster recovery as high-risk areas. MFA does not have written policies and procedures to address how IT risk assessment/ risk management will be performed and no global IT risk assessment has been completed to identify IT specific areas of risk. While external and internal vulnerability scans and penetration tests are
done annually and can help identify vulnerabilities, they are not a complete global IT risk assessment.

**Potential Risk:** Low – MFA utilizes many other monitoring tools and includes IT and data security as part of its Enterprise Wide Risk Management process. This combined with regular vulnerability testing, internal audits and training minimize the risks associated without having a dedicated IT risk assessment/risk management process.

**Recommendations**
MFA has implemented certain measures as noted above; however, we recommend the following:

1. Develop an IT Risk Assessment and Risk Management policy which provides for:
   - Establishing an IT risk assessment process
   - Annual risk assessment review
   - Prioritize risks – low, medium and high
   - Identifying threats, risks to IT components, evaluating the impact and frequency of such risks, and determining mitigating controls
   - Strategies to manage IT risks
2. Establish and document an IT risk assessment process/procedure that includes input from the business and operational areas of the organization.
3. Perform a global IT risk assessment and update the IT risk assessment at least annually and when there are significant changes to the IT systems, applications or infrastructure.
4. For identified high risk items, develop action plans to mitigate the risk issues and track them until resolved.

**Management Response**
Management agrees with this observation. MFA will develop an IT Risk Assessment and Risk Management policy and incorporate that into the IT policies and procedures. The assessment process and procedure will include input from the all areas of the organization. Action plans will be identified for those items identified as high risk and the assessment will be performed on an annual basis or if significant changes are made to the environment.

**PROCESS IMPROVEMENT OPPORTUNITIES**
We identified the following process improvement opportunities:

1) **Signing of Acceptable Use and Data Security Policy**
Employees are required to read and sign the Acceptable Use and Data Security Policy annually when they receive training. One employee tested was recently hired (3 weeks ago) and did not have a signed Acceptable Use Policy because she has not yet had full training. The Acceptable Use Policy requires employees to accept/sign the Acceptable Use Policy before they are granted access to resources. In order to be in compliance with the policy and to improve data security we recommend that review and signing of this policy should be included in IT’s part of first day training.
2) **Social Media**
MFA has a presence on social media sites and from interviews with Marketing they want employees to participate in social media. Social media sites are not blocked in the content filter process. MFA is in the process of developing a Social Media Policy. We recommend that the security risks of accessing social media sites, and detailed employee training on this should be included in the Social Media Policy.

3) **ANM Confidentiality Agreement**
ANM is considered a high-risk vendor by MFA as they provide network managed services and log review for MFA. As such, they have controlled access to the network. The 2015 contract with ANM addressed confidentiality/security but the current contract does not. The current contract is due to be renewed in October 2019. Management should ensure that the ANM contract (renewed contract) contains wording about security and confidentiality. Alternatively, MFA could have ANM sign a separate confidentiality agreement.

4) **Smartphone Security**
MFA provides some employees with smartphones and allows other employees to use their own personal smartphones to synchronize email with the MFA Exchange server. With active synch technology, emails are delivered to the employees Outlook inbox and to the smartphone. IT manages the security on these phones through a mobile device management system. This enforces a pin/password to access the phone, encryption, and the ability to remote wipe the phone if it is lost or stolen. MFA does not require employees who use their own smartphones to sign a “bring your own device” (BYOD) agreement that allows MFA to enforce controls on their devices and potentially wipe the device. Consider a BYOD agreement that employees sign to protect MFA and employees.

5) **Data Storage**
From testing of workstations and interviews with employees, it appears that some employees store/save MFA data in My Documents or the C: drive; however, this data is not backed up. Employees need to be reminded of this and asked to only store/save MFA documents to network drives that are backed up.

6) **Physical Security of MFA Data Center**
We performed physical security assessments of the two data centers (Cyxtera and MFA). While both are secure we suggest putting a cypher lock on the data center at MFA rather than key locks. This would make the data center more secure and only IT would have the code.

7) **Web Content Blocking**
MFA blocks inappropriate website access for all employees. We suggest that free proxy-server sites (hide.me, croxyproxy, hidestar, etc.) are also added to the blocked content list to keep employees from being able to circumvent MFA’s security features.

8) **Security Awareness Reminders**
MFA provides ongoing Security Awareness Training for all employees using KnowBe4. Phishing assessments are conducted monthly with additional security awareness training assigned to any employee that fails the phishing assessment. One training module is assigned each quarter for employees to complete within two weeks. An annual all-staff training is
conducted each year covering various security topics. Here are some additional suggestions to enhance the Security Awareness Training program.

- Email reminders
- Posters
- Letters / memos
- Intranet postings (Tip of the week, scam of the week)
- Share newsletter articles or blogs (KnowBe4 CyberHeist News)
- Security days
- Information system sign-on messages
- Internal quizzes / games
- Monthly lunch and learns

* * * * *

This report is intended solely for the information and use of MFA’s management and Board of Directors. If additional procedures had been performed, other matters might have come to our attention that would have been reported to you.

We received excellent cooperation and assistance from MFA personnel during the course of our testing. We very much appreciate the courtesy and cooperation extended to our personnel. We would be pleased to meet with you to discuss our findings and answer any questions.

Albuquerque, New Mexico
August 12, 2019
New Mexico Mortgage Finance Authority
Information Technology Security Internal Audit
Executive Summary Report

July 2019
New Mexico Mortgage Finance Authority
Information Technology Security Internal Audit

Executive Summary

New Mexico Mortgage Finance Authority
Board of Directors and Management

REDW performed an internal audit to assist MFA in evaluating compliance with policies and procedures relating to Information Technology (IT) security. Our internal audit focused on evaluating MFA’s IT security processes and controls to assist management in determining if MFA was in compliance with policies and procedures (P&Ps) and reflect best security practices and sound internal controls. To gain an understanding of the processes and controls in place, we interviewed selected personnel, read applicable policies and procedures (P&P), and tested selected controls.

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 user logical access controls and for newly hired employees and ensured access permissions were removed timely for terminated employees.
- Determined whether employees signed the Acceptable Use and Data Security Policy.
- Selected a sample of workstations/employees and evaluated:
  — Workstation security
  — Security controls over sensitive data on mobile devices and removable media
  — Understanding of the security awareness and training programs
- Evaluated and tested vendor access controls, access authorizations, and completeness of vendor contracts.
- Assessed controls around remote access security and the new telecommuting pilot program.
• Assessed the completeness and accuracy of all IT and acceptable use policies and procedures, including a gap analysis based on the National Institute of Standards and Technology and International Organization for Standardization frameworks.

• Inspected physical/environmental controls, via walkthroughs, of the data centers.

• Evaluated the controls around social media use and monitoring techniques.

• Tested automated email encryption process to ensure sensitive data was secure.

• Tested servers to determine if they had security patches installed in a timely manner.

• Assessed the written IT Disaster Recovery Plan and testing reports.

• Evaluated the following other areas/processes:
  — Backup and restore procedures and assessed the backup schedule log;
  — Computer security incident response processes and documentation of security incidents;
  — Vulnerability scanning process and sample vulnerability scans and penetration testing;
  — Log monitoring process and alerts; and,
  — Configuration management and patching process.

**SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS**

During the course of the audit, we identified many areas, which processes and related controls appeared to be functioning properly, most noticeably were the email encryption system, testing of the business continuity and disaster recovery plan, IT access permissions for newly hired and terminated employees and the Security Awareness Training program.

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

1) **Removable Media**

IT has implemented a process where any removable media inserted into a computer is immediately scanned for malware and the user cannot run an executable program. The policy also states that when sensitive data is on the USB it must be encrypted; however, there are no controls in place to ensure employees are properly encrypting sensitive information. Additionally, seven of the nine workstations/thin clients tested allowed the employee to read from or write to a USB without it being encrypted. USB drives are also becoming a source of malware infection that is not detected by most antivirus programs. We recommend allowing only authorized personnel to use ‘white listed’ MFA owned encrypted USB drives and implement automated preventative controls that block the use of unauthorized USB flash drives or automatically encrypt them if they are not already encrypted.

2) **IT Security Policies**

IT utilizes a data security policy manual that addresses 11 policy areas in more detail than the employee-centric Acceptable Use Policy. This manual was created in 2016; however, it has not been formally approved. While this manual contains many critical policies and procedures, it
lacks guidance for some essential processes based on a gap analysis using the NIST SP800-53 R4 and ISO/IEC 27002 recommended best-practices. IT should consider updating the data security policy manual created by the CIO; and, once updated, have formally approved.

3) **Computer Security Incident Response Plan**

MFA has an Incident Response Plan/Procedures which includes procedures to respond to specific security incidents. In addition, MFA has a documented approved Data Breach Notification Policy and Procedures which is based on the NM Data Breach Notification Act and includes a section related to data breach responses. These documents combined serve as the Computer Security Incident Response Plan (CSIRP); however, this plan has not been tested. IT should consider updating the Incident Response Plan Policy to remove the statement that all business units have their own CSIRP. This policy should then be approved. Additionally, IT should ensure the CSIRP plan is tested annually and the testing documented. Testing could be in the form of a tabletop exercise.

* * * * *

Further detail of our purpose, objectives, procedures, observations and recommendations is included in the full internal audit report. In that report, management describes the corrective action being taken for the above observations.

Albuquerque, New Mexico
August 12, 2019
Tab 2
Production Statistics
Actual 9/30/10 through 9/30/18
and Projected 9/30/19 and 9/30/20
Production & Financial Highlights

2010 HISTORICAL LOW MORTGAGE RATES:
• High Single Family Prepayment Activity (-2013) Assets Managed, Revenue
• Historical low mortgage rates (2010-2018) Production/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) Production/Assets Managed, Revenue
• DOE Weatherization Assistance Program funding reductions (-2013) Production/Assets Managed, Revenue
• Increase in rental demand (-2016) Production/Assets Managed, Revenue
• HUD Section 8 Project Based Contract Administration (PBCA) program scope changes (-2016) Revenue, Expenses

2013 INNOVATION & NEW RESOURCES:
• To Be Announced (TBA) Single Family Loan Execution (-2018) Production, Revenue

2014 INNOVATION & NEW RESOURCES:
• Decrease in Single Family Prepayment Activity (-2018) Revenue, Assets Managed
• Ventana Fund Contribution (-2018) Expense, Production for NM
• Small Business Investment Council loan funding for Housing Opportunity Fund (-2018) Production/Assets Managed, Revenue

2015 STABILIZED HOUSING MARKET & ECONOMY:
• Increase in Single Family Mortgage Production (-2019) Revenue, Production/Assets Managed
• 40th Anniversary Celebration

2016 PROGRAM EXPANSION:
• HUD Section 8 PBCA Management Occupancy Reviews reinstated (-2018) Revenue, Expenses
• Servicing Expansion implemented-Milestone 1 Revenue, Expenses Assets Managed
• National Housing Trust Fund Program (-2018) Revenue, Expenses Production/Assets Managed
• Increase in Qualified Contracts (-2018) Revenue, Expenses, Assets Managed

2017 MANAGING GROWTH & OPPORTUNITY:
• Record year in Single Family Mortgage Production (-2019) Revenue, Production/Assets Managed
• First full year of Servicing Expansion implementation Revenue, Expenses, Assets Managed
• Selected as SW Regional Lead for HUD PBCA Procurement
• Secured $500k of CDBG funding Revenue, Expenses, Assets Managed

2018 POSITIVE MARKET TRENDS:
• Second record year of Single Family Mortgage Production Revenue, Production/Assets Managed
• New Funding from Capital Magnet Fund Revenue, Production/Assets Managed, Expenses
• Stabilized/increasing federal funding Revenue, Production/Assets Managed
• Viable Single Family bonding execution Revenue, Production/Assets Managed

2019 FINANCIAL STRENGTH AND GROWTH:
• Third record year of Single Family Mortgage Production Revenue, Production/Assets Managed
• New/Increased Funding Revenue, Production/Assets Managed, Expenses
• Legislative Funding Success: $4.5M
• Veteran’s Home Rehab
• Expanded Service Providers & Areas (WAP, HOPWA, Rehab, HOMENow) Expenses
• Technology and Cyber Security Enhancements Expenses
• $4.2B of Managed Assets Revenue, Production/Assets Managed

IMPACT LEGEND:
Red : Negative Impact
Green: Positive Impact
Assets Managed:
Average Financial Assets
vs. Average Assets Under Management
FY 2010-2020

![Bar chart showing the comparison between average financial assets and assets under management from 2010 to 2020, with projections for 2019 and 2020. The chart indicates a steady increase in both categories over the years, with projections showing a continuation of this trend.]
Financial Data:
General Fund Excess Revenue Over Expenses vs.
Combined Excess Revenue Over Expenses
FY 2010-2020

![Graph showing financial data for General Fund Excess Revenue and Combined Excess Revenue from FY 2010 to FY 2020, including projections for FY 2019 and FY 2020.](graph.png)
Financial Data:
General Fund Revenue Analysis
2013-2020 (Projected)

- Other Income (2%)
- Housing Program Income (5%)
- Servicing Income (18%)
- Interest-Investments (7%)
- Interest-Loans (25%)
- Admin Fees (43%)
Financial Data:
General Fund Expenditure Summary
2013-2020 (Projected)
MFA Detailed Administrative Expense Breakout
MFA General Fund: FY 2020 Budget

- Interest
- Non-Operating Expenses:
  - Training & technical assistance
  - Program development
  - Capacity building
- Other Operating Expenses:
  - Contractual services
  - Direct servicing
- Non-Cash
- Compensation
- Travel & Public Information
- Office Expenses

43%
25%
12%
7%
6%
4%
3%
Production Data:
Number of Multifamily, Single Family 1st Mortgage and Single Family Homeowner Rehab Units
FY 2010-2020

- # Units
- Multifamily units
- Single family units
- Homeowner rehab units
Production Data:
Funds Disbursed-Federal & State Programs
FY 2010-2020
Housing Opportunity Fund
2009-2019

Available as of 6/30/2019
$17,034

Committed as of 6/30/2019
$4,527
Production Data:
TBA vs Bond Production
FY 2010 – 2020
MFA Total Housing Dollars Produced
FY 2010-2020

Includes: GF Non-Operating funds disbursed; Single family loans purchased; Multifamily loans/subsidies; federal & state programs disbursed; and Housing Opportunity Fund disbursed

Housing Dollars Produced
Economic Impact of MFA Programs
FY2010 - 2020

- Savings realized through Housing First Model for Homeless
- Local income generated from new rental unit construction
- Local income generated from new SF home construction
- Economic impact of existing SF home sales
### FINANCIAL DATA

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Financial Assets ($)</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2010</td>
<td>1,669,110</td>
<td>5,667</td>
<td>0.34%</td>
</tr>
<tr>
<td>9/30/2011</td>
<td>1,556,397</td>
<td>-105,713</td>
<td>-6.75%</td>
</tr>
<tr>
<td>9/30/2012</td>
<td>1,387,923</td>
<td>-168,474</td>
<td>-11.42%</td>
</tr>
<tr>
<td>9/30/2013</td>
<td>1,229,385</td>
<td>-158,538</td>
<td>-12.99%</td>
</tr>
<tr>
<td>9/30/2014</td>
<td>1,090,640</td>
<td>-138,746</td>
<td>-11.29%</td>
</tr>
<tr>
<td>9/30/2015</td>
<td>961,381</td>
<td>-33,448</td>
<td>-3.36%</td>
</tr>
<tr>
<td>9/30/2016</td>
<td>938,573</td>
<td>-2,878</td>
<td>-0.74%</td>
</tr>
<tr>
<td>9/30/2017</td>
<td>917,743</td>
<td>-989</td>
<td>-0.43%</td>
</tr>
<tr>
<td>9/30/2018</td>
<td>909,743</td>
<td>-139,500</td>
<td>-15.39%</td>
</tr>
<tr>
<td>9/30/2019</td>
<td>904,743</td>
<td>-5,000</td>
<td>-0.56%</td>
</tr>
<tr>
<td>9/30/2020</td>
<td>904,743</td>
<td>-5,000</td>
<td>-0.56%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>Average Assets Under Management ($)</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2010</td>
<td>3,009,226</td>
<td>204,225</td>
<td>7.28%</td>
</tr>
<tr>
<td>9/30/2011</td>
<td>2,910,113</td>
<td>-99,113</td>
<td>-3.29%</td>
</tr>
<tr>
<td>9/30/2012</td>
<td>2,770,325</td>
<td>-139,788</td>
<td>-4.80%</td>
</tr>
<tr>
<td>9/30/2013</td>
<td>2,687,314</td>
<td>-83,011</td>
<td>-3.00%</td>
</tr>
<tr>
<td>9/30/2014</td>
<td>2,583,285</td>
<td>-104,029</td>
<td>-3.87%</td>
</tr>
<tr>
<td>9/30/2015</td>
<td>2,564,577</td>
<td>-18,708</td>
<td>-0.72%</td>
</tr>
<tr>
<td>9/30/2016</td>
<td>2,596,522</td>
<td>31,945</td>
<td>1.25%</td>
</tr>
<tr>
<td>9/30/2017</td>
<td>2,876,475</td>
<td>279,953</td>
<td>10.78%</td>
</tr>
<tr>
<td>9/30/2018</td>
<td>3,352,458</td>
<td>475,983</td>
<td>16.55%</td>
</tr>
<tr>
<td>9/30/2019</td>
<td>4,281,203</td>
<td>928,745</td>
<td>27.70%</td>
</tr>
<tr>
<td>9/30/2020</td>
<td>4,623,786</td>
<td>342,583</td>
<td>8.00%</td>
</tr>
</tbody>
</table>

### PERSONNEL DATA

<table>
<thead>
<tr>
<th>Period</th>
<th>Full-time Equivalent</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2010</td>
<td>69.79</td>
<td>3.06%</td>
</tr>
<tr>
<td>9/30/2011</td>
<td>70.58</td>
<td>-6.75%</td>
</tr>
<tr>
<td>9/30/2012</td>
<td>67.67</td>
<td>-11.42%</td>
</tr>
<tr>
<td>9/30/2013</td>
<td>67.71</td>
<td>-12.99%</td>
</tr>
<tr>
<td>9/30/2014</td>
<td>65.60</td>
<td>-11.29%</td>
</tr>
<tr>
<td>9/30/2015</td>
<td>68.38</td>
<td>-3.36%</td>
</tr>
<tr>
<td>9/30/2016</td>
<td>72.75</td>
<td>-0.74%</td>
</tr>
<tr>
<td>9/30/2017</td>
<td>77.15</td>
<td>-0.43%</td>
</tr>
<tr>
<td>9/30/2018</td>
<td>81.58</td>
<td>-15.39%</td>
</tr>
<tr>
<td>9/30/2019</td>
<td>85.36</td>
<td>-0.56%</td>
</tr>
<tr>
<td>9/30/2020</td>
<td>82.50</td>
<td>-0.56%</td>
</tr>
</tbody>
</table>

### PRODUCTION DATA

<table>
<thead>
<tr>
<th>Period</th>
<th>Single Family 1st Mtg Loans</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2010</td>
<td>1,568</td>
<td>1,226</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2011</td>
<td>1,128</td>
<td>1,330</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2012</td>
<td>1,177</td>
<td>2,526</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2013</td>
<td>2,526</td>
<td>2,929</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2014</td>
<td>2,929</td>
<td>3,232</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2015</td>
<td>3,232</td>
<td>3,137</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2016</td>
<td>3,137</td>
<td>3,042</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2017</td>
<td>3,042</td>
<td>3,042</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2018</td>
<td>3,042</td>
<td>3,042</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2019</td>
<td>3,042</td>
<td>3,042</td>
<td>2.06%</td>
</tr>
<tr>
<td>9/30/2020</td>
<td>3,042</td>
<td>3,042</td>
<td>2.06%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Period</th>
<th>Multi-Family Loans/Bonds Closed &amp; Tax Credits Allocated</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>9/30/2010</td>
<td>1,524</td>
<td>752</td>
<td>4.96%</td>
</tr>
<tr>
<td>9/30/2011</td>
<td>1,351</td>
<td>1,750</td>
<td>12.86%</td>
</tr>
<tr>
<td>9/30/2012</td>
<td>1,750</td>
<td>2,164</td>
<td>12.86%</td>
</tr>
<tr>
<td>9/30/2013</td>
<td>2,164</td>
<td>2,580</td>
<td>12.86%</td>
</tr>
<tr>
<td>9/30/2014</td>
<td>2,580</td>
<td>3,005</td>
<td>12.86%</td>
</tr>
<tr>
<td>9/30/2015</td>
<td>3,005</td>
<td>3,430</td>
<td>12.86%</td>
</tr>
<tr>
<td>9/30/2016</td>
<td>3,430</td>
<td>3,865</td>
<td>12.86%</td>
</tr>
<tr>
<td>9/30/2017</td>
<td>3,865</td>
<td>4,300</td>
<td>12.86%</td>
</tr>
<tr>
<td>9/30/2018</td>
<td>4,300</td>
<td>4,735</td>
<td>12.86%</td>
</tr>
<tr>
<td>9/30/2019</td>
<td>4,735</td>
<td>5,170</td>
<td>12.86%</td>
</tr>
<tr>
<td>9/30/2020</td>
<td>5,170</td>
<td>5,605</td>
<td>12.86%</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-----------</td>
<td>-----------</td>
<td>-----------</td>
</tr>
<tr>
<td><strong>Housing Programs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Homeless Persons Served (①)</td>
<td>18,964</td>
<td>16,871</td>
<td>15,004</td>
</tr>
<tr>
<td>Single Family Homeowner Rehab (①)</td>
<td>2,913</td>
<td>2,817</td>
<td>2,707</td>
</tr>
<tr>
<td><strong>Funds Disbursed ($)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal &amp; State Programs</td>
<td>89,368</td>
<td>81,611</td>
<td>57,690</td>
</tr>
<tr>
<td>MFA Housing Opportunity Fund</td>
<td>8,741</td>
<td>5,032</td>
<td>6,496</td>
</tr>
<tr>
<td><strong>Funds Obtained</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>10,920</td>
<td>6,265</td>
<td>9,524</td>
</tr>
<tr>
<td><strong>Total Families Served</strong></td>
<td>5,888</td>
<td>4,568</td>
<td>4,954</td>
</tr>
<tr>
<td><strong>Total Housing Dollars Produced</strong></td>
<td>408,934</td>
<td>255,872</td>
<td>226,482</td>
</tr>
</tbody>
</table>
MEMORANDUM

TO: Board of Directors

Through: Policy Committee – September 9, 2019

FROM: Yvonne Segovia, Controller

DATE: September 18, 2019

SUBJECT: Fiscal Year (FY) 2019-2020 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 2019-2020. Revenue is projected at $22,836,000, an increase of $691,000 or 3% over prior year budget and an increase of $2,279,000 or 13% over projected 9/30/19 actual. The expense budget is projected at $19,266,000, an increase of $1,231,000 or 7% over prior year budget and an increase of $2,968,000 or 18% over 9/30/19 projected actual. The FY 2019-2020 budgeted excess revenue over expenses is $4,261,000. The capital budget is $4,834,000, an increase of $245,000 or 5% over prior year budget and an increase of $993,000 or 26% over projected actual.

The changes are primarily a result of the implementation of the Mortgage Operations servicing expansion model and the addition of two full-time equivalent (FTE) staff positions, as well as the renovation of the basement.

ANALYSIS OF SIGNIFICANT INCREASES (DECREASES) IN PROPOSED BUDGET TO PRIOR YEAR (PY) BUDGET AND PROJECTED ACTUAL
OPERATING REVENUE: INCREASE OVER PY BUDGET $834,465 4%; INCREASE OVER PY ACTUAL $1,492,781 7%

**Interest Income:** Decrease under PY Budget ($41,150) (1%); Increase over PY Actuals 202,903 3%
The decrease in budget is due to the decrease in the warehouse portfolio, offset by increases in interest on the down payment assistance loan portfolio. Production is estimated to be at normal levels of $350mm rather than $420mm budgeted for FY2019. The increase over prior year actual is due to the increase in the down payment assistance loan portfolio.

**Interest on Investments & Securities:** Increase over PY Budget $120,496 7%; Decrease under PY Actual ($69,738) (4%)
The increase over prior year budget is due to an anticipated increase in interest rates. The decrease under prior year actual is due to a decrease in interest rates.

**Administrative Fee Income:** Decrease under PY Budget ($302,322) (3%); Increase over PY Actuals $22,660 0%
The change in prior year budget and actual is due to a reduction in To Be Announced (TBA) pool transaction fees offset by an increase in bond administration fees and housing program administrative fees.

**Loan Servicing Income:** Increase over PY Budget $1,136,538 27%; Increase over PY Actuals $1,261,086 31%
The increase in prior year budget and actual is due to the increased balance of the subserviced portfolio.

**NON-OPERATING REVENUE:** DECREASE UNDER PY BUDGET ($143,690) (116%); INCREASE OVER PY ACTUALS $1,303,650 83%

**Gain(Loss) Asset Sale:** Decrease under PY Budget ($143,750) (116%); Increase over PY Actuals $1,296,983 83%
The decrease under prior year budget is due to the increase in losses anticipated on the subserviced portfolio. The increase over prior year actuals is a result of the loss on the SIC portfolio, which is not budgeted.

OPERATING EXPENSES: INCREASE OVER PY BUDGET $987,782 6%; INCREASE OVER PY ACTUAL $2,431,302 15%

**Salaries:** Increase over PY Budget $263,030 5%; Increase over PY Actual $798,618 17% - See Attached Organization Chart
Regular merit increases are budgeted at 3% next year. In addition, the increase in actual and budget includes two additional full-time equivalent (FTE) positions: Management Trainee and Program Development Manager. Also, the Secondary Market Processor was budgeted in the prior year to begin 7/1/2019. The increase from actuals also reflects the vacancies that were experienced in prior year.
**Payroll Taxes, Employee Benefits:** Increase over PY Budget $206,839 9%; Increase over PY Actual $533,479 26%
The increase in taxes and benefits over actual and budget is primarily due to salary increases and increases in staffing. In addition, the increase includes an overall increase in benefit premiums of approximately 20%, which includes a change from an 8/1 Plan Year to a 1/1 Plan Year effective 1/1/2020.

**Public Information:** Increase over PY Budget $111,900 67%; Increase over PY Actual $133,687 92%
The increase is primarily due to a redesign of the MFA website, as well as an advertising campaign for the single family program.

**Repairs, Maintenance & Leases:** Increase over PY Budget $319,606 51%; Increase over PY Actual $251,232 36%
The increase over prior year budget and actual is for increase in building maintenance to replace the transformer and remove the asbestos in the basement. It also includes an increase in software maintenance for new software added in prior year.

**Contractual Services:** Decrease under PY Budget ($210,274) (16%); Increase over PY Actual $56,733 5%
The decrease under prior year budget is primarily due to decreased fees for external audit, decreased services for internal audit, decrease in classified advertisements related to the five year Consolidated Plan, decrease in moving expenses budgeted in prior year for servicing expansion and a decrease in imaging services. The increase over prior year is primarily related to consultant fees that were not incurred for the financial and investment advisors, and the PBCA procurement consultant.

**Direct Servicing Expenses:** Decrease under PY Budget ($513,712) (14%); Decrease under PY Actual ($574,412) (15%)
The decrease under prior year actual is for subservicing fees and lender compensation related to the decrease in projected production from prior year levels. Production is estimated to be at normal levels of $350mm rather than $420mm budgeted for FY2019.

**Non-Cash Expenses:** Increase over PY Budget $868,483 57%; Increase over PY Actual $934,064 64%
The increase over prior year actual and budget is related to an increase in the Provision for Loss expense due to the growing down payment assistance loan portfolio and an increase in the amortization of mortgage servicing rights due to the growing portfolio.

**Expensed Assets:** Increase over PY Budget $102,500 136%; Increase over PY Actual $63,422 56%
The increase over prior year budget and actual includes the purchase of equipment to support telecommuting workers and file cabinets to support Servicing Expansion.
NON-OPERATING EXPENSES: INCREASE OVER PY BUDGET $243,315 54%; INCREASE OVER PY ACTUAL $536,631 342%

Program Training & Technical Assistance: Increase over PY Budget $348,315 171%; Increase over PY Actual $509,535 1208%
The increase over prior year budget and actual is primarily due to the state appropriation received for the Regional Housing Authorities oversight and the Affordable Housing Act housing plans. The increase over prior actuals also reflects budget not spent for Affordable Housing Act housing plans and T&TA initiatives.

Program Development: Decrease under PY Budget ($105,000) (43%); Increase over PY Actual $27,096 24%
The decrease under prior year budget is primarily related to the decrease in Resource Development budget and the elimination of the match for funding proposals.

CAPITAL BUDGET: INCREASE OVER PY BUDGET $244,612 5%; INCREASE OVER PY ACTUAL 993,224 26%
Purchased Servicing Rights: Decrease under PY Budget ($714,350) (16%); Decrease under PY Actual ($30,104) (1%)
The decrease under prior year budget and actual is due to the decrease in production levels. Production is estimated to be at normal levels of $350mm rather than $420mm budgeted for FY2019.

Building: Increase over PY Budget and PY Actual $863,035 100%
The increase over prior year budget and actual is due to the building renovation included in FY2020.

Summary:

MFA’s General Fund proposed budget for FY 2019-2020 is recommended for approval. Revenue is projected at $22,836,000, an increase of $691,000 or 3% over prior year budget and an increase of $2,279,000 or 13% over projected 9/30/19 actual. The expense budget is projected at $19,266,000, an increase of $1,231,000 or 7% over prior year budget and an increase of $2,968,000 or 18% over 9/30/19 projected actual. The FY 2019-2020 budgeted excess revenue over expenses is $4,261,000. The capital budget is $4,834,000, an increase of $245,000 or 5% over prior year budget and an increase of $993,000 or 26% over projected actual.
GENERAL FUND
Fiscal Year 2019-2020 Budget
Proposed

Revenue
Interest Income
Interest on Investments & Securities
Loan & Commitment Fees
Administrative Fee Income (Exp)
Risk Sharing/Guaranty/RTC fees
Housing Program Income
Loan Servicing Income
Other Operating Income
Operating Revenues
Gain (Loss) Asset Sale/Debt Ex
Other Non-operating Income
Non-Operating Revenues
Revenue

6/30/2019

Budget

Budget FY2018-19

Actuals Annualized

2020

2019

2019

6,910,183
1,882,217
10,000
8,444,423
69,431
1,084,053
5,392,126
1,500
23,793,933

6,951,333
1,761,721
10,000
8,746,745
92,786
1,139,495
4,255,588
1,800
22,959,468

(267,750)
160
(267,590)

Variance: CY Budget
Variance %: CY
- PY Budget
Budget - PY Budget

2020

6,707,280
1,951,955

2020

Variance: CY Budget
Variance %: CY
- PY Actuals
Budget - PY Actuals

2019

2019

8,421,763
126,804
961,643
4,131,040
667
22,301,152

(41,150)
120,496
(0)
(302,322)
(23,355)
(55,442)
1,136,538
(300)
834,465

-1%
7%
0%
-3%
-25%
-5%
27%
-17%
4%

202,903
(69,738)
10,000
22,660
(57,373)
122,410
1,261,086
833
1,492,781

3%
-4%
0%
-45%
13%
31%
125%
7%

(124,000)
100
(123,900)

(1,564,733)
(6,507)
(1,571,240)

(143,750)
60
(143,690)

116%
60%
116%

1,296,983
6,667
1,303,650

-83%
-102%
-83%

23,526,343

22,835,568

20,729,912

690,775

3%

2,796,431

13%

5,396,868
24,756
468,417
2,567,648
8,457,690
5,060
278,905
97,140
211,399
592,504
73,652
126,646
940,422
52,166
36,792
20,843
25,080
1,275,601
51,850
122,711
1,121,001
58,236
3,269,728
14,500
4,638,026
1,045,643
2,384,900
177,670
18,572,034

5,133,838
6,829
437,525
2,360,809
7,939,001
5,210
167,005
109,426
197,214
478,855
70,640
(800)
126,294
620,816
42,096
40,000
80,853
28,460
1,008,359
56,867
144,838
1,331,275
115,400
3,783,440
14,500
5,446,320
1,120,130
1,516,417
75,170
17,584,252

4,598,250
8,787
422,920
2,034,169
7,064,126
2,456
145,038
49,434
148,188
345,115
71,830
(417)
127,245
689,189
38,270
42,157
56,145
27,928
1,052,347
55,032
88,747
1,064,268
52,476
3,844,140
12,950
5,117,613
996,447
1,450,836
114,248
16,140,733

263,030
17,927
30,892
206,839
518,689
(150)
111,900
(12,286)
14,185
113,649
3,012
800
352
319,606
10,070
(3,208)
(60,010)
(3,380)
267,242
(5,017)
(22,127)
(210,274)
(57,164)
(513,712)
(0)
(808,294)
(74,487)
868,483
102,500
987,782

5%
263%
7%
9%
7%
-3%
67%
-11%
7%
24%
4%
-100%
0%
51%
24%
-8%
-74%
-12%
27%
-9%
-15%
-16%
-50%
-14%
0%
-15%
-7%
57%
136%
6%

798,618
15,969
45,497
533,479
1,393,563
2,604
133,867
47,706
63,211
247,389
1,822
417
(599)
251,232
13,896
(5,365)
(35,302)
(2,849)
223,253
(3,182)
33,964
56,733
5,760
(574,412)
1,550
(479,586)
49,196
934,064
63,422
2,431,302

17%
182%
11%
26%
20%
106%
92%
97%
43%
72%
3%
-100%
0%
36%
36%
-13%
-63%
-10%
21%
-6%
38%
5%
11%
-15%
12%
-9%
5%
64%
56%
15%

551,715
141,800
693,515
693,515

203,400
246,800
450,200
450,200

42,180
114,704
156,884
156,884

348,315
(105,000)
243,315
243,315

171%
-43%
54%
54%

509,535
27,096
536,631
536,631

1208%
24%
342%
342%

19,265,549
4,260,794

18,034,452
4,801,116

16,297,616
4,432,296

1,231,097
(540,322)

7%
-11%

2,967,933
(171,502)

18%
-4%

Expenses
Salaries
Overtime
Incentives
Payroll taxes, Employee Benefits
Compensation
Business Meals Expense
Public Information
In-State Travel
Out-of-State Travel
Travel & Public Information
Utilities/Property Taxes
Leasehold Expense
Insurance, Property & Liability
Repairs, Maintenance & Leases
Supplies
Postage/Express mail
Telephone
Janitorial
Office Expenses
Dues & Periodicals
Education & Training
Contractual Services
Professional Services-Program
Direct Servicing Expenses
Program Expense-Other
Other Operating Expense
Interest Expense
Non-Cash Expenses
Expensed Assets
Operating Expenses
Program Training & Tech Asst
Program Development
Capacity Building Costs
Non-Operating Expenses
Expenses
Excess Revenue over Expenses

5


GENERAL FUND  
Fiscal Year 2019-2020 Capital Budget

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2690 PURCHASED SERVICING RIGHTS</td>
<td>3,787,000</td>
<td>4,501,350</td>
<td>3,756,896</td>
<td>(714,350)</td>
<td>-16%</td>
<td>30,104</td>
</tr>
<tr>
<td>2950 COMPUTER HARDWARE</td>
<td>184,324</td>
<td>88,397</td>
<td>84,240</td>
<td>95,927</td>
<td>109%</td>
<td>100,084</td>
</tr>
<tr>
<td>2860 BUILDING</td>
<td>863,035</td>
<td>-</td>
<td>-</td>
<td>863,035</td>
<td>100%</td>
<td>863,035</td>
</tr>
<tr>
<td><strong>Capital Budget</strong></td>
<td><strong>4,834,359</strong></td>
<td><strong>4,589,747</strong></td>
<td><strong>3,841,135</strong></td>
<td><strong>244,612</strong></td>
<td><strong>5%</strong></td>
<td><strong>993,224</strong></td>
</tr>
</tbody>
</table>
Tab 4
MEMORANDUM

TO:        Board of Directors

Through:   Policy Committee – September 9, 2019

FROM:      Yvonne Segovia, Controller

DATE:      September 18, 2019

SUBJECT:   FY 2019-2020 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 2019-2020. Revenue is projected at $38,500, and the expense budget is projected at $5,100, resulting in a FY 2019-2020 budgeted excess revenue over expenses of $33,400.

The expense budget includes salaries and indirect costs provided by MFA to support the non-profit organization.

Summary:
The NM Affordable Housing Charitable Trust Budget is recommended for approval. Revenue is projected at $38,500, and the expense budget is projected at $5,100, resulting in a FY 2019-2020 budgeted excess revenue over expenses of $33,400.
## NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST

### Fiscal Year 2019-2020 Budget

#### Proposed Budget Variance 8/29/2019

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>Budget FY2018-19</th>
<th>Actuals Annualized</th>
<th>Variance: CY Budget - PY Budget</th>
<th>Variance %: CY Budget - PY Budget</th>
<th>Variance: CY Budget - PY Actuals</th>
<th>Variance %: CY Budget - PY Actuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest on Investments &amp; Securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Fee Income (Exp)</td>
<td>200</td>
<td>154</td>
<td>259</td>
<td>46</td>
<td>30%</td>
<td>(59)</td>
<td>-23%</td>
</tr>
<tr>
<td>Operating Revenues</td>
<td>3,319</td>
<td></td>
<td></td>
<td>3,319</td>
<td>3,319</td>
<td>3,319</td>
<td>1258%</td>
</tr>
<tr>
<td>Grant Award Income</td>
<td>35,000</td>
<td>25,000</td>
<td>50,306</td>
<td>10,000</td>
<td>40%</td>
<td>(15,306)</td>
<td>-30%</td>
</tr>
<tr>
<td>Non-Operating Revenues</td>
<td>35,000</td>
<td>25,000</td>
<td>50,306</td>
<td>10,000</td>
<td>40%</td>
<td>(15,306)</td>
<td>-30%</td>
</tr>
<tr>
<td>Revenue</td>
<td>38,519</td>
<td>25,154</td>
<td>50,565</td>
<td>13,365</td>
<td>53%</td>
<td>(12,046)</td>
<td>-24%</td>
</tr>
<tr>
<td>Salaries</td>
<td>3,148</td>
<td>361</td>
<td>1,351</td>
<td>2,787</td>
<td>772%</td>
<td>1,797</td>
<td>133%</td>
</tr>
<tr>
<td>Overtime</td>
<td>-</td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Incentives</td>
<td>287</td>
<td>158</td>
<td>545</td>
<td>1,229</td>
<td>778%</td>
<td>842</td>
<td>154%</td>
</tr>
<tr>
<td>Payroll taxes, Employee Benefits</td>
<td>1,387</td>
<td>158</td>
<td>545</td>
<td>1,229</td>
<td>778%</td>
<td>842</td>
<td>154%</td>
</tr>
<tr>
<td>Compensation</td>
<td>4,821</td>
<td>519</td>
<td>1,896</td>
<td>4,302</td>
<td>829%</td>
<td>2,926</td>
<td>154%</td>
</tr>
<tr>
<td>Travel &amp; Public Information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities/Property Taxes</td>
<td>60</td>
<td>6</td>
<td>22</td>
<td>54</td>
<td>893%</td>
<td>37</td>
<td>170%</td>
</tr>
<tr>
<td>Leasehold Expense</td>
<td>5</td>
<td>19</td>
<td>(5)</td>
<td></td>
<td>-100%</td>
<td>(19)</td>
<td>-100%</td>
</tr>
<tr>
<td>Insurance, Property &amp; Liability</td>
<td>5</td>
<td>1</td>
<td>5</td>
<td></td>
<td></td>
<td>4</td>
<td>429%</td>
</tr>
<tr>
<td>Repairs, Maintenance &amp; Leases</td>
<td>56</td>
<td>2</td>
<td>38</td>
<td>54</td>
<td>2722%</td>
<td>19</td>
<td>49%</td>
</tr>
<tr>
<td>Supplies</td>
<td>34</td>
<td>3</td>
<td>9</td>
<td>31</td>
<td>1037%</td>
<td>25</td>
<td>268%</td>
</tr>
<tr>
<td>Postage/Express mail</td>
<td>8</td>
<td>7</td>
<td>19</td>
<td>10</td>
<td>141%</td>
<td>(2)</td>
<td>-11%</td>
</tr>
<tr>
<td>Telephone</td>
<td>17</td>
<td>2</td>
<td>19</td>
<td>10</td>
<td>141%</td>
<td>(2)</td>
<td>-11%</td>
</tr>
<tr>
<td>Janitorial</td>
<td>20</td>
<td>2</td>
<td>9</td>
<td>18</td>
<td>915%</td>
<td>11</td>
<td>121%</td>
</tr>
<tr>
<td>Office Expenses</td>
<td>200</td>
<td>25</td>
<td>117</td>
<td>175</td>
<td>701%</td>
<td>83</td>
<td>71%</td>
</tr>
<tr>
<td>Contractual Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Expense-Other</td>
<td>2,500</td>
<td>2,598</td>
<td>(2,500)</td>
<td>(2,045)</td>
<td>67%</td>
<td>2,491</td>
<td>96%</td>
</tr>
<tr>
<td>Non-Cash Expenses</td>
<td>68</td>
<td>68</td>
<td>68</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>5,089</td>
<td>3,044</td>
<td>2,598</td>
<td>2,045</td>
<td>67%</td>
<td>2,491</td>
<td>96%</td>
</tr>
<tr>
<td>Grant Expense</td>
<td>-</td>
<td>-</td>
<td>33,402</td>
<td>-</td>
<td>0%</td>
<td>(33,402)</td>
<td>-100%</td>
</tr>
<tr>
<td>Non-Operating Expenses</td>
<td>-</td>
<td>-</td>
<td>33,402</td>
<td>-</td>
<td>0%</td>
<td>(33,402)</td>
<td>-100%</td>
</tr>
<tr>
<td>Expenses</td>
<td>5,089</td>
<td>3,044</td>
<td>36,000</td>
<td>2,045</td>
<td>67%</td>
<td>(30,911)</td>
<td>-86%</td>
</tr>
<tr>
<td>Excess Revenue over Expenses</td>
<td>33,430</td>
<td>22,110</td>
<td>14,565</td>
<td>11,320</td>
<td>51%</td>
<td>18,864</td>
<td>130%</td>
</tr>
</tbody>
</table>
Tab 5
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – September 3, 2019

FROM: Kathryn Turner, Tax Credit Program Manager

DATE: September 18, 2019

SUBJECT: Areas of Statistically Demonstrated Need for 2020 QAP

Recommendation:
Staff recommends approval of the attached Selection Methodology and the attached 2020 Areas of Statistically Demonstrated Need.

Background:
Each year, areas in need of additional rental housing opportunities are identified and are incorporated into the Selection Criteria of the Housing Tax Credit Qualified Allocation Plan (QAP) as Areas of Statistically Demonstrated Need. Projects located in areas of high need (Tier 1 areas) are awarded 10 points and areas of medium need (Tier 2 areas) are awarded 5 points.

The selection methodology is set forth in the attached table and generally involves analyzing population growth and vacancy rates. In order for an area to be considered as an Area of Statistically Demonstrated Need, the area must be part of a County or Metropolitan Statistical Area (MSA) with a population greater than 10,000 people. In order for an area to qualify as a Tier 1 area, it must also have population growth greater than the state’s growth rate for the past five years (0.24%) and a rental vacancy rate less than the state average (4.10%). In order for an area to qualify as a Tier 2 area, it must have population growth greater than the state’s growth rate for the past five years (0.24%) or a rental vacancy rate less than 4.10%. An area identified as an area of need will retain their Tier status for a minimum of two years. Consequently, counties identified with an asterisk (*) in the attached chart are areas which remain areas of need for a second year although they do not meet current criteria for 2020.

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 April, 2019, and the May, 2019 Apartment Market 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.

**Discussion:**

**TIER 1**

The areas which qualify as Tier 1 (10 points) will include the following eight (8) counties:

<table>
<thead>
<tr>
<th>Dona Ana</th>
<th>Eddy</th>
<th>Lea*</th>
<th>Los Alamos</th>
<th>Otero</th>
<th>Sandoval**</th>
<th>Santa Fe</th>
<th>Sandoval</th>
<th>Valencia</th>
</tr>
</thead>
</table>

**Note:** Counties identified with an asterisk (*) will remain as Tier 1 based on last year’s data and will be removed from the Tier 1 list next year unless qualified based on next year’s data.

**Vacancy rate for Sandoval County is a weighted average of Rio Rancho (2.9%) and Sandoval (3.2%) data**

**TIER 2**

The areas which qualify as Tier 2 areas (5 points) include the following nine (9) counties:

<table>
<thead>
<tr>
<th>Bernalillo</th>
<th>Chaves</th>
<th>Grant</th>
<th>Lincoln</th>
<th>McKinley</th>
<th>San Juan</th>
<th>San Miguel</th>
<th>Torrance</th>
<th>Sierra</th>
</tr>
</thead>
</table>

In addition to the above Tier 1 and Tier 2 counties, any project located within a Tier 2 or non-qualifying county may petition MFA, through a narrative discussion attached in their Application, to include a particular town or municipality within one of the above Tier classifications or to re-classify a Tier 2 county to a Tier 1 county. Applicant will be required to provide MFA with specific verifiable and measurable data in support of their request, which data should address data for the particular town or municipality. MFA will consider measurable and verifiable data evidencing vacancy rates, population growth, waiting lists, and other applicable data regarding the market (e.g. market studies, PHA waiting lists) when making the determination whether to classify a town or municipality as a tier area.

**Summary:**

Staff recommends approval of the attached Selection Methodology and the attached 2019 list of Areas of Statistically Demonstrated Need.
### Areas of Statistically Demonstrated Need

#### Selection Methodology

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) County or MSA with a population greater than 10,000; <strong>and</strong>&lt;br&gt;2) Growth rate greater than State for last five years (0.214%); <strong>and</strong>&lt;br&gt;3) Vacancy rate below State average (4.8610%).</td>
<td>1) County or MSA with a population greater than 10,000; <strong>and</strong>&lt;br&gt;2) Growth rate greater than State average for last five years (0.214%); <strong>or</strong>&lt;br&gt;3) Vacancy rate below State average (4.8610%).</td>
</tr>
</tbody>
</table>


**Tier 2 Counties:** Bernalillo, Chaves, Colfax*, Curry*, Grant, Roosevelt*, Lincoln, McKinley, San Juan, San Miguel*, Sierra, and Socorro*, Torrance.

A county that loses its Tier 1 or Tier 2 status will retain their Tier status for a second year even though it did not meet the criteria in the current year. Additionally, if a Tier 1 county would drop to Tier 2 based on current data, it will remain Tier 1 for an additional year. Counties identified with an asterisk (*) in the table above will be removed from the list next year unless qualified by next year’s data.

All Projects on Native American Trust Lands or Native American-owned lands within the tribe’s jurisdictional boundaries are eligible for Tier 1 points.

In addition to the above Tier 1 and Tier 2 counties, any project located within a Tier 2 or non-qualifying county may petition MFA, through a narrative discussion attached in their Application, to include a particular town or municipality within one of the above Tier classifications or to re-classify a Tier 2 county to a Tier 1 county. Applicant will be required to provide MFA with specific verifiable and measurable data in support of their request, which data should address data for the particular town or municipality. MFA will consider measurable and verifiable data evidencing vacancy rates, population growth, waiting lists, and other applicable data regarding the market (e.g. market studies, PHA waiting lists) when making the determination whether to classify a town or municipality as a tier area.

**Following the submission of a petition for Lea County to move from Tier 2 to Tier 1, MFA reviewed submitted measurable and verifiable data and determined that Lea County would be classified as Tier 1.**
** Vacancy rate for Sandoval County is a weighted average of Rio Rancho (2.9%) and Sandoval (3.2%) data
<table>
<thead>
<tr>
<th>County</th>
<th>2014 Census Population (a)</th>
<th>2018 Census Population (a)</th>
<th>Population growth (b)</th>
<th>Population Growth &gt; 0.24%</th>
<th>Part of MSA or County &gt; 10 K</th>
<th>2019 % Rental Vacancy (a)</th>
<th>Rental Vacancy rate below 4.10%</th>
<th>2018 Determined Need (H = High, M = Medium)</th>
<th>2019 Determined Need (H = High, M = Medium)</th>
<th>2020 Determined Need (H = High, M = Medium)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bernalillo</td>
<td>676,229</td>
<td>678,701</td>
<td>0.37%</td>
<td>Y</td>
<td>Y</td>
<td>4.40%</td>
<td>N</td>
<td>H</td>
<td>H*</td>
<td>M</td>
</tr>
<tr>
<td>Catron</td>
<td>3,550</td>
<td>3,578</td>
<td>0.79%</td>
<td>Y</td>
<td>N</td>
<td>N/A</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Chaves</td>
<td>65,880</td>
<td>64,689</td>
<td>-1.81%</td>
<td>N</td>
<td>Y</td>
<td>3.90%</td>
<td>M</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Cibola</td>
<td>27,158</td>
<td>26,746</td>
<td>-1.52%</td>
<td>N</td>
<td>Y</td>
<td>8.40%</td>
<td>N</td>
<td>M</td>
<td>H*</td>
<td>H*</td>
</tr>
<tr>
<td>Colfax</td>
<td>12,718</td>
<td>12,110</td>
<td>-4.78%</td>
<td>N</td>
<td>Y</td>
<td>9.80%</td>
<td>N</td>
<td>M</td>
<td>M*</td>
<td>M*</td>
</tr>
<tr>
<td>Curry</td>
<td>51,115</td>
<td>49,437</td>
<td>-3.28%</td>
<td>N</td>
<td>Y</td>
<td>8.70%</td>
<td>N</td>
<td>M</td>
<td>M*</td>
<td>M*</td>
</tr>
<tr>
<td>De Baca</td>
<td>1,859</td>
<td>1,781</td>
<td>-4.20%</td>
<td>N</td>
<td>N</td>
<td>N/A</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Dona Ana</td>
<td>214,084</td>
<td>217,522</td>
<td>1.61%</td>
<td>Y</td>
<td>Y</td>
<td>3.50%</td>
<td>Y</td>
<td>H</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Eddy</td>
<td>56,690</td>
<td>57,900</td>
<td>2.13%</td>
<td>Y</td>
<td>Y</td>
<td>2.10%</td>
<td>Y</td>
<td>H</td>
<td>H*</td>
<td>H</td>
</tr>
<tr>
<td>Grant</td>
<td>28,863</td>
<td>27,346</td>
<td>-5.26%</td>
<td>N</td>
<td>Y</td>
<td>1.20%</td>
<td>Y</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Guadalupe</td>
<td>4,443</td>
<td>4,341</td>
<td>-2.30%</td>
<td>N</td>
<td>N</td>
<td>18.00%</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Harding</td>
<td>693</td>
<td>655</td>
<td>-5.48%</td>
<td>N</td>
<td>N</td>
<td>N/A</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Hidalgo</td>
<td>4,549</td>
<td>4,240</td>
<td>-6.79%</td>
<td>N</td>
<td>N</td>
<td>3.20%</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Lea***</td>
<td>70,211</td>
<td>69,611</td>
<td>-0.85%</td>
<td>N</td>
<td>Y</td>
<td>2.60%</td>
<td>Y</td>
<td>H</td>
<td>H**</td>
<td>H**</td>
</tr>
<tr>
<td>Lincoln</td>
<td>19,605</td>
<td>19,556</td>
<td>-0.25%</td>
<td>N</td>
<td>Y</td>
<td>3.00%</td>
<td>Y</td>
<td>M*</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Los Alamos</td>
<td>17,807</td>
<td>19,101</td>
<td>7.27%</td>
<td>Y</td>
<td>Y</td>
<td>0.40%</td>
<td>Y</td>
<td>H</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Luna</td>
<td>24,448</td>
<td>23,963</td>
<td>-1.98%</td>
<td>N</td>
<td>Y</td>
<td>6.20%</td>
<td>N</td>
<td>H</td>
<td>H*</td>
<td>H*</td>
</tr>
<tr>
<td>McKinley</td>
<td>72,807</td>
<td>72,290</td>
<td>-0.71%</td>
<td>N</td>
<td>Y</td>
<td>2.60%</td>
<td>Y</td>
<td>H</td>
<td>H*</td>
<td>H*</td>
</tr>
<tr>
<td>Mora</td>
<td>4,616</td>
<td>4,506</td>
<td>-2.38%</td>
<td>N</td>
<td>N</td>
<td>N/A</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Otero</td>
<td>65,362</td>
<td>66,781</td>
<td>2.17%</td>
<td>Y</td>
<td>Y</td>
<td>4.90%</td>
<td>N</td>
<td>H</td>
<td>H*</td>
<td>H*</td>
</tr>
<tr>
<td>Quay</td>
<td>8,466</td>
<td>8,253</td>
<td>-2.52%</td>
<td>N</td>
<td>N</td>
<td>6.20%</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Rio Arriba</td>
<td>39,739</td>
<td>39,006</td>
<td>-1.84%</td>
<td>N</td>
<td>Y</td>
<td>5.10%</td>
<td>N</td>
<td>H</td>
<td>H*</td>
<td>H*</td>
</tr>
<tr>
<td>Roosevelt</td>
<td>19,656</td>
<td>18,743</td>
<td>-4.64%</td>
<td>N</td>
<td>Y</td>
<td>6.20%</td>
<td>N</td>
<td>M</td>
<td>M*</td>
<td>M*</td>
</tr>
<tr>
<td>Sandoval**</td>
<td>137,039</td>
<td>145,179</td>
<td>5.94%</td>
<td>Y</td>
<td>Y</td>
<td>2.90%</td>
<td>Y</td>
<td>H</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>San Juan</td>
<td>129,094</td>
<td>125,043</td>
<td>-3.14%</td>
<td>N</td>
<td>Y</td>
<td>3.90%</td>
<td>Y</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>San Miguel</td>
<td>28,505</td>
<td>27,591</td>
<td>-3.21%</td>
<td>N</td>
<td>Y</td>
<td>0.70%</td>
<td>Y</td>
<td>M</td>
<td>M*</td>
<td>M*</td>
</tr>
<tr>
<td>Santa Fe</td>
<td>147,819</td>
<td>150,056</td>
<td>1.51%</td>
<td>Y</td>
<td>Y</td>
<td>1.80%</td>
<td>Y</td>
<td>H</td>
<td>H</td>
<td>H</td>
</tr>
<tr>
<td>Sierra</td>
<td>11,267</td>
<td>10,968</td>
<td>-2.65%</td>
<td>N</td>
<td>Y</td>
<td>3.10%</td>
<td>Y</td>
<td>M</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Socorro</td>
<td>17,267</td>
<td>16,735</td>
<td>-3.08%</td>
<td>N</td>
<td>Y</td>
<td>4.70%</td>
<td>N</td>
<td>M</td>
<td>M*</td>
<td>M*</td>
</tr>
<tr>
<td>Taos</td>
<td>32,971</td>
<td>32,835</td>
<td>-0.41%</td>
<td>N</td>
<td>Y</td>
<td>5.40%</td>
<td>N</td>
<td>H</td>
<td>H*</td>
<td>H*</td>
</tr>
<tr>
<td>Torrance</td>
<td>15,669</td>
<td>15,591</td>
<td>-0.50%</td>
<td>N</td>
<td>Y</td>
<td>3.20%</td>
<td>Y</td>
<td>M*</td>
<td>M</td>
<td>M</td>
</tr>
<tr>
<td>Union</td>
<td>4,548</td>
<td>4,118</td>
<td>-3.06%</td>
<td>N</td>
<td>N</td>
<td>3.20%</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
<tr>
<td>Valencia</td>
<td>75,915</td>
<td>76,456</td>
<td>0.71%</td>
<td>Y</td>
<td>Y</td>
<td>2.20%</td>
<td>Y</td>
<td>H</td>
<td>H*</td>
<td>H</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Tier 1 - High</th>
<th>Tier 2 - Medium</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Remains on list for second year

**Vacancy rate for Sandoval County is a weighted average of Rio Rancho (2.9%) and Sandoval (3.2%) data

*** Following the submission of a petition for Lea County to move from Tier 2 to Tier 1, MFA reviewed submitted measurable and verifiable data and determined that Lea County would be classified as Tier 1 in 2019, and it remains Tier 1 for a second year in 2020

N/A - Counties did not report data

Counts combined due to limited number of affordable housing developments

Sources:

(a) U.S. Census Bureau, Annual Estimates of the Resident Population for New Mexico: April 1, 2010 to July 1, 2018 (PEPANNRES)

(b) Vacancy Surveys: (1) Performed by BBER April, 2019, (2) Apartment Market Survey Summary, May 2019, CB Richard Ellis Multi-Housing Group
Tab 6
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – September 3, 2019

FROM: Rene Acuna, Director of Homeownership

DATE: September 18, 2019

SUBJECT: Single Family Mortgage Program Policy Revisions

Recommendation:
Staff seeks to adapt to recent changes in Fannie Mae’s Housing Finance Agency (HFA) Preferred product by seeking board approval to participate in Freddie Mac’s HFA Advantage program. This change is intended to expand MFA’s conventional lending options for participating lenders and ultimately New Mexico homebuyers, by updating FIRSTHome, NEXTHome, FIRSTDown and NEXTDown policies to include the sale of loans to Freddie Mac.

Background:
Fannie Mae and Freddie Mac each offer a mortgage product exclusively to state HFA’s like MFA. MFA currently offers only the Fannie Mae product. In June 2019, Fannie Mae informed all HFA’s about planned changes to their HFA Preferred program effective on September 5, 2019. The changes eliminate mortgage insurance and pricing benefits allowed on the HFA Preferred product to borrowers whose income is above 80 percent of Area Median Income (AMI).

The announcement by Fannie Mae provided a short implementation timeframe for HFAs to adapt. The changes by Fannie Mae will result in increased interest rates and mortgage insurance rates for the HFA Preferred product to borrowers with income exceeding 80 percent of AMI. These changes are driven by requirements from their regulator, the Federal Housing Finance Agency (FHFA).

While Freddie Mac has not implemented similar changes, they do anticipate future changes to their program as well. Freddie Mac representatives state their intention is to implement changes that are more HFA and consumer friendly.
MFA initially obtained its Freddie Mac Seller/ Servicer approval in 1996. MFA continues to fulfill the annual contract covenants to maintain its approval status. Historically Freddie Mac’s loan criteria and loan pricing were not as favorable as their competitor Fannie Mae offered to HFA’s. As a result, MFA’s Freddie Mac loan products were not utilized and MFA no longer offered them. The current Freddie Mac loan product is now highly competitive with Fannie Mae’s revised HFA program. Due to MFA’s inactivity and operational changes that took place since our initial approval, Freddie Mac officials require that MFA be recertified prior to MFA delivering loans. Freddie Mac officials visited MFA to perform their due diligence review on September 10, 2019. MFA anticipates an approval from Freddie Mac by the beginning of October, 2019.

Discussion:

Recent changes summarized above highlight MFA’s dependence on Fannie Mae for conventional mortgage programs. The ability to offer both Fannie Mae and Freddie Mac conventional loan programs provides diversification and more options to our lenders and New Mexico Homebuyers.

Staff proposes updates to the FIRSTHome, NEXTHome, FIRSTDown and NEXTDown Program Policies (redline versions attached as Exhibits 1 through 4). The proposed changes to the policies include the following:

• Add Freddie Mac as an allowable mortgage loan type. The addition of Freddie Mac will provide borrowers an additional conventional loan product type.

• Update language to clarify that program policies establish maximum and minimum limits for the program features. Staff may impose overlays within the established policy limits in order to adapt and comply with a changing market or to mitigate risk.

• Revise language to clarify use of income and acquisition limits.

Summary:

Currently MFA sells conventional loans exclusively to Fannie Mae. Barriers in lending to borrowers with incomes above 80 percent of Area Media Income (AMI) recently imposed by Fannie Mae have caused MFA to re-evaluate this exclusive relationship. MFA seeks to expand our ability to offer conventional lending options to participating lenders and ultimately New Mexico homebuyers, by updating FIRSTHome, NEXTHome, FIRSTDown and NEXTDown policies to include the ability to accept and sell loans to Freddie Mac.
**Program Description:**

The FIRSTHome Program ("FIRSTHome") is designed to increase homeownership opportunities for low-to-moderate income families and individuals throughout the state of New Mexico. FIRSTHome program loans feature a competitive interest rate and can be combined with an MFA funded Down Payment and Closing Cost Assistance ("DPA") loan. FIRSTHome program loans are only available to First-time homebuyers. Qualification/eligibility guidelines vary, based on the size and location of the household. All FIRSTHome program loans require pre-purchase homebuyer counseling.

**Eligible Mortgage Lenders:**

Mortgage Lenders must be approved by MFA ("Participating Lender") to originate FIRSTHome program loans. Only Participating Lenders will be eligible to originate FIRSTHome program loans. A list of eligible Participating Lenders is published on the MFA website. ([www.housingnm.org/homebuyers/find-a-participating-lender](http://www.housingnm.org/homebuyers/find-a-participating-lender)).

**Availability of Funds:**

FIRSTHome program funds are made available on a continuous basis and may be reserved for homebuyers through MFA’s online reservation system, which can be accessed on MFA’s website ([www.housingnm.org/lenders_realtors/online-reservations](http://www.housingnm.org/lenders_realtors/online-reservations)). From time to time, the FIRSTHome program guidelines will be published in a Notice of Funds Availability ("NOFA"), which may be found on MFA’s website. ([www.housingnm.org/lenders_realtors/program-information](http://www.housingnm.org/lenders_realtors/program-information)).

**Mortgage Loan Term:**

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

**Mortgage Loan Types:**

FHA

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

VA

- In accordance with VA guidelines.
USDA-RHS

- In accordance with USDA guidelines.

Fannie Mae: HFA Preferred

- In accordance with FNMA and Primary Mortgage Insurance guidelines.

- HFA Preferred term sheets and program descriptions are available on the MFA website. (www.housingnm.org/lenders_realtors/program-information).

Freddie Mac: HFA Advantage

- In accordance with Freddie Mac and Primary Mortgage Insurance guidelines.

- HFA Advantage term sheets and program descriptions are available on the MFA website. (Insert Hyperlink).

HUD-Section 184

- In accordance with HUD-Section 184 guidelines.

**Interest Rate:**

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

**Reservation/Extensions/Late fees:**

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

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

- FHA/VA/USDA-RHS: as determined within the underwriting/insurance eligibility criteria for each loan type.

  - Fannie Mae HFA Preferred: 97%/105%.

  - Freddie Mac HFA Advantage: 97%/105%

**Available Down Payment Assistance (“DPA”):**
FIRSTHome program loans may be combined with the FIRSTDown or HOMENow second mortgage program loans. The DPA may be used to finance the minimum down payment, eligible closing costs, and, in some cases, additional down payment assistance on the first mortgage loan. DPA program guidelines can be found on the MFA website.(www.housingnm.org/lenders_realtors/program-information).

**Fees:**

- Participating lenders may charge an Origination Fee of no more than .5% to the borrower. No discount fee may be charged to the borrower.
- Participating Lenders will be paid a 1% origination fee by the Contracted Service Provider at the time of loan purchase.
- Participating Lenders will be paid a 1.50% Service Release Premium by the Contracted Service Provider at the time of loan purchase.
- Participating Lenders may charge additional fees to the borrower (underwriting, document preparation, processing, etc.) as long as such fees are “reasonable and customary”.

**Eligible Properties:**

- Properties must be owner-occupied, single family residences.
- Property types eligible for financing under the FIRSTHome program include single family detached properties, townhomes, condominiums, and homes in Planned Unit Developments and manufactured homes on permanent foundations.
- Properties financed through the FIRSTHome program must not exceed the Acquisition Cost limits set forth in Exhibit A.
- Properties located in specific census tracts (“Targeted Areas”) are eligible for increased Acquisition Cost Limits. Properties financed through the FIRSTHome program in Targeted Area census tracts must not exceed the Targeted Area Acquisition Cost limits set forth in Exhibit A. Targeted Area census tracts are identified on MFA’s website. (www.housingnm.org/lenders_realtors/targeted-area-census-tracts).

**Borrower Eligibility:**

- The FirstHome program requires the borrower(s) to be a First-time homebuyer unless the Homebuyer is purchasing a property in a Targeted Area census tract. Borrower(s) must meet current household income and acquisition limits for compliance with Mortgage Revenue Bond requirements as established by HUD. MFA staff updates these limits annually as mandated by HUD after the limits are validated by MFA’s Bond Counsel. Please refer to Exhibit A for current limits.
• Homebuyers purchasing a home in a Targeted Area census tract must not exceed the Targeted Area Household Income Limits set forth in Exhibit A.

• Homebuyers purchasing a home in a non-Targeted Area census tract must not exceed the non-Targeted Area Household Income Limits set forth in Exhibit A.

• Borrower contribution of at least $500, which must be the borrower’s own funds and cannot be derived from any type of gift, grant or down payment assistance.

• Minimum credit score of 620.

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

**Homebuyer Counseling:**

• Required for all FIRSTHome program loans, including the borrower and co-borrower.

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

**Program Guideline Limits:**

• *This policy establishes minimums and maximum limits for the identified program. From time to time staff may impose overlays to operate within the band of the above established minimums and maximums. This allows management the flexibility to comply with regulatory changes as they arise or to mitigate risk.*
**Exhibit A**

**FIRSTHome Program Household Income Limits**

<table>
<thead>
<tr>
<th>Non-Targeted Areas</th>
<th>1-to-2-Person Household</th>
<th>3-or-More-Person Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albuquerque MSA (Bernalillo, Sandoval, Torrance and Valencia Counties)</td>
<td>$66,624</td>
<td>$76,618</td>
</tr>
<tr>
<td>Santa Fe MSA</td>
<td>$78,596</td>
<td>$90,386</td>
</tr>
<tr>
<td>Los Alamos County</td>
<td>$135,500</td>
<td>$155,825</td>
</tr>
<tr>
<td>Farmington MSA (San Juan County)</td>
<td>$67,800</td>
<td>$77,970</td>
</tr>
<tr>
<td>Catron and Curry Counties</td>
<td>$61,440</td>
<td>$71,680</td>
</tr>
<tr>
<td>Chaves and Harding Counties</td>
<td>$62,760</td>
<td>$73,220</td>
</tr>
<tr>
<td>Eddy County</td>
<td>$72,700</td>
<td>$83,605</td>
</tr>
<tr>
<td>Las Cruces MSA (Dona Ana County)</td>
<td>$60,960</td>
<td>$71,121</td>
</tr>
<tr>
<td>Lea County</td>
<td>$66,584</td>
<td>$76,572</td>
</tr>
<tr>
<td>Lincoln, Grant and De Baca Counties</td>
<td>$63,600</td>
<td>$74,200</td>
</tr>
<tr>
<td>Otero County</td>
<td>$68,204</td>
<td>$84,560</td>
</tr>
<tr>
<td>Union County</td>
<td>$64,800</td>
<td>$75,600</td>
</tr>
<tr>
<td>All other areas</td>
<td>$60,400</td>
<td>$69,460</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Targeted Areas</th>
<th>1-to-2-Person Household</th>
<th>3-or-More-Person Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albuquerque MSA (Bernalillo, Sandoval, Torrance and Valencia Counties)</td>
<td>$78,000</td>
<td>$91,980</td>
</tr>
<tr>
<td>Santa Fe MSA census tract</td>
<td>$87,840</td>
<td>$102,480</td>
</tr>
<tr>
<td>All other census tracts</td>
<td>$72,480</td>
<td>$84,560</td>
</tr>
</tbody>
</table>
### Exhibit A (cont.)

**FIRSTHome Program Acquisition Cost Limits**

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Acquisition Cost Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Fe County</td>
<td>$331,205</td>
</tr>
<tr>
<td>Los Alamos County</td>
<td>$369,501</td>
</tr>
<tr>
<td>All other Areas of The State</td>
<td>$283,389</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Targeted Area Census Tracts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Fe County</td>
</tr>
<tr>
<td>All Targeted Census Tracts Within the State</td>
</tr>
</tbody>
</table>
Program Description:

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

Eligible Mortgage Lenders:

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

Availability of Funds:

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

First Mortgage Loan Term:

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

Mortgage Loan Types:

FHA

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

VA

- In accordance with VA guidelines.

USDA-RHS
• In accordance with USDA guidelines.

Fannie Mae: HFA Preferred

• In accordance with FNMA and Primary Mortgage Insurance guidelines.

• HFA Preferred term sheets and program descriptions are available on the MFA website. ([www.housingnm.org/lenders_realtors/program-information](http://www.housingnm.org/lenders_realtors/program-information)).

Freddie Mac: HFA Advantage

• In accordance with Freddie Mac and Primary Mortgage Insurance guidelines.

• HFA Advantage term sheets and program descriptions are available on the MFA website. ([www.housingnm.org/lenders_realtors/program-information](http://www.housingnm.org/lenders_realtors/program-information)) (insert Hyperlink).

HUD-Section 184

• In accordance with HUD-Section 184 guidelines.

**Interest Rate:**

NEXTHome program interest rates are set and published each day on MFA’s website. ([www.housingnm.org/lenders_realtors/lenders-current-rates](http://www.housingnm.org/lenders_realtors/lenders-current-rates)).

**Reservation/Extension/Late Fee:**

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

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

• FHA/VA/USDA-RHS: as determined within the underwriting/insurance eligibility criteria for each loan type.

• Fannie Mae HFA Preferred: 97%/105%.

• Freddie Mac HFA Advantage: 97%/105%

**Down Payment Assistance Second Mortgage:**

The NEXTHome program loans are used in conjunction with the NEXTDown second mortgage program loans. The DPA is used, in addition to the borrower’s own funds, to finance the minimum down payment, eligible closing costs (including pre-paid items), and, in some cases, additional down payment on the first mortgage loan. NEXTHome DPA program guidelines can be found on the MFA website ([www.housingnm.org/lenders_realtors/program-information](http://www.housingnm.org/lenders_realtors/program-information)).
Fees:

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

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

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

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

Eligible Properties:

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

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

- Acquisition Cost Limits as specified in Exhibit A.

Borrower Eligibility:

- There is no First-time homebuyer requirement under the NextHome program.

- Borrower(s) must meet current NEXTHome income and acquisition limits approved by MFA’s Policy Committee. Please refer to Exhibit A for current limits.

- Household Income Limits as specified in Exhibit A.

- Borrower contribution of at least $500, which must be the borrower’s own funds and cannot be derived from any type of gift, grant or DPA.

- Minimum credit score of 620.

- Homebuyers must occupy the property within 60 days of closing.
Homebuyer Counseling:

- Required for First-time Homebuyers, only.

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

Program Guideline Limits

- This policy establishes minimums and maximum limits for the identified program. From time to time staff may impose overlays to operate within the band of the above established minimums and maximums. This allows management the flexibility to comply with regulatory changes as they arise or to mitigate risk.
## Exhibit A

### NextHome Program Household Income Limits

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

### Next Home Program Acquisition Cost Limits

<table>
<thead>
<tr>
<th>Area</th>
<th>Acquisition Cost Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>All areas of the state</td>
<td>$340,000</td>
</tr>
</tbody>
</table>
**Program Summary:**

The FIRSTDown program ("FIRSTDown") is a second mortgage loan that provides Down Payment and Closing Cost Assistance ("DPA") for First-time homebuyers. FIRSTDown can be combined with a FIRSTHome first mortgage loan. Qualification/eligibility guidelines vary, based on the size and location of the household.

**Eligible Mortgage Lenders:**

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

**Availability of Funds:**

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

**FIRSTDown Fund Use:**

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

**Mortgage Loan Term:**

30 year, fixed term with full amortization, paid in equal monthly installments of principal and interest. FIRSTDown loans do not carry a prepayment penalty.
Reservation/Extensions/Late fees:

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

Maximum Loan to Value ("LTV") and Combined Loan to Value ("CLTV")

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

Interest Rate:

The FIRSTDown program interest rate is six percent (6.000%).

Maximum Loan Amount:

The maximum FIRSTDown loan amount is $8,000.

Fees:

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

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

Eligible Properties:

- Properties must be owner-occupied, Single family residences.
- Property types eligible for financing under the FIRSTDown program include Single family detached properties, townhomes, condominiums, and homes in Planned Unit Developments and manufactured homes on permanent foundations.
- Properties financed with the FIRSTDown program must not exceed the Acquisition Cost limits set forth in Exhibit A.
- Properties located in specific census tracts (“Targeted Areas”) are eligible for increased Acquisition Cost Limits. Properties financed through the FIRSTDown program in Targeted Area census tracts must not exceed the Targeted Area Acquisition Cost limits set forth in
Borrower Eligibility:

- The FirstDown program requires the borrower to be a first-time homebuyer.
- Borrower(s) must meet current FIRSTHome income and acquisition limits approved by MFA’s Policy Committee. Please refer to Exhibit A for current limits.
- Homebuyers purchasing properties in Targeted Area census tracts are not required to be a first-time homebuyer.
- Homebuyers purchasing a home in a Targeted Area census tract must not exceed the Targeted Area Household Income Limits set forth in Exhibit A.
- Homebuyers purchasing a home in a non-Targeted Area census tract must not exceed the non-Targeted Area Household Income Limits set forth in Exhibit A.
- Borrower contribution of at least $500, which must be the borrower’s own funds and cannot be derived from any type of gift, grant or down payment assistance.
- Minimum credit score of 620.
- Homebuyers must occupy the property within 60 days of closing.

Homebuyer Counseling:

- Required for all FIRSTHome program loans, including the borrower and co-borrower(s).
- eHome America Online pre-purchase homebuyer counseling or face to face/group pre-purchase homebuyer counseling provided through a HUD approved Housing Counseling agency.

Program Guideline Limits

- This policy establishes minimums and maximum limits for the identified program. From time to time staff may impose overlays to operate within the band of the above established minimums and maximums. This allows management the flexibility to comply with regulatory changes as they arise or to mitigate risk.
Exhibit A

FIRSTDown Program Income Limits

<table>
<thead>
<tr>
<th>Non Targeted Areas</th>
<th>1-to-2-Person Household</th>
<th>3-or-More-Person Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albuquerque MSA (Bernalillo, Sandoval, Torrance and Valencia Counties)</td>
<td>$66,624</td>
<td>$76,618</td>
</tr>
<tr>
<td>Santa Fe MSA</td>
<td>$78,596</td>
<td>$90,386</td>
</tr>
<tr>
<td>Los Alamos County</td>
<td>$135,500</td>
<td>$155,825</td>
</tr>
<tr>
<td>Farmington MSA (San Juan County)</td>
<td>$67,800</td>
<td>$77,970</td>
</tr>
<tr>
<td>Catron and Curry Counties</td>
<td>$61,440</td>
<td>$71,680</td>
</tr>
<tr>
<td>Chaves and Harding Counties</td>
<td>$62,760</td>
<td>$73,220</td>
</tr>
<tr>
<td>Eddy County</td>
<td>$72,700</td>
<td>$83,605</td>
</tr>
<tr>
<td>Las Cruces MSA (Dona Ana County)</td>
<td>$60,960</td>
<td>$71,121</td>
</tr>
<tr>
<td>Lea County</td>
<td>$66,584</td>
<td>$76,572</td>
</tr>
<tr>
<td>Lincoln, Grant and De Baca Counties</td>
<td>$63,600</td>
<td>$74,200</td>
</tr>
<tr>
<td>Otero County</td>
<td>$68,204</td>
<td>$78,435</td>
</tr>
<tr>
<td>Union County</td>
<td>$64,800</td>
<td>$75,600</td>
</tr>
<tr>
<td>All other areas</td>
<td>$60,400</td>
<td>$69,460</td>
</tr>
</tbody>
</table>
### Targeted Areas

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>1-to-2-Person Household</th>
<th>3-or-More-Person Household</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albuquerque MSA (Bernalillo, Sandoval, Torrance and Valencia Counties)</td>
<td>$78,000</td>
<td>$91,980</td>
</tr>
<tr>
<td>Santa Fe MSA census tract</td>
<td>$87,840</td>
<td>$102,480</td>
</tr>
<tr>
<td>All other census tracts</td>
<td>$72,480</td>
<td>$84,560</td>
</tr>
</tbody>
</table>

### FIRSTDown Program Acquisition Cost Limits

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Acquisition Cost Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Fe County</td>
<td>$331,205</td>
</tr>
<tr>
<td>Los Alamos County</td>
<td>$369,501</td>
</tr>
<tr>
<td>All other Areas of The State</td>
<td>$283,389</td>
</tr>
<tr>
<td>Targeted Area Census Tracts</td>
<td></td>
</tr>
<tr>
<td>Santa Fe County Targeted Area</td>
<td>$404,807</td>
</tr>
<tr>
<td>All Targeted Census Tracts Within the State</td>
<td>$346,315</td>
</tr>
</tbody>
</table>
Program Summary:

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

Eligible Mortgage Lenders:

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

Availability of Funds:

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

NEXTDown Fund Use:

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

Mortgage Loan Term:

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

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

Maximum Loan to Value ("LTV") and Combined Loan to Value ("CLTV")

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

Interest Rate:

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

Maximum Loan Amount:

The maximum NEXTDown loan amount is up to the full three percent (3.00%) of the NEXTHome final loan balance.

Fees:

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

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

Eligible Properties:

- Properties must be owner-occupied and specified as a Single family residence by the appraiser.
- Property types eligible for financing under the NEXTDown program include Single family detached properties, townhomes, condominiums, and homes in Planned Unit Developments and manufactured homes on permanent foundations.

1 As of November 1, 2018 MFA only offers the 3% DPA option with the NextDown Program
• Properties financed with the NEXTDown program must not exceed the Acquisition Cost limits set forth in Exhibit A.

**Borrower Eligibility:**

• The NEXTDown program **does not** require the borrower to be a first-time homebuyer.

• Household Income Limits as specified in Exhibit A.

• Minimum credit score of 620.

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

  • **Borrower(s) must meet current NEXTHome income and acquisition limits approved by MFA’s Policy Committee. Please refer to Exhibit A for current limits.**

**Homebuyer Counseling:**

• Required for First-time Homebuyers, only.

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

**Program Guideline Limits**

• **This policy establishes minimums and maximum limits for the identified program. From time to time staff may impose overlays to operate within the band of the above established minimums and maximums. This allows management the flexibility to comply with regulatory changes as they arise or to mitigate risk.**
## Exhibit A

**NEXTDown Program Income Limits**

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

**NEXTDown Program Acquisition Cost Limits**

<table>
<thead>
<tr>
<th>Area</th>
<th>Acquisition Cost Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>All areas of the state</td>
<td>$340,000</td>
</tr>
</tbody>
</table>
Tab 7
MEMORANDUM

TO: Board of Directors

Through: Strategic Management Committee

FROM: Rebecca Velarde, Director of Policy and Planning

DATE: September 18, 2018

SUBJECT: Year 3 (FY 2020) Changes to MFA FY 2018-2022 Strategic Plan

Recommendation:

Staff recommends board approval of the attached changes in strike-through, underline format to MFA’s FY 2018-2022 Strategic Plan, which include new/changed strategic initiatives and benchmarks for Year 3 (FY 2020).

Background:

MFA’s current strategic plan is for FY 2018-2022. MFA will complete the second year (FY 2019) of the plan on September 30, 2019 and will begin the third year (FY 2020) on October 1, 2019. The Strategic Management Committee is recommending changes to some strategic initiatives and benchmarks to reflect work planned for Year 3.

Summary:

Board approval is requested for changes to MFA’s FY 2018-2022 Strategic Plan for Year 3 (FY 2020). MFA will complete the second year (FY 2019) of the plan on September 30, 2019 and will begin the third year (FY 2020) on October 1, 2019. Year 3 strategic plan changes include new/changed strategic initiatives and benchmarks.
A Bold Path Forward
MFA FY 2018-2022 Strategic Plan
MFA Vision, Mission and Core Values

**VISION**
All New Mexicans will have quality affordable housing opportunities.

**MISSION**
MFA is New Mexico’s leader in affordable housing. We provide innovative products, education and services to strengthen families and communities.

**CORE VALUES**

<table>
<thead>
<tr>
<th>Responsive</th>
<th>Professional</th>
<th>Dynamic</th>
</tr>
</thead>
<tbody>
<tr>
<td>To meet New Mexico’s needs, MFA optimizes resources, cultivates partnerships and makes our programs accessible.</td>
<td>MFA upholds high personal and professional standards. We comply with regulations and ensure prudent financial stewardship.</td>
<td>MFA is a dynamic place to work. Our employees are our strength. We embrace diversity and provide opportunities for personal and professional growth.</td>
</tr>
</tbody>
</table>
Message from the Executive Director

Jay Czar

In the face of uncertainty for affordable housing funding and programs, Our strategic plan, *A Bold Path Forward*, focuses on bolstering resources to accomplish our mission, leading the way in addressing New Mexico’s unique affordable housing needs and improving internal systems to support our work. Even in potentially challenging times, MFA will continue its affordable housing mission and make it more robust and successful in meeting the needs of all New Mexicans.

Our strategic planning process identified several themes, described at right, which drove the strategic initiatives in this plan. In the context of goals and objectives that reflect our core affordable housing work, the strategic initiatives will be updated annually to reflect progress made, changes to conditions and trends and risks identified through our annual enterprise risk management process.

**Affordable housing funding is under threat and diminishing.** MFA continues to be proactive in developing new resources, efficiencies, business opportunities and financial innovations, as well as fostering creative partnerships.

**New Mexico’s rural areas are struggling and require unique approaches.** MFA will evaluate ways to serve more rural residents with mortgage products and nimble development financing and to strengthen our partners throughout the state.

**Along with the US, New Mexico is at risk of losing many affordable rental homes.** MFA is working to provide financial options and rehabilitation financing, and to make all rental properties financially sustainable over the long term.

**New Mexico’s high poverty rate and low incomes indicate a great need for financial education.** Our strategic initiatives focus on better educating MFA borrowers so that they can enjoy stability, sustain homeownership and build wealth.

**Significant changes in the workforce and in technology are on the horizon.** MFA is working to create a technology platform that supports innovation and future growth and to foster a dynamic, diverse work environment that supports our mission.
The MFA Planning Process

MFA updates its strategic plan every five years. The planning process is led by MFA’s Strategic Management Committee.

Housing Needs Assessment
In 2016, MFA prepared an assessment of affordable housing needs to inform the strategic planning process.

Interviews and SWOT Analysis
In January-March 2017, interviews were conducted with board members and each MFA department. The Strategic Management Committee translated the interview results into an analysis of strengths, weaknesses, opportunities and threats (SWOT).

Housing Trends Series
MFA hosted five speakers who spoke to staff on MFA finances, fair housing and trends in housing policy, multifamily and single family housing.

Enterprise Risk Management
MFA’s Strategic Management Committee participated in an enterprise risk management exercise based on the SWOT analysis. The Committee prioritized risks and developed mitigation strategies for the strategic plan.
Goal Statements

1. Respond to New Mexico’s affordable housing needs.
2. Ensure prudent stewardship of affordable housing resources.
3. Strengthen affordable housing partners.
4. Provide robust technology solutions.
5. Foster a dynamic work environment.
Like all housing finance agencies, MFA administers affordable housing programs in accordance with its enabling legislation and program requirements. MFA seeks opportunities to improve and develop products, programs and processes to address our state’s unique needs.

**Goal 1**  
Respond to New Mexico’s affordable housing needs.

<table>
<thead>
<tr>
<th>Objective 1</th>
<th>Objective 2</th>
<th>Objective 3</th>
<th>Objective 4</th>
<th>Objective 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthen and improve existing MFA products and programs.</td>
<td>Develop specialty products to meet demand and community needs.</td>
<td>Increase awareness of affordable housing and MFA products and programs.</td>
<td>Promote sustainable homeownership.</td>
<td>Provide options to preserve and improve affordable rental homes.</td>
</tr>
</tbody>
</table>

**Strategic initiatives:**
- Preferred lenders program
- Capital Magnet Fund
- NEXT Home improvements
- Neighborhood stabilization program
- USDA Section 538 on tribal lands
- Development program improvements
- Homeowner rehab program expansion*
- Homeless programs alignment
- Freddie Mac & Fannie Mae loan sales programs

**Strategic initiatives:**
- Correspondent lending
- Specialty housing development programs
- Manufactured home lending

**Strategic initiatives:**
- Enhanced public awareness of MFA
- Digital presence for Single family marketing
- Builder outreach

**Strategic initiatives:**
- Delinquency prevention strategies
- Tribal and Colonias homebuyer counseling program
- Homebuyer counseling enhancements

**Strategic initiatives in italics require evaluation prior to implementation.**

* Italics removed from last year

6
MFA has long maintained a level of excellence in managing its financial resources. As a self-supporting agency, MFA continually works to expand and diversify available resources through government sources, self-generated earnings from lending and investments, operational efficiencies, and the use of creative partnerships and financial tools.

Goal 2 Ensure prudent stewardship of affordable housing resources.

Objective 1 Optimize existing financial strategies.

Objective 2 Expand MFA business models and diversify financial tools.

Objective 3 Maintain and grow existing funding sources.

Objective 4 Evaluate new funding and business opportunities.

Strategic initiatives:
- Resource allocation study
- Management strategies for oversight of MSRs and subserviced portfolio
- Industry awareness
- Best execution for financing single family mortgages
- Servicing expansion
- Community Reinvestment Act lending credit program
- Multifamily bond pass-through structures
- Mortgage credit certificates
- Develop private activity bond cap preservation program
- Renewal of HUD Section 8 PBCA contract
- State tax credit and Charitable Trust contributions
- State and federal policy engagement
- Tax exempt bond partnerships

Strategic initiatives in italics require evaluation prior to implementation.
MFA relies heavily on its partners in a rural and geographically large state like New Mexico. Yet partners face many challenges that may hinder their ability to succeed. MFA is committed to helping its partners build capacity, prosper and provide all New Mexicans access to affordable housing.

**Goal 3** Strengthen affordable housing partners.

**Objective 1**
Expand access to MFA products and services in underserved and high-need areas.

**Strategic initiatives:**
- NM Energy$mart expansion
- Outreach to increase HOPWA referrals
- Expand providers and service areas for owner-occupied rehabilitation
- Strengthen the capacity of new service providers
- Comprehensive approach to homeownership expansion in rural areas

**Objective 2**
Help partners realize strong organizational, technical and financial capacity.

**Strategic initiatives:**
- Maintain development situational awareness with Regional Housing Authorities
- Local government technical assistance
- Tribal government technical assistance
- Specialized training for key service providers
- Service provider training program*
- Property manager training program*
- Developer training*

**Objective 3**
Provide resources and processes that strengthen partner capacity and program effectiveness.

**Strategic initiatives:**
- Lender training videos
- Streamlining of the affordable housing plan process
- Online applications
- Implement LIHTC compliance

*Italics removed from last year

Strategic initiatives in italics require evaluation prior to implementation.
Technology is fundamental to MFA’s day-to-day business operations as well as partner and customer service needs. Increased integration and automation will support current needs while providing an essential platform for business growth.

**Goal 4**  Provide robust technology solutions.

**Objective 1**  Protect MFA’s data and systems.

**Objective 2**  Maintain system reliability and implement redundancy improvements.

**Objective 3**  Build and maintain a technology platform that supports MFA’s long-term plans for innovation, functionality and growth.

**Strategic initiatives:**
- Best practices in cybersecurity
- Disaster recovery site
- Software improvements
- Document management system

*Strategic initiatives in italics require evaluation prior to implementation.*
Goal 5 Foster a dynamic work environment.

MFA provides a fulfilling work environment to support the many generations in its changing workforce. Skilled, professional and engaged employees are at the core of MFA’s unique business model and specialized programs.

Objective 1
Provide a competitive compensation and benefits package to attract and retain employees.

Objective 2
Support opportunities that increase flexibility and engagement for employees.

Objective 3
Maintain stability in staffing and operations throughout MFA.

Strategic initiatives:
- Compensation survey
- Implement office space evaluation expansion plan
- Web-based training opportunities
- Implement alternative work schedule options*
- Employee cross-training
- Succession planning
- Intern/management trainee program
- External specialty training
- Robust on-boarding
- Evaluate staffing levels

* Italics removed from last year

Strategic initiatives in italics require evaluation prior to implementation.
Goal 1

1. Provide mortgage financing for 2,250 homebuyers (1.1)
2. Maintain average mortgage product utilization of 75% of all FHA loans recorded in New Mexico (1.1)
3. Finance 1,000 rental units (1.5)
4. Achieve annual combined average loan delinquencies of MFA serviced portfolio below 2% (1.4)
5. Implement a new housing summit and open house (1.3)
6. Evaluate at least three new specialty products or significant technology improvements (1.2)
7. Evaluate at least three new specialty products or significant program or product improvements (1.2)

Goal 2

8. Obtain unqualified opinion on MFA financial statements and no material weakness in internal control over financial reporting or major programs, excluding first-time audits (2.0)
9. Maintain or improve credit rating (2.0)
10. Achieve operating performance and profitability equal to net revenues over total revenues of at least 2% of total, based on five-year average (2.1)
11. Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least change to 3% based on five-year average (2.1)
12. Realize administrative fee of at least 18 basis points on all bond issues (2.1)
13. Realize profitability of 0.5% on TBA executions (2.1)
14. Maintain servicing fee yield at an average of 0.38% of the purchased servicing portfolio (2.2)

Goal 3

15. Earn 100% base fees for PBCA contract (2.3)
16. Yield a collection rate of 95% or greater for compliance monitoring fees (2.3)
17. Meet commitment and expenditure requirement of 95% of grant funding (2.3)
18. Generate at least $500,000 in contributions through the state affordable tax credit program (2.3)
19. Evaluate at least one new business model or financial tool (2.2)
20. Increase funding by at least one new source (2.4)

Goal 4

21. Expand services of at least one program to an underserved area of the state (1.1)
22. Assist at least 10 local or tribal governments with affordable housing plans, implementations or programs (3.2)
23. Provide at least 10 formal training opportunities for property owners, developers and/or service providers (3.2)
24. Improve at least three MFA processes or resources (3.3)
25. Maintain a low risk in semi-annual vulnerability scans (4.1)
26. Maintain system availability at 99% (4.2)
27. Implement new software solutions (4.3)
28. Achieve employee engagement survey participation of 90% and score of 85% employee engagement score of 82% (5.2, 5.3)
29. Complete compensation survey (5.1)
Tab 8
PROPOSED MFA VICE CHAIR AND TREASURER
SEPTEMBER 18, 2019

Nominating Committee
Chair, Angel Reyes
Lieutenant Governor Howie Morales
Attorney General Hector Balderas

Nominating Committee recommends the following members to fill the vacant MFA Officer Positions:

Vice Chair: Derek Valdo
Treasurer: Rebecca Wurzburger

Current MFA Officers
(Board approved officers June 19, 2019)
Secretary: Jay Czar
Assistant Secretary: Gina Hickman
Assistant Treasurer: Yvonne Segovia
Tab 9
MFA Board Committees
September 18, 2019

Finance Committee –
(Audit, Budget, Investments/Personnel, Program Policy & Development, Bond Structures, Investment Banking Underwriting)

Derek Valdo (Chair)
Angel Reyes
Lieutenant Governor Howie Morales

Contracted Services/Credit Committee -
(HOME, Risk Share, Housing Opportunity Fund (HOF), Loans, Contracts)

Rebecca Wurzburger (Chair)
Attorney General, Hector Balderas
Randy McMillan
NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCE COMMITTEE CHARTER

The Finance Committee ("Committee") is a standing committee of the New Mexico Mortgage Finance Authority ("MFA").

PURPOSE:

The purpose of the Committee is to maintain the prudent and effective management and oversight of MFA’s overall financial position and operations; and financial reporting processes and audits; ensuring compliance with applicable laws, risk assessment systems and policies and procedures.

ORGANIZATION:

As per the MFA Bylaws, the Committee is structured as follows:

- Committee shall be composed of a maximum of three voting members, appointed by the Chair of the Board of Directors, including appointment of a Committee Chair, subject to confirmation by the Board of Directors.
- Members of staff may enter into discussion, but shall have no vote.
- Regular meetings of the Committee shall take place no less than 3 business days prior to the Board meeting scheduled for that month, unless required due to scheduling conflicts or emergency committee business.
- There may be some instances due to timing limitations whereby Finance Committee business may go to the Board without Committee recommendation; however, this should be the exception and not the rule.
- The Committee agenda will normally be set by staff; however, the Committee Chair will manage the Committee and its meetings.
- The MFA Executive Director or his/her designee shall maintain the record of the Committee’s actions which will be attached to the minutes of the next regular meeting of the MFA Board along with accompanying reports.
- Special meetings of the Committee may be called at any time and place by the chair of the Standing Committee, or by the Chair of the Board of Directors.
- The Committee must have a quorum, comprised of the majority of the Committee members, present either in person or by means of telephone or other electronic device permitting audio communication, for a vote to be taken on a recommendation to the full Board of Directors.
- There shall be no proxy voting except on behalf of the ex-officio members of the MFA.
AUTHORITY AND RESPONSIBILITIES:

The Committee shall be responsible to review and provide recommendations to the Board of Directors for matters involving MFA’s overall financial performance including the quarterly financial reports. The Committee also recommends the annual General Fund and Housing Program budget, the employee manual, policies and procedures, program policy development, selection of financial services providers, HOME Allocations, and other miscellaneous operational matters. Additionally, the Committee recommends the Low Income Housing Tax Credit Qualified Allocation Plan, new funding sources and performs other duties as may be delegated to the Committee by the Board of Directors Chair. Committee recommendations shall be consistent and in alignment with the detailed Delegations of Authority which is included as Exhibit E in the MFA Policy and Procedures Manual.

The Committee also serves as the Board’s Investment Committee. Those duties include maintaining the investment policy, monitoring investment activities to insure that proper controls are in place to guarantee the integrity and security of the portfolio, ensuring compliance with applicable statues, regulations, and other legal authorities, including the MFA Act, and reviewing all investment transactions. The Committee is also asked to deliberate on economic outlook, portfolio diversification, maturity structure, potential risks and the rates of return on the investment portfolio and recommend depositories, custodians and broker/dealers for Board approval. At least quarterly the Committee must carry out its responsibilities related to MFA’s investment function.

In addition, the Committee functions as the Board’s Audit Committee and is tasked with providing regular oversight to both the internal and external audit processes which involves the following responsibilities:

Internal Audit: Review and development of annual risk assessment, approval of annual audit plan and any proposed revisions, and approval of all internal audit reports. The firm conducting internal audits shall provide a status report of the internal auditing activities to the Committee from time to time at their monthly meetings. This report will indicate the status of internal audits, which are in process or have been undertaken since the previous status report, and the status of hours incurred vs. budgeted hours. In addition, the Committee shall be provided an annual summary of internal auditing results and activities completed for each fiscal year, and an analysis of the completion of the Annual Audit Plan for that fiscal year. This report shall be presented to the Committee and at their monthly meeting immediately following the end of the contract.

External Audit: The external auditor is required to conduct an Entrance Conference before the audit fieldwork commences with the Committee. As per Statement on Auditing Standards (“SAS”) No. 114, The Auditor’s Communication with Those Charged with Governance, the external auditor is required to keep the Committee informed throughout the process of relevant audit issues including audit progress, threats to established timelines, potential audit findings, potential audit adjustments, and significant pending items. At the conclusion of the audit, the external auditor conducts an Exit Conference with staff and the Committee where the draft audit and related reports are discussed and recommended for approval. After the Office of the State Auditor releases the audit to the public, the final audit and related reports are presented by the external auditor and staff to the full MFA Board for approval.

The recommendation of the Committee shall not deter review and determination of the matter by the full Board of Directors. A majority vote of the Committee is required to approve recommendations. The Committee may not take any action which shall establish policy for MFA or make any decision which shall be binding upon MFA.
NEW MEXICO MORTGAGE FINANCE AUTHORITY
CONTRACTED SERVICES/CREDIT COMMITTEE CHARTER

The Contracted Services/Credit Committee ("Committee") is a standing committee of the New Mexico Mortgage Finance Authority ("MFA").

PURPOSE:

The purpose of the Committee is to maintain the prudent and effective management and oversight of MFA’s contractual, lending, federal/state program sub-recipient selection, and program oversight functions ensuring compliance with applicable laws, risk assessment systems and policies and procedures.

ORGANIZATION:

As per the MFA Bylaws, the Committee is structured as follows:

- Committee shall be composed of a maximum of three voting members, appointed by the Chair of the Board of Directors, including appointment of a Committee Chair, subject to confirmation by the Board of Directors.
- Members of staff may enter into discussion, but shall have no vote.
- Regular meetings of the Committee shall take place no less than 3 business days prior to the Board meeting scheduled for that month, unless required due to scheduling conflicts or emergency committee business.
- There may be some instances due to timing limitations whereby Committee business may go to the Board without Committee recommendation; however, this should be the exception and not the rule.
- The Committee agenda will normally be set by staff; however, the Committee Chair will manage the Committee and its meetings.
- The MFA Executive Director or his/her designee shall maintain the record of the Committee’s actions which will be attached to the minutes of the next regular meeting of the MFA Board along with accompanying reports.
- Special meetings of the Committee may be called at any time and place by the chair of the Standing Committee, or by the Chair of the Board of Directors.
- The Committee must have a quorum, comprised of the majority of the Committee members, present either in person or by means of telephone or other electronic device permitting audio communication, for a vote to be taken on a recommendation to the full Board of Directors.
- There shall be no proxy voting except on behalf of the ex-officio members of the Authority.
AUTHORITY AND RESPONSIBILITIES:

The Committee shall be responsible to review and provide recommendations to the Board of Directors for matters including certain loan awards, loan increases, loan term modifications, foreclosures and loan write offs. Additionally, the Committee recommends non-financial service providers Requests for Proposals (RFP), Notice of Funding Allocations, RFP selection and awards, as well as recommendations related to federal/state program sub-recipient selection. The Committee also recommends activities related to oversight of the Regional Housing Authorities and the HUD Consolidated Plan and Action Plan. Other duties may be delegated to the Committee by the Board of Directors Chair as required. Committee recommendations shall be consistent and in alignment with the detailed Delegations of Authority which is included as Exhibit E in the MFA Policy and Procedures Manual.

The recommendation of the Committee shall not deter review and determination of the matter by the full Board of Directors. A majority vote of the Committee is required to approve recommendations. The Committee may not take any action which shall establish policy for MFA or make any decision which shall be binding upon MFA.
TO: 
Board of Directors

FROM: 
Jeremiah L. Ritchie, Esq.

COPY: 
Jay Czar, Executive Director
Gina Hickman, Deputy Director of Finance and Administration
Izzy Hernandez, Deputy Director of Programs

DATE: 
September 10, 2019

SUBJECT: 
Member Disclosure relating to Partners Program

ACTION REQUESTED: 
Delegation of Authority to Staff to Administer Partners Program

---

**Summary**

We were asked to provide counsel on how to ensure compliance with the MFA Act and applicable policies governing disclosure of financial interests by board members, specifically with respect to the participation by Centinel Bank of Taos (“Centinel”), in the MFA Partners Program.

The MFA Act and MFA’s own Policies and Procedures require disclosure of any contract between the Authority and a business in which a board member has any interest, either direct or indirect. In addition, if any such business is “engaged in a transaction” with the Authority that exceeds $10,000 in value, the transaction requires board approval.

At the request of local Participants, Chairman Reyes, on behalf of Centinel, entered into a Fee for Services Agreement (“Agreement”) with MFA to assist applicants under the Partner’s Program with the underwriting, disclosures, and closing of eligible loans. The Agreement between Centinel and MFA is not a transaction that exceeds $10,000 and does not require Board approval.

Chairman Reyes does have additional disclosure obligations under the MFA Act and applicable policies, which he can satisfy by updating his disclosure to identify the Agreement, its approximate value, and its relationship to the Partners Program. That disclosure must be included in the Board minutes. Should any business related to the Partners Program come before the
Board during the life of the Agreement, Chairman Reyes should abstain from voting on the matter.

Counsel also suggests that the Board renew its delegation of authority for Staff to approve applications from Participants in the Partners Program which are processed by Centinel. Other than providing certain technical services, Centinel is not a party to the transaction between MFA and the Participant, and is not issuing or selling a loan to MFA. However, the meaning of “engaged in a transaction” under MFA policies is ambiguous with respect to these facts. Given that Centinel plays even a limited role in that transaction, we propose to resolve any ambiguity by taking the additional step of seeking Board authorization.

**Discussion**

We consulted with staff and Chairman Reyes for background information on the Partners Program, Centinel’s history with affordable housing, and its role and responsibilities under the Agreement. We have also reviewed materials previously provided to the Board, and evaluated the MFA Act, the MFA Bylaws, and the MFA Policies and Procedures (collectively, “MFA Policies”). Below we provide: 1) the relevant history and current terms of the Partners Program; 2) an overview of the Agreement; 3) an overview of the applicable MFA Policies governing member disclosure of financial interests; and 4) our analysis and recommendations for adequate disclosure.

I. **Single Family Partners Program**

The single family Partners Program is designed to further MFA’s mission to support third party non-profits in making affordable housing available, and to promote homeownership to New Mexico’s low income population. This program is administered from the MFA’s Housing Opportunity Fund, and is not part of a federal program or grant. Generally, Program Participants identify and work with borrowers who agree to purchase homes with purchase-money mortgage loans made available to the borrower by the Program Participants. The original purchase-money mortgage loan is funded by the Program Participant, but MFA agrees to purchase that mortgage loan so long as the borrower, the loan, and the property are eligible under MFA’s Partner Program.

The program targets homebuyers in the very low income category of 50% to 60% area median income (“AMI”). These are first mortgage loans with terms ranging from 15 to 30 years at 0% interest. Historically, a Participant (Habitat) would apply to MFA for up to 85% of appraised value (“LTV”) on a home for qualified borrowers. In 2005 that was changed to 50% of appraised value, purchased at a discount. Habitat affiliates were required to maintain a payment reserve account which was held by MFA. Recently, when loans have become delinquent and are foreclosed, the Participant keeps the payments current until the loans are assumed by another low income borrower working with that Participant. The Participants are to provide second

---

1 The program has been utilized almost exclusively by Habitat for Humanity (“Habitat”) affiliates in New Mexico. Habitat acts as the Program Participant.
mortgages and also seek grants to make up the difference between the Partners loan and the acquisition cost.

In recent years, the program has been used for homes built by the Participants. The borrowers are qualified prior to construction and then again at completion of the home. This has added to the time and paperwork associated with underwriting and processing these loans to closing. Participant affiliates are generally not skilled in preparing loan applications and obtaining required documentation. Due in large part to the borrower profile that this program serves, MFA has experienced higher delinquencies and loan defaults for this program.

In 2017, MFA staff informed the Board that “[u]tilization of this program has come to a standstill due to the program change that restricted LTVs and decreased loan amounts as well as the difficulty of getting these loans approved and closed through the established procedures.” [Jeff Payne, Memorandum To Board, December 20, 2017]. In order to increase the use and utility of the program while still mitigating risk to MFA, staff proposed significant program changes and obtained Board approval in December of 2017.

Most significant for our purposes was the requirement that a retail mortgage lender (“Underwriter”),2 process, underwrite and close the loans in the Habitat affiliate’s name prior to MFA purchasing the loan. MFA anticipated that the expertise of the Underwriter in processing applicant information and applying underwriting review would improve the quality of the Partners Program loans. At that time the Board also approved changes to the program policies that would increase overall loan amounts, create higher lending standards, and provide additional means of recourse to deal with defaults. These Program changes were met with great enthusiasm by Habitat affiliates.

Under the current process, the Participant assists the borrower in applying through the Underwriter as the home is nearing completion. The Underwriter issues an underwriting approval and submits to MFA for review. MFA reviews the package from the Underwriter for compliance with program requirements and gives approval to close. The Underwriter charges a reasonable fee for origination and underwriting the loan. Underwriter may also charge customary third-party fees associated with loan process and closing which will be paid by the Participant.

In the time following Board adoption of these changes in December of 2017, MFA staff and even some Habitat affiliates have invited credit unions, banks, and mortgage lenders to participate as Underwriters in the program. Almost all have declined to participate, citing system constraints or concerns surrounding the responsibility to provide federal disclosures to the borrowers. **As a result, there have been no Partners Program loan closings or loan purchases under the new guidelines.** The lack of participation and utilization of the program has a negative impact on the resources available to Habitat affiliates to develop affordable housing, particularly the smaller affiliates operating in rural New Mexico.

---

2 In previous materials provided to the Board, and among staff, the entity performing this role is referred to as “lender” to denote its professional experience, despite the fact it is not a lender for purposes of the Partners Program. We have substituted the term “Underwriter” in this memorandum for clarity with respect to the entity’s role in Partners Program.
II. Fee for Services Agreement with Centinel Bank

Centinel has supported affordable housing in the Taos community for several decades by providing low or no-interest construction loans to Habitat. These may average up to one project per year. Centinel has historically issued those loans with the understanding that Habitat issues purchase-money mortgages to qualified borrowers and then sells those loans to MFA. The payoff of Centinel’s loan to Habitat typically occurs once the mortgage is sold to MFA, however Centinel has other recourse to ensure repayment. Prior to the Agreement, Centinel had no relationship to MFA and played no part in the transactions between Habitat and MFA through the Partners Program.

The Taos Habitat affiliate first approached Centinel Bank in the fall of 2018 regarding participation in the Partners Program, and there was some exchange of information with MFA staff. After several months, discussions began in earnest with MFA staff in April of 2019. Acting on behalf of Centinel, Chairman Reyes signed a Participant Lender Fee for Services Agreement on July 22, 2019. The Agreement spells out the duties of the Underwriter and allows for the collection of reasonable and customary fees in exchange for originating, processing and underwriting the loan application. To date, Centinel is still the only entity that has been willing to participate.

While the reasonable and customary fees under the Agreement are not specified, another potential participating Underwriter has indicated its standard loan origination fees are $1,300 for non-program loans. Staff estimates that the Agreement will result in approximately $1,300 annually for services provided by Centinel. This does not include customary third-party fees associated with loan process and closing, such as appraisals, which would not be retained by Centinel.

As of now, Centinel has not received any fees for services provided under the Agreement. MFA staff is aware that the first loan application under the amended Partners Program is now in process for a buyer who has been living in the home Habitat built, and is waiting for a loan. The buyer has been making payments to Habitat and those funds will be applied to the purchase price if the loan is ultimately approved. Centinel has a construction loan to Habitat which is anticipated to be paid off at that time.

III. MFA Policies

The general expectation of MFA Members is to “conduct themselves in a manner that justifies the confidence placed in them by the public, at all times maintaining their integrity and discharging ethically their responsibilities in the course of their association with the MFA.” [MFA Policies and Procedures, Code of Conduct, ¶ A]. Both the Legislature and the MFA Board have adopted certain policies and standards to accomplish this end, which inform a member’s obligations in disclosing any relevant financial interests to the public.

The MFA Act includes specific requirements that govern certain types of interests or conflicts. The Act provides that where a Member has an interest, either direct or indirect, in any
contract to which the authority is or is to be a party, the interest must be disclosed to the authority in writing and must be set forth in the minutes of the authority. NMSA 1978 § 58-18-25. The Act further provides that the Member having the interest shall not participate in any action by the authority with respect to that contract. *Id.*

The **MFA Bylaws** extend the requirements of the Act to a broader set of circumstances, and also set forth the following general principles which govern the conduct of Members:

1) any interest held by any Board Member, Management, or Employee of the MFA should be disclosed, no matter the degree of interest;

2) that no MFA Board Member, Management, or Employee should take any action in their official capacity that would in any way benefit the Member or a member of his/her family…

3) that if any Board Member, Management, or Employee of the MFA is aware of having any form of financial interest in any MFA business, and is aware that an action he/she may take in their official capacity might impact that financial interest, that person must disclose the interest to the MFA and must not become involved in MFA actions affecting that interest.

MFA Bylaws, Article XI.

Finally, the **MFA Policies and Procedures** provide more specific requirements for disclosure and approval of certain actions. There are two that have a direct bearing on the issue at hand.

First, Members are required to make written disclosures of any financial interest in any business engaged in, or proposing to engage in, any transaction with MFA. These disclosures are required to be made within 30 days of appointment, and again at the beginning of every calendar year. These disclosures are also required to be updated within 45 days of any changes in the Member’s financial interests that would have required disclosure previously. Specifically, the disclosures are required to include: contain at least the following information:

a) The name of the Business engaging in, or proposing to engage in, a Transaction with MFA;

b) If the Transaction is with a Business in which an Employee or Employee’s Family Member has a Financial Interest, the approximate value of the Transaction.

c) A list of all MFA programs or proposed programs that a Member, Management, Employee or Family Member is likely to participate in and/or benefit from.
Second, the Policies and Procedures provide that no business in which a Member has a financial interest shall “engage in a Transaction with MFA…” unless the Member has first disclosed his interest in the Business and the transaction is approved by either the Executive Director for transactions of less than $10,000, or a disinterested majority of the Board for transactions which exceed $10,000. MFA Policies and Procedures §1.2(F)(1)(c). The Policies and Procedures define “Transaction” to mean:

any transaction including, but not limited to, any sale, purchase, or exchange of tangible or intangible property or services, any loan, loan commitment or loan guarantee, any sale, purchase, or exchange of mortgage loans, notes or bonds, or any other business arrangement or contract involving any MFA program or business.

IV. Analysis and Recommendations

As President, Chairman Reyes has a financial interest in Centinel, and any contracts or potential transactions involving MFA and Centinel must be addressed as provided in the MFA Policies.

Agreement. The Agreement is a contract between MFA and a business in which a Member has a financial interest, and thus falls within the provisions of the MFA Act. The Act requires that the interest be disclosed in writing, that it be made part of the minutes of a Board Meeting, and that Chairman Reyes abstain from future action pertaining to the Partners Program.

The Agreement also constitutes a “Transaction” between MFA and a business in which a Member has a financial interest, as defined by the MFA Policies and Procedures. The value of the Agreement is nominal, and well below the $10,000 threshold. The Policies and Procedures thus require that the interest first be disclosed in writing, and that the transaction be approved by the Executive Director.

Chairman Reyes has previously disclosed his interest in Centinel, in writing.3 Under the specific disclosure requirements in the Policies and Procedures, however, Chairman Reyes should make an updated disclosure to identify the approximate value of the Agreement, and to identify the MFA Partners Program in which Centinel is participating. Until the Agreement was entered into, there was no requirement that the disclosure be made part of the minutes of a Board meeting. That should be done at the next opportunity. In addition, Chairman Reyes should now abstain from any Board action with respect to the Partners Program.

The Agreement was not accomplished through any official act of Chairman Reyes. At the time the Partners Program was amended in 2017, there existed no relationship between Centinel

3 Disclosures of the interest in Centinel Bank are on file with the Secretary of State and available to the public at https://portal.sos.state.nm.us/FinancialDisclosure/search.aspx. Chairman Reyes’ position as President of Centinel is also identified on the MFA website. The disclosures through MFA Policies and Procedures Exhibit A require amendment.
and MFA. Nor was one established until more than 18 months later. Pursuant to the Policies and Procedu res, the Agreement was entered into with the approval of the Executive Director, who was aware of Chairman Reyes’ interest in Centinel, the (nominal) value of the Agreement to Centinel, and the role that Centinel would play in effectuating the Partners Program.

Applications. With respect to each individual Partners Program Applications, it is unclear whether Centinel’s role as Underwriter in the sale of the mortgage by Habitat to MFA makes it “engaged in a Transaction” for purposes of MFA Policies and Procedures §1.2(F). Under the Agreement, Centinel’s role is administrative—to collect and verify the underlying documentation necessary to qualify under the Partner’s Program, and to close the loan upon MFA approval. Centinel is not a party to the transaction in that it is neither selling nor purchasing the loans. The term “engaged in a Transaction,” however, interpreted broadly, could be construed to include the act of underwriting the application and facilitating completion of the transaction.

In order to ensure that Chairman Reyes has taken all steps which could be required under the MFA Policies, we recommend that any ambiguity with respect to the phrase “engaged in a transaction” be resolved in favor of the broader application. While the value to Centinel is still limited to the standard fees described above, the face value of the loans will exceed $10,000. Accepting, for argument, that the value of these transactions should be the face value, the purchases would fall within the definitions of MFA Policies and Procedures §1.2(F), and they would be prohibited unless “the Transaction is approved by a disinterested majority of MFA Members.”

We believe this can be accomplished by Board action to again delegate authority to MFA staff to carry out the Partners Program and approve these loans moving forward, with full disclosure of the new relationship to Centinel. The purpose of the requirement for Board approval is to evaluate the propriety of the business arrangement with the benefit of disclosure of a Member’s interests.

In this case, the Board is fully briefed on the Agreement and the role of Centinel in processing Partners Program applications. The role of Centinel with respect to each application is determined by the Agreement, and is thus identical for every application—Centinel provides the same services, for the same fee, for each loan.

If the Board were to undertake to approve Centinel’s engagement as Underwriter for each individual application as a separate transaction under Section 1.2(F), it would not be possible, at that stage, to evaluate the final terms and all supporting documents of the loan purchase itself. Rather, the Board would be approving only Centinel’s role as Underwriter pursuant to the Agreement, and taking repeated action based on identical information in each instance. The MFA Policies to not require such a result, and it would only serve to further hinder an already underutilized program.

The Board has previously delegated to staff the authority to approve the purchase of these loans, and transactions of this size are not typically brought for board consideration. Even under
the new process involving an Underwriter, and within the terms of the Agreement, MFA staff reserves final approval of any purchases. We recommend that, subsequent to the disclosure of Centinel’s relationship to the Board, MFA staff request Board action to ratify its delegation of authority to staff to evaluate and approve the purchase of loans under the Partners Program. This may be proposed for consideration by the Board at the next meeting.

**Conclusion**

The Agreement and related transactions require prospective steps be taken to fully comply with the MFA Policies. We recommend the following:

1. Chairman Reyes should update his disclosure to identify the Agreement between Centinel and MFA, the approximate value of the Agreement, and its relationship to the Partners Program. This disclosure should be made to the Board and entered in the minutes of its meeting.

2. Chairman Reyes should abstain from any Board action relating to the Agreement or the Partners Program.

3. Following disclosure to the Board, MFA staff should request Board action to delegate authority to staff to evaluate and approve the purchase of loans under the Partners Program.
MEMORANDUM

TO: MFA Board of Directors

Through: Finance Committee - December 12, 2017

Through: Policy Committee - October 24, 2017

FROM: Jeff Payne, Senior Director of Homeownership

DATE: December 20, 2017

SUBJECT: Proposed Partners Program Policy Revisions

Recommendation: Staff proposes changes to the single family Partners Program (“Partners”) as outlined in the attached “Partners Program 2017 Proposed Policy” document. These proposed changes are designed to fulfill MFA’s mission to support third party non-profits, to promote homeownership to New Mexico’s low income population, to provide a more streamlined process of originating these loans and to mitigate risk to an acceptable level.

Background: Non-profit housing development organizations, tribal organizations and public housing agencies (“Participants”) are eligible to apply to MFA for inclusion in the program. Partners is designed to support MFA’s mission by providing a “secondary market” for non-traditional lenders focused on housing to further homeownership opportunities for the lowest income New Mexican residents by:

a) Providing mortgage loans to prospective homebuyers who have been prepared for homeownership but otherwise would be unable to access traditional mortgage financing.

b) Strengthening the development capacity for non-profit housing development organizations, and public housing agencies in New Mexico by allowing return of capital resources, furthering their production of affordable single family housing.

c) Collaborating between MFA and low-income housing providers, lenders, communities and families.

The Partners program has been in existence in varying forms since the 1990s (Partners I, II, III and IV). The program has been utilized almost exclusively by various Habitat for Humanity affiliates in New Mexico. The program targets homebuyers in the very low income category of 50% to 60% area median income ("AMI"). These are first mortgage loans with terms
ranging from 15 to 30 years at 0% interest. The maximum amount available to lend on each home has varied from 85% of appraised value (“LTV”) to currently 50% of appraised value purchased at a discount. Habitat affiliates were required to maintain a payment reserve account which was held by MFA. Recently, when Partner loans have become delinquent and are foreclosed, Participants keep the payments current until the loans are assumed by another low income borrowers working with that Participant. This is practice that has been in place for the last four years.

The most recent program changes were made in 2005 requiring the loans be purchased at a discount of 2.5% of a 50% LTV, requiring the borrowers be at or below 60% AMI in some counties and at or below 50% AMI in other counties. The borrower must invest $500 or more in cash or items of value into the transaction. The Participant agencies are to provide second mortgages and also seek grants to make up the difference between the Partners loan and the acquisition cost.

MFA currently services 211 Partner loans with total balances outstanding of $12.4 million.

**Discussion:** Utilization of this program has come to a standstill due to the program change that restricted LTVs and decreased loan amounts as well as the difficulty of getting these loans approved and closed through the established procedures. Staff has met internally and has sought input from the NM state association of Habitat for Humanity affiliates, as they are the primary users of this program, and have discussed changes that would improve the ability for low income borrowers to access the program.

Currently, Participants are using the program for homes they are building. The borrowers are qualified prior to construction and then again at completion of the home. This has added to the time and paperwork associated with underwriting and processing these loans to closing. Participant affiliates are generally not skilled in preparing loan applications and obtaining required documentation.

Habitat affiliates seek potential low income homebuyers and assist them with high touch counseling where prospective buyers are taught financial responsibility and budgeting skills. In addition, they receive guidance as they improve their financial profile in anticipation of qualifying to purchase a Habitat home. When chosen to purchase a Habitat home, selected families are required to contribute labor (500 hours of “sweat equity”) to build their home or the home of another Habitat family.

Due in large part to the borrower profile that this program intends to serve, MFA has experienced higher delinquencies and loan defaults for this program. Losses to MFA, however, have been limited. If borrowers default, MFA will foreclose and give the Participant the opportunity to assume the loan and make payments on the loan while seeking another partner family to assume the mortgage obligation under the program requirements. This will reduce the instances when MFA must acquire and sell the collateral property thus reducing the chances of loss.

The intent of the proposed changes to the Partners program is to make it more useful to Participants and more effective to MFA’s mission while mitigating risk of loss to an acceptable level. A summary of these changes is listed on the following Schedule A.
Underwriting guidelines for the collateral and borrower will follow standard conventional underwriting guidelines if not addressed in policy.

The proposed increases to loan amounts and elimination of reserve accounts would seem to increase risk to MFA. Staff recommends however changes in policies that would help offset that risk. The recommendation to include mortgage lenders in this process is significant. Though MFA reviews the loan packages for compliance with income and other program requirements, underwriting principles have not been applied to the approval process. By allowing a lender to obtain and analyze income, debt, credit history and property requirements the quality of the Partner loans should improve. The underwriting guidelines now specified in the Partners Program Policy document are designed to ensure that borrowers would make their payments. This is critical in helping these borrowers become successful homeowners. Borrowers will be required to participate in homebuyer education and in the event there are delinquencies, Participants will be able to help keep MFA whole and preserve a low income home for assumption by a qualified buyer.

A result of this change in focus there will be additional costs to compensate the lender(s) for their work. The loan fee paid by our Participants will be paid gladly because of the large increase in loan proceeds they receive from increased loan amounts. The benefits of a sound program are well worth the additional costs and are still much lower than could be obtained from traditional mortgage lenders. Interest rates and expensive mortgage insurance premiums are significant costs these borrowers will not incur. The mortgage payments will be significantly lower for these borrowers.

Summary: Staff proposes changes to the single family Partners Program ("Partners") as outlined in the attached “Partners Program 2017 Policy” document. The proposed changes are designed to fulfill MFA’s mission to support third party non-profits in promoting homeownership to New Mexico’s low income population, to provide a more streamline process of originating loans and mitigate risk to an acceptable level. Increased loan amounts, higher lending standards and a new recourse method to deal with loan defaults are the major changes to the program.
<table>
<thead>
<tr>
<th>Proposed Changes</th>
<th>Existing</th>
<th>Proposed</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Application and Underwriting</td>
<td>Participant gathers applicant information, reviews for loan requirements and submits to MFA for limited compliance review prior to closing.</td>
<td>Participant assists purchaser to apply with a participating, approved Lender for processing, underwriting and closing of loan. Lender issues an underwriting approval and submits to MFA for review.</td>
<td>Lenders provide expertise in processing applicant information and apply underwriting review to specific requirements which under present program is left to judgement of Participant.</td>
</tr>
<tr>
<td>MFA Review</td>
<td>Participant sends application package to MFA for approval prior to start of construction with a second, updated application and MFA review at completion of construction.</td>
<td>Borrower applies once through participating Lender as home is nearing completion. MFA reviews package from lender for compliance with program and gives approval to close.</td>
<td>Eliminate the initial review and approval by MFA and focus on approval at time of construction completion puts responsibility for borrower readiness on borrower and Participant.</td>
</tr>
<tr>
<td>Borrower Eligibility</td>
<td>Income limit of 50% of AMI with 60% limit in high cost/low income areas</td>
<td>Income limit of 60% of AMI</td>
<td>Simplify income limits. 60% AMI targets borrowers who aren’t usually able to participate in other MFA mortgage programs.</td>
</tr>
<tr>
<td>Fees and Costs</td>
<td>Participant sells loan to MFA at 2.5% discount.</td>
<td>Participant pays 2% fee to MFA upfront at time of loan purchase. Fee netted by MFA from loan purchase proceeds paid to Partner.</td>
<td>This allows MFA to be paid upfront when loan is closed to help with servicing costs instead of receiving fee income through payments over life of loan.</td>
</tr>
<tr>
<td>Lender Fees</td>
<td>Participant charges customary third party fees associated with loan origination.</td>
<td>Lender charges a reasonable fee for origination and underwriting of loan. Lender may also charge customary third party fees associated with loan process and closing which will be paid by Participant/Seller.</td>
<td>Involve a lender which adds some cost to program but will provide much more professional and thorough review of borrower’s qualifications.</td>
</tr>
<tr>
<td>Proposed Changes</td>
<td>Existing</td>
<td>Proposed</td>
<td>Comments</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>-----------------------------------------------</td>
<td>-----------------------------------------------</td>
<td>---------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Maximum Loan to Value</td>
<td>50% of appraised value</td>
<td>90% of appraised value</td>
<td>This will increase loan amounts and risk to MFA. Underwriting guidelines and recourse options are designed to offset this risk.</td>
</tr>
<tr>
<td>Loan Terms</td>
<td>30 year fixed term with fixed, below market, interest rate. Interest rate charged has been 0%.</td>
<td>30 year term with fixed interest rate. Clarification that rate is 0% but MFA reserves the right to change rate offered.</td>
<td>The use of 0% interest rates provides an exceptional mortgage payment for the borrower. MFA reserves the right to change program to include a modest, below market rate for loans in the future but will not exceed 2% below the posted MFA First Home Government rate.</td>
</tr>
<tr>
<td>Property</td>
<td>Acquisition costs or sales price cannot exceed cost limits for First Home Program.</td>
<td>Appraised value cannot exceed the Acquisition Cost Limits for First Home Program.</td>
<td>Habitat homes are built with a combination of cash, volunteer hours and donated materials. Appraised value determines the sales price.</td>
</tr>
<tr>
<td>Occupancy</td>
<td>Borrower occupies home within 30 days of MFA’s purchase of loan.</td>
<td>Borrower occupies home within 60 days of loan closing.</td>
<td>Ties the occupancy to the loan closing date and not the date MFA purchases the loan. This is standard practice.</td>
</tr>
<tr>
<td>Maximum Debt to Income Ratios</td>
<td>Housing payment 30% of gross monthly income. Total debt to income is not considered.</td>
<td>Housing payment 35% of gross income allowing more borrowers to qualify if they have lower overall debt obligations. Total debt payments no more than 41% of gross monthly income to address both housing expense and total debt obligations.</td>
<td>35% housing debt ratio is high which allows borrowers with low amounts of secondary debt to qualify for a higher payment. The 41% total debt ratio is common among first time home buyer programs and limits the total amount of debt allowed.</td>
</tr>
<tr>
<td>Reservation of Loan Funds</td>
<td>Partner completes Reservation Request Form. Manual process.</td>
<td>Lender reserves on line through MFA website.</td>
<td>Follow similar process used for other MFA programs.</td>
</tr>
<tr>
<td>Proposed Changes</td>
<td>Existing</td>
<td>Proposed</td>
<td>Comments</td>
</tr>
<tr>
<td>------------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td><strong>Payment Reserve Account</strong></td>
<td>Six months of payments for first six loans purchased and three months thereafter. Account administered by MFA to be used if loan payment is not made by 30th of the month.</td>
<td>None. Emphasis is focused on Partner to stay close to borrower and encourage timely payments.</td>
<td>Reserve accounts were a good idea on paper but difficult to administer. Participant will continue to work with borrower to encourage timely payments.</td>
</tr>
<tr>
<td><strong>Borrower Contribution</strong></td>
<td>Borrower contributes $500 cash or items deemed of value. Cannot be derived from gifts, grants or down payment assistance.</td>
<td>Borrower contributes $500. Clarification: cash or items deemed of value. Cannot be derived from gifts, grants or down payment assistance.</td>
<td>Clarify that borrower’s contribution can include items of value instead of cash (i.e. labor, materials).</td>
</tr>
<tr>
<td><strong>Borrower Credit Profile</strong></td>
<td>Current at time of purchased defined as no more than two 30 day late and no 60 day late payments in last 12 months</td>
<td>One year verification of rent payments with no 30 day late payments.</td>
<td>The borrower’s track record of making housing payments is a strong indicator of future performance.</td>
</tr>
<tr>
<td><strong>Recourse</strong></td>
<td>Loan repurchase by participant, Loan substitution, Participant suspension, Foreclosure</td>
<td>Foreclosure and Loan assumption, loan repurchase or loan substitution by Participant. Participant may be suspended.</td>
<td>If borrower cannot perform, MFA forecloses and may allow assumption by the Participant until a replacement buyer/borrower is identified to take over the loan. This has become very effective in continuing the shared mission and avoiding losses to MFA.</td>
</tr>
</tbody>
</table>
Partners Program Participating Lender Fee for Services Agreement

This Partners Program Participating Lender Fee for Services Agreement (the "Agreement") is entered into this 15th day of May, 2019, by and between "Centinel Bank of Taos" ("Lender") and the New Mexico Mortgage Finance Authority, a public body politic and corporate, separate and apart from the State of New Mexico, constituting a governmental instrumentality ("MFA").

WHEREAS, Lender has been approved by MFA to originate and underwrite the Partners Program ("Partners Program") loans in accordance with the Partners Program approved by MFA’s Board of Directors;

WHEREAS, as an approved Partners Program lender, Lender is authorized by MFA, and hereby obligates itself to, accept the consumer’s loan application, make appropriate regulatory disclosures to the applicant(s), and close the loan according to Partners Program requirements after receiving authorization by MFA;

WHEREAS, Lender was approved for participation in the Partners Program based on its existing mortgage processing and underwriting capabilities, its ability to satisfy the regulatory requirements of Lender’s primary regulatory body, and Lender’s willingness to participate in the Partners Program established by MFA;

WHEREAS, as an approved Lender, Lender has agreed to underwrite the applicant and properties on behalf of MFA using MFA’s Partners Program Directive, requirements, and policies, as well as its obligations forth in this Agreement; and

WHEREAS, Lender agrees to provide MFA the origination and underwriting services for Partners Program loans, and MFA agrees to compensate Lender a fee for providing those services as described in this Agreement.

NOW, THEREFORE, in exchange for the mutual covenants, promises, and consideration set forth in this Agreement, the receipt and sufficiency of which is hereby acknowledged, and with every intention of being legally bound, Lender and MFA agree as follows:

I. **Lender’s Obligations**

Lender hereby agrees that it will provide the following services in conjunction with its approval as a Partners Program Participating Lender (together, the "Services"):  

A. Lender shall work with organizations approved by MFA to participate in MFA’s Partners Program (those approved organizations being referred to in this Agreement as Program Participants) to determine whether borrowers identified by Program Participants are eligible to purchase their home through MFA Partner’s Program.
MFA's Partner's Program works in conjunction with Program Participants. Generally, Program Participants identify and work with borrowers who agree to purchase homes with purchase-money mortgage loans made available to the borrower by the Program Participants. The original purchase-money mortgage loan is funded by the Program Participant, but MFA agrees to purchase that mortgage loan so long as the borrower, the loan, and the property are eligible under MFA's Partner Program. Lender acknowledges that its obligation under this Agreement is to determine whether the original purchase-money mortgage loan qualifies for MFA's Partners Program such that MFA can purchase that mortgage loan from the Program Participant.

B. Lender acknowledges that only borrowers working with and referred by Program Participants are eligible for a Partners Program loan.

C. Lender shall make any and all necessary regulatory disclosures to the potential borrower in accordance with all state and federal regulations.

D. Lender shall determine whether potential borrowers are eligible for a loan through the Partners Program pursuant to MFA's Partners Program Underwriting Requirements, which are attached hereto as Exhibit A and which may be amended, revised, or updated from time to time by MFA in MFA's sole discretion.

E. Upon determining that a potential borrower and property qualify for the Partners Program, Lender shall reserve the loan through MFA's on-line reservation system and shall submit all required compliance documents for review, in accordance with MFA's online reservation procedures, which are attached hereto as Exhibit B and which may be amended, revised, or updated from time to time by MFA in MFA's sole discretion.

F. MFA shall accept each reservation subject to the availability of funds.

G. Lender shall further submit to MFA an approved loan package, which confirms Lender's verification of the borrower's eligibility for the Partners Program loan, prior to closing the original purchase-money mortgage loan, in accordance with MFA's procedures.

H. Lender shall further provide documents and information as requested by MFA.

I. Lender shall not close any Partners Program loan unless it has first received MFA's written approval of the loan's qualification under the Partners Program.

II. **Lender's Fee for Services**

   In exchange for the Services provided by Lender pursuant to this Agreement, Lender
may charge the borrower(s) reasonable and customary fees and costs for originating, processing, and underwriting the Partners Program loan, including third-party fees associated with originating the loan such as costs of appraisal, credit report, recording fees, settlement fees, title insurance premiums, and pre-paid expenses. These fees must be disclosed to the borrower(s) at the time of origination and prior to closing the original purchase-money mortgage loan. Program Participants may pay these fees on behalf of the borrower(s) prior to or at closing of the original purchase-money mortgage.

III. MFA’s Obligations

MFA will review the loan package and compliance files provided by Lender and will contact Lender with changes, corrections, clarifications, or additions needed in order to satisfy Partners Program eligibility requirements.

MFA will also provide each Lender with the applicable Partners Program requirements, policies, and procedures as they change from time to time.

IV. General Provisions

A. Governing Law. This Agreement is made in and shall be governed by and construed in accordance with the laws of the State of New Mexico.

B. Entire Agreement. This Agreement, along with the Partners Program requirements, policies, procedures, and related forms (as they may change from time to time) constitute the complete and entire agreement between the parties with respect to the subject matter addressed and may be modified only by a writing signed by both parties.

C. Certification. Lender agrees and shall execute the Certification attached hereto as Exhibit C, the terms and provisions of which are incorporated herein.

D. Indemnification. Subject to the limitation set forth in Exhibit C, Lender shall indemnify MFA from and hold MFA harmless against, all losses, damages, penalties, fines, forfeitures, legal fees and related costs and judgments, and any other costs, fees, or expenses heretofore or hereafter incurred, resulting from any breach of any of Lender’s obligation contained in or made pursuant to this Agreement, or resulting from any claim asserted, demand made, or defense asserted against MFA based upon, arising out of, or resulting from such breach or Lender’s failure to perform its obligations set forth in this Agreement. Lender’s obligations under this Section shall survive termination of this Agreement.
IN WITNESS WHEREOF, the undersigned have caused this Partners Program Participating Lender Fee for Services Agreement to be duly executed on this 15th day of May, 2019.

LENDER:  Centinel Bank of Taos
By:  Angel Reyes
Its:  President / CEO
Date:  7/22/2019

NEW MEXICO MORTGAGE FINANCE AUTHORITY

By:  Gina Hickman
Title:  Deputy Director of Finance and Administration
Date:  May 15, 2019
Exhibit A
Partners Program Underwriting Requirements

Eligible Partners Loans:

The Partners Program is available only to borrowers who obtain financing through one of MFA’s approved Partners Program Participants and who are purchasing a home through one of MFA’s approved Partners Program Participants (referred to herein as “Program Participants” or “Participants”). MFA will establish and maintain a list of approved Partners Program Participants.

Eligible Borrowers:

1. Borrowers may not earn more than sixty percent (60%) of county/area median income (“AMI”) as published by the US Department of Housing and Urban Development (HUD) at the time of Partners Program compliance review by MFA and after application approval by Lender. (See Partners Program Income limits at: http://housingnm.org/lenders_realtors/lenders-realtors)

2. Eligible borrowers must also be first-time homebuyers and occupy the home as their primary residence within 60 days of loan closing for the purchase of the home.

3. Borrowers will be required to complete, and provide documentation to MFA, of homebuyer education from a HUD-approved counselor or online through eHome America prior to loan approval.

Property Eligibility:

4. Appraisal required on a Uniform Appraisal Report dated no earlier than 120 days prior to the date of the execution of the note and mortgage from borrower(s) in favor of Seller, showing the construction of the home on the property securing the Mortgage Loan and, if new construction, certificate of substantial completion and/or certificate of occupancy is required prior to closing.

5. The appraised value for new construction or acquisition cost for existing homes cannot exceed the First Home Acquisition Cost Limits at: (http://housingnm.org/lenders_realtors/lenders-realtors)

6. Properties located on Native American Trust Lands would require an acceptable agreement with Tribal government such as a “Loan Guaranty” and further internal approvals as required by MFA policy.

7. Properties must be located in the state of New Mexico.
8. Verify availability of utilities as described on the Uniform Appraisal Report as follows:
   a. Public Utilities; or
   b. Private Utilities so long as:
      i. Tests to indicate home has safe and adequate water supply
      ii. Inspection to indicate Septic system is working properly

9. Safety and wellness repairs required as identified by appraiser, home inspector, or the purchase contract.

10. Legal access (ingress and egress) to property must be verified.

11. Subject property must be a single-family residence.

12. Lien Perfection Requirements:
   a. Partners Program loan must be in first lien position.
   b. Assessed as real property.
   c. Deactivated title (if manufactured home).

13. Other requirements as established by MFA from time to time as part of the Partners Program.

**Interest Rate:**

14. The interest rate to be charged on Partners Program loans will be a fixed, zero percent (0%) interest rate unless otherwise established by MFA. If MFA chooses to establish an interest rate higher than 0%, that rate will be capped at 2% below MFA’s posted government rate for its First Home program.

15. The interest rate for Partners Program loans will be determined by MFA and does not carry a prepayment penalty. MFA reserves the right to change the interest rate offered for Partners Program loans.

**Fees:**

16. The Lender must disclose to the borrower any and all charges that the borrower will be charged, which may include only reasonable and customary fees and costs including third party fees associated with origination such as appraisal, credit report, recording fees, settlement, title insurance premiums, pre-paid expenses and a processing/underwriting fee paid to Lender. These fees must be set forth clearly in the purchase and sale agreement for the property, executed by the borrower(s).

17. The Participant may pay these fees on behalf of the borrower prior to or at closing.
Loan Requirements:

18. The loan must be for a term not to exceed thirty (30) years.

19. The maximum loan-to-value ratio (LTV) for Partners Program loans will be ninety percent (90%) of the appraised value of the subject property.

20. Payments must include principal (and interest if applicable) along with amounts to escrow for property taxes, homeowners insurance, and homeowners association dues (if applicable) on a monthly basis on the first day of each month.

Borrower Qualifications:

21. Credit Profile
   a. Minimum 620 credit score. Lower scores to 600 on exception basis if approved by Senior Director of Homeownership.
   b. Tri-merge credit report required.
   c. Non-medical collection accounts should be paid off.
   d. Verification of rent is required for at least the most recent twelve months showing no payments over 30 days late.
   e. Alternative credit documentation (if no valid credit score) allows as follows:
      i. Three trade lines with at least one year of history

22. Income and Employment
   a. Adequate income (35% house payment/41% total debt to income ratios)
   b. Income within Partners Program limits of 60% AMI
   c. Document stable income with at least one year history

23. Other Transaction Requirements
   a. Purchase agreement detailing price and terms of sale signed by buyer and seller
   b. Proper regulatory disclosures provided to applicant for loan application and closing by Lender
   c. Documentation of junior liens and additional sources of funds
   d. Borrowers must complete homebuyer counseling within one year prior to loan closing

Underwriting guidelines for the collateral and borrower must follow standard conventional underwriting guidelines if not addressed in this agreement.

Borrower Contribution:
A borrower must contribute at least $500.00 (five hundred dollars) as equity in the construction, rehabilitation, or purchase of a home funded through Partners Program. Borrower’s contribution can be in the form of cash or items deemed of value (labor, materials, etc.) Where Borrower’s contribution is other than cash, Program Participants must provide documentation evidencing the contribution and where applicable will provide a Certification of Sweat Equity. The minimum contribution of $500.00 from the borrower’s own funds cannot be derived from any type of gift, grant or down payment assistance.
Exhibit B
Reservation of Funds and File Delivery

Reservation of Funds and Submission of Loan Package:

Funds for Partners Program loans will be reserved by the Lender via MFA’s on-line reservation system (www.housingnm.org). The On-Line Reservation System ("System") is a password protected website portal and Lenders must be approved by MFA prior to reserving a Partners Program loan. Reservations will be accepted by MFA subject to availability of funds. The Lender will submit an approved loan package to MFA to confirm Partners Program eligibility prior to closing the loan. This process is subject to change at MFA’s sole discretion.

Submission of Compliance Files and Compliance Suspense Conditions:

Each Partners Program loan request shall be delivered to MFA per the Partners checklist provided by MFA to Lender and uploaded to MFA electronically through the System.

Lender shall underwrite the loan request and if Lender approves the Partners Program loan per the Partners Program loan guidelines, Lender submits the electronic loan package to MFA for compliance review.

1) The Lender must approve the Partners Program Mortgage Loan for credit and collateral prior to sending the electronic Compliance File to MFA for Compliance Approval via the System.

2) The Lender and Participant must obtain a Compliance Approval/Purchase Commitment ("Commitment") for every Partners Program Mortgage Loan prior to the loan closing.

3) The file must be complete. If a Compliance File is incomplete or if further documentation is required for an approval, MFA will provide a Notification of Compliance Suspense Conditions via E-mail from the System notifying the Lender of the status change or contact the Lender via phone, if applicable.

4) MFA will review the Compliance File and send a Notification of Conditions via E-mail or contact the Lender via phone, generally within three business days of receipt of the Compliance File. The Lender will then log into the System to retrieve their list of conditions.

5) If a Partners Program Loan does not qualify, MFA will contact the Lender via E-mail or phone and provide a Compliance Denial letter, which details the reason(s) for the denial.

Partners Loan Closing:

Participants and Lender may only close a Partners Program loan upon receipt of a copy of
MFA's written approval at the time of closing for each Partners Program mortgage Loan. Loan closings are to be prepared and handled by the title company.

Loan Purchase Requirements:

MFA's purchase of Partners Program Loans is subject to the execution of a Mortgage Purchase Agreement for each loan. Each Partners Program Loan delivered to MFA for purchase must conform to all of the applicable terms and conditions of the related Partners Program Mortgage Purchase Agreement.

All Partners Program Loans purchased by MFA must be in a first lien position and loans must be current at the time of purchase. In addition, taxes must be current and hazard insurance policies in amounts equal to the replacement cost of the property must be in effect. Loans must be sold to MFA within 60 days of loan closing.
Exhibit C
Lender's Certification

This Certification is made by Lender in conjunction with the Partners Program Participating Lender Fee for Services Agreement (the “Agreement”). Lender hereby represents, warrants, and certifies the following to the New Mexico Mortgage Finance Authority:

1. Lender has implemented an OFAC Alert screening process and Anti-Money Laundering Program that meets the following requirements:
   - Lender shall provide a “Customer Identification Notice” to each borrower at the time of application advising them of anti-money laundering activities;
   - Lender shall obtain borrower’s complete name, middle initial, address, tax ID number and date of birth;
   - Lender shall conduct a face-to-face application: Lender must identify their borrower by reviewing driver’s license, passport, or other acceptable government issued form of identification and document in the loan file that the identity has been verified (mail and phone applications will not require any additional documentation other than what is customary in the normal course of business);
   - Lender shall check OFAC lists and identify matches.

2. Lender maintains a written policy governing the appraisal ordering process and preparation of the Appraisal Reports prepared on the Lender or Seller’s behalf. This policy maintains that all Appraisal Reports must, at a minimum:
   - Meet Appraiser Independence safeguards as published by HUD;
   - Meet HVCC as published by Fannie Mae;
   - Comply with the standards of the Uniform Standards of Professional Appraisal Practice (USPAP), promulgated by the Appraisal Standards Board of the Appraisal Foundation;
   - Be written and contain sufficient information and analysis to support the decision to engage in the transaction;
   - Be based upon the definition of market value as set forth in the USPAP;
   - Be performed by a state licensed or certified appraiser.

3. Lender shall, and hereby does, grant MFA the authority to audit the records of the Lender to verify any and all information provided to MFA in conjunction with the Partners Program, and Lender expressly agrees that any false information provided to MFA may result in exclusion or termination of the Lender from participation in the Partners Program.

4. Lender shall make good faith efforts to exercise due diligence in underwriting any Partners Program loan. So long as Lender maintains its good faith efforts to exercise due
diligence in performing its obligations under the Agreement, Lender shall not be liable to MFA under this Partners Program Agreement for damages arising out of or relating to its underwriting of a Partners Program Loan except where Lender or its employees, agents or representatives engaged in fraud in the underwriting process.

5. Lender acknowledges that if MFA approves Lender to participate in the Partners Program, such approval will be evidenced by MFA’s issuance of a Notice of Approval to Lender. Additionally, Lender acknowledges that if approved, Lender will reserve loans via MFA’s On-Line Reservation System. Lender acknowledges that disapproval will be evidenced by MFA’s issuance of a Notice of Disapproval. If approved, Lender agrees that its approval to participate in the Partners Program will be subject to periodic review and annual recertification by MFA and to termination by MFA in accordance with procedures established by MFA.

LENDER:  

Central Bank of Taos  

DATED: 7/22/2019  

By:  

(Signature)  

Name: Angel Reyes
MEMORANDUM

TO: Board of Directors  
Through: Policy Committee – September 9, 2019  
FROM: Yvonne Segovia, Controller  
DATE: September 18, 2019  
SUBJECT: Housing Opportunity Fund Appropriations

Recommendation:

As specified on the attached Resolutions, Staff recommends $8,262,000 be appropriated to the First Down DPA Loan Program, of which $3,372,000 will be transferred from the Primero Program, $281,000 will be transferred from the Partners Program, $2,961,000 will be transferred from the Access Program, resulting in $1,648,000 of new funds being appropriated to the Housing Opportunity Fund.

Background:

The Housing Opportunity Fund (HOF) was created in 1992 to support MFA’s legislative responsibility to provide decent, safe, and affordable housing programs to benefit all New Mexicans. The HOF programs are funded by MFA’s General Fund reserves through appropriations designated by the Board. The programs that comprise the General Fund HOF include: Primero Investment Fund Program, Partners Loan Program, “First Down” Down Payment Assistance Program, HERO First Mortgage Program, and Access Loan Program. The Board has appropriated General Fund reserves to various programs in the HOF throughout the years. Total appropriations to date are $92.4 million.

The DPA Program will exhaust all available appropriations due to increased demand in the Single Family Mortgage Program resulting in a need for funds of $8.3mm through 9/30/20 to support anticipated demand. MFA currently has $56mm in DPA portfolio loans on its Statement of Net Position. The current interest rate on these loans is 6%. This program supports MFA’s mission by providing affordable homeownership opportunities in New Mexico.
Discussion:

The attached schedule summarizes the appropriations, uses, and projections for each program in the General Fund HOF as of 7/31/2019. Staff has estimated the availability of “Funds Required to meet Demand” for each of the programs that comprise the General Fund HOF. Staff also estimated the “Anticipated Need” for the programs through 9/30/2020 as well as the “Estimated Repayments” through 9/30/2020. Based on these estimates, funds will be necessary to support demand in the DPA loan program. However, there are excess funds available in the Primero, Partners and Access loan programs, which can be transferred to the DPA loan program. Funds appropriated to Primero PRLF cannot be used for any other program because the award was made by USDA for this specific purpose.

These changes in appropriations would result in $1,648,000 in new funds being appropriated to the HOF. As of 7/31/2019, MFA has $35,612,000 in General Fund reserves which have been designated for use in the Single Family and Multifamily housing programs.

Summary:

In order to meet anticipated demand, Staff recommends $8,262,000 be appropriated to the First Down DPA Loan Program, of which $3,372,000 will be transferred from the Primero Program, $281,000 will be transferred from the Partners Program, $2,961,000 will be transferred from the Access Program, resulting in $1,648,000 of new funds being appropriated to the Housing Opportunity Fund.
### New Mexico Mortgage Finance Authority
### Housing Opportunity Fund

**REQUEST**

**7/31/2019**

<table>
<thead>
<tr>
<th>Description</th>
<th>Primero Loans</th>
<th>Primero Loans PRLF</th>
<th>Partners Loans</th>
<th>DPA 1st Mortgages</th>
<th>HERO Access Loans</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original Appropriation:</td>
<td>4,617,041</td>
<td>925,000</td>
<td>4,028,000</td>
<td>49,376,158</td>
<td>31,039,000</td>
<td>92,367,780</td>
</tr>
<tr>
<td>RHED 2002 Award</td>
<td>13,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>13,000</td>
</tr>
<tr>
<td>HERO Loans/State Innovations</td>
<td>363,413</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>363,413</td>
</tr>
<tr>
<td>DPA Loans/State Mortgage Loans</td>
<td>75,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>75,000</td>
</tr>
<tr>
<td>DPA Loans/General Indenture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>11,019,000</td>
</tr>
<tr>
<td>Wells Fargo</td>
<td>850,000</td>
<td>11,019,000</td>
<td></td>
<td></td>
<td></td>
<td>11,019,000</td>
</tr>
<tr>
<td>USDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>850,000</td>
</tr>
<tr>
<td>NM Small Business Investment Corp.</td>
<td>2,500,000</td>
<td>4,125,000</td>
<td></td>
<td></td>
<td></td>
<td>4,125,000</td>
</tr>
<tr>
<td>Used for:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>2,500,000</td>
</tr>
<tr>
<td>Funded Loans</td>
<td>(18,052,318)</td>
<td>(1,935,965)</td>
<td>(13,247,709)</td>
<td>(95,018,574)</td>
<td>(9,258,705)</td>
<td>(30,722,224)</td>
</tr>
<tr>
<td>Repayments</td>
<td>14,221,650</td>
<td>133,499</td>
<td>9,526,462</td>
<td>39,212,087</td>
<td>6,876,124</td>
<td>2,990,573</td>
</tr>
</tbody>
</table>

**Totals**                                        | 4,149,373     | 3,247,534          | 306,754        | 5,027,084         | (0)              | 3,307,349   |

**Total Unused Appropriations:**                  |               |                    |                |                   |                   | **16,038,094**|

**Commitments:**                                  | 2,000,000     | 55,869             | 0              | 1,154,761         | 0                 | 800,000     |

**Available:**                                     | 2,149,373     | 3,191,666          | 306,754        | 3,872,323         | (0)              | 2,507,349   |

**Funds Required to meet Demand:**                | (3,372,000)   | (2,267,000)        | (281,000)      | 8,262,000         | -                | (2,961,000) |

**Board Appropriation Request**                    |               |                    |                |                   |                   | **1,648,000**|

**SUMMARY UPON APPROVAL:**                        | 95,275,100    |                    | 17,686,094    |                   |                   | **112,961,193**|

**PROJECTIONS FOR FISCAL YEAR 2019-2020:**

**Anticipated Need thru 9/30/2020:**               | 1,000,000     | 925,000            | 700,000        | 18,619,331        | 0                 | 0           | 21,244,331  |

**Estimated Repayments:**                         | 2,222,743     | 0                  | 674,380        | 6,486,038         | 0                 | 453,855     | 9,837,016   |

**Funds Required to meet Demand:**                | (3,372,000)   | (2,267,000)        | (281,000)      | 8,262,000         | -                 | (2,961,000) | (619,000)   |
WHEREAS the New Mexico Mortgage Finance Authority Board of Directors (the "Board") met in a Regular meeting at the MFA, 344 Fourth St. SW, Albuquerque, New Mexico on September 18, 2019 at 9:30 a.m.; and

WHEREAS there exists a need to provide statewide down payment assistance (DPA) to borrowers that have limited financial resources; and

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

WHEREAS the designation of General Fund reserves to the Housing Opportunity Fund for the use in the HERO First Mortgage Program has been fully disbursed; and

WHEREAS the Board has $3,372,000 of unused appropriation in the Primero Loan Program; and

WHEREAS the Board has $281,000 of unused appropriation in the Partners Loan Program; and

WHEREAS the Board has $2,961,000 of unused appropriation in the Access Loan Program; and

WHEREAS the Board has designated repayments from the Housing Opportunity Fund HERO First Mortgage loans to the DPA Program; and

WHEREAS the Board has designated repayments from various DPA loans to the DPA Program; and

WHEREAS the MFA recommends an additional appropriation of $8,262,000 plus repayments from the HERO First Mortgage loans and the various DPA loans be designated to the First Down DPA Loan Program; therefore

IT IS RESOLVED that the MFA Board agrees to appropriate an additional $8,262,000, of which $3,372,000 will be transferred from the Primero Program, $281,000 will be transferred from the Partners Program, $2,961,000 will be transferred from the Access Program, plus repayments of HERO and DPA loans to the First Down DPA Loan Program.

After discussion, the foregoing Resolution was duly moved by __________________, and seconded by __________________; adopted by the following vote:
Aye          Nay          Absent

Date Adopted: September 18, 2019
Tab 12
# NEW MEXICO MORTGAGE FINANCE AUTHORITY

## Contracted Services/Credit Committee Meeting

**Tuesday, September 10, 2019 @ 10:00 am**

_MFA – Albuquerque_

To dial in to the conference call dial: MFA (Abbott Hall) all participant dial in (605) 313-4821Participant code: 561172 * Host Code: 561172 *

<table>
<thead>
<tr>
<th>AGENDA ITEM</th>
<th>COMMITTEE RECOMMENDED</th>
<th>BOARD ACTION REQUIRED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Commissioner Recommendation for Western Regional Housing Authority (Gina Bell)</td>
<td>3-0</td>
<td>YES</td>
</tr>
<tr>
<td>2 Approval for Eastern Regional Housing Authority to Sell Rio Felix Apartments (Gina Bell)</td>
<td>N/A</td>
<td>YES</td>
</tr>
<tr>
<td>3 State Neighborhood Stabilization Program (&quot;NSP&quot;) RFP (Izzy Hernandez)</td>
<td>3-0</td>
<td>YES</td>
</tr>
</tbody>
</table>

**Committee Members present:**

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

**Secretary:** [Signature]

9/10/19
MEMORANDUM

TO:       MFA Board of Directors

Through:  Contracted Services – September 10, 2019

Through:  Policy Committee – September 3, 2019

FROM: Gina Bell, Director of Community Development

DATE:    September 18, 2019

SUBJECT: Commissioner Recommendation for Western Regional Housing Authority

Recommendation:
Approve Martha Salas as a commissioner representing Grant County for Western Regional Housing Authority.

Background:
As required with the Regional Housing Act, Section 5. 11-3A-6, Powers of Regional Housing Authority in Board of Commissioners, appointments of Board of Regional Housing Authorities and Terms, all recommendations for appointments as commissioners are required to be reviewed and approved by MFA’s Board of Directors prior to being recommended to the Governor.

Discussion:
The Executive Director of Western Regional Housing Authority contacted stakeholders for the purpose of filling the commissioner vacancy in Grant County. A letter of interest and resume was received from Martha Salas to fill the vacancy.

As the current finance officer for the City of Lordsburg and the prior chief financial officer for the Town of Hurley, Ms. Salas brings extensive knowledge of budgets, city finances and management of public records such as recording of minutes, ordinances and resolutions. She has management expertise in the areas of public records, grants and insurance and she holds a Chief Procurement Officer certification which is required by the state purchasing office. Also, Ms. Salas has worked with Western Regional Housing Authority by assisting with the Lordsburg Housing Authority transfer process and is familiar with the housing authority operations.

The threshold requirements for commissioners of regional housing authorities are that they have expertise and experience in areas such as housing construction, real estate, architecture, law, banking, housing finance, business, property management, accounting, residential development, public housing programs, community development, social services or health care. Ms. Salas meets the threshold requirements as she has more than eight years of experience working as a finance
officer. Additionally, she has assisted in the transfer of Lordsburg Housing Authority to Western Regional Housing Authority which would bring experience in public housing programs.

Summary:
Western Regional Housing Authority has a vacancy on its Board of Commissioners for Grant County. Martha Salas fulfills the requirements per the state statute SB 48 and has expressed interest in serving as a commissioner. Staff recommends board approval and submission of the recommendation to Governor Lujan-Grisham for approval and appointment.
July 3, 2019

Rose Baca-Quesada  
NM Mortgage Finance Authority  
344 4th Street, SW  
Albuquerque, NM  87102

Dear Ms. Baca-Quesada,

I am submitting my letter of intent to apply for the position of the Western Regional Housing Authority Commissioner representing Grant County. I have had extensive experience in this field as my resume reflects. My work, interests and accomplishments speak for themselves as to my suitability for this position.

I am looking forward to hearing from you as to your decision in this matter.

Thank you again for your interest as well as your time.

Sincerely,

Martha Salas

[Signature]
Martha A. Salas  
720 Bard Street  
Bayard, NM 88023  
(575) 956-3749  
Marthosalas1973@gmail.com  

OBJECTIVE  
To obtain a position that will enable me to utilize my strong organizational skills, vocational knowledge and ability to work well with people.

EXPERIENCE  
3/1/2016- Current  
City of Lordsburg  
Finance Officer  
As Finance Officer I maintain the budget of all City finances which are public record, property of the municipality, appropriated money for the municipal purposes. I must obtain approval from the governing body and Department of Finance. I supervise all payroll, accounts payable/ receivables and safekeeping of money belonging to the City. I submit monthly and quarterly financial reports of all funds to Department of Finance and Administration. Another duty is to submit an annual audit to the State Auditor’s office. I maintain all records of capital assets and inventory for the City. I acquired my Chief Procurement Officer certification required by the State Purchasing Office. Other duties included Insurance Management and Grant Administrator.

Southwest Council of Governments  
Silver City, NM 88061  
Administrative Assistant  
As administrative assistant I helped prepare the Fiscal Year budget. I maintained all receipts, deposits, and safekeeping of money belonging to the Council of Governments. Submitted monthly and quarterly financial reports of receipts, expenditures and balances of all funds to Executive Director. I made daily bank deposits into accounts. Also responsible for administering payroll and paying liabilities. I assisted the Executive Director, who was fiscal agent for many local governments, with grants. I was assigned by my Executive Director to assist City of Lordsburg with Finance Officer duties.

Town of Hurley  
Hurley, NM 88043  
Town Clerk/Chief Financial Officer  
Custodian of Records which consists of recording of minutes, ordinances and resolutions also includes management of public records. I convened meeting of the Town Council whenever requested or necessary. As Chief Financial Officer I maintained the budget of all town finances which are public record, property of the municipality, appropriated money for the municipal purposes. The annual budget I maintained was also submitted to the Department of Finance for approval once the governing body. I supervised all receipts, deposits, and safekeeping of money belonging to the town. Submitted monthly and quarterly financial reports of receipts, expenditures and balances of all funds to Department of Finance and Administration by due date. I made daily bank deposits into accounts using current Town of Hurley data base. Another duty was to submit an annual audit to the State Auditor’s office. I maintained all records of
capital assets and inventory for the Town. While employed at the Town I acquired my Chief Procurement Officer certification required by the State Purchasing Office. Other duties included Insurance Management, Personnel Officer, Utility Billing Supervisor, and Administrator of Municipal operations, Election, Grant Administrator and Cemetery Duties.

08/01/2008-12/19/2010
St. Theresa School
Kekaha, Hawaii

Teacher Assistant
I assist the Preschool teacher with daily activities for children of ages 3-4 years of age. Implement age appropriate activities and religious lessons. Ensure that every child is safe and school regulations are met.

02/27/2007-07/30/2008
Child Development Center-PMRF
PMRF, Kekaha, Hawaii

Education Technician
My primary responsibility was to assist in planning and conducting an effective child development program to meet the physical, social, emotional and intellectual needs of each child. I was also responsible for reviewing and implementing daily schedules, activity plans, conducting daily health checks and maintaining a positive environment for the children.

Business & Technology Development Directorate
White Sands Missile Range, New Mexico

Office Administrative Assistant
My primary responsibility was to execute and coordinate all the clerical and day-to-day administrative support activities which are typically required to accomplish the work of the organization. I received telephone calls and visitors, screening those, which I could handle without the supervisor's help. Received and read incoming correspondence and reports, screened items which I handled personally and forwarding the rest to the supervisor or staff. I maintained suspense records on all correspondence and action documents and followed up to insure timely replies or actions. I read outgoing correspondence for procedural and grammatical accuracy, conformance with general policy, factual correctness, and adequacy of treatment. Made necessary arrangements for large meetings and conferences, based on information provided by the supervisor concerning the purpose of the conference and people to attend. I kept my supervisor's calendars and schedules appointments and conferences without prior approval, based on personal knowledge of supervisor's workload. I made travel arrangements through Defense Travel System. I used automation equipment to prepare correspondence such as documents and reports. I used network and stand alone computer systems equipped with email, calendars, graphic spreadsheets and data base management. I was also a timekeeper for ATAAPS system. I also provided assistance in proposal preparation and submission. I helped with building custodial duties for my supervisor. These duties consisted of key control, following security procedures with the safe and work orders.
02/26/2004 to 08/07/2004
Child & Youth Services
White Sands Missile Range, New Mexico

Clerk
Received children, youth, parents and other visitors in a courteous manner. Answered telephones, ascertain nature of call and direct caller to appropriate staff, took messages or personally provide desired information. Utilized an electronic cash register system and calculator to compute and record individual transactions for customers and entered data into predefined categories for regulatory signed statistical reports and tracking of income data as it pertains to the CYS program as required. Input data into CYMS as required. I provided administrative support including typing/word processing, mail preparation, copying, distribution, telephone calls, and travel orders for CYS personnel using AMEDD. Used office automation equipment and word processing software; prepared a variety of correspondence, memorandum, briefings, and Daily Activity and other reports for day-to-day operation. Referred to agency regulations, flip charts, dictionaries, and other typical office reference materials to ensure proper format, grammatical accuracy, and correct spelling. Other duties included maintaining records, files, statistical data, and suspense system. Initiate Civilian Personnel actions and helped track background clearance checks. I assisted in maintaining leave and attendance records. Other duties included preparing invoices, supply and equipment requests. Understood and articulated policies relating to patron fees, waiting lists and program events. Coordinated vacancies and reservations for the hourly care program as required. Worked cooperatively with Resource and Referral to track program vacancies and occupancy rates. Monitored supplies and resources which involved ordering office supplies. Assisted with facility key control and followed security procedures with the safe.

12/20/2001 to 02/25/2004
Child & Youth Services
White Sands Missile Range, New Mexico

Program Assistant
I maintained control and accounted for the safety and protection of children and youth. I established an environment which promoted positive child and youth interactions with other children, youth, and adults. I prepared curriculum/program materials and obtained needed supplies and equipment. I interacted with children and youth using approved child guidance and youth development techniques.

07/24/2001 to 12/01/01
Long Title Agency, LLC.
Tucson, Arizona

Policy Typist/Post Recording Clerk
Typed and distributed title policies to homeowners and lenders, working independently with no supervision. Prepared and distributed the monthly records to our underwriters. Recorded and staffed documents which were sent to the county clerk. Developed and maintained filing systems which contained sensitive information. Maintained and operated automated data processing equipment. Programs I worked with are Windows 2000, Excel, Power point and Access.

01/29/2001 to 07/15/2001
First American Title Insurance Company
Tucson, Arizona

Policy Typist
Typed and distributed title policies to homeowners and lenders, working independently with no supervision. Prepared and distributed the monthly records to our underwriters. Recorded and staffed documents which were sent to the county clerk. Developed and maintained filing systems which contained
sensitive information. Maintained and operated automated data processing equipment. Programs I worked with are Windows 2000, Excel, Power point and Access.

03/16/1999 to 01/03/2001  
**Western New Mexico Title Insurance Co., Inc.**  
Silver City, New Mexico

Policy Typist/ Title Plant Manager  
Managed the Title Plant, and maintained all documents, microfiche, and disks received from the courthouse. I independently typed and distributed title policies and commitments to homeowners and lenders. Prepared and distributed the monthly records to our underwriters. I assisted at the recording desk. Also in the packaging department, and maintained and operated automated data processing equipment.
EDUCATION

1991 High School Graduate, Cobre High School, Bayard, NM
1991-1992- attended Western New Mexico University, Silver City, NM
2007-2008 American Intercontinental University (online) – Associates of Arts in Business Administration, concentration in Information Systems, 90 Credit hours Earned

References

Lori Ortiz, Town Clerk-Town of Hurley, 101 Cortez Avenue/P.O. Box 65, Hurley, NM 88043
(575) 537-2287

George Esqued, Engineer- Engineer’s Inc.- 3400 Hwy 180 East, Suite A, Silver City, NM 88061
(575) 538-5395

Sharan Souza, Retired Preschool Director- St. Theresa Catholic School, 8311 Kaumualii Hwy, Kekaha,
HI, 96752
(808) 337-1605
Tab 13
MEMORANDUM

TO: MFA Board of Directors

Through: Contracted Services Committee – September 10, 2019

Through: Policy Committee – September 3, 2019

FROM: Gina Bell, Director of Community Development

DATE: September 18, 2019

SUBJECT: Eastern Regional Housing Authority (ERHA)
Request for Approval to Sell Rio Felix Apartments in Hagerman, NM

Recommendation:
MFA staff recommends that MFA’s Board approve the sale of Rio Felix Apartments in Hagerman, NM – owned by Eastern Regional Housing Authority (ERHA).

Background:
During the 2009 Legislative Session for the state of New Mexico, Senate Bill 20 (Laws of New Mexico 2009, Chapter 28) was enacted amending the Regional Housing Law 11-3A-29 NMSA 1978, to re-define the activities of the Regional Housing Authorities and to mandate that MFA provide oversight of certain activities. This oversight includes approval of a Regional Housing Authority’s need to enter into a transfer, sell or liquidation of real or personal property or to sign any contract, memorandum of understanding or other agreement with a value greater than $100,000.

In February 2018, MFA’s Board of Directors approved the sale of the Rio Felix Apartment however the sale fell through so ERHA reissued an RFP.

Discussion:
The ERHA development team considered numerous options for the rehabilitation of Rio Felix Apartments, a 20 unit complex, which is owned by the Regional Housing Authority of Region VI, New Mexico Inc., a New Mexico non-profit corporation and wholly owned subsidiary of ERHA. Due to the properties limited size and rural location, a realistic option did not present itself to ERHA. In order for the units to meet MFA design standards, the estimated cost of rehabilitation is approximately $40,000 per unit. Based on these per unit estimates, the total for the entire property would be $800,000. The property currently has $15,061 in their repair reserve and $3,371 in their operating account with accounts payable of $2,839.

To reduce risk and liability to ERHA posed by a declining property, and the fact that fair market rents in Hagerman would not sustain ERHA carrying additional debt by rehabbing the property, the development team made a decision to sell Rio Felix apartments. The proceeds of the sale will be transferred to
ERHA’s development account for the purpose of expanding the development of affordable housing in ERHA’s region.

ERHA has owned the property since May 16, 1985 and do not have any outstanding loans. In addition, there is no Land Use Restrictions Agreement (LURA) attached to the property and therefore there are no affordability requirements.

ERHA’s Board of Commissioners approved and adopted Resolution #19-08-04 for the sale of Rio Felix Apartments. The appraisal was performed by New Mexico Appraisal Company on November 29, 2018, and the value was determined to be $445,000.

ERHA released a RFP to solicit competitive bids for the sale of Rio Felix Apartments. The timeline of events is outlined below:

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement of RFP</td>
<td>7/14/19 &amp; 7/28/19</td>
</tr>
<tr>
<td>RFP document available</td>
<td>7/15/19</td>
</tr>
<tr>
<td>Deadline for submission of proposals</td>
<td>08/26/19</td>
</tr>
<tr>
<td>Proposal selection &amp; preliminary award</td>
<td>08/28/19</td>
</tr>
<tr>
<td>Protest deadline</td>
<td>08/30/19</td>
</tr>
<tr>
<td>Notice of final award no protest</td>
<td>08/31/19</td>
</tr>
<tr>
<td>Notice of final award with protest</td>
<td>09/13/19</td>
</tr>
</tbody>
</table>

Newspaper advertisements for the RFP were published in the Albuquerque Journal and Roswell Daily Record on July 14, 2019 and July 28, 2019. Three parties expressed interest in the property however only one official offer was received from Turnaround Properties, LLC.

The ERHA Rio Felix RFP evaluation committee consisted of:

- Waymon Dowdy, ERHA Board Chairperson
- Michael O’Hara, ERHA Board Vice Chairperson
- Ella Turner, ERHA Board Secretary
- Chris Herbert, ERHA Executive Director
- Irene Murillo, ERHA Deputy Director

The evaluation committee met to review the offer on August 27, 2019 and determined that Turnaround Properties’ proposal met the minimum requirements and therefore ERHA has chosen to accept the offer and move forward with the sale. To secure the sale of the property, ERHA and Turnaround Properties executed the purchase and sale agreement on September 1, 2019 as a good faith commitment to close the deal upon MFA’s Board of Director’s approval.

Turnaround Properties, LLC offered $460,000 for the Rio Felix Apartments and will be required to acquire the property within 45 days of execution of the purchase and sale agreement in “As Is” condition. Turnaround Properties’ offer also included an earnest deposit of $10,000. The agency will rehab and then utilize the property for workforce housing, charging fair market rents.

Turnaround Properties is headed by Todd Seidenschwarz. With the assistance of 17 employees and a gross annual revenue of $4M dollars, Mr. Seidenschwarz oversees and manages 439 multifamily units within the communities of Albuquerque, Roswell, Artesia and Carlsbad. The properties that the agency currently owns, operates and maintains include:
<table>
<thead>
<tr>
<th>Complex Name</th>
<th>Address</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pine Park</td>
<td>8201 Marquette NE, ABQ</td>
<td>40</td>
</tr>
<tr>
<td>Playa Del Sol</td>
<td>444 Florida SE, ABQ</td>
<td>58</td>
</tr>
<tr>
<td>Mesa Verde</td>
<td>502 Wyoming, Roswell</td>
<td>142</td>
</tr>
<tr>
<td>Eagle Creek</td>
<td>302 N. Fourth, Artesia</td>
<td>45</td>
</tr>
<tr>
<td>Yucca Flats</td>
<td>711 Tierra Del Sol, Carlsbad</td>
<td>34</td>
</tr>
<tr>
<td>Tia Maria</td>
<td>1900 W. Church, Carlsbad</td>
<td>40</td>
</tr>
<tr>
<td>Visa Del Sol</td>
<td>1002 N. Mesa, Carlsbad</td>
<td>48</td>
</tr>
<tr>
<td>Scattered Units</td>
<td>SW Albuquerque</td>
<td>20</td>
</tr>
<tr>
<td>Scattered Units</td>
<td>Carlsbad</td>
<td>12</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>439</strong></td>
</tr>
</tbody>
</table>

Attached for review are the following documents:

1. ERHA request for the sale of Rio Felix
2. Resolution to sell Rio Vista Apartments
3. Rio Felix Notice of RFP
4. Rio Felix Request for Proposal
5. Rio Felix RFP Proposal Response
6. Albuquerque Journal Affidavit
7. Roswell Daily Record Affidavit
9. ERHA Real Estate Owned Schedule
10. Rio Felix Purchase and Sale Agreement
   - Comparable information begins on page 27, followed by Sale Comparison Photos of other multi-family projects
   - Capitalization rate is 11.0% (page 44)

Currently, ERHA’s multi-family occupancy rate is 95-100%, which includes Rio Felix. Included in the package is ERHA’s full inventory list detailing the locations and number of units within their portfolio, which totals 513 low rent and public housing units.

**Summary:**
As required by Senate Bill 20, staff is seeking MFA Board approval for the sale of the Rio Felix Apartments located in Hagerman to Turnaround Properties, LLC in the amount of $460,000. Rio Felix Apartments is owned by the Regional Housing Authority of Region VI, New Mexico Inc., a New Mexico non-profit corporation and wholly owned subsidiary of Eastern Regional Housing Authority.
August 27, 2019

Gina Bell  
Assistant Director  
Community Development Department  
New Mexico Mortgage Finance Authority  
344 4th St. SW  
Albuquerque, NM 87102

Re: Sale of Rio Felix Apartments

Dear Ms. Bell:

This letter serves as Eastern Regional Housing Authority’s formal request to the New Mexico Mortgage Finance Authority to approve the sale of the Rio Felix Apartments.

See attached pertinent documentation:

- Board Resolution
- Notice of RFP
- RFP
- RFP Response
- Albuquerque Journal Proof of Publication
- Roswell Daily Record Proof of Publication
- Appraisal
- REO List
- Purchase & Sale Agreement

Please call me if you have any question concerning this request.

Sincerely,

Cesar Marenco  
Cesar Marenco  
Director of Real Estate Development
PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is made the 3rd day of September, 2019 (the “Effective Date”), by the EASTERN REGIONAL HOUSING AUTHORITY, a New Mexico Housing Authority ("Eastern") and the REGIONAL HOUSING AUTHORITY OF REGION VI, NEW MEXICO, INC., a New Mexico Non-Profit Corporation ("Region VI") created, as authorized by law, to act on behalf of the housing authority. (Eastern and Region VI being collectively referred to herein as the “Seller”) and Turnaround Properties, LLC, a New Mexico limited liability company ("Purchaser").

WITNESSETH:

WHEREAS, Region VI is the owner of a 20 unit apartment complex located at 221 West Argyle Street, Hagerman, Chaves County, New Mexico, which apartment complex is known as the Rio Felix Apartments (the “Apartment Complex”); and

WHEREAS, Seller desires to sell, and Purchaser desires to purchase, the Apartment Complex, including the personal property and related assets used in the operation thereof subject to the terms and conditions set forth below;

NOW THEREFORE, for valuable consideration, the receipt and sufficiency of which is acknowledged hereby, the parties do hereby agree and covenant as follows:

1. AGREEMENT TO SELL AND PURCHASE.

1.1 Sale of Assets. Subject to the terms and conditions of this Agreement, Seller agrees to sell and Purchaser agrees to purchase, the Apartment Complex, including the personal property and related assets used in the operation thereof. The assets of the Apartment Complex to be included as part of the sale contemplated hereby, shall include:

(a) the real property described on Exhibit A attached hereto and incorporated herein (the “Real Property”), together with any and all right, title and interest of Seller in and to any land lying in the bed of any street, road, alley or avenue, open or proposed, in front of or adjoining the Property, as well as, to the extend owned by Seller, any riparian or water rights, any mineral rights, air rights, all rights of way or use, servitudes, licenses, easements, tenements, hereditaments and appurtenances now or hereafter belonging to or benefiting the Real Property, of any, and owned by Seller (the "Land");

(b) all buildings, structures and improvements located on the Land ("Improvements");
(c) all furniture, fixtures, equipment, machinery, and other personal property
owned by Seller, situated on or in, or attached to and used in connection with the
operation of the Apartment Complex ("FF & E"). In conjunction with the foregoing,
all of Seller's supplies used in conjunction with the operation of the Apartment
Complex and located at the Apartment Complex shall be deemed to be part of the
personal property conveyed in accordance with the terms of this Agreement;

(d) all of Seller's right, title and interest in and to tenant leases and residency
agreements for any apartment units which are a part of the Apartment Complex (the
"Tenant Leases"), which Tenant Leases are in effect as of the Date of Closing;

(e) to the extent assignable, all licenses, permits, certificates of occupancy,
and approvals issued by governmental or quasi-governmental bodies, benefiting the
Apartment Complex ("Permits");

(f) to the extent assignable, unexpired warranties, guaranties or other
agreements, if any, benefiting the Apartment Complex ("Warranties");

(g) all books and records, rent rolls, tenant lists, and tenant applications
which are in Seller's possession and control as of the Date of Closing and which
pertain to the Seller's operation and use of the Apartment Complex ("Operating
Records");

(h) all architectural and engineering plats, plans and specifications,
environmental reports, and surveys of the Apartment Complex, if any, which are in
the Seller's possession and control ("Plans");

(i) all trade names, including the name "Rio Felix Apartments", trademarks,
logos, telephone numbers, post office boxes for the Apartment Complex, and other
personal property, tangible or intangible, if any, owned by Seller and situated on or
in the Apartment Complex and used in connection with the Seller's ownership and
operation of the Apartment Complex ("Other Personal Property").

1.2 The Apartment Complex, including the real estate, personal property and
related assets hereinbefore described which constitutes a part of the Apartment Complex will
be conveyed to Purchaser on the Date of Closing "as is", "where is", with all faults and with
no representations and/or warranties whatsoever, including those warranties relating to
fitness for any particular purpose, except for warranties relating to title to the real property.

2. PURCHASE PRICE AND METHOD OF PAYMENT.

2.1 Purchase Price. The Purchase Price to be paid by Purchaser at Closing shall
be $460,000.00.

2.2 Method of Payment of Purchase Price. The Purchase Price shall be paid by
Purchaser to Seller at Closing in cash or immediately available funds.
2.3 **Earnest Money Deposit.** The Parties acknowledge that Purchaser has paid an Earnest Money Deposit of $10,000.00 (the "Earnest Money Deposit") which will be tendered to Landmark Title (the "Escrow Agent"), at Escrow Agent's office located at 109 West Third Street, Roswell, New Mexico, ("Escrow Agent"), along with a triplicate original of this Contract. The Escrow Agent shall place the Earnest Money Deposit in a trust account in an institution whose deposits are insured by FDIC or otherwise approved in writing by the Purchaser. The Earnest Money Deposit together, with interest accrued thereon, if any, shall be (a) applied to the Purchase Price at Closing if Closing occurs; or (b) returned to Purchaser in the event of Seller's default or failure of a condition hereunder and termination of this Agreement in accordance with the terms hereof; or (c) paid to Seller in the event that Purchaser defaults hereunder and the Contract is terminated in accordance with its terms. In the event the Earnest Money Deposit is paid to Seller as a result of the Purchaser's default hereunder, such payment will be deemed to be liquidated damages for Purchaser's default, and shall be Seller's sole and exclusive remedy for Purchaser's default hereunder. In the event of Seller's default before Closing for any reason, Purchaser shall be entitled to terminate this Agreement, in which case Purchaser shall be entitled to the return of the Earnest Money Deposit as its sole and exclusive remedy.

3. **ACCESS TO PROPERTY.**

3.1 **Purchaser’s Access.** From the Effective Date of this Agreement until this Agreement closes (the “Access Period”), Purchaser shall have access to the Apartment Complex for the purpose of inspecting same. Should the Purchaser desire to exercise such access rights, Purchaser shall notify Seller at least three (3) business days prior to the date on which Purchaser wishes to access the Apartment Complex and shall provide Seller with the date and time on which it is requesting such access, the name of the person or persons who wish to access the Apartment Complex, and the reason that such access is being requested. Purchaser acknowledges that it may not, during the Access Period, conduct any testing on the Apartment Complex or any portion thereof, nor may any observations of investigations of Purchaser during such access provide any basis for terminating this Agreement and receiving a refund of Purchaser’s Earnest Money Deposit. Purchaser may exercise any right of access afforded hereunder only during normal business hours and only in such a manner so as not to interrupt the normal activities of any of the tenants who are occupying units in the Apartment Complex, or their families, or invitees. During such time as Purchaser exercises any of the access rights granted herein, Purchaser shall not be entitled to enter into any apartment unit which is a part of the Apartment Complex, unless such unit is vacant and has not been leased to any tenant. Should the Seller so desire, in its sole and absolute discretion, a representative of Seller may accompany Purchaser or its representatives at any time Purchaser exercises the access rights afforded to it hereunder.

3.2 **Access at Risk of Purchaser.** Should Purchaser determine that it wishes to access the Apartment Complex during the Access Period, Purchaser shall enter the Apartment Complex, including any portion thereof, at its own risk and shall be responsible for the acts and omissions of and injuries to its agents, contractors, employees and
consultants ("Purchaser’s Parties"). Purchaser covenants to indemnify, defend and hold Seller and Seller’s partners, officers, manager, agents, employees and contractors ("Seller’s Parties") harmless from all losses, damages, claims, liability and costs, including reasonable attorneys’ fees, arising from or incurred as a result of any entry by Purchaser or Purchaser’s Parties, onto the Apartment Complex, including any portion thereof, not caused by the gross negligence, willful misconduct or other fault of Seller or Seller’s Parties. Purchaser shall, at Purchaser’s own expense, promptly repair any damage to the Apartment Complex caused by Purchaser or Purchaser’s Parties. If any repair is required, such repair shall be done promptly and in a manner acceptable to Seller, its sole and absolute discretion, and shall be of a quality which shall be at least as good that of the Improvements which are a part of the Apartment Complex as of the date of Purchaser’s damage to the Apartment Complex, or any part thereof. Notwithstanding anything else contained in this Agreement to the contrary, the Purchaser’s covenants and indemnities contained in this Paragraph 3 shall survive the termination of this Agreement, and shall also survive the Closing.

4. MFA APPROVAL. The parties acknowledge that a prerequisite to the sale of the Apartment Complex by Seller to Purchaser is the approval of the New Mexico Mortgage Finance Authority ("MFA"), which has financial and operational oversight over regional housing authorities pursuant to the provisions of NMSA 1978, § 11-3A-30. Accordingly, within five (5) business days after the Effective Date of this Agreement, Seller shall submit an application to MFA requesting that MFA approve the sale of the Apartment Complex to Purchaser contemplated by this Agreement. Proof of such submission shall be provided by Seller within two (2) business days after such submission has been made. Purchaser covenants and agrees that it will cooperate with Seller in that application process, and will promptly and accurately provide any information requested by MFA which relates to the Purchaser and/or its purchase and operation of the Apartment Complex, which as not been previously provided by Purchaser to Seller. The parties hereto acknowledge that MFA is under no obligation whatsoever to approve such transfer.

5. CLOSING TIME AND PLACE.

5.1 Closing Time. The sale and purchase of the Apartment Complex ("Closing") shall occur upon a date (the "Closing Date") and at a time selected by the Parties, which closing date shall be no later than: a) October 18, 2019; or, b) within ten (10) days after the date on which the parties receive MFA’s approval of the sale of the Apartment Complex to Purchaser. Provided however that in the event that MFA denies its approval of the sale contemplated by the terms of this Agreement then this Agreement shall be deemed terminated, in which event the Earnest Money Deposit shall be returned to the Purchaser, and neither party shall have any further rights or obligations hereunder, except as specifically set forth herein. Further provided that in the event that MFA has not approved the sale contemplated hereby by December 31, 2019, either party shall be entitled to terminate this Agreement by giving notice to the other, whereupon the Earnest Money Deposit will be returned to Purchaser, and neither party shall have any obligation to the other, except as set forth herein. In the event this Agreement is terminated as a result of MFA’s denial of its approval of the sale contemplated hereby, or should MFA fail to approve the transaction contemplated hereby on or before December 31, 2019, then the parties shall execute an
agreement so providing, and directing the Escrow Agent to return the Earnest Money Deposit to Purchaser.

5.2 Closing Place. Unless the parties otherwise agree, Closing shall take place at the office of the Escrow Agent in Roswell, New Mexico.

6. CONDITIONS TO CLOSING.

6.1. Purchaser’s Precedent’s for Closing. The obligations of Purchaser to close hereunder are subject to the following conditions precedent:

(a) The parties shall have received MFA’s approval of the sale of the Apartment Complex from Seller to Purchaser.

(b) There shall have been no material adverse change in the physical condition of the Apartment Complex from the Effective Date of this Contract to the Closing of the transaction contemplated hereby;

(c) There shall have been no material adverse change in the status of title to the surface interest of the Real Estate which is a part of the Apartment Complex from the date of issuance of the Title Commitment provided to Purchaser at the time it received its information precedent from Seller to the Closing;

(d) Seller shall have delivered the Special Warranty Deed and other instruments of conveyance and relating to title, as required under this Agreement, and shall have performed each and all of the obligations to be performed by Seller hereunder;

(e) There shall be no outstanding violations, as determined by governmental agencies or authorities having jurisdiction over the Apartment Complex, that arose after the Effective Date and with respect to which Purchaser had no notice; provided, however, that Seller shall have the right, but not the obligation, to attempt to cure any such violation for which it receives notice after the Effective Date and to extend the Closing Date for a period of time up to thirty (30) days to cure the conditions which are the subject matter of such violation;

(f) Landmark Title Company, of Roswell, New Mexico, shall have confirmed that it is ready, willing and able to issue a owner’s policy of title insurance, enabling that Purchaser will have marketable free simple title to the Real Property being conveyed to Purchaser, free and clear of liens and/or mortgages, except for tenant leases, conditioned upon Purchaser’s payment of the Purchase Price, and the parties having providing all of the documentation required by Landmark Title Company as set forth in Schedule B of the Title Commitment.

6.2 Seller’s Precedents for Closing. The obligations of Seller to close hereunder are subject to the following conditions precedent:
(a) The parties shall have received MFA’s approval of the sale of the Apartment Complex from Seller to Purchaser;

(b) Purchaser’s performance of its obligations hereunder, including payment of the Purchase Price.

7. CLOSING.

7.1 Conveyances and Deliveries at Closing.

(a) At Closing, Seller shall execute (where appropriate) and deliver or caused to be delivered to Purchaser the following:

1. A duly executed and acknowledged Special Warranty Deed for the Real Property, which shall include the surface of the Real Property and any minerals or other interests, if any, owned by Seller;

2. A Bill of Sale for FF & E, which shall include provisions which confirm that such assets are being conveyed without warranty of any kind, on an “as is”, “where is” basis, with no representations or warranties as to any item’s condition, or fitness for any particular purpose.

3. A duly executed and acknowledged Assignment of Seller’s interest in those Tenant Leases for any units in the Apartment Complex, for which leases are in existence as of the Closing Date, together with copies of all Leases which are assigned hereunder and any files relating to such leases or the tenants who are parties to such leases.

4. Tenant notification letters in a form approved by both Seller and Purchaser, and in a form which complies with New Mexico law, notifying those Tenants who are leasing units in the Apartment Complex as of the Closing Date, of the sale of the Apartment Complex, and the assignment of their leases to Purchaser, as well as Purchaser’s contact information.

5. Any security deposits which Seller holds under the terms of tenant leases being assigned to Purchaser, for those tenant leases which are in effect as of the Closing Date. Purchaser covenants and agrees that it will, as to such security deposits, assume all obligations of the Seller under the terms of the tenant leases and under applicable law, and will indemnify and hold Seller harmless for any causes of action relating to such security deposits, as well as any matters which arise under the terms of any of the tenant leases on or after the Closing Date.

6. Copies of all the rent rolls for those units which are located in the Apartment Complex which are subject to existing leases as of the Closing Date.
7. Cash or immediately available funds representing prorated Lease payments which have actually been collected by Seller, such prorations to be made as of the Closing Date for those tenant leases being assigned to Purchaser pursuant to the terms of this Agreement.

8. An affidavit as to mechanics’ liens and possession required by, and in a form acceptable to the title company which will be issuing title insurance on the Real Property, and such evidence of Seller’s authority to consummate this transaction as is reasonably acceptable to Purchaser and the company which is issuing title insurance on the Real Property.

9. A certification as to Seller’s non-foreign status and such other federal or state forms as are customarily signed at the Closing of a real estate transaction or as may be required by the title company which is issuing title insurance on the Real Property, or the closing agent who will be closing this transaction.

10. A standard owner’s policy of Title Insurance, issued by Landmark Title Company, in Roswell, New Mexico, which policy shall be in the amount of $460,000.00. Such policy shall include the standard exceptions normally found in such title insurance policy. Should Purchaser wish any of the standard exceptions to be removed, or should Purchaser wish additional endorsements, Purchaser may obtain such removal of exceptions or obtain the additional endorsements, both of which shall be made at Purchaser’s sole cost and expense.

11. All other documents which may be deemed necessary or desirable by either of the parties hereto, or the title company, which is issuing title insurance on the Real Property, or the closing agent, in order to close the transaction contemplated hereby.

(b) Purchaser’s Deliverables. At Closing, Purchaser shall execute, where appropriate, and deliver or cause to be delivered, the following:

1. Cash or immediately available funds in the amount of the Purchase Price.

2. Any cash required pursuant to the terms of this Agreement to be paid by Purchaser to the Title Company or Seller to close the transaction contemplated by this Agreement.

3. Such evidence of Purchaser’s authority to consummate this transaction as is reasonably acceptable to Seller and to Landmark Title Company, who is issuing an owner’s policy of title insurance issuing title to the Real Property at such time as the transaction contemplated hereby closes.

4. All other documents which may be deemed necessary or desirable by either of the parties hereto, or the title company which is issuing title insurance on
the Real Property, or the Closing agent, in order to close the transaction contemplated hereby.

7.2 Prorations. The following items are to be prorated as of the Closing Date:

(a) Real estate and personal property taxes, if any, shall be prorated as of the Closing Date.

(b) All collected rents shall be prorated as of the Closing Date. Provided however that the prorated portion of all uncollected rents for the month of Closing ("Delinquent Rents") shall remain Seller's property. Purchaser agrees to make a good faith effort after Closing to collect Delinquent Rents and shall promptly deliver Seller's portion to Seller, provided that Purchaser shall not be obligated to institute a lawsuit or other legal process to recover Delinquent Rents, and further provided that Seller shall be entitled to prosecute any and all legal actions, whether commenced by Seller before or after the Closing Date, against any resident owing Delinquent Rents.

7.3 Title Insurance and Closing Costs. Landmark Title Insurance Company, Roswell, New Mexico, shall issue an owner's policy of title insurance, insuring marketable fee simple title to the Real Property, subject only to those exceptions set forth in the Title Commitment which has been provided by Seller to Purchaser. Seller shall pay the cost of the owner's title insurance on the Real Property. Seller shall pay the cost of recording the Special Warranty Deed. All other costs and expenses relating to the Closing of the transaction contemplated thereby shall be shared equally between the Seller and the Purchaser.

7.4 Utilities. The parties acknowledge that the gas and electricity which are provided to each of the units in the Apartment Complex are separately metered for each unit. With respect to all the utilities provided to the Apartment Complex, to the extent same are not the responsibility of each individual unit located in the Apartment Complex, such utilities shall be read as of the Closing Date. Seller shall execute all forms required to transfer all utilities to Purchaser. At Closing, all charges for utilities which are the responsibility of the Seller and not the individual residents, shall be prorated based upon the meter readings and Seller shall pay the full amount of all utilities supplied to the Apartment Complex up to the Closing Date. All charges for utilities which are not the responsibility of the residents of the Apartment Complex and which are thereafter furnished to the Apartment Complex shall be the responsibility of and shall be paid by the Purchaser. Seller shall receive a credit at Closing for any utility deposits transferred to Purchaser. Purchaser shall provide its own utility deposits, if any, which may be required by the utility companies serving the Property.

7.5 Matters Pertaining to Employees. Region VI has no employees. However, the Seller has engaged a professional management company to manage the Apartment Complex. As of the Closing Date, Seller shall terminate the management company and shall pay to the management company all compensation due it under the terms of the management contract.
7.6 Notices to Tenants. The parties covenant and agree that on the date that the transaction contemplated hereby closes, that they will provide to each tenant of the Apartment Complex, notice that ownership of the Apartment Complex has changed, which notice shall include all information required by applicable law. The form of notice shall be agreed to by Purchaser and Seller.

8. SELLER’S REPRESENTATIONS AND WARRANTIES. Seller represents and warrants as follows:

8.1 Ownership of Assets. Region VI owns the assets of the Apartment Complex as described herein, and has the right to enter into this Agreement, subject to the terms and conditions set forth herein. The assets to be sold to Purchaser pursuant to the terms of this Agreement, including the Real Property, are free and clear of any liens and encumbrances.

8.2 Authority to Sign. The person executing this Agreement on behalf of both Region VI and Eastern are authorized to do so, and upon the execution of this Agreement by the parties hereto, this Agreement shall be a valid and binding obligation of the both Region VI and Eastern, enforceable against said entities in accordance with its terms.

8.3 No Conflict. Neither the execution nor the delivery of this Agreement or the documents contemplated hereby, nor the consummation of the conveyance of the assets being sold hereunder to Purchaser, will conflict with or cause a breach of any of the terms and conditions of, or constitute a default under, any agreement, covenant, license, permit, lien, encumbrance, or other instrument or obligation by which Seller or the Property is bound, other than matters which will be released or terminated at or prior to Closing.

8.4 No Condemnation Proceedings. To the best of Seller’s knowledge, there is no condemnation or eminent domain or similar proceedings, pending or threatened, against the Apartment Complex, or any part thereof.

8.5 Maintenance of Operation. From the Effective Date to the Closing Date, Seller covenants that, subject to events beyond its control, Seller shall continue to operate the Apartment Complex in substantially the same manner and condition as the Apartment Complex has been operated and maintained prior to the Effective Date.

9. PURCHASER’S REPRESENTATIONS AND WARRANTIES. Purchaser represents and warrants as follows:

9.1 Legal Status of Purchaser. Purchaser is a New Mexico limited liability company. Purchaser has full power and authority to enter into the transaction contemplated hereby.

9.2 Authority to Sign. The person executing this Agreement on behalf of the Purchaser is duly authorized to do so, and when this Agreement has been signed by the parties hereto, it will constitute the legal, valid and binding obligation of Purchaser, enforceable in accordance with its terms.
9.3 No Conflict. Neither the execution nor the delivery of this Agreement or the documents contemplated hereby, nor the consummation of the Purchaser's purchase of the assets being sold hereunder, will conflict with or cause a breach of any of the terms and conditions of, or constitute a default under, any agreement, covenant, license, permit, or other instrument or obligation by which Purchaser or Purchaser's assets are bound or otherwise governing Purchaser or Purchaser's assets.

9.4 No Dissolution or Receivership. Purchaser is not in receivership or dissolution, has not made an assignment for the benefit of creditors or admitted in writing its inability to pay its debts as they mature; has not been adjudicated a bankrupt or filed a petition in voluntary bankruptcy or petition or answer seeking reorganization or an arrangement with creditors under the Federal bankruptcy law or any similar law or state of the United States or any jurisdiction and no such petition has been filed against Purchaser and to the best of its knowledge, none is threatened.

9.5 Purchaser is Being Made of Assets on an as is Basis. Purchaser represents that prior to its execution of this Agreement it has been afforded the opportunity to conduct such inspections and investigations of the Apartment Complex as it shall deem necessary or desirable in determining whether or not to purchase the Apartment Complex and the assets thereof. Purchaser acknowledges that it is acquiring the Apartment Complex and each part thereof “as-is” “where is”, with all faults, and solely in reliance on its own inspections, investigations and inquiries, and not based on any representation or warranty made by Seller. Except as expressly provided herein, neither Seller, nor any agent, representative or employee of Seller has made any representations or warranties, express or implied, oral or written, with respect to the Apartment Complex, its condition, its profitability, and/or its fitness for any particular purpose, except as expressly set forth herein.

10. NOTICES. All notices called for hereunder shall be in writing and shall be deemed to have been given when made by (a) personal delivery; (b) nationally recognized expedited delivery service with proof of delivery and with delivery scheduled for the next business day; or (c) United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

If to Seller: c/o Eastern Regional Housing Authority
106 East Reed Street
Roswell, NM 88203
Attn: Chris Herbert
If to Purchaser: Turnaround Properties, LLC
502 S. Wyoming
Roswell, NM 88203
Attn: Todd Seidenschwarz

or to such other address as the party to receive such notice may hereafter request by written notice to the other. Such notice shall be deemed to have been given either at the time of personal delivery or, in the case of delivery service or mail as of the second business day after the date on which the notice was placed in the United States Mail or was tendered the recognized commercial courier, in either case with all fees paid.

11. BROKERS. Each of the parties to this Agreement recognizes, agrees and acknowledges to the other that no brokers have been utilized to facilitate the transaction contemplated hereby, and Seller and Purchaser each agree to indemnify and hold the other harmless from and against any and all losses, liens, claims, judgments, liabilities, costs, expenses or damages (including reasonable attorneys' fees and court costs) of any kind or character arising out of or resulting from any agreement, arrangement or understanding alleged to have been made by the indemnifying party or on its behalf with any broker in connection with this Agreement or the transactions contemplated hereby.

12. CONDEMNATION; CASUALTY LOSS.

12.1 Prior to Closing. If any taking of the Apartment Complex, or any part thereof, or any condemnation pursuant to the power of eminent domain is proposed or occurs, as to all or any portion of the Apartment Complex, or a sale occurs in lieu thereof, the Purchaser shall be entitled to elect within ten (10) days after notice from Seller to Purchaser of such intended taking by eminent domain or sale in lieu thereof either to (a) terminate this Agreement; or (b) proceed to the Closing, in which event all proceeds, awards and other payments arising from any such taking or sale shall be paid to the Purchaser, with no adjustment of the Purchase Price to be paid at Closing. If the Purchaser elects to terminate this Agreement, Escrow Agent shall return the Earnest Money Deposit to Purchaser and the parties hereto thereafter shall have no further obligations or liabilities to one another hereunder, except as otherwise specifically provided herein.

12.2 Casualty or Loss Prior to Closing. If all or a substantial part of the Property is destroyed or damaged prior to Closing of the transaction contemplated hereby, Seller shall give Purchaser written notice thereof whereupon Purchaser shall have the option, exercisable in writing, within ten (10) days after receipt of notice from Seller of the loss, to terminate this Agreement or to proceed with the Closing. If Purchaser fails to give Seller written notice of its termination of this Agreement pursuant to this Paragraph 12.2 within the said ten (10) day period, Purchaser shall be deemed to have elected to proceed to Closing. If Purchaser elects to terminate this Agreement, the Earnest Money Deposit shall be returned to Purchaser by the Escrow Agent and, thereafter the parties shall have no further rights, duties or obligations hereunder except as otherwise expressly provided herein. If Purchaser elects or is deemed to have elected to proceed to Closing, or if the damage to the Property is not substantial as defined herein below in this Paragraph 12.2, Purchaser shall be obligated to
proceed with the Closing without a reduction in the Purchase Price, but Purchaser shall be entitled to any insurance proceeds otherwise payable by insurance companies to Seller as a result of such damage, and Seller shall assign to Purchaser all of Seller’s rights to such proceeds at Closing. In such event Seller shall pay to the Purchaser the amount of any deductible under the insurance policy. For purposes of this Paragraph 12.2, destruction or damage to the Property shall be deemed "substantial" only if the loss in question exceeds five percent (5%) of the Purchase Price as determined by written estimates of the actual cost to repair and restore the destruction and damage, which written estimate shall be obtained by Seller from a licensed general contractor, or from a public insurance adjusting firm.

13. INDEMNIFICATION. Purchaser agrees to indemnify and hold Seller harmless from any and all causes of action which arise from, or which are related to, Purchaser’s acquisition of the Apartment Complex.

14. MISCELLANEOUS.

14.1 Entire Agreement. This Agreement constitutes the entire agreement between the parties regarding the subject matter hereof, and may not be modified or changed except by written instrument executed by both Seller and Purchaser. All prior negotiations, understandings and agreements are superseded and are merged herein.

14.2 Illegal Provision. If one or more of the provisions of this Agreement or any application thereof shall be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions hereof, and any application thereof, shall in no way be affected or impaired and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

14.3 Pronouns. All pronouns shall be construed to be of such gender and number as the context may require.

14.4 Counterparts. This Agreement may be executed in counterparts and such counterparts shall, for all purposes, constitute one agreement binding on the parties hereto, notwithstanding that the respective parties have not signed the same counterpart, and facsimile counterparts are acceptable.

14.5 Successors. The terms and provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns, except as expressly set forth herein.

14.6 Assignment. Purchaser may assign this Agreement only with the prior written consent of Seller. Seller may condition such consent on any basis which Seller desires. Not such assignment shall relieve, terminate or excuse Purchaser from its obligations hereunder.
14.7 Waiver. The parties to this Agreement may waive any of the conditions contained herein or any of the obligations of the other party hereunder, but any such waiver shall be effective only if in writing and signed by the party waiving such condition or obligation. Any past waiver shall not operate as a future waiver of the same terms, covenants, conditions or provisions, or prevent the future enforcement thereof.

14.8 Survival. Except as specifically provided to the contrary in this Agreement, all of the representations, warranties, indemnities and agreements herein shall survive Closing and the delivery of the deed of conveyance for the Property.

14.9 Captions. All captions and headings are for convenience or reference only and do not constitute a part of this Agreement or affect its meaning.

14.10 Applicable Law. This Agreement shall be construed in accordance with the laws of the State of New Mexico. Venue for any cause of action, controversy or dispute regarding this Agreement or the subject matter hereof shall be properly brought only in the courts of competent jurisdiction where the Property is located and each party consents to the jurisdiction of such courts.

14.11 Execution by Escrow Agent. Escrow Agent executes this Agreement to acknowledge and be bound by its duties and obligations expressly provided herein.

14.12 Time. Time is of the essence in all things and matters relating to the performance of this Agreement.

WITNESS our hands effective as of the date set forth at the beginning of this Agreement.

SELLER:

Eastern Regional Housing Authority
A New Mexico Housing Authority

By: [Signature]

Chris Herbert
President

Regional Housing Authority of Region VI
New Mexico, Inc., a New Mexico Non-Profit Corporation
PURCHASER:

Turnaround Properties, LLC,
a New Mexico limited liability company

Its: Sole Member and Manager
By: Todd Seidenschwarz

ESCROW AGENT:

By: Marrone

Its: Escrow Officer

Dated: Sept. 9th, 2019

EXHIBIT A

Legal Description

The East 5 acres of the S1/2NW1/4SW1/4 of Section 10 in Township 14, South, of Range 26 East of the New Mexico Principal Meridian, in the County of Chaves and State of New Mexico

SUBJECT to roadway along the South Boundary of subject property, as evidenced in Deed dated March 23, 1923, filed March 26, 1923 and recorded in Book 59, Page 482, of the Deed Records of Chaves County, New Mexico;

SUBJECT to Easement conveyed to Southwestern Public Service Company as evidenced by Grant dated February 26, 1985, filed March 11, 1985 and recorded in Book 272, Page 444, Miscellaneous Records;
SUBJECT to ditch as shown on Location Improvements survey by Dick Wright Inc., dated May 14, 1985, W. O. No. R-5126.

SUBJECT to “Real Estate Mortgage for New Mexico” dated May 16, 1985, and filed for record on May 16, 1985 in Book 410 at Page 58 of the Mortgage Records of Chaves County, New Mexico.
RESOLUTION RHA #19-08-04

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE EASTERN REGIONAL HOUSING AUTHORITY APPROVING THE SALE OF RIO FELIX APARTMENTS IN HAGERMAN, NEW MEXICO.

WHEREAS, the Eastern Regional Housing Authority recommends the sale of Rio Felix Apartments; and

WHEREAS, Rio Felix Apartments has substantially constrained the financial condition of the Eastern Regional Housing Authority; and

NOW, THEREFORE, LET IT BE KNOWN that the Board of Commissioners of the Eastern Regional Housing Authority approves the sale of Rio Felix Apartments subject to the contingencies listed above.

PASSED, APPROVED AND ADOPTED this 24th day of August, 2019

[Signature]
Board Chairperson

[Signature]
Secretary
NOTICE OF REQUEST FOR PROPOSALS
FOR THE PURCHASE OF THE RIO FELIX APARTMENTS,
HAGERMAN, NEW MEXICO

Effective Date: July 14, 2019

Eastern Regional Housing Authority (Successor to the Regional Housing Authority for Region VI New Mexico), herein after referred to as “ERHA”, is seeking proposals for the purchase of the Rio Felix Apartments, herein after referred to as “RFA”.

PROPERTY DESCRIPTION. RFA is an existing multifamily rental development built in 1984. It consists of 20 units on a site that is approximately 6.75 acres, of which 1.75 acres is excess vacant land, and is located at 221 W. Argyle St., Hagerman, NM (on the northwest corner of W. Argyle St. and S. Oxford Rd).

MINIMUM OFFER. ERHA will award the Request For Proposal to the offeror submitting the best cash offer. The property has an “as is” market value of $445,000.00 (Four hundred forty five thousand and no/100). Any proposal submitted in response to this Request for Proposals must be for a purchase price of no less than 445,000.00 (the “Minimum Purchase Price”). Any proposal submitted for a purchase price of less than the Minimum Purchase Price will be rejected as being non-responsive.

REQUEST FOR PROPOSAL COPIES. A complete packet of materials regarding the Request for Proposal identified herein, including the Request itself may be obtained in person from the ERHA’s office located at 106 East Reed, Roswell, New Mexico, 88203 or obtained via email by contacting Director of Real Estate Development Cesar Marenco at 575-520-5158 or cmarenco1@aol.com.

SUBMITTAL DEADLINE. The Proposal due date is Monday, August 26, 2019 by 4:00 P.M. Mountain Standard Time. Proposals must be submitted to the ERHA at its office located at 106 East Reed Street, Roswell, New Mexico 88203.

Chris Herbert, Executive Director
Eastern Regional Housing Authority
REQUEST FOR PROPOSAL
Eastern Regional Housing Authority
Effective Date: July 14, 2019

Eastern Regional Housing Authority (Successor to the Regional Housing Authority for Region VI New Mexico) (hereinafter to be referred as “ERHA”), is soliciting competitive, sealed proposals for the purchase of the Rio Felix Apartments located in Hagerman, New Mexico. A hard copy of the Request for Proposals may be obtained in person from the ERHA main office located at 106 East Reed, Roswell, New Mexico, 88203 or via email by contacting Cesar Marenco at 575-520-5158 or cmarenco1@aol.com.

I. CONDITIONS GOVERNING THE REQUEST FOR PROPOSAL

A. Proposal Timeline.

<table>
<thead>
<tr>
<th>Action</th>
<th>Responsibility</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertisement of RFP</td>
<td>ERHA</td>
<td>July 14, 2019</td>
</tr>
<tr>
<td>Advertisement of RFP</td>
<td>ERHA</td>
<td>July 28, 2019</td>
</tr>
<tr>
<td>RFP Documents Available</td>
<td>ERHA</td>
<td>July 15, 2019</td>
</tr>
<tr>
<td>Begin Submission of Email Questions</td>
<td>Offerors</td>
<td>July 15, 2019</td>
</tr>
<tr>
<td>Deadline for Submission of Email</td>
<td>Offerors</td>
<td>August 19, 2019</td>
</tr>
<tr>
<td>Questions</td>
<td>ERHA</td>
<td>August 21, 2019</td>
</tr>
<tr>
<td>Deadline for Submission of Proposal</td>
<td>Offerors</td>
<td>August 26, 2019</td>
</tr>
<tr>
<td>Proposal Evaluation</td>
<td>Evaluation</td>
<td>August 27, 2019</td>
</tr>
<tr>
<td>Committee</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proposal Selection &amp; Preliminary</td>
<td>Evaluation</td>
<td>August 28, 2019</td>
</tr>
<tr>
<td>Award</td>
<td>Committee</td>
<td></td>
</tr>
<tr>
<td>Notice of Preliminary Award</td>
<td>ERHA</td>
<td>August 28, 2019</td>
</tr>
<tr>
<td>Protest Deadline</td>
<td>Offeror</td>
<td>August 30, 2019</td>
</tr>
<tr>
<td>Notice of Final Award (No Protest)</td>
<td>ERHA</td>
<td>August 31, 2019</td>
</tr>
<tr>
<td>Notice of Final Award (With Protest)</td>
<td>ERHA</td>
<td>September 13, 2019</td>
</tr>
</tbody>
</table>

B. Description of Property to be Sold. ERHA desires to sell the Rio Felix Apartments, (hereinafter referred to as “RFA”), located at 221 Argyle Street, Hagerman, New Mexico 88232. RFA is a 20 unit multi-family housing development built in 1984. The Regional Housing Authority for Region VI, New Mexico, through a non-profit corporation formed to act on its behalf (collectively “Region VI”) was the original developer of RFA. Region VI and ERHA, Region VI’s successor (such entities being collectively referred to herein as the “Seller”), have owned and operated RFA since it was first constructed in 1984. RFA is comprised of 9 buildings, 8 of which contain apartments. The ninth building contains an office and laundry facilities. There are 10 two-bedroom apartments, 8 three-bedroom apartments, and 2 four-bedroom apartments at the site.
RFA was appraised on January 1, 2019 and was deemed to have an “as is” market value as of January 1, 2019 of $445,000.00. Any proposal submitted in response to this Request for Proposal must be for no less than the appraised market value of $445,000.00.

The sale of RFA pursuant to any Proposal received in response to this RFP will be strictly on an “as-is” basis, without warranties, assurances or representations of any kind by Seller, except for those warranties of title made in the Special Warranty Deed for the real property on which RFA is located, which Special Warranty Deed which will be provided to the Successful Offeror at closing of the transaction contemplated by the terms of this Request for Proposal.

C. Outstanding Financial Obligations. There are no outstanding encumbrances or mortgages to which the assets of RFA are subject at this time. However, the Successful Offeror will be required to assume the obligations of the Seller under the terms of any tenant leases which will be assigned to the successful offeror at the Closing of the transaction contemplated by this Request for Proposal. Any security deposit for leases which are being transferred at Closing will be set over to the Successful Offeror at Closing.

D. Due Diligence Investigations regarding RFA. Prior to the date on which any Potential Offeror is required to submit a proposal for the purchase of RFA and upon request of the Potential Offeror, Seller will provide to the Potential Offeror a copy of a title commitment for the real property on which RFA is located, the January 1, 2019 appraisal for RFA, rental rolls for RFA and an operational history for RFA.

In addition, the Potential Offeror will also be afforded an opportunity to inspect the apartment complex for RFA, and to perform such testing at the apartment complex site as such Potential Offeror shall determine is reasonable or necessary to allow it to determine whether or not such party wishes to respond to the Request for Proposal being solicited hereby ERHA. Prospective Offerors may inspect RFA by prior appointment only, during that period beginning July 17, 2019 and ending August 19, 2019. Inspections will be permitted Monday through Friday during the hours of 9:00 a.m. to 5:00 p.m. and must be performed in such a way so as not to disrupt the activities or occupancy of any tenant. Potential Offerors must contact ERHA Director of Real Estate Development Cesar Marenco at 575-520-5158 or cmarenco1@aol.com to schedule an inspection appointment. Prospective Offerors will be permitted to visually inspect the property and with ERHA’s prior approval conduct testing or other analyses, intrusive or otherwise, on any portion of RFA during such inspection. Each Potential Offeror who desires to physically inspect RFA will be required to disclose the type of testing or analysis that will be performed, the time frame when he wishes to have such testing or analysis performed, and the name, address, and phone number and license number, if applicable, of the person or company performing the testing or analysis. Any person or company performing the testing or analysis will be required to provide evidence of property, liability and workers compensation insurance coverage to address possible physical damages and injury to life. The Prospective Offeror who causes to be conducted such testing and analysis will be responsible for repairing any damages caused during the inspection and restoring the RFA property to a condition which was as least as good as, if not better than the condition such property was in prior to such
inspection or analysis. In addition, the Prospective Offeror who wishes to conduct such testing or analysis will be required to provide Seller a $5,000.00 deposit in the form of a money order or cashier’s check, as a prerequisite to conducting such testing or analysis on the RFA property. That Deposit to be returned to the Prospective Offeror after the Prospective Offeror, or his agents or contractors no longer require access to the RFA property in order to complete the testing or analysis desired by the Prospective Offeror, and if the RFA property is returned to the condition hereinbefore required. A representative of Seller must be present at all times during any on-site inspection, testing and/or analysis of the RFA property.

Any offeror submitting a proposal pursuant to the terms of the RFP will bear full and complete responsibility for conducting any due diligence investigation, testing and or analysis which such party determines is appropriate prior to submitting a proposal for the purchase of RFA.

E. ERHA Contact Person. Interested Persons who wish to obtain a copy of documents which ERHA has indicated that it will provide, or who wish to schedule and inspection of, or testing on RFA property must contact ERHA Director of Real Estate Development Cesar Marenco at 575-520-5158 or cmarenco1@aol.com (the “Contact Person”) to request such documents, or to schedule such inspection.

III. REQUIREMENTS FOR PROPOSALS.

A. Threshold Requirements. To be considered for evaluation and scoring, any proposal submitted must meet the following criteria.

1. Complete Proposal. The Proposal must be complete, legible and submitted by the deadline. All responses to this Request for Proposal are to be prepared on standard 8 ½” by 11” paper. Pages are to be placed in a binder with tabs separating the sections of the RFP.

2. Earnest Money Deposit. The Proposal, when submitted must be accompanied by an earnest money deposit in the amount of $10,000.00, which sum shall be in the form of a cashier’s check or money order. The Successful Offeror’s Earnest Money Deposit will be held as part of the Earnest Money Deposit under the terms of the Contract and Purchase and Sale. Any Earnest Money Deposit made by an unsuccessful offeror will be returned to such unsuccessful offeror within five (5) business days after the date on which the notice of Final Award has been sent to all offerors.

3. Proposal Submission. The original Proposal, the Earnest Money Deposit money order or cashier’s check and four copies of the proposal must be received by Seller, in care of ERHA at the above address no later than August 26, 2019 at 4:00 P.M. Mountain Standard Time. Proposals shall be in sealed envelopes marked “Response to Request for Proposals for Rio Felix Apartments”.
Any Proposal which does not meet the threshold requirements set forth hereinabove will not receive further consideration pursuant to the protocol hereinafter established, and will be returned to the Potential Offeror.

B. **Evaluation Criteria and Scoring.** All Complete Proposals received by ERHA will be reviewed and scored by the Evaluation Committee, which is comprised of three members of ERHA’s Board of Commissioners, as well as the Executive Director and the Deputy Director of ERHA. Complete Proposals will be scored according to the following evaluation criteria.

1. **Purchase Price.** The Proposal must set forth the Purchase Price which the Offeror proposes to pay for RFA. The purchase price must be in all cash, and may not be contingent on receipt of funding or financing from any third-party sources. Maximum Points: 400.

2. **Offeror’s Experience.** The Offeror must provide in the Proposal information regarding its experience in developing, owning, and operating multifamily rental housing. Offeror should describe its organizational structure, company size, overall company experience, and provide resumes for principals/partners and key staff, list other single and/or multifamily rental property (addresses) assets owned, pertinent licenses, and a certificate of good standing to do business in the State of New Mexico. The Proposal should also set forth fully and in detail how Offeror plans to assure the proper management and future financial viability of RFA. Maximum Points: 200.

3. **References.** The Offeror shall include in the Proposal a minimum of four (4) references. For each reference listed, Offeror should provide such reference’s name, company, address, telephone number, and email address. Each reference must be knowledgeable as to the Offeror’s qualifications and abilities to develop, own, and operate multifamily housing. One (1) of the four references must be from a recognized financial institution. Maximum Points: 200.

4. **Financial Information Regarding Offer.** The Offeror shall include in its Proposal proof of financial stability in the form of audited or accountant reviewed financial statements for the last three (3) years, or a letter of credit or bank statement for an amount sufficient to consummate this transaction, or other information establishing that Offeror is financially capable of meeting the requirements of this Request for Proposal. Maximum Points: 200.

5. **Failure to Close on Executed Purchase and Sale Agreement with ERHA.** A maximum deduction of 200 points shall be made in the event any Offeror, including its principles, subsidiaries or affiliates shall have failed to consummate an Agreement with ERHA or its predecessor in interest within the last 10 years.

C. **Ranking of Proposals.** The Evaluation Committee shall total the points awarded to each Proposal and shall convert such totals to a numeric ranking. The
Proposal with the highest ranking shall be deemed to be the Successful Offeror and shall be sent a Notice of Preliminary Award.

D. **Preliminary and Final Award Notice.** ERHA will provide notice to all offerors of the preliminary and final awards on the dates stated in Section 1 (A) above. The Successful Offeror responding to this Request for Proposal understands and agrees that it will be required to sign a Purchase and Sale Agreement, in the form attached hereto as Exhibit A within two days after the date the Protest Period has expired.

E. **Confidentiality.** ERHA acknowledges and anticipates that it will receive inquiries and contacts from Potential Offerors regarding this Request for Proposal prior to the submission deadline set forth in Section 1 (A) above. ERHA shall not disclose to any third party the identity of anyone who has contacted ERHA regarding that Request for Proposal, or the information which such person has requested. After the awards have been made and notice thereof given to all Offerors, all Proposals made in response to this Request for Proposal will be available and open to the public for review.

F. **RFP Termination.** This Request for Proposal in no way obligates ERHA to sell RFA until such time as an award is made hereunder, and the parties execute the Agreement of Purchase and Sale attached hereto as Exhibit A. Until such time, ERHA reserves the right to cancel this RFP at any time, for any reason, and to reject any and all proposals.

G. **Irregularities in Proposal.** ERHA may waive any irregularities found in any proposal selected for award, and may contact one or more of the Offerors who have submitted Proposals responsive to the RFP, to request that each such Offeror submit a best and final offer.

H. **Incurred Expenses.** ERHA shall not be responsible for any expenses incurred by a Potential Offeror in process of responding to this Request for Proposal. All costs incurred by a Potential Offeror in the preparation, transmitted or presumption of any proposal or material submitted in response to the Request for Proposal will be borne exclusively by the Potential Offeror.

IV. **PROTEST.**

A. **Aggrieved Offeror.** Any person responding to this RFP who is aggrieved in connection herewith may file a protest with ERHA. The protest must be in writing and addressed to the Contact Person. The Protest must be delivered to the Contact Person within two (2) calendar days of the Notice of Preliminary Award. The Contact Person will then provide the Protest information to the Executive Director and Deputy Director of ERHA, who will meet collectively to review and assess the Protest and provide a recommendation to the Evaluation Committee regarding the disposition of the Protest. Final Determination regarding the Protest will be made by the Evaluation Committee. The offeror will be notified of the determination of the Protest within seven (7) calendar days of the date of PROTEST filing. The determination of the Evaluation Committee will be final.
B. **No Communication.** An offeror or its representative may not communicate with any representative of the ERHA, including commission members or staff members regarding any Protest under consideration, except when specifically asked by the Contact Person to provide statements or testimony regarding such Protest. A Proposal will be deemed ineligible if the Offeror, or any person or entity acting on behalf of such Offeror, attempts to influence ERHA, or its commissioners or staff members during any portion of the Protest review process, or does not follow the prescribed Protest process.

IV. **FINAL AWARD PROCESS/CONTRACT CLOSING.**

A. **Notice of Final Award.** Once any Protest has been resolved, a final award will be made by ERHA and Notice of Final Award will be sent to the Successful Offeror.

B. **Terms of Sale.** The Successful Offeror will be required to execute the attached Purchase and Sale Agreement with ERHA within **two (2) working days after the date on which Notice of Final Award has been delivered to the Successful Offeror.** The Successful Offeror must close the transaction **within forty-five (45) days of execution of the Purchase and Sale Agreement.** Should the successful offeror fail to execute the Purchase and Sale Agreement within two working days of notice to it of final award, Seller shall be entitled to retain the Earnest Money Deposit paid by the Successful Offeror, and in addition shall be entitled to contract for the sale of RFA with the offeror whose offer has been deemed by Seller to be the next ranked Proposal.

C. **Documents to be issued at Closing.** At such time as the Purchase and Sale Agreement closes and as part of that Closing, Seller will issue to the Successful Offeror, a Special Warranty Deed, subject to all easements, restrictions, and reservations of record, as well as rights of tenants in possession at time of closing. The Seller will provide the Successful Offeror an owner’s title policy for the Real Property on which RFA is located, which title policy will include the standard exceptions, and will be issued by Landmark Title Company, Roswell, New Mexico. The title policy will be in the amount of the purchase price to be paid by the Successful Offeror. In addition to the Special Warranty Deed for the Real Property on which RFA is located, at Closing of the sale of RFA to the Successful Offeror, the Seller will assign to the Successful Offeror the furniture, fixture, and equipment currently used by the Seller in the operation of RFA; those tenant leases which are in effect as of the date of the closing of the sale of RFA to the Successful Offeror; and those other assets which are listed in the Purchase and Sale Agreement which must be executed by the Successful Offeror.

D. **Required Approvals.** Pursuant to the provisions of § 11-3A-30 NMSA 1978, the New Mexico Mortgage Finance Authority (“MFA”) has certain financial oversight and control over Seller. Any sale of assets by Seller for consideration in excess of $100,000.00 must have MFA's prior approval. In addition, § 11-3A-10 NMSA 1978 precludes the sale or transfer of RFA to certain persons or entities, including but not limited to certain public officials or members of their families, certain employees of Seller, and present or former commissioners of Seller and such commissioner’s immediate family. The sale of RFA will also require approval of the Commissioners of ERHA. This transaction is subject to State of
New Mexico Procurement Regulations. Should MFA or the Commissioners of ERHA fail to approve the sale of RFA to the Successful Offeror, ERHA shall immediately notify the Successful Offeror, whereupon the Agreement for Purchase and Sale shall terminate, and the Earnest Money Deposit shall be returned to the Successful Offeror.
Purchase
Price
Purchase Price for the Rio Felix Apartments in Hagerman, New Mexico

$460,000

This price is an all cash offer and is not contingent on receipt of funding or financing from any third party source.
Offeror's Experience
Experience of Turnaround Properties, LLC.

Organizational Structure

Turnaround Properties is headed by Todd Seidenschwarz. He oversees 439 apartments in Albuquerque, Roswell, Artesia and Carlsbad. Turnaround has managers in each city and several assistant managers and leasing agents. We also have 10 highly experienced maintenance and construction employees that float between properties as needed.

Company Size

Turnaround Properties manages 439 apartments, has 17 employees and over 4 million dollars in annual revenue.

Overall Company Experience

Todd has been buying, managing, rehabilitating, and investing in low income rental property since 2001. Starting with a single distressed triplex in Southeast Albuquerque he has purchased over 500 units and held onto most of them.

The company has a very simple business plan. Buy property that can be improved in one of four major areas: Maintenance, Management, Tenants, or Market; Usually all four. Then work diligently to make those improvements. Improve the maintenance. Improve the management. Improve the tenants. And hopefully, the market will improve as well. Then offer a better value at a lower price than the competition to low to middle income residents. Nothing very complicated.

It’s a long term, buy and hold strategy. I never plan to sell and do so only rarely. I truly enjoy this business and want to pursue it as long as possible.

Key Staff

Jeannette Seidenschwarz, the manager at Mesa Verde, has over 10 years of experience managing LIHTC properties at Villas of Briar Ridge, Spicewood and then at Mesa Verde.

Ericka Salas, the manager at Eagle Creek Apartments in Artesia and Willow Terrace in Roswell, has over 3 years of experience managing low income properties as well as working part-time at Mesa Verde.

Our staff is well equipped to professionally manage Rio Felix.
Multifamily apartments managed by Turnaround Properties.

Pine Park, 40 units at 8201 Marquette NE in Albuquerque.
Playa Del Sol, 58 units at 444 Florida SE in Albuquerque plus 20 other units scattered around SE Albuquerque.
Mesa Verde, 142 units at 502 S. Wyoming in Roswell.
Eagle Creek, 45 units at 302 N. 4th in Artesia.
Yucca Flats, 34 units at 711 Tierra Del Sol in Carlsbad.
Tia Maria, 40 units at 1900 W. Church in Carlsbad.
Vista Del Sol, 48 units at 1002 N. Mesa in Carlsbad plus 12 other units nearby.

Future plans for Rio Felix

We plan to immediately install refrigerated air, a playground, and 6 new washers and dryers at Rio Felix. We will also put ceramic tile in the kitchens, living rooms, hallways and bathrooms, as well as new carpet in the bedrooms over the next few years as tenant turnover dictates. We will plant many trees and shrubs and generally improve the landscaping.
OFFICE OF THE SECRETARY OF STATE
NEW MEXICO

Certificate of Good Standing and Compliance

IT IS HEREBY CERTIFIED THAT:

TURNAROUND PROPERTIES LLC
4262366

the above named entity, a Company organized under the laws of New Mexico, is duly authorized to transact business in New Mexico as a Domestic Limited Liability Company, under the Limited Liability Company Act 53-19-1 to 53-19-74 NMSA 1978

having filed its Articles of Organization on February 2, 2010, and Certificate of Organization issued as of said date.

It is further certified that the fees due to the Office of the Secretary of State which have been assessed against the above named entity have been paid to date and the entity is in good standing and duly authorized to transact business as its existence has not been revoked in New Mexico. This certificate is not to be construed as an endorsement, recommendation, or notice of approval of the entity's financial condition or business activities and practices.

Certificate Issued: August 22, 2019

In testimony whereof, the Office of the Secretary of State has caused this certificate to be signed on this day in the City of Santa Fe, and the seal of said office to be affixed hereto.

Maggie Toulouse Oliver
Secretary of State

Certificate Validation #: 0031227
A certificate issued electronically from the New Mexico Secretary of State's office is immediately valid and effective. The validity of a certificate may be established by viewing the Certificate Validation option on the Business Filing System at https://portal.sos.state.nm.us/bfs/online and following the instructions displayed under Certificate Validation.
Ericka Salas
Current Address: 306 E. Country Club Rd., Roswell, NM 88201
Current Number: (575)-420-5992 • ericka_salas8@hotmail.com

EDUCATION
Roswell High School, Roswell, NM
Degree Obtained: May 2010

WORK EXPERIENCE

Turnaround Properties
Apartment Manager
Roswell & Artesia, NM
April 2014-current
- Drive around property in the morning to see if there is excessive trash or pieces of furniture that need to be thrown away or taken to the dump
- Answer phone calls at the office or on my cell when the calls are forwarded to me during the day or night
- Show apartments to potential tenants
- Schedule appointments to come in and fill out applications
- Complete tenant files making sure all paperwork needed is there and in the right place
- Send out maintenance if there are any maintenance requests that need to be done
- Collect Rent
- Do same day deposits
- Get petty cash to do supply runs for the office
- Give petty cash to head of maintenance to do supply runs
- Keep track of change and receipts to show what we had to buy for maintenance or office
- Prepare notices for tenants if there are going to be inspections or exterminator coming to spray etc.
- Do quarterly inspections in apartments to make sure the apartment is clean, safe, and sanitary for living conditions.
- Prepare and assist in doing annual recertifications
- Communicate with tenants if there are any problems they are having with their apartment or any other tenants
- Have notices posted if tenant is late on rent or any non-compliance issues
- When requested do market surveys
- Clean and test the pool
- Go to court for evictions
- Review credit and criminal checks on potential tenants
- Check on maintenance to make sure the apartment they are working in gets turned in a timely manner

CionHousing
Apartment Manager
Roswell, NM
May 2015-Current
- Answer phone calls at the office or on my cell when the calls are forwarded to me during the day or night
- Show apartments to potential tenants
- Schedule appointments to come in and fill out applications
- Complete tenant files making sure all paperwork needed is there and in the right place
- Send out maintenance if there are any maintenance requests that need to be done
- Get petty cash to do supply runs for the office
- Give petty cash to head of maintenance to do supply runs
- Keep track of change and receipts to show what we had to buy for maintenance or office
- Prepare notices for tenants if there are going to be inspections or exterminator coming to spray etc.
- Do annual inspections in apartments to make sure the apartment is clean, safe, and sanitary for living conditions.
- Prepare and assist in doing annual recertifications
- Communicate with tenants if there are any problems they are having with their apartment or any other tenants
- Have notices posted if tenant is late on rent or any non-compliance issues
- When requested do market surveys
- Go to court for evictions
- Check EIV every month
- Check TRACS and vouchers for the property
- Do month end paperwork and send it to the accountant
- Send out occupancy and delinquency reports to owner
- Add/remove people in software after move-in or move-out
- Prepare paperwork for any audits we may have like MOR or REAC inspection

Kymera Cancer Center  
Medical Assistant/Phlebotomist  
Roswell, NM  
- Chart prepped for the patients seeing the doctor the next day
- Called patients back into the room, took vitals, checked medications to see if still the same or if new ones were added.
- Input vitals and any other changes into computer in patients’ chart
- Drew blood for testing
- Performed EKG’s if requested by the doctor
- Made calls to patients for appointments and/or cancellations
- Made calls to other doctors’ offices for patient records, cd’s, and scans etc.
- Made calls to other facilities so the doctor could speak with another doctor
- Prepared medication to be injected by doctor
- Scanned medical records into right spot for doctor to look at in patients’ chart
- Communicated with billing and front desk to get patients added onto the schedule to be seen

<table>
<thead>
<tr>
<th>VOLUNTEER EXPERIENCE</th>
<th>2012-2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walk for Hope</td>
<td>Roswell, NM</td>
</tr>
<tr>
<td>Pushed people in wheelchairs that had cancer or have won the fight against cancer around the track. Served food for people at the event. Helped by selling raffle tickets where all the proceeds went to the Chaves County cancer fund. So, people who needed help paying bills while going through chemo therapy can get a bill paid.</td>
<td></td>
</tr>
</tbody>
</table>

| Yucca Recreational Center | Summer of 2008-2010 |
CERTIFICATIONS AND TRAININGS

<table>
<thead>
<tr>
<th>Certification</th>
<th>Date</th>
<th>Expiration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Housing Training-Refresher</td>
<td>November 14, 2018</td>
<td></td>
</tr>
<tr>
<td>High Desert Fair Housing Consultants, LLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CPO (Certified Pool Operator)</td>
<td>June 2018</td>
<td>Expires: 5 Years</td>
</tr>
<tr>
<td>J. Kevin Tucker</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Educational Leverage, LLC</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CFS (Certified Financial Specialist)</td>
<td>December</td>
<td>Expires: Never</td>
</tr>
<tr>
<td>6, 2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>NCHM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MORS (Management of Review Specialist)</td>
<td>April 3, 2017</td>
<td></td>
</tr>
<tr>
<td>NCHM</td>
<td>Expires: Never</td>
<td></td>
</tr>
<tr>
<td>COS (Certified Occupancy Specialist)</td>
<td>October 12, 2016</td>
<td></td>
</tr>
<tr>
<td>NCHM</td>
<td>Expires: Never</td>
<td></td>
</tr>
<tr>
<td>Phlebotomist</td>
<td>2013</td>
<td>Expires: Never</td>
</tr>
<tr>
<td>Southwest Phlebotomy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

REFERENCES

Todd Seidenschwarz  
Owner at Turnaround Properties  
502 S. Wyoming  
Roswell, NM 88203  
(505)-804-3256  

Kara Summers  
CEO/Owner at CionHousing  
1001 Valencia Dr SE #103  
Albuquerque, NM 87108  
(505)-503-9739  

Ashley Covarrubias  
Manager at Kymera Cancer Center  
407 W Country Club Roswell, NM 88201  
(575)-808-9388
References
References

Michael Bunt, Chief Financial Officer, Tate Branch Automotive
919 S. 1st St, Artesia, NM, 575-513-2592, Mwbunt@netscape.net

Greg Garrett, President, First National Bank of Alamogordo
414 10th St, Alamogordo, NM, 575-437-4880, Greg.Garrett@FNB4U.com

John Hamilton, Regional Manager, Monarch Properties
1720 Louisiana NE, Albuquerque, NM, 505-239-4343, Mpi@monarchnm.com

Kara Summers, Owner of Cion Housing, 505-503-9739
1001 Valencia SE, #103, Albuquerque, NM, 87108, Kara@CionHousing.com
AFFIDAVIT OF PUBLICATION

STATE OF NEW MEXICO

County of Bernalillo  SS

Elise Rodriguez, the undersigned, on oath states that she is an authorized Representative of The Albuquerque Journal, and that this newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Session Laws of 1937, and that payment therefore has been made of assessed as court cost; that the notice, copy of which hereto attached, was published in said paper in the regular daily edition, for 2 time(s) on the following date(s):

07/14/2019, 07/28/2019

Sworn and subscribed before me, a Notary Public, in and for the County of Bernalillo and State of New Mexico this 29 day of July of 2019.

PRICE $162.14

Statement to come at the end of month.

ACCOUNT NUMBER 1009620
AFFIDAVIT OF PUBLICATION
STATE OF NEW MEXICO

I, Jennifer Martinez
Legals Clerk

Of the Roswell Daily Record, a daily newspaper published at Roswell, New Mexico do solemnly swear that the clipping hereto attached was published in the regular and entire issue of said paper and not in a supplement thereof for a period of:

Two times beginning with the issue dated
July 14, 2019

and ending with the issue dated
July 28, 2019

__________________________
Clerk

Sworn and subscribed to before me
this 29th day of July, 2019

__________________________
Notary Public
PROPERTY:
A 20-Unit Apartment Complex dba Rio Felix Apartments

LOCATED AT:
221 W. Argyle St.
Hagerman, New Mexico

PREPARED FOR:
Eastern Regional Housing Authority
ATTN: Mr. Cesar Marenco, Director of Real Estate Development
106 E. Reed Street
Roswell, New Mexico 88203

EFFECTIVE DATE OF VALUE:
November 29, 2018

PREPARED BY:
C. Marc Beatty, MAI
NM Appraisal Company
700 Mechem Drive, Suite 7
Ruidoso, NM 88345

Job File #18047
January 1, 2019

Eastern Regional Housing Authority
ATTN: Mr. Cesar Marenco, Director of Real Estate Development
106 E. Reed Street
Roswell, New Mexico 88203

RE: A real estate appraisal of the Rio Felix Apartments, a 20-unit apartment complex at 221 W. Argyle Street in Hagerman, New Mexico

Job File #18047

Dear Mr. Marenco:

I have personally inspected and completed an appraisal of the above referenced property. I am pleased to submit the accompanying report of my findings and conclusions.

The property being appraised is a 20-unit apartment complex in Hagerman, New Mexico. The purpose of the appraisal is to develop an opinion of the market value of the property in the fee simple interest. I certify that I have no present or contemplated future interest in the real property beyond this appraisal. The expressed opinions and this appraisal assignment are not based on a requested minimum valuation, a specific valuation, or approval of a loan. The intended use of the appraisal is to assist the client, the Eastern Regional Housing Authority, with asset management and a potential sale of the real estate. The intended users of the appraisal are the duly assigned representatives of the Eastern Regional Housing Authority. The effective date of value is November 29, 2018, the date of the property inspection.

The Appraisal Report is presented in a narrative format. The opinion of value is qualified by certain assumptions, limiting conditions, certification and definitions which are set forth in the appraisal report. The report is intended to comply with the requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. It presents discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the opinion of value. Supporting documentation is retained in the job file. The depth of discussion presented in the report is specific to the needs of the client and the intended use of the appraisal. The NM Appraisal Company is not responsible for unauthorized use of the report.
As discussed throughout the appraisal report, interior and exterior inspections of the Subject property were performed for this appraisal. The interiors of Units 6, 14 and 15, as well as the office and shop buildings were observed. Because not all of the apartment units were inspected, this appraisal is based on the *extraordinary assumption* that the interiors of the unobserved units are similar to those that were inspected. According to the Uniform Standards of Professional Appraisal Practice (USPAP), an extraordinary assumption is “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.”

Based on the research and analysis, my opinion of the market value of the Subject real estate in the fee simple interest effective November 29, 2018 is:

$445,000

Four Hundred Forty-Five Thousand Dollars

I appreciate the opportunity to provide appraisal services to the Eastern Regional Housing Authority and welcome comments or questions from authorized users.

Respectfully submitted,

C. Marc Beatty, MAI
NM General Certified Appraiser #3085-G
Summary of Salient Facts & Conclusions

Property Type: A 20-unit apartment complex operating as Rio Felix Apartments

Location: 221 W. Argyle Street, Hagerman, New Mexico

Legal Description: Within the S2NW4SW4, Section 10, Township 14 South, Range 26 East, NMPM, Hagerman, Chaves County, New Mexico

Effective Date of Value: November 29, 2018

Property Rights Appraised: Fee Simple Interest

Land Area: 5.00 acres, or 217,800 SF, per Chaves County records

Gross Building Area: ±18,140 SF, per county records, contained in nine buildings

±17,720 SF rentable building area, per record and data provided

Unit Mix: Ten (10) 2 BR / 1 BA units, each containing ±760 SF
Eight (8) 3 BR / 1 BA units, each containing ±968 SF
Two (2) 4 BR / 2 BA units, each containing ±1,188 SF

Improvements: Improvements on the property include eight single-story apartment buildings together containing the 20 rental units; an office/laundry building; a maintenance/shop building; paved parking lots; landscaping; and property signage

Intended Use: To assist the client, Eastern Regional Housing Authority, with asset management and a potential sale of the real estate

Intended User: The Eastern Regional Housing Authority and its duly assigned representatives

Zoning: Multifamily Residential

Highest & Best Use –
As Vacant: Multifamily residential development
As Improved: Continued use as the apartment complex

Final Value Opinion –
Fee Simple Interest, As-Is Market Value: $445,000
**Introduction**

The Subject of this appraisal is a twenty-unit apartment complex in Hagerman, New Mexico, operating as Rio Felix Apartments. The property is comprised of eight freestanding multifamily buildings plus an office/laundry building and shop situated on a five-acre tract with the necessary site improvements. The property has a physical address of 221 W. Argyle Street, a location central to the community.

There are ten two-bedroom, one-bath units; eight three-bedroom, one-bath units; and two four-bedroom, two-bath units. Each unit has a living area, kitchen, the bedrooms and an attached small storage room accessible from the exterior only. All of the apartments of the same unit type are identical.

Access to each of the buildings is via concrete walkways throughout the property. There are parking lots along the east and west sides of the buildings, and there appears to be ample parking for the property. The complex is located in a mixed-use neighborhood and is easily accessible.

The Subject site is a 5.0-acre interior lot on the north side of W. Argyle Street. It is rectangular in shape with 330' of street frontage and a depth of 660'. Per town officials, the land is zoned for Multifamily Residential use. It is mostly level, at street grade and entirely usable. There are two points of vehicular access into the property from W. Argyle Street. The buildings are situated in the southern portion of the site with paved parking lots on the east and west sides of the buildings. There are 40 striped spaces which is sufficient for the complex as it is developed.

Again, the apartment improvements are situated within the front half of the lot and the back portion (estimated to be approximately 1.90 acres) is undeveloped. The undeveloped land is surplus land. Surplus land is “land that is not currently needed to support the existing improvements, but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.”¹ In the case of the Subject property, the surplus land could be used for future expansion if market demand warranted additional units.

Per Chaves County records, the property was developed in 1984 and has been owned by the Housing Authority since that time. As a whole, the property is in average condition. The current rental rates range from $422 to $503 per month which includes water/sewer/garbage services. All units are separately metered and the tenants pay for electricity, natural gas, telephone and television. As of the effective date of this report, there was just one vacant unit.

---

**Photographs of the Subject Property**

*Photographs of the Subject property taken by the appraiser, Marc Beatty, on November 29, 2018*

Street scene of the Subject neighborhood viewing westerly along W. Argyle Street – the Subject property is to the right in the photo.

Street scene of the Subject neighborhood viewing easterly along W. Argyle Street – the Subject property is to the left in the photo.

Property sign along the street frontage and western access driveway.
Subject’s access driveway along the western line of the Subject property – the apartment buildings and tenant parking are shown in the photo.

Subject’s access driveway along the eastern line of the Subject property – the apartment buildings and tenant parking are to the left in the photo.

Subject apartment buildings, concrete sidewalks, off-street parking with striped parking spaces.
Subject apartment buildings, concrete sidewalks between buildings and grass landscaping

Office & laundry building in foreground, maintenance shed to the left and rear in the photo, apartment buildings to the right

Interior of laundry room – hook-ups for up to 3 washers and 3 dryers
Interior of the Subject office building

Restroom in the office building

Apartment kitchen, typical
Apartment kitchen, typical

Apartment living area, typical

Apartment living area, typical
Apartment bedroom, typical

Apartment bedroom, typical

Apartment bedroom, typical
Apartment full bathroom, typical

Apartment full bathroom, typical

Apartment additional ¾ bath in 4-bedroom unit
Scope of Work

This report is intended to comply with the Uniform Standards of Professional Appraisal Practice 2018 – 2019 Edition (USPAP) and has been prepared in accordance with the Appraisal Standard Board’s Advisory Opinions 28 and 29. As described by the Scope of Work Rule set forth in USPAP, it is the appraiser’s responsibility to determine and perform the scope of work necessary to develop credible assignment results.

In preparing this appraisal, I inspected the Subject property on November 29, 2018. An exterior inspection of the property was performed and an interior inspection of three units (Units 6, 14 and 15) was done. The extent of the inspection included visual examination and assessment of the Subject site, exterior of the buildings, interior of the three units referenced above, and the site improvements. Photographs of the property have been presented in this report for the reader’s reference. The building areas are based on Chaves County records and client provided documentation. The land area is based on county records.

I visually inspected the surrounding properties and Subject neighborhood and have analyzed the market area for the environs that affect value. I have researched the market for comparable data. The research included public records available from the Chaves County Administrative offices, and the appraiser’s files for comparable data and trends in the market place. Research also included discussions with other appraisers, real estate agents and market participants. My focus for comparable improved sales and leases was for similar multifamily properties in the regional market area. From the available market data, the most applicable was selected and used for this appraisal. I have verified and confirmed all of the sales information with the buyer, the seller, or another reliable source. Because of the regional market area of the comparables, I did not personally inspect each one.

To develop an opinion of value, a comprehensive analysis using the Sales Comparison and Income Approaches has been completed. These are two of the three traditional approaches to value and are the typical approaches for an older apartment complex like the Subject. The premise of each approach will be described in the valuation sections of this report. The findings from the approaches have been reconciled to form an opinion of market value for the Subject property. The Cost Approach was not developed because of the age and condition of the property. Cost is less of an indication of value for an older apartment complex like the Subject.

This appraisal has been developed in accordance with the current edition of USPAP and the Standards of Professional Practice and Code of Ethics of the Appraisal Institute. I am a New Mexico General Certified Appraiser (License #3085-G) and designated member of the Appraisal Institute (Member #487710) with over twelve years of experience in this market area. I am familiar with the market area in which it is located, and am competent to perform this appraisal as described by the Competency Rule of USPAP; no further steps to achieve competency are necessary.

This report is presented in a narrative Appraisal Report format as described in USPAP Standard 2, Rule 2-2(a). The report sets forth the data considered, the appraisal procedures followed, and the reasoning employed in the appraisal. Each item is addressed in the depth and detail required to provide sufficient information so that the client and the intended users will understand the appraisal and not be misled or confused.
Identification of the Appraisal Problem

Purpose of the Appraisal & Definition of Market Value: The purpose of this appraisal is to estimate the As-Is market value of the Subject property in the fee simple interest. Market Value is defined as “The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what he or she considers his or her own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

FIRREA Title XI-12 CFR Part 34.42 (f)

Intended Use of the Appraisal: The intended use of the appraisal is to assist the client, the Eastern Regional Housing Authority, with asset management and a potential sale of the Subject property.

Intended Users of the Appraisal: The intended users of the appraisal are the Eastern Regional Housing Authority and its duly assigned representatives.

Property Rights Appraised: The property is owned in and has been appraised in the fee simple interest. The fee simple interest is defined as “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Effective Date of Value: The effective date of value is November 29, 2018, the date of my property inspection.

Date of the Report: The date of the transmittal of this report January 1, 2019.

Exposure Time: Exposure Time is defined as “The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at a market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.” In other words, how long would the property have to have been exposed on the market for it to sell at the appraised value as of the effective date? Based on

---

the market research, it is my opinion that an exposure time of up to twelve months is reasonable for the Subject property at the appraised market value.

**Marketing Time:** Marketing time is defined as “An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Market Value Estimates: address the determination of reasonable exposure and marketing time”).

Market value opinions imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal. Similar to exposure time, based on our research and the data used in this study, I conclude a one-year marketing time at the concluded value is reasonable.

**Identification of the Property:** Per Chaves County records, the Subject property is identified as:

- **Physical Address:**
  221 W. Argyle Street, Hagerman, New Mexico

- **Legal Address:**
  Within S2NW4SW4, Section 10, Township 14 South, Range 26 East, NMPM, Hagerman, Chaves County, New Mexico

- **Assessor’s Identification:**
  Owner No. R043397
  Parcel No. 4-148-081-120-366-00000

**Extraordinary Assumption:** The interiors of Units 6, 14 and 15 were observed during the property inspection and are considered to be in average condition. Because not all of the units were inspected, this appraisal is based on the **extraordinary assumption** that the interiors of the unobserved units are similar to those that were inspected. According to the Uniform Standards of Professional Appraisal Practice (USPAP), an extraordinary assumption is “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.”

**Hypothetical Conditions:** No hypothetical conditions were relied upon for this appraisal.

---

4 Ibid., p. 140
History of the Subject Property

Standard Rule 1-5 of the Uniform Standards of Professional Appraisal Practice, published by the Appraisal Foundation, states that in developing a real property appraisal, “when the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business: a) analyze all agreements of sale, options or listings of the subject property current as of the effective date of the appraisal; and b) analyze all sales of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.”

Per Chaves County Records, the Subject property is held in the name of Regional Housing Authority Region VI whose mailing address is P. O. Drawer 2057, Roswell, New Mexico 88202. The property has been in this ownership for more than three years. It is not currently listed for sale, though the intended use of this appraisal is to aid the Housing Authority with marketing the property in the near future.

It is my understanding that there was a contract to sell the property approximately one year ago, but the buyer backed out of the agreement for undisclosed reasons. The contract price at the time was reported to be $500,000 with terms of cash to seller. There have been no other known transactions involving the Subject property over the past three years. The property is not currently listed or pending any agreement to sell.
Description of the Subject Property

Aerial Image
Assessor's Plat:

Flood Map (Firmette):
Details of the Subject Site:

Location: 221 W. Argyle Street, Hagerman, New Mexico

This is an interior lot on the north side of W. Argyle Street midblock between State Road 2 (Old Dexter Highway) to the west and the railroad tracks to the east.

Size, Shape, Frontage & Access:

Per Chaves County records, the Subject site contains 5.0 acres or 217,800 SF. It is rectangular with approximately 330' of frontage along W. Argyle Street and a depth of 660'. West Argyle Street is a 2-lane street with curb, gutter, sidewalks and street lights. There are two points of access into the property from the street. Access and visibility of the land are good.

Topography & Terrain:

The site is mostly level and at street grade. It is typical of the market and drainage appears to be sufficient as improved.

Soils:

The Subject site appears to consist of native soils. Soils are typical and assumed to be adequate for reasonable development.

Environmental:

I am unaware of any environmental assessments of the Subject property. No obvious environmental contamination or potential hazards for contamination were noted during the appraisal inspection. The Subject property is assumed to be free and clear of environmental contamination and the concluded market value is predicated on this assumption. Please refer to the Assumptions & Limiting Conditions included in this report for further information regarding this matter.

Easements & Encumbrances:

No easements, encumbrances or encroachments were noted during the site inspection, but without benefit of a survey. It is an assumption of this assignment that there are no encumbrances or restrictions that would adversely affect the Subject property.

Utilities & Services:

All standard public utilities are available to and in use at the property. These services include municipal water and sewer, natural gas, electricity, telephone and cable television. All units are separately metered for natural gas and electricity. The property is master metered for water.

Police protection is provided by the Town of Hagerman Police Department. Fire protection is provided by a volunteer fire department. The public infrastructure is maintained by the Town of Hagerman.

Flood Hazard:

The Subject property is shown on FEMA Flood Insurance Rate Map #35005C2350D effective September 25, 2009. Per this map, the Subject site is within Zone X, an area determined to be outside the 0.2% annual chance floodplain. A flood map showing the location of the Subject was presented on the previous page of this report.

Zoning & Restrictions:

The Subject site is inside the Town of Hagerman and zoned for Multi-Family Residential use. According to officials with the Town of Hagerman, the current use conforms to the Hagerman zoning regulations. No zoning map is available.
Site Improvements: The only site improvements on the property aside from the apartment building structures are the office and laundry building; maintenance shed; asphalt surface and striped parking lots, playground equipment, fencing, property signage, and basic landscaping. The site improvements are generally in average condition.

Analysis & Conclusions: The Subject site is a 5-acre tract of land within the Town of Hagerman. It is rectangular in shape with 330’ of street frontage. The land is zoned for Multi-Family Residential use. The surrounding area is developed with single-family dwellings, vacant platted residential lots, and farm land. The lot has good access and linkages. No significant elements or characteristics that have a negative effect on the site were observed during the inspection. Considering the physical characteristics of the site along with development in the neighborhood, I conclude that the Subject site is well-suited for multi-family residential development that conforms to the neighborhood and surrounding uses.

Details of the Subject Buildings:

Following are the construction details of the Subject buildings as observed during the property inspection:

- **Building Type:** Multifamily with 20 rental units in eight freestanding apartment buildings
- **Year Built:** 1984, per Chaves County records
- **Construction Quality:** Average
- **Number of Stories:** 1
- **Gross Building Area (GBA):** According to the Chaves County property records, the gross building area is ±18,140 SF and includes attached individual tenant storage closets, and a separate office/laundry room. Exterior covered porches for each unit totals ±306 SF. The total leasable living area is ±17,720 SF, more or less.
- **Structural Components:**
  - **Foundation:** Reinforced concrete slab with perimeter footings
  - **Exterior Walls:** Wood frame with stucco exterior walls
  - **Roof Structure:** Pitched roofs with composition shingle covers
- **Finishes:**
  - **Doors & Windows:** Metal-clad entrance doors and hollow core interior doors; double pane windows in a metal clad frame
  - **Interior Partitions:** Wood frame with textured and painted drywall
Ceilings: Textured and painted drywall

Floors: Vinyl tile throughout

Lighting: Incandescent fixtures

Porches / Decks / Canopies: All units have a covered entry at the front. There is a ±33 SF storage closet at the rear entrance to each unit

HVAC: Gas central forced heat and evaporative cooling units in each apartment

Restrooms & Plumbing: One full bathroom in each of the two- and three-bedroom units; one full bathroom plus a ¾ bath in the four-bedroom units

Building Design & Layout: There are (10) two-bedroom units, (8) three-bedroom units, and (2) four-bedroom units. The units are in eight, single-story buildings situated on the south and central portion of the site, with a playground area in the center and parking areas to the east and west. There are concrete walkways in front of each building, and each unit has a storage closet with exterior access.

The property was originally developed in the mid-1980s. It is sufficiently maintained and in average condition. Deferred maintenance is mostly limited to some weathered exterior siding panels and rust on doors of some of the storage closets.

**Property Taxes & Assessments:**

According to the Chaves County Assessor’s Office online records, the Subject property is identified by Owner #R043397 and Parcel Number 4-148-081-120-366-000000. The 2018 assessed value is $550,471 ($1,575 in land value and $548,896 in improvement value). The Subject property is tax exempt due to the non-profit status of the ownership entity.
Market Area & Neighborhood Description

New Mexico is in the southwest and western regions of the United States and is usually considered one of the (Rocky) Mountain States. It is the 5th most extensive, the 36th most populous, and the 6th least densely populated of the 50 United States. The state’s economy is primarily driven by federal government, tourism and oil & gas production.

Chaves County is in the southeast section of the state. Per the US Census Bureau’s 2017 estimates, Chaves County had a population of 64,866 people, slightly down from the 2010 Census estimate of 65,645. The county seat is Roswell and, with a 2017 population of 47,775, it is not only the largest community in Chaves County, but in southeast New Mexico. Evidenced by continued development and increasing gross receipts, Roswell is the commercial and retail trading hub of southeast part of the state. Other communities in Chaves County include Lake Arthur, Hagerman and Dexter. These are smaller agricultural communities that rely primarily on Roswell for trades and services.

Two principal four-lane, divided highways run north-south (US-70/285) and east-west (US-380). There is daily commercial jet service to Dallas Fort Worth (DFW) and Phoenix. Connections to the national rail networks provide easy logistical transportation to and from southeastern New Mexico.

Major industries in the area include manufacturing, machine and tooling shops, aviation maintenance and overhaul, aircraft painting, homeland defense training, irrigation farming, dairying, ranching, manufacturing, distribution, petroleum production and servicing, and tourism. Agriculture is one of the largest and most important economic engines of the economy. The availability of water and mild temperate seasons lead to rich, valley farm land, producing an array of agricultural and garden products. According to 2012 Census numbers, total crop production for the county exceeded $51 million. Chaves County led the state with 75,950 milk cows, resulting in over $338 million in cash receipts from milk for the year. Livestock production resulted in over $558 million in cash receipts. Chaves County ranked #1 in corn silage production with 391,000 tons and produced 391,000 tons of top-quality alfalfa. In 2013, the local pecan industry produced 5.1 million pounds of pecans.

Based on data produced by the NM Department of Workforce Connections, the unemployment rate in Chaves County has decreased over the years from a high of 7.6% in 2010 to 6.7% in December 2016 and is now at 4.6%. The median household income in Chaves County was just over $42,177 for 2013 – 2017 and the homeownership rate for the same period is 68%, which was above the national average of 63.8%. New construction continues throughout the region with 70 construction permits issued in 2017 which is a significant increase from the prior years. Overall, these economic indicators reflect stability in the county with most being better than statewide levels.

5 https://www.census.gov/quickfacts/fact/table/US,roswellcitynewmexico,chavescountynewmexico/PST045217
Neighborhood Map:
The Subject Neighborhood

By definition, a neighborhood is “a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.” Neighborhood analysis focuses on social, economic, governmental, and environmental forces that influence property values in the vicinity of a Subject property. Although physical boundaries may be drawn, the most important boundaries are those that identify factors influencing property values.

As the Subject is in the small community, the Subject neighborhood is considered to be the Town of Hagerman. Hagerman is the south-central portion of Chaves County approximately 25 miles southeast of Roswell. It is one of three small communities (Dexter, Hagerman and Lake Arthur) along NM State Highway 2 between Roswell and Artesia. Per the 2017 census estimates, Hagerman has a population of 1,232 persons, similar to that of Dexter with 1,245, but much larger than Lake Arthur with only 433 persons. The community populations have been stable over the past decade. New Mexico State Highway 2 is a two-lane state road that runs in north-south direction between US Highway 285 to the west and the Pecos River to the east. It terminates at US 285 in both directions south of Roswell and north of Artesia. It is a relatively short state highway that provides access to the small communities and surrounding agricultural uses.

According to the US Census Bureau, the town occupies a land area of only 1.4 square miles. Most of the development is within the western section of the town along the Old Dexter Highway. Commercial development throughout the community includes a Family Dollar, Allsups, several locally-owned restaurants, and the typical variety of retail, office and service outlets. The Family Dollar is the town’s newest development built within the past few years. The Hagerman Municipal School System has an enrollment of just over 400 students within the elementary, middle and high schools in the north west section of town.

The Subject property is on W. Argyle Street approximately one-quarter mile east of New Mexico State Highway 2 (Old Dexter Highway). West Argyle Street is a 2-lane street with curb, gutter, sidewalks and streetlights. It is moderately developed and mixed-use in nature. It is home to the Subject property, a variety of single-family homes, the US Post Office and the Hagerman Town Hall.

The agricultural and dairy industries are the primary economic influence on the area. The Dexter/Hagerman and East Great Plains areas are where most of the dairies have located in Chaves County of the past 25 – 30 years. While the industry is responsible for past growth in the region, there have been no new facilities in the past 10 – 15 years and several have even closed. There are a number of family farms; but, over the years, some have sold their water rights limiting land use to dryland pastures.

Overall, Hagerman is a small, rural community. It is easily accessible along NM 2 midway between Roswell and Artesia. Anchored by the agricultural and dairy industries, the regional economy is expected to range from steady to slowly growing. While no significant economic or population growth is expected in Hagerman or the immediate area, properties rest on a firm economic base with no measurable changes over the foreseeable future.

---

**Highest & Best Use**

Highest and best use is “The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property – specific with respect to user and timing of the use – that is adequately supported and results in the highest present value.” ⁷

The highest and best use analysis builds on the conclusions of the marketability analysis. It is two-step process whereby the highest and best use of the land as vacant is first determined and then the highest and best use of the property as it is improved is concluded. The analysis of the land as though vacant focuses on alternative uses, with the appraiser testing each reasonably probable use for legal permissibility, physical possibility, financial feasibility, and maximum productivity. Then the appraiser applies the four tests in the analysis of the property as improved, but focuses not on alternative uses but on three possibilities: continuation of the existing use, modification of the existing use, or demolition and redevelopment of the land.

**Highest & Best Use as Vacant:**

As vacant, the Subject is the 5-acre tract of multifamily land centrally located in Hagerman. Following is a discussion of the four tests of highest and best use as they pertain to the Subject land as vacant:

- **Legally Permissible:** The Subject is in the town limits and zoned for Multi-Family Residential use. There are no known deed restrictions or covenants that bind the Subject land. The only legal restriction affecting the legally permissible use of the land is the zoning ordinance.

- **Physically Possible:** The Subject consists of a 5.0-acre tract with a rectangular shape and ±330' of frontage along W. Argyle Street. It is level, at street grade and entirely usable. The land has good access and visibility from W. Argyle Street, which is one of the primary east-west corridors through town. The site meets the requirements for development in the Multi-Family Residential zone. Given the size, shape, dimensions, topography and soils, there are no obvious physical barriers to development of the Subject land.

- **Financially Feasible:** Financial feasibility focuses on the income and cost aspects of the uses that meet the above criteria. As long as a potential use has value commensurate with its costs and conforms to the tests of legal permissibility and physical possibility, the use is financially feasible.

Again, the Subject is the 5-acre tract of land zoned for multifamily use. The Subject is the only apartment complex in town and has a good history of occupancy. Given the proven demand, multifamily development is a financially feasible use of the land as vacant.

- **Maximally Productive**: Again, the Subject lot is zoned for multifamily development. As will be shown throughout this study, there is sufficient demand for affordable rental units in the market. Multifamily development is conducive to the neighborhood and is the maximally productive use of the lots.

**Final Conclusion**: Highest and best use of the Subject land as vacant is for multifamily development. There is sufficient demand for such development in the market and such development is compatible with the neighborhood. The likely user is would be a small-scale investor.

**Highest & Best Use as Improved:**

- **Legally Permissible**: As improved, the Subject is a small apartment complex with 20 rental units within the eight freestanding buildings. The property as developed and its current use are legally permissible.

- **Physically Possible**: The Subject property was developed in 1984 as the apartment complex. It is in average condition with the only notable items of deferred maintenance being some weathered exterior siding panels and rust on doors of some storage closets. The property is conducive to multifamily use catering to long-term rentals. Continued use as an apartment complex is the physically possible use.

- **Financially Feasible**: The property is known to have a history of stable occupancy and there is good demand for affordable rental units in this market. No other similar apartment complexes in the Town of Hagerman were identified. As will be shown in the upcoming analysis, the Subject’s current use yields a sufficient income and return on the real estate. Continued use as an apartment complex is a financially feasible use of the property as improved.

- **Maximally Productive**: Again, the Subject is a small apartment complex in average condition. There is stable demand for this type of property and the Subject has a good history of operation. Continued use as the apartment complex is the maximally productive use of the property as improved.

**Final Conclusion**: As improved, the Subject’s current use meets the criteria of the four tests of highest and best use. Highest and best use of the Subject property as improved is for continued use as the apartment complex with immediate attention to the deferred maintenance.
Valuation of the Real Estate – The Sales Comparison Approach

The Sales Comparison Approach develops an indication of value through analysis of prices paid in transactions involving similar properties. The reliability of this approach is dependent upon the availability and quality of comparable sales data. For income properties, similarity of property type, tenancy, building age and condition, and expected patterns of income performance are important considerations in establishing comparability.

The Sales Comparison Approach is a systematic process in which the appraiser:

1. Researches the competitive market for comparable sales, listings for sale or contracts to sale.
2. Verifies the information by confirming that the data obtained is factually accurate and that the transactions reflect arm’s length market considerations.
3. Selects the most relevant units of comparison for the market and develops a comparative analysis for those units of comparison.
4. Identifies differences between the comparable sales and the Subject property using the appropriate elements of comparison and makes the necessary adjustments to the comparables.
5. Reconciles the various value indications into a final value opinion for the Subject property.

The Subject is the only apartment complex in the small community of Hagerman. As such, I have expanded my search for comparable sales to include smaller multifamily units and complexes throughout the region. Following is a chart summarizing four sales of multifamily properties deemed pertinent to this valuation. On the following pages are data sheets providing further detail on each property and the transaction. New Mexico is a non-disclosure state and details of each sale have been confirmed with the buyer, seller or another party to the transaction. Significant effort has been made to obtain the most recent and reliable information.

<table>
<thead>
<tr>
<th>Summary of Improved Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Property:</strong></td>
</tr>
<tr>
<td><strong>Address:</strong></td>
</tr>
<tr>
<td><strong>Address:</strong></td>
</tr>
<tr>
<td><strong>Sale Date:</strong></td>
</tr>
<tr>
<td><strong>Sale Price:</strong></td>
</tr>
<tr>
<td><strong>Gross Building Area:</strong></td>
</tr>
<tr>
<td><strong># of Apartments:</strong></td>
</tr>
<tr>
<td><strong>Sale Price / SF of GBA:</strong></td>
</tr>
<tr>
<td><strong>Sale Price / Apartment:</strong></td>
</tr>
<tr>
<td><strong>Comments:</strong></td>
</tr>
</tbody>
</table>
• **Map of Comparable Improved Sales**
### Property & Transaction Details:

- **Property:** The Alston House Apartments
- **Location:** 604 E. Alston Street, Hobbs, NM
- **Legal Address:** Lots 11 – 14, Highland Park Addition, Block 125, Hobbs, Lea County, NM
- **Grantor:** Troth, LLC
- **Grantee:** A&J Properties Four Family LP
- **Sale Price:** $460,000
- **Sale Date:** April 1, 2014
- **Recording Data:** WD; Book 1884, Page 815
- **Terms & Financing:** Cash to seller
- **Property Rights Conveyed:** Fee Simple Interest
- **Conditions of Sale:** Typical
- **Motivation:** Typical

### Site Description:

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land Area:</strong></td>
<td>21,000 SF</td>
</tr>
<tr>
<td><strong>Shape:</strong></td>
<td>Near square</td>
</tr>
<tr>
<td><strong>Frontage / Depth:</strong>*</td>
<td>150’ / 140’</td>
</tr>
<tr>
<td><strong>Topography:</strong></td>
<td>Level and at street grade</td>
</tr>
<tr>
<td><strong>Access:</strong></td>
<td>Alston Street</td>
</tr>
<tr>
<td><strong>Utilities:</strong></td>
<td>All Available</td>
</tr>
<tr>
<td><strong>Zoning:</strong></td>
<td>None, no zoning in Hobbs</td>
</tr>
<tr>
<td><strong>Other:</strong></td>
<td>Interior Lot</td>
</tr>
</tbody>
</table>

### Building Description:

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gross Building Area:</strong></td>
<td>12,000 SF</td>
</tr>
<tr>
<td><strong>Number of Apartments:</strong></td>
<td>14</td>
</tr>
<tr>
<td><strong>Number of Buildings:</strong></td>
<td>2 / 1-story</td>
</tr>
<tr>
<td><strong>Floor Area Ratio:</strong></td>
<td>0.57</td>
</tr>
<tr>
<td><strong>Land to Building Ratio:</strong></td>
<td>1.75:1</td>
</tr>
<tr>
<td><strong>Year Built:</strong></td>
<td>1965</td>
</tr>
<tr>
<td><strong>Construction:</strong></td>
<td>Wood frame with brick veneer and gable roof with asphalt shingle cover</td>
</tr>
<tr>
<td><strong>Quality / Condition:</strong></td>
<td>Average / Average</td>
</tr>
</tbody>
</table>
### COMPARABLE IMPROVED SALE #1 – CONTINUED

<table>
<thead>
<tr>
<th>Economic Analysis:</th>
<th>Economic Indicators:</th>
</tr>
</thead>
<tbody>
<tr>
<td>PGI:</td>
<td>Sale Price PSF of GBA: $38.33</td>
</tr>
<tr>
<td>Less Vacancy:</td>
<td>Sale Price per Guest Room: $32,857</td>
</tr>
<tr>
<td>EGI: $87,456 Est.</td>
<td>EGIM: 5.26</td>
</tr>
<tr>
<td>Expenses: $43,728 Est. at 50%</td>
<td>Overall Rate: 9.51%</td>
</tr>
<tr>
<td>Net Operating Income: $43,728</td>
<td></td>
</tr>
</tbody>
</table>

**Comments:**
This is the recent sale of a 14-unit apartment complex in a residential neighborhood of Hobbs. All units are 2BR / 1BA apartments with approximately 850 SF. The rental rate is around $500 per month and the property was fully occupied at the time of sale. The landlord pays for water/sewer/garbage collection and the tenant is responsible for all other expenses. There are six small storage units and a laundry room for the tenants. No additional rent was being charged for the storage units. The property was on the market for 345 days.

The income cited above is extracted from the listing sheet. Expenses are estimated at 50% of the effective gross income.

**Confirmation:**
Chris Howell, listing agent / Lea County Commercial & Investment Real Estate
By: Marc Beatty, MAI
## COMPARABLE IMPROVED SALE #2

### Property & Transaction Details:
- **Property Type:** 12-Unit Apartment Complex dba First Street Flats
- **Location:** 1610 – 1704 First Street, Roswell, New Mexico
  - This is an interior site on the south side of the street between Utah and Nevada Avenues.
- **Legal Address:** Lot 5, Block 2 of the Amended Redivision of Lot 2, Block 1, Sunset Heights, Roswell, Chaves County, NM
- **Grantor:** Howard Bobb
- **Grantee:** First Street Flats, LLC
- **Sale Price:** $390,000
- **Sale Date:** July 16, 2015
- **Recording Data:** Warranty Deed; Document #20150006198
- **Terms:** Cash to seller / Conventional Financing
- **Property Rights Conveyed:** Fee Simple Interest
- **Conditions of Sale:** Typical
- **Motivation:** Typical

### Site Description:
- **Land Area:** 25,378 SF
- **Shape:** Rectangular
- **Frontage / Depth:** ±220’ / ±112’
- **Topography:** Level and at street grade
- **Access:** First Street
- **Utilities:** All Available
- **Zoning:** R-3 Residential

### Building Description:
- **Gross Living Area:** 7,294 SF
- **Number of Units:** 12 / 4 buildings
- **Floor Area Ratio:** 0.29
- **Land to Building Ratio:** 3.5:1
- **Year Built:** -
- **Quality / Condition:** Average / Below Average
- **Construction:** CMU with flat roof
**COMPARABLE IMPROVED SALE #2 - CONTINUED**

<table>
<thead>
<tr>
<th>Economic Analysis</th>
<th>Economic Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>PGI: $69,840 Actual</td>
<td>Sale Price PSF: $53.47</td>
</tr>
<tr>
<td>Less Vacancy: $4,889 est. at 7%</td>
<td>Sale Price per Rental Unit: $32,500</td>
</tr>
<tr>
<td>EGI: $64,951</td>
<td>PGIM: 5.58</td>
</tr>
<tr>
<td>Expenses: $22,341 34% - actual</td>
<td>EGIM: 6.00</td>
</tr>
<tr>
<td>Net Operating Income: $42,610</td>
<td>Overall Rate: 10.93%</td>
</tr>
</tbody>
</table>

**Comments:**
This is a small apartment complex with 12 rental units in four 3-plex buildings. Each building has two 2BR / 1BA units and one 1BR / 1BA unit. All have a living room, the bedroom(s), a full bathroom, kitchen and a window air conditioning unit. The property was under contract at the list price of $420,000, but closed at the appraised value of $390,000 described herein. The property was fully occupied at the time of sale.

**Confirmation:**
Ivan Garcia-Caban, CCIM, selling agent / Berkshire Hathaway Enchanted Lands Real EstateMLS #102098
By: Marc Beatty, MAI (9/15)
### Comparable Improved Sale #3

**Property & Transaction Details:**
- **Property Type:** 24-Unit Apartment Complex
- **Location:** 1809 - 2111 Jackson Avenue, Lovington, New Mexico
  - This is an interior lot on the south side of the street midblock between the bypass and N. 20th Street.
- **Legal Address:** Lots 1 – 7, Block 1 Colonial Estates Addition, Lea County, NM
- **Grantor:** Robert St. Louis
- **Grantee:** Kenneth A TeVelde
- **Sale Price:** $1,150,000
- **Sale Date:** August 28, 2015
- **Recording Data:** Warranty Deed; Book 1992; Page 537
- **Terms:** Cash to Seller
- **Property Rights Conveyed:** Fee Simple Interest
- **Conditions of Sale:** Typical
- **Motivation:** Typical

**Site Description:**
- **Land Area:** ±70,740 SF
- **Shape:** Rectangular
- **Frontage / Depth:** ±524’ / ±135’
- **Topography:** Level & at street grade
- **Access:** Jackson Avenue
- **Utilities:** All Available
- **Zoning:** B-Zone, Multi-Family District

**Building Description:**
- **Gross Living Area:** 19,992 SF
- **Number of Units:** 24 / 12-buildings
- **Floor Area Ratio:** 0.28
- **Land to Building Ratio:** 3.54:1
- **Year Built:** 1982
- **Quality / Condition:** Average / Average
- **Construction:** Wood frame with stucco & brick; pitched roof with shingle, and mansard wood shingle
### COMPARABLE IMPROVED SALE #3 - CONTINUED

<table>
<thead>
<tr>
<th>Economic Analysis</th>
<th>Economic Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>PGI:</td>
<td>$200,640</td>
</tr>
<tr>
<td>Less Vacancy:</td>
<td>$10,032 5%</td>
</tr>
<tr>
<td>EGI:</td>
<td>$190,608</td>
</tr>
<tr>
<td>Expenses:</td>
<td>$54,900 27.5%</td>
</tr>
<tr>
<td>Net Operating Income:</td>
<td>$135,708</td>
</tr>
<tr>
<td>Sale Price PSF:</td>
<td>$57.52</td>
</tr>
<tr>
<td>Sale Price per Rental Unit:</td>
<td>$47,917</td>
</tr>
<tr>
<td>PGIM:</td>
<td>5.73</td>
</tr>
<tr>
<td>EGIM:</td>
<td>6.03</td>
</tr>
<tr>
<td>Overall Rate:</td>
<td>11.80%</td>
</tr>
</tbody>
</table>

**Comments:** This is moderate size complex on the west side of Lovington, fronting a paved street. It consists of 10 one-story duplex units and 2 two-story duplex units. Unit mix is twenty 2BR / 2BA units and four 2BR / 1.5BA units. The property is in average condition.

The economic analysis cited above is from a peer appraiser’s personal database.

**Confirmation:**

Steve Sparks, MAI

Appraiser Files
**COMPARABLE IMPROVED SALE #4**

**Property & Transaction Details:**
- **Property:** 9-Unit Apartment Complex in Carlsbad
- **Location:** 605 & 607 N. Alameda Street, Carlsbad, New Mexico
- **Legal Address:** Lots 7 & 9, Block 39, Lowe Subdivision, Carlsbad, Eddy County, NM
- **Grantor:** SCS, LLC
- **Grantee:** Wayne Martin
- **Sale Price:** $579,000
- **Sale Date:** August 31, 2017
- **Recording Data:** Book 1098, Page 512
- **Terms:** Cash to Seller
- **Property Rights Conveyed:** Fee Simple Interest
- **Conditions of Sale:** Typical
- **Motivation:** Typical

<table>
<thead>
<tr>
<th><strong>Site Description:</strong></th>
<th><strong>Building Description:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land Area:</strong> 15,000 SF or 0.34-acre</td>
<td><strong>Gross Building Area:</strong> 5,593 SF</td>
</tr>
<tr>
<td><strong>Shape:</strong> Rectangular</td>
<td><strong>Number of Apartments:</strong> 9</td>
</tr>
<tr>
<td><strong>Frontage / Depth:</strong> 100' / 150'</td>
<td><strong>Number of Buildings:</strong> 2 / 1-story</td>
</tr>
<tr>
<td><strong>Topography:</strong> Level and at street grade</td>
<td><strong>Floor Area Ratio:</strong> 0.37</td>
</tr>
<tr>
<td><strong>Access:</strong> N. Alameda Street or Alley; access is good</td>
<td><strong>Land to Building Ratio:</strong> 2.68:1</td>
</tr>
<tr>
<td><strong>Utilities:</strong> All Available</td>
<td><strong>Year Built:</strong> 1982</td>
</tr>
<tr>
<td><strong>Zoning:</strong> R-2, Residential 2 District</td>
<td><strong>Construction:</strong> Wood frame with stucco, sloped shingle roofs</td>
</tr>
<tr>
<td><strong>Other:</strong> Comprised of two buildings on adjoining lots, front and rear parking</td>
<td><strong>Quality / Condition:</strong> Average / Above Average</td>
</tr>
<tr>
<td>Economic Analysis:</td>
<td>Economic Indicators:</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>PGI: $85,540</td>
<td>Sale Price PSF of GBA: $103.52</td>
</tr>
<tr>
<td>Less Vacancy:</td>
<td>Sale Price per Apartment: $64,333</td>
</tr>
<tr>
<td>$4,277 5%</td>
<td>PGIM: 6.77</td>
</tr>
<tr>
<td>EGI: $81,263</td>
<td>EGIM: 7.13</td>
</tr>
<tr>
<td>Expenses: $21,800 26.8%</td>
<td>Overall Rate: 10.27%</td>
</tr>
<tr>
<td>Net Operating Income: $59,463</td>
<td></td>
</tr>
</tbody>
</table>

**Comments:** This is a 9-unit complex in Carlsbad. It is comprised of eight 1BR/1BA units and one furnished executive studio in two one-story buildings. Amenities include laundry room and storage spaces for rent. Total leasable area is 5,521 SF and laundry/storage area is 342 SF. Good accessibility and parking from N. Alameda Street and the alley. Located in a multi- and single-family neighborhood of central Carlsbad.

The economic analysis cited above is from a peer appraiser’s personal data base.

**Confirmation:** Steve Sparks, MAI
**EGIM Analysis:**

In the analysis of an apartment complex like the Subject, a price per unit analysis is often difficult to develop. Significant differences such as location, age, quality, condition, amenities, etc. exist between the properties. Quantifying those differences is difficult and often subjective. An alternative to the price per unit analysis is an analysis using a gross income multiplier. Analyses using income multipliers negate or minimize differences in properties because the differences are captured in the potential rent (and resulting income) the property can generate. For this analysis, the Effective Gross Income Multiplier (EGIM) has been used. The EGIM is the ratio between the sale price of a property and its annual effective gross income. The EGIM is derived from a comparable sale by dividing the sale price of that property by its effective gross income. The EGIMs from the comparable sale properties are reiterated below:

<table>
<thead>
<tr>
<th>Summary of EGIMs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
</tr>
<tr>
<td>#1</td>
</tr>
<tr>
<td>#2</td>
</tr>
<tr>
<td>#3</td>
</tr>
<tr>
<td>#4</td>
</tr>
</tbody>
</table>

The EGIMs extracted from the comparable sales range from 5.26 to 7.13 with two sales showing a multiplier of around 6.0. Each of the properties is a small complex like the Subject, but vary in regard to location and quality/condition. Again, use of the multiplier will minimize the physical differences between the properties.

The Subject is an average quality complex in the rural community of Hagerman. Though it has a good history of operation, it is an older property with minimal amenities. The small market and limited upside potential have a negative influence on the Subject property. As such, an EGIM at the low end of the indications is warranted. In my opinion, an EGIM of 5.3 is reasonable for the Subject property.

In the upcoming Income analysis of this study, the Effective Gross Income (EGI) for the Subject property is stabilized at $97,567. Applying an EGIM of 5.3 to the Subject’s stabilized EGI indicates a market value of:

\[ 97,567 \times 5.3 = 517,105 \text{ rounded to } 515,000 \]
The Income Approach

Commercial real estate is often purchased as an investment for the income generated by the property. In the Income Capitalization Approach, the appraiser analyzes a property’s capacity to generate future benefits and capitalizes the income into an indication of present value. This approach holds that the market value of a property is equal to the present worth of its income stream over the holding period. The Income Approach can often be the most meaningful approach for an income producing property.

In this study, direct capitalization will be used. In direct capitalization, an overall capitalization ($R_o$) rate is applied to a property’s stabilized net operating income to result in an indication of value. Direct capitalization converts a single year’s net operating income expectancy into a value indication. The formula for direct capitalization is:

$$V_o = \frac{I_o}{R_o}$$

Where: $V_o =$ Value
$I_o =$ Net Operating Income
$R_o =$ Overall Capitalization Rate

Direct capitalization is widely used when the property being appraised is operating at stabilized levels and there is ample supply of comparable sales with similar risk levels, incomes, expenses, physical and locational characteristics, and future expectations. Direct capitalization is a one-step process that, on the surface, is perceived to be easy to use and understand. Contrarily, it is a complex one that requires the property being appraised to meet the specific criteria and the appropriate overall rate to be selected. The overall rate selected is only valid if it accounts for all characteristics of the property including an appropriate rate of return commensurate with the risk associated with the investment.

Discussion of Past Operations:

The Subject property has been owned by the Region VI Housing Authority for many years. For this analysis, the Unaudited Financial Statements for the Period Ending June 30, 2019 produced by the management company were provided. The Subject has been under the same management and operating at stabilized levels for many years. Though the provided information includes projections into 2019, the information is deemed reliable for this analysis. The data as provided is presented on the following pages:

---

<table>
<thead>
<tr>
<th>Rental Income</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent Income - Gross Rent Potential</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>9,034</td>
<td>108,408</td>
</tr>
<tr>
<td>Lease Excess</td>
<td>3,545</td>
<td>2,257</td>
<td>2,257</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>18,309</td>
</tr>
<tr>
<td>Other Rental Income</td>
<td>2,545</td>
<td>2,257</td>
<td>2,257</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>1,250</td>
<td>18,309</td>
</tr>
<tr>
<td>Vacancy</td>
<td>(1,079)</td>
<td>(1,470)</td>
<td>(1,596)</td>
<td>(905)</td>
<td>(903)</td>
<td>(902)</td>
<td>(903)</td>
<td>(903)</td>
<td>(903)</td>
<td>(903)</td>
<td>(903)</td>
<td>(903)</td>
<td>(12,063)</td>
</tr>
<tr>
<td>Concessions</td>
<td>(476)</td>
<td>(476)</td>
<td>(476)</td>
<td>(475)</td>
<td>(475)</td>
<td>(475)</td>
<td>(475)</td>
<td>(475)</td>
<td>(475)</td>
<td>(475)</td>
<td>(475)</td>
<td>(475)</td>
<td>(5,754)</td>
</tr>
<tr>
<td>Rental Vacancies and Concessions</td>
<td>(2,146)</td>
<td>(1,946)</td>
<td>(1,872)</td>
<td>(1,361)</td>
<td>(1,261)</td>
<td>(1,261)</td>
<td>(1,261)</td>
<td>(1,261)</td>
<td>(1,261)</td>
<td>(1,261)</td>
<td>(1,261)</td>
<td>(1,261)</td>
<td>(18,217)</td>
</tr>
<tr>
<td>Total Rental Income</td>
<td>9,453</td>
<td>9,454</td>
<td>9,419</td>
<td>8,925</td>
<td>8,923</td>
<td>8,923</td>
<td>8,923</td>
<td>8,923</td>
<td>8,922</td>
<td>8,922</td>
<td>8,922</td>
<td>8,922</td>
<td>108,500</td>
</tr>
<tr>
<td>Other Income</td>
<td>Jul</td>
<td>Aug</td>
<td>Sep</td>
<td>Oct</td>
<td>Nov</td>
<td>Dec</td>
<td>Jan</td>
<td>Feb</td>
<td>Mar</td>
<td>Apr</td>
<td>May</td>
<td>Jun</td>
<td>Total</td>
</tr>
<tr>
<td>Interest Income</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>Laundry &amp; Vending Income</td>
<td>9</td>
<td>27</td>
<td>0</td>
<td>108</td>
<td>108</td>
<td>108</td>
<td>108</td>
<td>108</td>
<td>109</td>
<td>109</td>
<td>109</td>
<td>109</td>
<td>1,003</td>
</tr>
<tr>
<td>Resident Charges</td>
<td>79</td>
<td>130</td>
<td>440</td>
<td>130</td>
<td>152</td>
<td>152</td>
<td>152</td>
<td>152</td>
<td>153</td>
<td>153</td>
<td>153</td>
<td>153</td>
<td>2,019</td>
</tr>
<tr>
<td>Total Other Income</td>
<td>78</td>
<td>157</td>
<td>450</td>
<td>258</td>
<td>260</td>
<td>260</td>
<td>260</td>
<td>261</td>
<td>265</td>
<td>265</td>
<td>265</td>
<td>265</td>
<td>3,028</td>
</tr>
<tr>
<td>Total Income</td>
<td>Jul</td>
<td>Aug</td>
<td>Sep</td>
<td>Oct</td>
<td>Nov</td>
<td>Dec</td>
<td>Jan</td>
<td>Feb</td>
<td>Mar</td>
<td>Apr</td>
<td>May</td>
<td>Jun</td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td>9,531</td>
<td>9,502</td>
<td>9,869</td>
<td>9,181</td>
<td>9,183</td>
<td>9,183</td>
<td>9,183</td>
<td>9,184</td>
<td>9,185</td>
<td>9,185</td>
<td>9,185</td>
<td>111,528</td>
<td></td>
</tr>
</tbody>
</table>

| Administrative Expense       | Jul  | Aug  | Sep  | Oct  | Nov  | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Total  |
| Advertising | 444 | 290 | 222 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 1,631 |
| Uniforms | 0 | 0 | 0 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Other Renting Expenses | 62 | 0 | 0 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 25 | 375 |
| Office Expenses | 220 | 247 | 274 | 418 | 420 | 420 | 420 | 420 | 420 | 420 | 420 | 420 | 4,110 |
| Management Fees | 816 | 816 | 846 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 900 | 11,336 |
| Manager's Salary | 480 | 212 | 445 | 312 | 312 | 312 | 312 | 312 | 312 | 312 | 312 | 312 | 4,254 |
| Travel - Manager | 15 | 15 | 15 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 36 |
| Training & Travel Related Expense | 36 | 11 | 37 | 166 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 167 | 1,586 |
| Legal Expenses | 81 | 0 | 0 | 8 | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 9 | 57 |
| Auditing/Tax Return | 128 | 138 | 138 | 138 | 138 | 138 | 138 | 138 | 139 | 139 | 139 | 139 | 1,999 |
| Bad Debt | (370) | 0 | 0 | 85 | 85 | 85 | 85 | 85 | 84 | 84 | 84 | 84 | 412 |
| Dues and Subscriptions | 0 | 0 | 0 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 17 | 152 |
| Services for Residents | 0 | 0 | 0 | 8 | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 9 | 76 |
| Total Administrative Expense | 1,932 | 2,320 | 2,312 | 2,127 | 2,331 | 2,331 | 2,331 | 2,334 | 2,240 | 2,240 | 2,240 | 2,240 | 26,485 |

| Utilities Expense       | Jul  | Aug  | Sep  | Oct  | Nov  | Dec  | Jan  | Feb  | Mar  | Apr  | May  | Jun  | Total  |
| Electricity | 150 | 155 | 158 | 216 | 217 | 217 | 217 | 217 | 217 | 217 | 217 | 217 | 2,415 |
| Water | 623 | 546 | 546 | 566 | 567 | 567 | 567 | 567 | 567 | 567 | 567 | 567 | 6,817 |
| Gas | 51 | 40 | 115 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 46 | 630 |
| Sewer | 333 | 333 | 333 | 333 | 333 | 333 | 333 | 333 | 334 | 334 | 334 | 334 | 4,000 |
| Total Utilities Expense | 1,157 | 1,074 | 1,152 | 1,161 | 1,163 | 1,163 | 1,163 | 1,164 | 1,164 | 1,164 | 1,164 | 1,164 | 13,852 |
Based on the October 2018 rent roll provided for this study, there were three vacant units. As of the date of the property inspection and effective date of this appraisal, there was one vacant unit with a tenant finalizing the application to move in. The property manager reports that one to two vacancies are typical.

Gross Rental Income shown above is $108,408 for the projected year. Expenses are $94,202 or 87% of the rental income. Again, the property has been owned by the Housing Authority for many years and managed by JL Gray Company. While it is considered to be operating at stabilized market occupancy, the operating expenses are above market levels.

**Contract & Market Level Rental Rates:**

Again, as of the effective date of this appraisal, there was one vacant unit at the Subject property. Rental rates for the Subject property are $422 per month for a 2BR unit, $476 per month for a 3BR unit and $503 per month for a 4BR unit. The monthly rent includes water/sewer/garbage services. The tenant is responsible for electricity, natural gas, telephone and television.

A rental survey has been completed to determine if the current rental rates for the Subject units are at market levels. The following table summarizes asking rates at three competing properties in nearby Roswell and one in Dexter. There are no other apartment properties in Hagerman and no similar properties with 4BR units were found.
<table>
<thead>
<tr>
<th>Summary of Comparable Rentals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Apartment Rental #1 – Saddle Creek Apts., Roswell</strong></td>
</tr>
<tr>
<td><strong>Monthly Rent:</strong> 2BR/1BA = $530</td>
</tr>
<tr>
<td><strong>Total No. of Units:</strong> 160</td>
</tr>
</tbody>
</table>

| **Apartment Rental #2 – Town Plaza Apts., Roswell** | **Location:** 1201 McGaffey Street, Roswell |
| **Monthly Rent:** 2BR/1.5BA = $625  
3BR/2.5BA = $700 | **Utilities Included:** All |
| **Total No. of Units:** 72 | **Comments:** This is the Town Plaza Apartments in southwest Roswell. It is an older complex in average condition. The property has two- and three-bedroom units. The property offers an onsite swimming pool and laundry facility. |

| **Apartment Rental #3 – Valle Encantada Apts., Roswell** | **Location:** 201 S. Sunset Avenue, Roswell |
| **Monthly Rent:** 2BR/1BA = $650  
3BR/2BA = $690 | **Utilities Included:** All |
| **Total No. of Units:** 88 | **Comments:** This is the Villa Encantada Apartments at the northeast corner of Sunset Avenue and Poe Street in Roswell. The project has 88 one-, two-, and three-bedroom units. There is a swimming pool and laundry room. Natural gas and water are included in the rent. |

| **Apartment Rental #5 – Pecos Apartments, Dexter** | **Location:** 301 E. Butler St., Dexter |
| **Monthly Rent:** 1 BR = $565  
2 BR = $700  
3 BR = $939 | **Utilities Included:** Water/Sewer |
| **Total No. of Units:** 28 | **Comments:** This is a small complex in nearby Dexter. There are eight 1BR, 16 2BR, and three 3BR units. The property is currently 100% occupied. It is a two-story complex built in 1986. The property was developed by the Regional Housing Authority and managed by JL Gray Company. |
The comparables are three older properties along the south side of Roswell and one in nearby Dexter. The property in Dexter is owned by the Housing Authority and managed by JL Gray Company, like the Subject. Rental rates for the comparable properties range from $530 - $650 for a 2BR unit and $690 – $939 for the 3BR units. All utilities are included at two of the properties and water/sewer/garbage is included at the other two. The rental rates at the comparables are all higher than those at the Subject property. However, given the differences in the properties and the inclusion of utilities at two of them, this is not unreasonable. Again, the Subject is located in the small community of Hagerman. It is an older complex with no amenities other than the onsite coin-laundry. Of the comparables, the three properties in Roswell are larger, traditional complexes with swimming pools. The property in Dexter is slightly newer and potentially better located.

Because of supply and demand factors, apartment complexes like the Subject operate in a very competitive industry. Rental rates must be at market levels to maintain market occupancies. With market vacancies generally around 5% - 10%, this allows for one to two vacancies at the Subject property. Again, the Subject had one vacant unit as of the effective date of this report and the manager reports that two or three vacancies is not uncommon. Two vacant units would equate to a 10% vacancy ratio for the Subject property (2 vacant units ÷ 20 total units = 10% vacancy rate). Given the market vacancy ratio, though the current rates are slightly below the asking rates of the comparable properties, I conclude that the current rates for the Subject units are at market levels.

**Potential Gross Income:**

The Potential Gross Income (PGI) is “the total income attributable to real property at full occupancy before vacancy and operating expenses are deducted.” The PGI for the Subject property based on the current market level rental rates is:

- 2-bedroom: $422 per month × 10 units × 12 months = $50,640
- 3-bedroom: $476 per month × 8 units × 12 months = $45,696
- 4-bedroom: $503 per month × 2 units × 12 months = $12,072

**Potential Gross Income =** $108,408

The projected income is in line with the management company’s projections shown on Page 42 of this report.

**Vacancy & Collection Loss:**

As of the effective date of this appraisal, there was one vacant unit at the Subject property which equates to a vacancy ratio of 5%. The property manager reports that two to three vacancies are not uncommon, but there is good demand and vacancies do not last long. There has historically been demand for affordable rental units in the area and the similar property is nearby Dexter is fully occupied. In this analysis, vacancy and collection loss will be stabilized at 10%, which is the equivalent of two vacant units.

---

Estimate of Stabilized Operating Expenses:

Again, the only expense information for the property is the July 2018 through June 2019 projections produced by the management company. While the Subject is operating at stabilized levels, operating expenses based on the information give are 87% of the rental income which is far above market levels for this type of property. As such, the deduction for operating expenses will be based on market norms extracted from similar properties throughout the region. The following chart summarizes the operating expense ratios extracted from the four comparable sales presented in the Sales Comparison Approach of this appraisal as well as a variety of other apartment complexes throughout the region.

<table>
<thead>
<tr>
<th>#</th>
<th>Property</th>
<th>Location</th>
<th>Util. Paid by Landlord</th>
<th>Operating Expense Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The Alston House</td>
<td>Hobbs</td>
<td>Water</td>
<td>50%</td>
</tr>
<tr>
<td>2</td>
<td>First Street Flats</td>
<td>Roswell, NM</td>
<td>Water in all; Gas in some units</td>
<td>34%</td>
</tr>
<tr>
<td>3</td>
<td>24-Units</td>
<td>Lovington, NM</td>
<td>Water</td>
<td>28%</td>
</tr>
<tr>
<td>4</td>
<td>9-Units</td>
<td>Carlsbad, NM</td>
<td>Water</td>
<td>27%</td>
</tr>
<tr>
<td>-</td>
<td>Timberwolf 4-Plex</td>
<td>Ruidoso, NM</td>
<td>Water</td>
<td>36%</td>
</tr>
<tr>
<td>-</td>
<td>Aspen Lodge</td>
<td>Ruidoso, NM</td>
<td>All</td>
<td>48% - 57%</td>
</tr>
<tr>
<td>-</td>
<td>Eagle Creek Apartments</td>
<td>Artesia, NM</td>
<td>All</td>
<td>68%</td>
</tr>
<tr>
<td>-</td>
<td>7-Units</td>
<td>Roswell, NM</td>
<td>NA</td>
<td>41%</td>
</tr>
<tr>
<td>-</td>
<td>Linda Vista</td>
<td>Roswell, NM</td>
<td>Water</td>
<td>30%-36%</td>
</tr>
<tr>
<td>-</td>
<td>Riverwood Apartments</td>
<td>Carlsbad, NM</td>
<td>Water</td>
<td>45%</td>
</tr>
<tr>
<td>-</td>
<td>River Oaks Apartments</td>
<td>Carlsbad, NM</td>
<td>Nat. gas &amp; water</td>
<td>48%</td>
</tr>
</tbody>
</table>

The operating expense ratios at these various apartment complexes range from a low of 27% to a high of 68%. The highest ratio is from the Eagle Creek Apartments, which is a subsidized complex for the elderly where all expenses are included in the rent. Excluding this, the rates form a tighter range from 27% to 57%. Again, operating expenses at the Subject as shown by the financial report are 87%. As can be seen, this ratio is well above market levels.

The Subject is a small complex with minimal amenities. It has 20 units in eight freestanding buildings plus the office/laundry room and maintenance building. While the small size and limited amenities should result in lower operating costs, it is an older complex in a small market which may offset some of the other benefits. Given the age and condition, I conclude that an operating expense ratio at the upper end of the market is warranted. In my opinion, an operating expense ratio of 50% is of the rental income is reasonable.

Estimate of Stabilized Net Operating Income (Pro-Forma Analysis):

Based on the stabilized income and expense estimates, net operating income for the Subject property is:
Potential Gross Income: $108,408
Less Vacancy & Collection Loss of 10%: $ 10,841
Effective Gross Income: $ 97,567
Less Operating Expenses @ 50% <$ 48,784>
Stabilized Net Operating Income $ 48,784

Based on this analysis, the stabilized net operating income for the Subject property is $48,784.

Overall Capitalization Rate:

Though there are several ways to develop an overall capitalization rate, the preferred method is from market extraction. In the case of an apartment property, this requires that accurate income and expenses can be obtained. The net income is divided by the sale price of the property for an overall rate. The overall rates extracted from the four comparable sales used in this study are reiterated in the chart below:

<table>
<thead>
<tr>
<th>Property</th>
<th>Location</th>
<th>Sale Date</th>
<th>R₀</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 The Alston House</td>
<td>Hobbs, NM</td>
<td>4/14</td>
<td>9.51%</td>
</tr>
<tr>
<td>2 First Street Flats</td>
<td>Roswell, NM</td>
<td>7/15</td>
<td>10.93%</td>
</tr>
<tr>
<td>3 24 Units</td>
<td>Lovington, NM</td>
<td>8/15</td>
<td>11.80%</td>
</tr>
<tr>
<td>4 9-Units</td>
<td>Carlsbad, NM</td>
<td>8/17</td>
<td>10.27%</td>
</tr>
<tr>
<td><strong>Average R₀ =</strong></td>
<td></td>
<td></td>
<td><strong>10.63%</strong></td>
</tr>
</tbody>
</table>

Overall rates shown by the comparable sales range from a low of 9.51% to a high of 11.80% with a mean of 10.63%. There is a direct correlation between the overall rate and the investment risk of a property. In appraisal theory, the greater the risk of the investment, the higher the overall rate will be. Conversely, lower risk will warrant a lower overall rate.

The Subject is a 20-unit apartment complex located in the rural community of Hagerman. It is an older complex with minimal amenities, but has been adequately maintained. It is the only multifamily rental property in the community and has a good history of occupancy. Regardless, it is in an area where no growth or changes in the market are expected. Given the age and condition of the property along with its rural location, an overall rate at the upper end of the indications is warranted.

In my opinion, an overall rate of 11.0% is reasonable for the Subject property. Capitalizing the Subject’s stabilized net operating income with an overall rate of 11.0% indicates a market value of:

\[ \frac{48,784}{0.11} = 443,491 \text{ rounded to } 445,000 \]
Final Reconciliation & Opinion of Value

In appraisal practice, reconciliation is the process of resolving the differences among the various value indications. In the final reconciliation, the appraiser reexamines the entire appraisal to confirm consistent application of the approaches applied (comparables used and adjustments calculated), the highest and best use conclusions upon which each approach is based, the defined value in each approach, and the real property interests being appraised. The appraiser uses reconciliation criteria to form a meaningful, defensible, and final value conclusion. The appropriateness of the approaches, the accuracy of the data and calculations, and the quantity or sufficiencies of the evidence presented are considered relative to the specific appraisal problem.  

In this appraisal, two of the three traditional approaches to value were developed. The approaches to value result in the following:

- **Cost Approach**: Not Developed
- **Sales Comparison Approach**: $515,000
- **Income Approach**: $445,000

There is an $70,000 or a 16% difference between the indications. Following is a discussion of the strengths and weaknesses of each approach and its applicability in determining the final market value opinion of the Subject property:

- **The Sales Comparison Approach** – The Sales Comparison Approach was developed using four past sales of similar apartment complexes in the region. Because a price per unit analysis can be difficult to develop for a property like an older apartment complex, an analysis using an income multiplier was used. There was good quality data from which to develop this approach, though the EGIM analysis is a more simplistic application of it.

- **The Income Approach** – The Income Approach is the often the primary approach for an income producing property. It is intended to model the typical analysis undertaken by an investor. An apartment complex like the Subject property is typically bought and sold primarily on the basis of income considerations – rental revenue, occupancy, and net income after vacancy and expenses. A prudent investor will base the purchasing decision on a property’s income capabilities. The Income Approach reflects the value of a property based on its income production. The theory of this approach is that the current value of the property is reflected by the present worth of the net income it will produce over its remaining economic life.

The Subject is a developed property operating at stabilized market levels. Though only one year of income and expense information was provided for this study, the property has a good history of occupancy and, again, is operating at stabilized levels. Rental rates and operating expenses were compared to the market and adjusted where necessary. The overall rates used in this appraisal was extracted from market

---

comparables. Overall, there was good quality and quantity of data to develop the income analysis with no obvious weaknesses.

**Final Conclusion of Market Value:**

Again, there was good quality and quantity of data from which to develop each approach for this appraisal. However, based on my research and experience, most buyers of this type of property rely on income capitalization more so than an income multiplier. As such, in this analysis, emphasis is given to the Income Approach to value.

Based on the research and analysis, my opinion of the market value of the Subject property in the fee simple interest effective November 29, 2018 is:

$445,000  
Four Hundred Forty-Five Thousand Dollars
Certification

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- Margaret Sandys, MAI provided significant real property appraisal assistance including analysis.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I (Marc Beatty) have completed the continuing education program for Designated Members of the Appraisal Institute.

Marc Beatty, MAI

January 1, 2019
Date
General Assumptions & Limiting Conditions

This appraisal has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. The legal description is assumed to be correct. Title to the property is assumed to be good and marketable unless otherwise stated.

2. The property is appraised free and clear of any and all liens or encumbrances unless otherwise stated.

3. Responsible ownership and competent property management are assumed.

4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.

6. It is assumed that there are no hidden or unapparent conditions at the property, subsoil structures or building materials that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining engineering studies that may be required to discover them.

7. It is assumed that the property is in full compliance with all applicable federal, state and local environmental regulations and laws unless the lack of compliance is stated, described and considered in this appraisal report.

8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in this appraisal report.

9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.

10. It is assumed that the use of the land and the improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

11. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or
for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

*This appraisal report has been made with the following extraordinary assumptions:*

1. For this analysis, the interior of Units 6, 14 and 15 were observed during the property inspection and are considered to be in average condition. Because not all of the units were inspected, this appraisal is based on the *extraordinary assumption* that the interiors of the unobserved units are similar to those that were inspected. According to the Uniform Standards of Professional Appraisal Practice (USPAP), an extraordinary assumption is “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.”

*This appraisal report has been made with the following general limiting conditions:*

1. Any allocation of the total value estimated in this report between the Subject tracts of land applies only under the stated program of utilization. Separate values allocated to the Subject tracts of land must not be used in conjunction with any other appraisal and are invalid if so used.

2. Possession of this report, or a copy thereof, does not carry with it the right of publication.

3. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless such arrangements have been previously made.

4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales or other media without the prior written consent of the appraiser.
Qualifications of the Appraiser

C. Marc Beatty, MAI

Summary of Qualifications:
Extensive experience in real estate appraisal. The typical appraisal process consists of on-site inspection, data collection and verification, comparable analysis, market analysis, derivation of rates and multipliers, reconciliation, final opinion of value and the preparation and composition of narrative reports. Properties appraised include complex retail, office, industrial, multitenant neighborhood centers, hotels/motels, medical office buildings, subdivisions, large land tracts and proposed developments.

Work Experience:
- Owner / President, MB Appraisal Company, Ruidoso, NM, April 2010 to present
- Associate Appraiser, Denton Colvin & Associates, Ruidoso, NM, June 2006 – February 2014
  - Completion of the appraisal process to result in a final opinion of value for a variety of complex commercial properties, land tracts and subdivisions
  - Extensive analysis and application of the three traditional approaches to value
  - Application of the subdivision analysis and discounted cash flows
  - Reporting of findings in a narrative format adhering to the Uniform Standards of Professional Appraisal Practice and/or the Uniform Appraisal Standards for Federal Land Acquisitions (Yellowbook)

Licenses & Affiliations:
- State of New Mexico General Certified Appraiser No. 03085-G
- Appraisal Institute, MAI Member # 487710
- Member, Board of Directors of the Rio Grande Chapter of the Appraisal Institute
- Vice President, Board of Education for the Ruidoso Municipal School District
- Ruidoso/Lincoln County Association of REALTORS
- Rotary Club of Ruidoso

Summary of Appraisal Clients Served:
- Governmental Agencies: United States Department of Agriculture Forest Service, United States Department of Housing and Urban Development, County of Lincoln, County of Otero, Village of Ruidoso, Mescalero Apache Housing Authority, Department of Interior/Office of Special Trustee for American Indians, New Mexico Department of Transportation, Bureau of Land Management

Education:
- New Mexico State University, Las Cruces, New Mexico
  - Bachelor of Business Administration, December 1996
  - Major: Finance

Appraisal Institute (courses & seminars completed):
- Course 100GR, Basic Appraisal Principles, May 2006
- Course 101GR, Basic Appraisal Procedures, June 2006
- Course 310I, Basic Income Capitalization, September 2006
- Course 400G, General Market Analysis and Highest & Best Use, September 2007
- Course 401G, General Appraiser Sales Comparison Approach, May 2009
- Online Business Practices & Ethics, September 2009 Course
- Course 501GD, Advanced Income Capitalization, July 2010 (exam October 2010)
- Course I530, Advanced Sales Comparison & Cost Approaches, September 2010
- Course I550, Advanced Applications, March 2011
- Course 405G, General Appraiser Report Writing, June 2011
- Course 1400, 7-Jour National USPAP Update, January 2012
- Course 833, Fundamentals of Separating Real Property, Personal Property, & Intangible Business Assets, June 2013
- Business Practices & Ethics, January 2014
- 7-Hour National USPAP Update, January 2014
- Litigation Appraising: Specialized Topics and Applications, October 2014
- Advanced Spreadsheet Modeling for Valuation Applications, September 2015
- 7-Hour National USPAP Update, January 2016
Education (continued):

Norris School of Real Estate (courses completed):
National Uniform Standards of Professional Appraisal Practice (15 hr.), September 2006
Statistics, Modeling & Finance, October 2007

Appraisal Institute (seminars completed):
Forecasting Revenue, September 2007
Appraisal Challenges in Declining Markets, January 2009
Stats & Graphs, July 2009
Appraisal Tools Tune-Up, October 2009
Appraising in 2009, October 2009
General Demonstration Report Writing (Online) September 2012
Evaluating Commercial Construction, September 2012
Online Comparative Analysis, April 2017
Advanced Land Valuations, Sound Solutions to Perplexing Problems, April 2018

Other Courses & Seminars (completed):
7 Hour National USPAP Course A114 ASFMRA, March 2010
NM Real Estate Appraisers Board, Mandatory Renewal Class, March 2011
NM Real Estate Appraisers Board, Mandatory Renewal Class, February 2013
NM Real Estate Appraisers Board, Mandatory Renewal Class, April 2015
ASFMRA 7 Hour National USPAP Update, February 2018
## ERHA REO Schedule

<table>
<thead>
<tr>
<th>Property Name</th>
<th>Ownership Name</th>
<th>Ownership Role (GP, LP, Investor, etc.)</th>
<th>Property Type</th>
<th>Location (City/State)</th>
<th>Units</th>
<th>Occ. %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Eunice Housing</td>
<td>ERHA - Public Housing</td>
<td>Owner</td>
<td>MF</td>
<td>Eunice, NM</td>
<td>20</td>
<td>100.0%</td>
</tr>
<tr>
<td>2 Lovington Housing</td>
<td>ERHA - Public Housing</td>
<td>Owner</td>
<td>MF</td>
<td>Lovingon, NM</td>
<td>58</td>
<td>100.0%</td>
</tr>
<tr>
<td>3 Rio Felix Apartments</td>
<td>ERHA - Conventional</td>
<td>Owner</td>
<td>MF</td>
<td>Hagerman, NM</td>
<td>20</td>
<td>95.0%</td>
</tr>
<tr>
<td>4 Sandstone Manor Apartments</td>
<td>ERHA - Public Housing</td>
<td>Owner</td>
<td>MF</td>
<td>Roswell, Capitan, Carrizozo</td>
<td>84</td>
<td>99.0%</td>
</tr>
<tr>
<td>5 Vaugh Housing</td>
<td>ERHA - Public Housing</td>
<td>Owner</td>
<td>MF</td>
<td>Vaugh, NM</td>
<td>20</td>
<td>100.0%</td>
</tr>
<tr>
<td>6 Woodleaf Apartments</td>
<td>ERHA - Conventinoal</td>
<td>Owner</td>
<td>MF</td>
<td>Hobbs, NM</td>
<td>152</td>
<td>97.0%</td>
</tr>
<tr>
<td>7 Woodleaf Vacant land - Large Site</td>
<td>ERHA</td>
<td>Owner</td>
<td>Land</td>
<td>Hobbs, NM</td>
<td>13.27 Acres</td>
<td>NA</td>
</tr>
<tr>
<td>8 Woodleaf Vacant land - Small Site</td>
<td>ERHA</td>
<td>Owner</td>
<td>Land</td>
<td>Hobbs, NM</td>
<td>.38 Acres</td>
<td>NA</td>
</tr>
<tr>
<td>9 Horizon Apartments</td>
<td>TDS-ERHA Unidos LLC - Workforce</td>
<td>51% Member</td>
<td>MF</td>
<td>Eunice, NM</td>
<td>16</td>
<td>86.0% Under Construction</td>
</tr>
<tr>
<td>10 Roselawn Manor Apartments</td>
<td>Roselawn Manor CIC LLLP - LIHTC</td>
<td>51% GP</td>
<td>MF</td>
<td>Artesia, NM</td>
<td>63</td>
<td>97.0%</td>
</tr>
<tr>
<td>11 Mission La Posada Apartments</td>
<td>Mission La Posada CIC LLLP - LIHTC</td>
<td>51% GP</td>
<td>MF</td>
<td>Carlsbad, NM</td>
<td>80</td>
<td>84.0% Under Construction</td>
</tr>
</tbody>
</table>

**TOTALS** 513

v. 11/23/10
Tab 14
MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – September 3, 2019

Through: Contracted Services Committee – September 10, 2019

FROM: Izzy Hernandez, Deputy Director of Programs and Theresa Laredo-Garcia, Program Development Manager

DATE: September 18, 2019

SUBJECT: 2019 State Neighborhood Stabilization Program RFP

Recommendation:
Staff recommends approval of the 2019 State Neighborhood Stabilization Program (“NSP”) RFP.

Background:
New Mexico Mortgage Finance Authority (MFA) has received funds from the U.S. Department of Housing and Urban Development (HUD) for the purpose of Neighborhood Stabilization Program (NSP) which is authorized under the Housing and Economic Recovery Act of 2008 (HERA), through the New Mexico Department of Finance and Administration (DFA). The purpose of NSP is to assist communities that have been or are likely to be affected by foreclosed and abandoned properties.

MFA has received NSP1 and NSP3 funds for targeted areas for each allocation. Funds are available to eligible nonprofit, for profit organizations and local participating cities (service providers) to assist MFA in its mission to provide services to low- and moderate-income residents. The program provides funding to service providers for acquisition, rehabilitation, and sale/rent in NSP approved areas.

The estimated funding available for award under this 2019-2020 NSP RFP is $3,526,506. MFA will receive an administration fee of $283,181. (estimated). The projected fees will cover MFA’s cost to administer the program.

MFA will select qualified service providers for MFA’s State NSP. This RFP is issued pursuant to MFA’s procurement policy to solicit applications from qualified Offerors capable of providing Acquisition, Rehabilitation, and Sale/Rent services in all NSP approved areas. Awards will be made through a scoring process and will be based on organization capacity, financial stability, experience with acquisition, rehabilitation and sale/rent of properties, implementation plan and wait list/readiness to proceed.

Discussion:
The State NSP provides funding to assist communities that have been or are likely to be affected by foreclosed and abandoned properties. NSP priorities for funding are those areas of greatest need, which include metropolitan areas, metropolitan cities, urban areas, rural areas, low- and moderate-income areas and other areas of greatest need to include:

• Those areas with the greatest percentage of foreclosures;
• Those areas with the highest percentage of homes financed by sub-prime mortgage loans;
• Those areas with the highest percentage of vacant properties; and
• Those areas identified by the state of New Mexico as likely to face a significant rise in the rate of foreclosures.
NSP also requires, to the greatest extent possible and the longest term feasible, guidelines to preserve affordability to households with incomes no greater than 120 percent of area median income (AMI). In addition, 25 percent of funds must serve beneficiary households with incomes not greater than 50 percent AMI adjusted for family size as determined by HUD. Maps are provided for NSP 1 & NSP 3 identifying the target areas as part of the RFP.

Offerors must meet the minimum qualifications and requirements listed in Section 10 of the RFP in order to advance to the scoring portion of the RFP.

MFA will award performance agreements to the Offerors whose proposals score the highest and are most advantageous to MFA with respect to the evaluation criteria. Proposals will only be evaluated if Offeror meets the minimum threshold requirements. Proposals will be scored on a scale from 1 to 100 based on the criteria listed below.

Awards will be determined based on an Offeror’s request for funding and their score related to all qualified Offerors scores. Awards will be made to the highest scoring respondents. At MFA’s discretion, no more than three offerors will be awarded.

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Maximum Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Capacity</td>
<td>20</td>
</tr>
<tr>
<td>Finance</td>
<td>15</td>
</tr>
<tr>
<td>Experience Acquisition, Rehabilitation and Sale/Rent</td>
<td>35</td>
</tr>
<tr>
<td>Implementation Plan</td>
<td>20</td>
</tr>
<tr>
<td>Waiting List/Readiness to Proceed Pipeline</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Maximum Points</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Upon MFA board approval, a performance agreement will be effective from the day it is executed by both parties, for a maximum period of 18 months. The RFP timeline is listed below:

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA Published RFP</td>
<td>09/19/2019</td>
</tr>
<tr>
<td>RFP FAQ’s on Website</td>
<td>09/19/2019</td>
</tr>
<tr>
<td>RFP Training</td>
<td>10/02/2019</td>
</tr>
<tr>
<td>Deadline for Receipt of Proposals</td>
<td>10/18/2019</td>
</tr>
<tr>
<td>Deficiency Correction Period Begins</td>
<td>10/21/2019</td>
</tr>
<tr>
<td>Deficiency Correction Period Ends</td>
<td>10/23/2019</td>
</tr>
<tr>
<td>Preliminary Award Notice Sent to Service Providers</td>
<td>10/31/2019</td>
</tr>
<tr>
<td>Protest Period Begins</td>
<td>11/01/2019</td>
</tr>
<tr>
<td>Protest Period Ends</td>
<td>11/07/2019</td>
</tr>
<tr>
<td>Present Award Recommendations to MFA Board</td>
<td>11/20/2019</td>
</tr>
<tr>
<td>Final Notification of Awards Upon Board Approval</td>
<td>11/21/2019</td>
</tr>
<tr>
<td>Contracts to Service Providers</td>
<td>11/30/2019</td>
</tr>
</tbody>
</table>

NOTE: Timeline may be modified at MFAs discretion. MFA will notify appropriate offerors as needed.
Summary: Staff recommends approval of the 2019 State Neighborhood Stabilization Program (NSP) RFP. The purpose of the program is to assist communities that have been or are likely to be affected by foreclosed and abandoned properties. The estimated funding available for award under this 2019-2020 NSP RFP is $3,526,506.
NEW MEXICO MORTGAGE FINANCE AUTHORITY
REQUEST FOR PROPOSAL

State Neighborhood Stabilization Program ("NSP")

Program Year 2019/2020

Expanding the view of affordable housing

September 18, 2019
Welcome and thank you for your interest in responding to MFA’s State Neighborhood Stabilization Program (NSP) RFP. MFA is committed to choosing the best qualified Offerors and this information will provide the best opportunity to do so.

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

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

In an effort to provide clarification or answers to questions to this RFP, an FAQ link will be available on MFA’s website after the RFP training. Please refer to the timeline noted in Part II for the training date.
# TABLE OF CONTENTS

## PART I: GENERAL INFORMATION

1. Background Information ......................................................................................................................................... 1
   1.1 Introduction ..................................................................................................................................................... 1
   1.2 Purpose .......................................................................................................................................................... 1
2. General Proposal Requirements .......................................................................................................................... 1
   2.1 Proposal Submission ........................................................................................................................................ 1
   2.2 Proposal Tenure ............................................................................................................................................... 2
   2.3 Proposal Format ............................................................................................................................................. 2
   2.4 Irregularities in Proposals ............................................................................................................................ 2
   2.5 Evaluation of Proposals ............................................................................................................................... 2
   2.6 Deficiency Correction Period ....................................................................................................................... 2
3. RFP Standards ..................................................................................................................................................... 3
   3.1 Protest .......................................................................................................................................................... 3
   3.2 RFP Revisions and Supplements ................................................................................................................ 3
   3.3 Incurred Expenses ......................................................................................................................................... 4
   3.4 Responsibility of Offerors ........................................................................................................................... 4
   3.5 Cancellation of RFP or Rejection of Proposals .......................................................................................... 6
   3.6 Award Notice ............................................................................................................................................... 6
   3.7 Proposal Confidentiality ............................................................................................................................... 6
   3.8 Code of Conduct .......................................................................................................................................... 6
   3.9 Confidential Data .......................................................................................................................................... 6

## PART II: PROGRAM-SPECIFIC CRITERIA

4. PROGRAM BACKGROUND ....................................................................................................................................... 8
5. PURPOSE OF RFP ............................................................................................................................................... 8
6. RFP TRAINING .................................................................................................................................................... 9
7. RFP Q&A ........................................................................................................................................................................ 9
8. PERFORMANCE AGREEMENT TERM ............................................................................................................................... 9
9. TIMELINE ............................................................................................................................................................................. 9
10. MINIMUM QUALIFICATIONS AND REQUIREMENTS .................................................................................................... 10
11. GEOGRAPHIC AREA TO WHICH THIS RFP APPLIES .................................................................................................... 12
12. EVALUATION CRITERIA .................................................................................................................................................... 12
    12.1 Scoring Criteria............................................................................................................................................................. 12
13. Program Standards ............................................................................................................................................................ 15
14. COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS ............................................................................................. 19
15. RFP FORMS ........................................................................................................................................................................ 21
PART I: GENERAL INFORMATION

1 BACKGROUND INFORMATION

1.1 INTRODUCTION

New Mexico Mortgage Finance Authority (MFA) is a governmental instrumentality, separate and apart from the state, created by the Mortgage Finance Authority Act, N.M. Stat. Ann. Sections 58-18-1, et seq. (1978) for the purpose of financing affordable housing for low- and moderate-income New Mexico residents. MFA will endeavor to ensure, in every way possible, that small, women-owned business enterprises and/or labor surplus area firms (collectively Disadvantaged Business Enterprises [DBE]) shall have every opportunity to participate in submitting proposals and providing services. DBE businesses are encouraged to submit proposals. MFA will not discriminate against any business on grounds of race, color, religion, gender, national origin, age or disability. It is MFA’s policy that suppliers of goods or services adhere to a policy of equal employment opportunity and demonstrate an affirmative effort to recruit, hire and promote regardless of race, color, religion, gender, national origin, age or disability.

1.2 PURPOSE

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

2 GENERAL PROPOSAL REQUIREMENTS

2.1 PROPOSAL SUBMISSION

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

Submit proposals to:

Program Development Manager
New Mexico Mortgage Finance Authority
344 Fourth Street, SW
Albuquerque, NM 87102

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

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

2.3 PROPOSAL FORMAT

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

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

2.4 IRREGULARITIES IN PROPOSALS

MFA may waive technical irregularities in the form of proposal of any Offeror selected for award, which do not alter the price, quality or quantity of the services offered. Note especially that the date and time of proposal submission as indicated herein, in Part II Section 9, Timeline, cannot be waived under any circumstances.

2.5 EVALUATION OF PROPOSALS

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

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

2.6 DEFICIENCY CORRECTION PERIOD

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

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

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

3 RFP STANDARDS

3.1 PROTEST

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

Program Development Manager
New Mexico Mortgage Finance Authority
344 Fourth Street, SW
Albuquerque, NM 87102

The protest must be delivered to MFA within five business days after the preliminary notice of award. Upon the timely filing of a protest, the program development manager shall give notice of the protest to all Offerors who appear to have a substantial and reasonable prospect of being affected by the outcome of the protest. The Offerors receiving notice may file responses to the protest within five business days of notice of protest. The protest process shall consist of review of all documentation and any testimony provided in support of the protest by the Contracted Services/Credit Committee of MFA’s Board of Directors, which shall thereafter make a recommendation to the full Board of Directors regarding the disposition of the protest.

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

3.2 RFP REVISIONS AND SUPPLEMENTS

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

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

3.4 RESPONSIBILITY OF OFFERORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.5 CANCELLATION OF RFP OR REJECTION OF PROPOSALS

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

3.6 AWARD NOTICE

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

3.7 PROPOSAL CONFIDENTIALITY

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

3.8 CODE OF CONDUCT

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

Offeror shall provide a statement disclosing any political contribution or gift valued in excess of $250 (singularly or in the aggregate) made by Offeror or on Offeror’s behalf to any elected official of the state of New Mexico currently serving or who has served on MFA’s Board of Directors in the last three years.

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

3.9 CONFIDENTIAL DATA

Offerors may request, in writing, nondisclosure of confidential data. Such data shall accompany the proposal and shall be readily separable from the proposal to facilitate public inspection of non-confidential portions of the proposal. After award, all proposals and documents pertaining to the proposals will be open to the public. Confidential data is normally restricted to confidential financial information concerning the Offeror’s organization and data that qualifies as trade secrets under the Uniform Trade Secrets Act, §57-3A-1 et seq. NMSA 1978.
If a citizen of this state requests disclosure of data for which a request for confidentiality is made, MFA shall examine the request for confidentiality and make a written determination that specifies which portions of the proposal should be disclosed and will provide the Offeror with written notice of that determination. Unless the Offeror protests within 10 calendar days of the notice, the proposal will be so disclosed.

REMAINDER OF PAGE LEFT INTENTIONALLY BLANK
PART II: PROGRAM-SPECIFIC CRITERIA

4. PROGRAM BACKGROUND

New Mexico Mortgage Finance Authority (MFA) has received funds from the U.S. Department of Housing and Urban Development (HUD) for the Neighborhood Stabilization Program (NSP). The NSP is authorized under the Housing and Economic Recovery Act of 2008 (HERA), and provided to MFA through the New Mexico Department of Finance and Administration (DFA). NSP assists communities that have been or are likely to be affected by foreclosed and abandoned properties and provides affordable housing opportunities and housing market stabilization, for the benefit of low- and moderate-income New Mexicans.

Funds are available to eligible nonprofit, for profit organizations and local participating cities (Service Providers) to assist MFA in its mission to provide housing to low- and moderate-income residents. The program provides funding to service providers for acquisition, rehabilitation, and sale/rent of properties to residents at or below 120 percent of area median income (AMI) with a 25 percent set aside for residents at or below 50 percent AMI, in NSP approved areas*.

The estimated funding available for award under this 2019-2020 NSP RFP is $3,526,506.

NSP 1:
- Acquisition/rehab/sell/rent – up to 120% AMI $1,007,494
- Acquisition/rehab/sell/rent – up to 50% AMI (25% set aside) $335,831
- Administration fee – 12% $183,181
- Total $1,526,506

NSP 3:
- Acquisition/rehab/sell/rent – up to 120% AMI $1,425,000
- Acquisition/rehab/sell/rent – up to 50% AMI (25% set aside) $475,000
- Administration fee – 5% $100,000
- Total $2,000,000

* The NSP approved areas this RFP applies to, are identified in Attachment 1 – NSP 1 and Attachment 2 – NSP 3.

5. PURPOSE OF RFP

The purpose of this Request for Proposal (RFP) is to select qualified service providers for MFA’s State NSP. This RFP is issued pursuant to MFA’s procurement policy to solicit applications from qualified Offerors capable of providing Acquisition, Rehabilitation, and Sale/Rent services in all NSP approved areas*. Awards will be made through a scoring process to eligible Offerors.

Scoring will be based on organization capacity, finance capacity, experience with acquisition, rehabilitation, sale/rent, implementation plan and wait list/readiness to proceed.
If other funds become available to MFA during the contract period for activities similar to the work performed under the NSP, additional funding may, at the discretion of MFA, be offered to the successful Offerors without a new RFP. MFA retains sole discretion to make the judgment as to the need for additional RFPs. Satisfactory performance will be a prerequisite for consideration of additional funding.

Offerors may not obligate funds, incur expenses, or otherwise implement program services prior to execution of a contract with MFA. Funding is not guaranteed to any given Offeror in any given amount.

### 6. RFP TRAINING

All interested Offerors must attend a mandatory RFP training in order to apply for this RFP. Training is scheduled for Wednesday, October 2, 2019 from 9:00 am to 11:00 am in MFA’s board room, 344 Fourth Street SW, Albuquerque, NM 87102. The date is posted on the MFA website and is also located in Section 9, Timeline of this proposal. Pre-registration is required. To register, visit [www.housingnm.org/programs/state-NSP-training](http://www.housingnm.org/programs/state-NSP-training). After the RFP training, questions will only be answered through MFA’s formal RFP Q&A process detailed in Section 7 of this RFP.

### 7. RFP Q&A

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

### 8. PERFORMANCE AGREEMENT TERM

Once an Offeror has been approved for Service Provider status, MFA will issue an award letter. The contract will be effective from the day it is executed by both parties, for a maximum period of 18 months. Contracts may be renewed as needed to utilize funding and production for eligible projects. Contracts may also be amended to include additional eligible projects as long as funding is still available.

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

### 9. TIMELINE

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFA Published RFP</td>
<td>09/19/2019</td>
</tr>
<tr>
<td>RFP FAQ’s on Website</td>
<td>09/19/2019</td>
</tr>
<tr>
<td>RFP Training</td>
<td>10/02/2019</td>
</tr>
<tr>
<td>Deadline for Receipt of Proposals</td>
<td>10/18/2019</td>
</tr>
<tr>
<td>Deficiency Correction Period Begins</td>
<td>10/21/2019</td>
</tr>
<tr>
<td>Deficiency Correction Period Ends</td>
<td>10/23/2019</td>
</tr>
</tbody>
</table>
10. MINIMUM QUALIFICATIONS AND REQUIREMENTS

Offerors must meet the basic eligibility criteria specified in the “Minimum Qualifications and Requirements” section of this RFP. In addition, responses to the RFP must meet the requirements enumerated below. Waivers to “Proposal Requirements” may be approved by MFA’s Policy Committee. These criteria must be met by all Offerors to be considered for funding. All MFA forms released with this application under Section 15 RFP Forms must be used. No substitutions will be accepted. Applications and forms may be obtained from MFA website at: www.housingnm.org/programs/state-NSP-rfp.

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

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

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

- Offeror must be in “good standing” with New Mexico Department of Finance and Administration (DFA ) and MFA as of the date of this RFP. In order to be in good standing, Offeror must have no unresolved findings from any prior DFA/MFA monitoring. This is not applicable for new agencies;

- Offeror must not have defaulted on any obligation covered by a surety or performance bond;

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

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

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

- Offeror must provide current business license; (if applicable)

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

- Offeror must not have a “suspended,” “debarred” or HUD’s Limited Denial of Participation status conferred upon it by MFA and/or other state or federal funding sources. Offeror must provide a print screen from

---

<table>
<thead>
<tr>
<th>MINIMUM QUALIFICATIONS</th>
<th>DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary Award Notice Sent to Service Providers</td>
<td>10/31/2019</td>
</tr>
<tr>
<td>Protest Period Begins</td>
<td>11/01/2019</td>
</tr>
<tr>
<td>Protest Period Ends</td>
<td>11/07/2019</td>
</tr>
<tr>
<td>Present Award Recommendations to MFA Board</td>
<td>11/20/2019</td>
</tr>
<tr>
<td>Final Notification of Awards Upon Board Approval</td>
<td>11/21/2019</td>
</tr>
<tr>
<td>Contracts to Service Providers</td>
<td>11/30/2019</td>
</tr>
</tbody>
</table>

NOTE: Timeline may be modified at MFAs discretion. MFA will notify appropriate offerors as needed.
https://www5.hud.gov/ecpcis/main/ECPCIS_List.jsp as proof of compliance within 30 days of the application date;

- Offeror must have a DUNS number and provide proof by print screen through Sam.gov;

- Offeror must describe any material, current or pending litigation, administrative proceedings or investigations that could impact the reputation or financial viability of the firm. (Form provided in Section 15 RFP Forms);

- Offeror must certify that all information provided in the RFP response is true and correct and that the individual signing has the authority to bind the Offeror Certification (Form provided in Section 15 RFP Forms).

- Offeror must provide either an independent CPA’s auditors report (audit) or audited financial statements conducted in accordance with Government Auditing Standards (GAS). The GAS Audit or audited financial statements will include the following:
  - An independent auditors report on financial statements;
  - An independent auditors report on internal control over financial reporting and compliance;
  - Auditor’s management letter if appropriate and the Offeror’s response to any audit or audited financial statement findings;

- Offerors not subject to the audit requirements of 2 CFR 200 must obtain independent yellow book audits prepared by a third-party CPA in accordance with Generally Accepted Government Auditing Standards (GAGAS) covering financial and compliance audits.

- The following types of audit or audited financial findings may disqualify Offeror from funding:
  - Repeat or unresolved audit findings, as determined by MFA and DFA;
  - If Offeror has received greater than $750,000 in the fiscal year ending in 2018 and the single audit did not meet the requirements of the 2 CFR 200.250 Subpart F (if applicable);
  - For Single Audit, no proof of federal audit clearinghouse submission (FORM SF-SAC);
  - If governmental entity, proof is not included of current audit submission to the Office of the New Mexico State Auditor;
  - If referenced in audit as a separate communication, no submission of Management Response Letter and management response to concerns noted in the management letter;
  - If any findings, no submission of management response to findings;

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

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

<table>
<thead>
<tr>
<th>Limit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,000,000</td>
<td>Per Occurrence</td>
</tr>
<tr>
<td>$1,000,000</td>
<td>Policy Aggregate</td>
</tr>
<tr>
<td>$1,000,000</td>
<td>Products Liability/Completed Operations (if applicable)</td>
</tr>
<tr>
<td>Amount</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------------------------</td>
</tr>
<tr>
<td>$1,000,000</td>
<td>Personal and Advertising Injury</td>
</tr>
<tr>
<td>$50,000</td>
<td>Damage to Rented Premises (if applicable)</td>
</tr>
<tr>
<td>$5,000</td>
<td>Medical Payments</td>
</tr>
<tr>
<td>$1,000,000</td>
<td>Builder’s Risk Insurance (Applicable Construction Practices)</td>
</tr>
<tr>
<td></td>
<td>Bond or Employee Dishonesty Insurance (25% of award)</td>
</tr>
<tr>
<td></td>
<td>Workers’ Compensation Insurance</td>
</tr>
</tbody>
</table>

If a non-profit organization, an offer shall:

- Provide proof that it complies with the Charitable Solicitations Act NMSA 1978, §57-22-1, et. seq. and with the filing requirements by the New Mexico Attorney General’s Office under that Act;
- Have among its purposes significant activities related to providing housing or services to persons of low or moderate income; and
- Have no part of its net earnings inuring to the benefit of any member, founder, contributor or individual.

### 11. GEOGRAPHIC AREA TO WHICH THIS RFP APPLIES

The geographic areas to which this RFP applies are listed in:

Attachment 1 – NSP 1

Attachment 2 – NSP 3

Throughout the NSP performance period, the service provider must re-review foreclosure data to determine whether additional LMMA areas need to be identified as “greatest need” areas. If additional areas of “greatest need” are identified, and there are un-obligated NSP funds available for redistribution, MFA may proceed to use those funds in the additional identified area(s) for eligible projects. DFA must review and approve the new areas of “greatest need” prior to MFA redistributing funds.

### 12. EVALUATION CRITERIA

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

Scoring will be determined based on the responses to the criteria listed below. Awards will be determined based on an Offeror’s request for funding and their score related to all qualified Offerors scores. Awards will be made to the highest scoring respondents. At MFA’s discretion, no more than three offerors will be awarded.

Offeror must obtain a minimum score of 65.
<table>
<thead>
<tr>
<th>Criteria</th>
<th>Maximum Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organization Capacity</td>
<td>20</td>
</tr>
<tr>
<td>Finance</td>
<td>15</td>
</tr>
<tr>
<td>Experience Acquisition, Rehabilitation, and</td>
<td>35</td>
</tr>
<tr>
<td>Sale/Rent</td>
<td></td>
</tr>
<tr>
<td>Implementation Plan</td>
<td>20</td>
</tr>
<tr>
<td>Waiting List/ Readiness to Proceed Pipeline</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total Maximum Points</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Organization Capacity – 20 Possible Points**

Outline of management staff, organization chart, resumes and list of board of directors. (2 possible points)

<table>
<thead>
<tr>
<th>No Items submitted that clearly and coherently explain staff positions</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partial submission that somewhat explains staff positions</td>
<td>1</td>
</tr>
<tr>
<td>Clear and concise outline, org chart, resumes and list of board of directors</td>
<td>2</td>
</tr>
</tbody>
</table>

**Experience Threshold**

<table>
<thead>
<tr>
<th>Executive Director/Owner (3 possible points)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2 years</td>
<td>1</td>
</tr>
<tr>
<td>2 to 5 years</td>
<td>2</td>
</tr>
<tr>
<td>5 or more years</td>
<td>3</td>
</tr>
</tbody>
</table>

Complete the organizational and financial management capacity form provided in Section 15 RFP Forms.

**Fiscal Manager experience (3 possible points)**

<table>
<thead>
<tr>
<th>Less than 2 years</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 to 5 years</td>
<td>2</td>
</tr>
<tr>
<td>5 or more years</td>
<td>3</td>
</tr>
</tbody>
</table>

Administrative staff responsible for reporting, invoicing, intake and outreach (3 possible points)

<table>
<thead>
<tr>
<th>Less than 2 years</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 to 5 years</td>
<td>2</td>
</tr>
<tr>
<td>5 or more years</td>
<td>3</td>
</tr>
</tbody>
</table>

**Program/Construction Manager experience (3 possible points)**

<table>
<thead>
<tr>
<th>Less than 2 years</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 to 5 years</td>
<td>2</td>
</tr>
<tr>
<td>5 or more years</td>
<td>3</td>
</tr>
</tbody>
</table>

**Construction Experience (3 possible points)**

<table>
<thead>
<tr>
<th>Less than 15 years of combined experience</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 – 24 years of combined experience</td>
<td>2</td>
</tr>
<tr>
<td>25 years of combined experience</td>
<td>3</td>
</tr>
</tbody>
</table>

**Staff or Agency Certifications (3 possible points)**

<table>
<thead>
<tr>
<th>Certification</th>
<th>Expiration</th>
<th>Scoring</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>
Current field staff certification in the field of construction will be scored. Certifications must be relevant to residential rehabilitation or construction, and current, to be eligible for points. Examples include:

- Repair and Painting (RRP), Lead Paid Certification for field staff and/or Certified Firm status;
- OSHA 30-hour Construction Health and Safety Certification;
- AHERA (Asbestos Hazard Emergency Response Act) for mold;
- Contractor or Mechanical licenses (GB02, GB98, MM98)

Finance – 15 Possible Points

<table>
<thead>
<tr>
<th>External Audit (5 possible points)</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unresolved findings</td>
<td>0</td>
</tr>
<tr>
<td>Independent Audit with management letter and auditor-cleared findings</td>
<td>3</td>
</tr>
<tr>
<td>Independent Audit with 0 findings</td>
<td>5</td>
</tr>
</tbody>
</table>

Independent audit or audited financial statements must be for the most recent completed fiscal year not ending earlier than 2018. Audit materials must include management’s response to any findings and corrective action to clear the finding or provide details on the current status of a finding.

Financial Management (10 possible points)

<table>
<thead>
<tr>
<th></th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strength of internal control policy</td>
<td>6</td>
</tr>
<tr>
<td>Board of Director by-laws showing fiscal oversight</td>
<td>4</td>
</tr>
</tbody>
</table>

- Provide the policy for the Offeror’s system of internal controls for fiscal management as documented in a policies and procedures manual approved by the Offeror’s Board of Directors/Owner.
- Provide by-laws requiring Board of Director’s/Owners fiscal oversight

Experience on Acquisition, Rehabilitation, and Sale/Rent – 35 Possible Points

Complete the Field Experience and Capacity form and Project List provided in Section 15 RFP Forms

Number of Acquisition, Rehabilitation, and Sale/Rent Projects Completed (10 possible points)

<table>
<thead>
<tr>
<th>5 plus units</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 plus units</td>
<td>7</td>
</tr>
<tr>
<td>10 plus units</td>
<td>10</td>
</tr>
</tbody>
</table>

Number of HOME Rehabilitation Projects (10 possible points)

<table>
<thead>
<tr>
<th>5 plus units</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 plus units</td>
<td>7</td>
</tr>
<tr>
<td>10 plus units</td>
<td>10</td>
</tr>
</tbody>
</table>

Number of Years’ Experience with Acquisition, Rehabilitation, and Sale/Rent Projects (15 possible points)

| Less than 15 years of combined experience | 5 |
| 15 to 24 years of combined experience    | 10 |
| 25 plus years of combined experience     | 15 |

Implementation Plan – 20 Possible Points
Under this RFP, the service provider is responsible for the entire process; from the project acquisition to disposition. Provide a summary of how the agency will implement NSP, a description of the process to be undertaking; listing all major steps chronologically. Also include an estimated timeline.

<table>
<thead>
<tr>
<th>Implementation (20 possible points)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Timeline</td>
<td>2</td>
</tr>
<tr>
<td>Implementation Plan</td>
<td>6</td>
</tr>
<tr>
<td>Detailed Process</td>
<td>12</td>
</tr>
</tbody>
</table>

**Readiness to Proceed – 10 Possible Points**

<table>
<thead>
<tr>
<th>Number of days agency requires to begin using funds (up to 5 possible points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Between 60 and 75 days</td>
</tr>
<tr>
<td>Between 31 and 59 days</td>
</tr>
<tr>
<td>Less than 30</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of properties in pipeline (up to 5 possible points)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 3 Properties</td>
</tr>
<tr>
<td>4 – 6 Properties</td>
</tr>
<tr>
<td>7 Plus Properties</td>
</tr>
</tbody>
</table>

**13 PROGRAM STANDARDS**

The purpose of NSP is to assist communities that have been or are likely to be affected by foreclosed and abandoned properties. NSP priorities for funding are those areas of greatest need.

- Those areas with the greatest percentage of foreclosures;
- Those areas with the highest percentage of homes financed by sub-prime mortgage loans;
- Those areas with the highest percentage of vacant properties; and
- Those areas identified by the state of New Mexico as likely to face a significant rise in the rate of foreclosures.

NSP also requires, to the greatest extent possible and the longest term feasible, guidelines to preserve affordability to households with incomes no greater than 120 percent of area median income (AMI). In addition, 25 percent of funds must serve beneficiary households with incomes not greater than 50 percent AMI adjusted for family size as determined by HUD.

**Property Eligibility**

1. Eligible Properties shall meet the “abandoned” and “foreclosure” definitions below and be vacant. Residential foreclosed properties according to the following definition:
   a. Foreclosed - A home or residential property has been foreclosed upon if any of the following conditions apply: (a) the property’s current delinquency status is at least 60 days delinquent under the Mortgage Bankers of America delinquency calculation and the owner has been notified of this delinquency, (b) the property owner is 90 days or more delinquent on tax payments, or (c) under state, local, or tribal law, foreclosure proceedings have been initiated or completed, (d) foreclosure proceedings have been completed and title has been transferred to an intermediary aggregator or
servicer that is not an NSP grantee, sub-recipient, contractor, developer, or end user or (e) a transfer in lieu of foreclosure, in accordance with New Mexico law.

b. Abandoned - A home or residential property is abandoned if either a) mortgage, tribal leasehold, or tax payments are at least 90 days delinquent, or b) a code enforcement inspection has determined that the property is not habitable and the owner has taken no corrective actions within 90 days of notification of the deficiencies, or c) the property is subject to a court-ordered receivership or nuisance abatement related to abandonment pursuant to state or local law or otherwise meets a state definition of an abandoned home or residential property.

2. Property shall meet FHA Mortgage Property Standards after rehabilitation has been completed.

3. The property when resold must be an owner-occupied home located in New Mexico and must be the principal residence of the Borrower(s).

4. Priority to purchase HUD-Real Estate owned (“REO”) foreclosed properties will be encouraged.

**Eligible Activities**

Eligible activities under this RFP are limited to:

- Acquisition/rehab activity will require offerors (sub-grantees) to identify abandoned and foreclosed properties in the designated areas, obtain appraisals and environmental clearances for the properties, purchase, rehab and resell or rent the units to low- and moderate-income homebuyers and renters, assuring that homebuyers will receive a minimum eight hours of quality homebuyer education from a HUD approved counseling agency.

Under this RFP, the service provider is responsible for the entire process; from the project acquisition to disposition. The process includes but is not limited to the following major functions:

- Identify Potential Property
- Environmental Review
- Title Search
- Acquisition
- Rehabilitation
- Homebuyer Counseling
- Sale/Rent
- NSP Closeout
- Reporting (initial and on-going)

**Start-up Process**

Sub-grantees may request disbursement of NSP funds after the completion of their environmental review and after the agreement is fully executed. Sub-grantees must satisfy the following requirements (in order of priority) prior to beginning project:

- Execute the agreement.
- Complete the environmental review.
- Sub-grantee access to funds is conditional upon approval of environmental review.
- Develop policies to comply with standard NSP provisions such as:
- Real property acquisition
- Lead-based paint
- Debarred and suspended contractor
- Section 3 employment opportunities for low-income persons
- Minority- and women-owned business enterprise outreach
- Davis-Bacon labor standards, if applicable.
- Comply with the conditions of the agreement and all federal, state and local laws.

**Setup Forms**

MFA has devised NSP Setup/Completion forms. Sub-grantee must submit one form per project, when a project has been identified for purchase. The setup report commits or reserves the amount on the form. If there are any changes to the information submitted on the Setup Report, the sub-grantees must submit a revised setup to make the changes effective. See **Attachment 1: NSP Setup/Completion Report**.

**Completion Reports**

A Completion Report must accompany each final invoice on a project. No exceptions will be allowed.

**Requests for Reimbursement**

Sub-grantee(s) may request funds by using MFA’s Request for Reimbursement form. Funds will be disbursed on a property-by-property basis for expenses. Disbursements must reflect only actual expenses. If the disbursement is greater than the actual project cost, excess funds must be immediately returned to MFA. If, however, the disbursement is insufficient to cover increases in the cost to complete the project, the sub-grantee must submit a written request for additional funds along with a revised NSP Set-Up Form.

Project Management fees will be reimbursed by MFA after receipt, review and approval at 25 percent completion, 50 percent completion and at final completion for each project.

See **Attachment 2: NSP Request for Reimbursement** form.

Note: At no time may the amount disbursed to the sub-grantee exceed the dollar amount awarded to the sub-grantee under the activity or NSP grant.

**Disbursement Method**

*Monthly Disbursement Method.* The sub-grantee will be paid by MFA for actual, documented costs incurred.

Project management fees will be paid upon the submission and approval of the completion report for each project.

- Requests for payment should be submitted to MFA for processing. (please allow approximately two weeks for payment processing)
- All requests for reimbursement of incurred expenses will be accompanied by an invoice and must follow approved budget line items and expenses.
Program Income

Any interest returns on investment or other income produced from the program or earned on program funds by the sub-grantee are to be identified and remitted to MFA within 30 days from the date such program income is earned. Sub-grantee shall not retain program income or use it for additional eligible activities.

Project Management Fee and Soft Costs

MFA may pay an eligible servicer provider a flat fee of $1,000 for soft costs. Soft costs are limited to property appraisal, environmental review and title search on a qualified project (At MFA’s discretion, additional soft costs may be evaluated for reimbursement). In addition, MFA will pay up to ten percent of the total project cost, not to exceed a total $14,000 per project as a project management fee. Requests for reimbursements must be accompanied with a detailed general ledger and supporting documentation.

<table>
<thead>
<tr>
<th>Project Management Fee*</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Soft Cost</td>
<td>$1000</td>
</tr>
</tbody>
</table>

*Not to exceed $14,000

Servicing

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

Income Limits

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

Flood Insurance

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

Lead-Based Paint

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

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

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

Other Program Requirements

Rehabilitation activities cannot exceed sixty-five thousand ($65,000) in NSP funds for hard cost for each home as per State of New Mexico CDBG rules and regulation Title 2 Chapter 110, Eligible activities/categories 2.110.2.11 D (11).

The value at time of offer and acceptance of all properties to be purchased by the developer must be 1% below actual market value.

The purchase price of a home under the financing activity may not exceed two hundred thirty-seven thousand, thirty-one dollars ($237,031) for all counties.

14. COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS

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

- CDBG Regulations (24 CFR 570.501(b))
- Regulations of the U.S. Department of Housing and Urban Development found at (24 CFR Part 570)
- Office of Management and Budget (2 CFR 200)
- Standards for Financial and Program Management (2 CFR 200.300-200.309)
- Cost Principles (2 CFR 200 Subpart E)
- Financial Internal Controls (2 CFR 200.303)
- Protected Personally Identifiable Information (2 CFR 200.82)
- Title VI of the Civil Rights Act of 1964, as amended (42 USC 2000d, et seq. and 24 CFR Part 1)
- Fair Housing Act (42 USC 3601 et seq.)
- Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12892 and 24 CFR Part 107)
- Age Discrimination Act of 1975, as amended (42 USC 6101 et. seq.)
- American with Disabilities Act (42 USC 12101 et seq.)
- Equal Employment Opportunity, Executive Order 11246, as amended (24 CFR 570.607)
- Fair Labor Standards Act of 1938, as amended (29 USC 201, et seq.)
- Contract Work Hours and Safety Standards Act, as amended (40 USC 3701 et seq.)
- Anti-Kickback Act of 1986 (41 USC 8701-8707)
- Section 3 of the Housing and Urban Development Act of 1968 (12 USC 1701u)
- Minority/Women’s Business Enterprises, Executive Orders 11525, 12138 and 12432
- Section 504 of the Rehabilitation Act of 1973 as amended (29 USC 794)
- Lead-Based Paint Poisoning Act (42 USC §4822 and 24 CFR Part 35)
- Environmental Reviews (24 CFR Part 92.352)
- National Environmental Policy Act (NEPA) of 1968 (24 CFR Parts 50 and 58)
• Property Inspections (Uniform Physical Condition Standards) (24 CFR Part 5.703)(24 CFR 92.251)
• Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended by 42 USC 4601 and the regulations at 49 CFR Part 24, Subpart C
• Debarment & Suspension (Executive Order 12549, 51 Fed. Reg. 6370)
• Affirmative Outreach (24 CFR 576.407)
• Participation in HUD programs by Faith-Based Organizations (24 CFR 5.109)

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

NSP
Request for Proposals
FORMS

As outlined in section 2.3 Proposal Format

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

AGENCY: ____________________________________________

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

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

MINIMUM QUALIFICATIONS AND REQUIREMENTS
Allowable Deficiency Correction items – below is a list of items eligible for correction or submission during the deficiency correction period. The deficiency correction period may not be used to increase the offeror’s score.

<table>
<thead>
<tr>
<th>Initial</th>
<th>Item Required</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proposal submitted as outlined in Part 1- “General Information, Section 2” – “General Proposal Requirements”</td>
</tr>
<tr>
<td></td>
<td>Offeror must submit application/general information form provided in Section 15 RFP Forms – Offeror must specify the geographical region projects are located</td>
</tr>
<tr>
<td></td>
<td>Offeror must submit proof of status as a non-profit, for profit, CAA, or other public entity (e.g., unit of local government)</td>
</tr>
<tr>
<td></td>
<td>Statement that proposal is valid for a period of 90 days</td>
</tr>
<tr>
<td></td>
<td>Offeror must be in “good standing” with MFA and DFA as of the date this RFP. In order to be in good standing Offeror must have no unresolved findings from MFA monitoring’s. (“Good Standing Certification Form provided in Section 15 “RFP Forms”)</td>
</tr>
<tr>
<td></td>
<td>Proof that Offeror has not been “suspended,” “debarred” or HUD’s Limited Denial of Participation</td>
</tr>
<tr>
<td></td>
<td>Offerors must describe any material, current or pending litigation, administrative proceedings or investigations that could impact the reputation or financial viability of the firm. (Agency Certification Form provided in Section 15 “RFP Forms”)</td>
</tr>
<tr>
<td></td>
<td>One copy of Agency’s Independent Audit or Audited Financial Statements</td>
</tr>
<tr>
<td></td>
<td>Proof of Insurance Coverage</td>
</tr>
</tbody>
</table>

Other Requests for Information

<table>
<thead>
<tr>
<th>Initial</th>
<th>Item Required</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Provide explanation of management and staff</td>
</tr>
<tr>
<td></td>
<td>Provide Organization chart</td>
</tr>
<tr>
<td></td>
<td>Board of Director list (Form Provided in Section 15 RFP Forms) – if applicable</td>
</tr>
<tr>
<td></td>
<td>Provide Resumes of staff that will be working with the NSP</td>
</tr>
<tr>
<td></td>
<td>Administrative and Financial Management Capacity (Form Provided in Section 15 RFP Forms)</td>
</tr>
<tr>
<td></td>
<td>Provide the policy for offeror’s system of internal controls</td>
</tr>
<tr>
<td></td>
<td>Provide by-laws requiring Board of Director’s/Owners fiscal oversight</td>
</tr>
<tr>
<td></td>
<td>Field Experience and Capacity (Form Provided in Section 15 RFP Forms)</td>
</tr>
<tr>
<td></td>
<td>Project List - List of location and date of homes Offeror has provided construction work including, rehabilitation, remodeling, weatherization, minor repairs or other categories within the last three years. (Form Provided in Section 15 RFP Forms)</td>
</tr>
<tr>
<td></td>
<td>Provide a summary of how the agency will implement NSP as describe in the scoring for “Implementation Plan”</td>
</tr>
<tr>
<td></td>
<td>Campaign Contribution Disclosure Form</td>
</tr>
</tbody>
</table>
APPLICATION/GENERAL INFORMATION

Date of Application: Funding amount request for this proposal:

Agency Name

Entity Type
☐ Nonprofit
☐ Local Unit of Government
☐ Tribal Government
☐ For Profit
☐ Other: ___________________________

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

Federal Tax ID Number _______________ DUNS Number _______________

Contact Person ________________________ Title ________________________

Telephone Number _______________ Ext. _____ Fax Number _______________

E-Mail Address _______________________________________________________

Mailing Address ______________________________________________________

City ___________________________ NM Zip _______________________

____________________________________________
Signature of Authorized Official on behalf of Offeror Date

____________________________________________
Printed Name

____________________________________________
Title
PROJECTS

Provide funding amount and a waiting list of projects for scoring (if applicable)

Funding amount requested in this proposal:

Total number of homes to be rehabilitated with requested funding:

<table>
<thead>
<tr>
<th>Address</th>
<th>Site Built or Mobile Home</th>
<th>Colonia (Yes or No)</th>
<th>Tribal</th>
<th>NSP Area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
I HEREBY CERTIFY THAT ________________________________ (NAME OF OFFEROR) HAS THE ABILITY TO COMPLETE THESE HOMES WITHIN THE 18 MONTH PERIOD SPECIFIED IN THIS RFP, AND THAT I HAVE THE AUTHORITY TO BIND THE OFFEROR TO THE ASSURANCES, AS WITNESSED BY MY SIGNATURE BELOW.

_________________________________________________________  ________________________________
Signature of Authorized Official on behalf of Offeror                     Date

_________________________________________________________
Printed Name

_________________________________________________________
Title

_________________________________________________________
Offeror Name
“GOOD STANDING” CERTIFICATION

______________________________
Offeror Name

I certify that __________________________ is in “good standing” with New Mexico Department of Finance and Administration (DFA) and MFA as of the date this RFP. (Offeror must have no unresolved findings from any prior DFA/MFA monitoring. This is not applicable for new agencies.)

______________________________
Signature of Authorized Official on behalf of Offeror

______________________________
Date

______________________________
Printed Name

______________________________
Title
AGENCY CERTIFICATION

Offeror Name

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

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

Yes _____ (explain)

__________________________________________  ______________________________
Signature of Authorized Official on behalf of Offeror Date

__________________________________________
Printed Name

__________________________________________
Title
## Current Board Members

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

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

<table>
<thead>
<tr>
<th>Names and years of experience for Individuals that will be managing the program</th>
<th>Years of Experience</th>
<th>Capacity/Role/Services Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
List of Projects Completed in the Last Three Years

<table>
<thead>
<tr>
<th>Project Location</th>
<th>Date Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>
OFFEROR CERTIFICATION

(“Offeror”) is submitting a proposal to the Mortgage Finance Authority ("MFA") to be a Service Provider under the State NSP.

Offeror certifies that:

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

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

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

__________________________________________________________________________
Signature of Authorized Official on behalf of Offeror                     Date

__________________________________________________________________________
Printed Name

__________________________________________________________________________
Title
Attachment 1 - NSP 1 Approved Geographic Areas

In Albuquerque

City of Albuquerque Census Tracts which are LMMA’s and scored highest on the three risk factors 0205, 0603, 0707, 0901, 0904, 1300, 1400, 1500, 2402, 2900, 4401, 4300, 4705, 4712, 4713, 4732. The second level includes 0110, 0114, 0120, 0121, 0123, 0128, 0204, 0208, 0206, 0207, 0604, 0704, 0708, 0712, 0713, 0903, 1200, 2000, 2401, 2700, 3201, 3202, 3400 and 4714. Other Census Tracts, outside the First and Second Priority Levels but within the city limits may be considered.

In Las Cruces

First priority on properties proposed for acquisition are within those areas of greatest identified need and are the following Census Tracts, in order of priority: First Priority level will be 0300, 0500, 0402, 0102, 0200. Second Priority level will be 0600, 0700, 0800, 0900, and 0401. This need is for all block groups within these Census Tracts. Other Census Tracts, outside the First and Second Priority Levels but within the city limits may be considered.

In Santa Fe

NSP funds initially will be spent in one of the following census tracts that are identified as areas of the greatest need: 000700, 001106, 001202, 001202, 001107, 000101, 000200, 000300, 000400, 000500, 000600, 000800, 001002, 001201, 010500. Other Census Tracts, outside the First Levels but within the city limits may be considered.

New Mexico Mortgage Finance Authority (MFA) Phase One

Including 10 counties with the greatest need throughout the State of New Mexico; Sandoval County (including Rio Rancho; Valencia County; Bernalillo County; Chaves County; Lea County; Luna County; Eddy County; Curry County; Dona Ana County and San Juan County.
Attachment 2 - NSP 3 Approved Geographic Areas

8825286 ABQ- Small Southwest Valley North End (Bernalillo),

6215484 ABQ- Small Southwest Valley Central to Bridge (Bernalillo),

2514465 ABQ - Small Mesa 98th to 118th Central to De Vargas (Bernalillo),

4059967 ABQ - Small Mesa De Vargas to Denis Chaves 98th to 118th (Bernalillo),

7200958 ABQ - Small Bridge to Arenal around Atrisco (Bernalillo), 3517517 ABQ - Small Barelas Area (Bernalillo),

2544128 ABQ - North Valley 2 (Bernalillo),

5067413 ABQ - Small Wyoming to Eubank, Indian school to Candelaria (Bernalillo),

2346374 ABQ - Small Wyoming to Eubank, loams to Indian school (Bernalillo),

5066040 ABQ - Small Juan Tabo to Tramway Lomas to I-40 (Bernalillo),

2270843 ABQ - Northeast South of I-40 (Bernalillo),

5644470 San Pedro to Wyoming, South of Central (Bernalillo),

2161254 Rio Rancho North Leon Grande: South of Sara: West NM 528-

8473449 North Idalia, South Southern, East Unser, West Rainbow
Tab 15
<table>
<thead>
<tr>
<th>Department and Program</th>
<th>Project</th>
<th>Action Taken</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Servicing</td>
<td>June 2019 Servicing Quality Control Report</td>
<td>Approval of report issued by REDW – no findings</td>
<td>Approved by Policy Committee on August 6, 2019</td>
</tr>
<tr>
<td>Servicing</td>
<td>July 2019 Servicing Quality Control Report</td>
<td>Approval of report issued by REDW – no findings</td>
<td>Approved by Policy Committee on August 26, 2019</td>
</tr>
<tr>
<td>Community Development Department</td>
<td>Veteran’s Rehab Program</td>
<td>Amended approval of funding which now includes Admin Allocation to be awarded to current Homeowner Rehab Service Providers. Original approval was on 7/23/2019</td>
<td>PC Amended Approved on 9/3/2019</td>
</tr>
</tbody>
</table>
MEMORANDUM

TO: MFA Board of Directors

Through: N/A

FROM: Kathleen M. Sysak-Keeler

DATE: September 18, 2019


2019 Series D

The 2019 Series D transaction is a new money bond issue which closed on August 15, 2019. The following is a summary of the bond sale:

~Structure: The bond issue is a $100.0 million tax-exempt traditional bond issue which provides for non-AMT serial bonds, term bonds and a premium planned amortization class ("PAC") bond.

~Marketing: In order to enhance the marketing of bonds to retail investors, four selling group members participated in the underwriting syndicate, namely, D.A. Davidson & Co., Fidelity Capital Markets, Stifel Nicholas & Company, Inc. and UBS Financial Services Inc. New Mexico retail investors had first priority followed by national retail investors. The underwriting syndicate submitted $6.1 million in retail orders and was allotted $5.7 million of bonds. Total orders for the bond issue were $329.4 million for both retail and institutional investors. The PAC bonds received strong institutional demand including two orders for all of the bonds resulting the PAC bonds being oversubscribed by 4.4 times which allowed the yield on the bonds to be lowered by two basis points.

~Use of Bond Proceeds: The $100.0 million is being used to originate new mortgage loans and to roll forward a subsidy generated from prior bond issues which helped maintain competitive mortgage rates. The weighted average mortgage rates are as follows:

<table>
<thead>
<tr>
<th>Program</th>
<th>Government</th>
<th>Conventional</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIRST HOME</td>
<td>4.199%</td>
<td>4.350%</td>
</tr>
</tbody>
</table>
~Spread: The spread on the transaction is 1.122%. Spread is the difference between the mortgage yield and the bond yield. Maximum spread permitted by federal tax law is 1.125%. The net present value benefit of the transaction is $3.36 million, or approximately 3.4% of the amount of the bond issue.

~Investment of Bond Proceeds: Funds from the new money portion of the bond issue are invested in Federated Government Obligations Fund Institutional Shares through Zions Bank, the General Indenture Trustee.

2019 Series E

The 2019 Series E transaction is a Federally taxable refunding bond issue which closed on August 15, 2019. The following is a summary of the bond sale.

~Structure: The bond issue is a $22.726 million Federally taxable pass through refunding bond issue. The pass through structure provides for monthly loan revenues to be passed through to the bond investors in the form of principal and interest payments with bonds being called on a monthly basis. MFA will receive its admin fee on a monthly basis after payment of the bond holders and the Trustee.

~Marketing: Bonds were marketed to institutional investors. MFA received orders for the bonds from six institutional investors of which three institutional investors put in an order for all of the bonds resulting in the bonds being oversubscribed by almost four times. Due to the robust demand by institutional investors, the yield was reduced by five basis points.

~Use of Bond Proceeds: Bond Proceeds were used to refund the 2009 Series D and 2009 Series E.

~Spread: The bonds are Federally taxable bonds which means that MFA can retain all of the savings generated from the refunding. The net present value of the transaction is approximately $1.72 million.

~Investment of Bond Proceeds: Funds were invested in Federated Government Obligations Fund Institutional Shares through Zions Bank, the General Indenture Trustee. On September 1, 2019 funds were used to call bonds from the 2009 Series D and 2009 Series E bond issues.

The attached Exhibit 1 contains a table summarizing more detailed information about the 2019 Series D and 2019 Series E bonds as well as bond issue characteristics from other recent single family issuances for comparative purposes.

Following Exhibit 1 is a comprehensive in-depth “Post-Sale Analysis” for 2019 Series D and 2019 Series E, respectively, prepared by MFA’s Financial Advisor, CSG Advisors.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax-Exempt Bonds</td>
<td>$49,900,000</td>
<td>$70,000,000</td>
<td>n/a</td>
<td>$80,000,000</td>
<td>$100,000,000</td>
<td>n/a</td>
</tr>
<tr>
<td>Taxable Bonds</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Tax-Exempt Refunding Bonds</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Taxable Refunding Bonds</td>
<td>n/a</td>
<td>n/a</td>
<td>$26,134,990</td>
<td>n/a</td>
<td>n/a</td>
<td>$22,725,504</td>
</tr>
<tr>
<td>Total Amount of Bonds Issued</td>
<td>$49,900,000</td>
<td>$70,000,000</td>
<td>$26,134,990</td>
<td>$80,000,000</td>
<td>$100,000,000</td>
<td>$22,725,504</td>
</tr>
</tbody>
</table>

| Bond Issue(s) Refunded    | 2009 Series A, 2009 Series B, 2009 Series C | n/a          | n/a          | 2009 Series D, 2009 Series E |

| MFA Subsidy*/Benefit-(New Available)/ Present Value Economic Benefit | $0.505/$1.4 million | $3.1 million/$2.17 million | $1.17 million | $3.45 million/$2.51 million | $4.49 million/$3.36 million |

| Original Bond Ratings: Standard & Poor's Moody's | None | None | None | None | None | None |
| Serial Bond Maturities AMT | None | None | None | None | None | None |
| Non-AMT | 7/1/19-7/1/30 | 1/1/20-7/1/31 | None | 1/1/20-7/1/31 | 7/1/20-7/1/31 | None |
| Taxable | None | None | None | None | None | None |
| Term Bond Maturities | 7/1/33, 7/1/38, 7/1/43, 7/1/48, 7/1/49 | 7/1/34, 7/1/39, 7/1/34, 7/1/39, 8/1/40 | 7/1/44, 7/1/49 | 7/1/44, 7/1/49 | None |
| Premium PAC Maturity | 7/1/49 | 1/1/50 | None | 1/1/50 | 1/1/50 | None |
| Weighted Average Loan Rates+ | 4.923% | 4.878% | n/a | 4.563% | 4.199% | n/a |
| FIRST HOME - Government | 4.887% | 4.965% | n/a | 4.631% | 4.350% | n/a |
| 10-Year Treasury Rate at Pricing | 3.14% | 2.75% | 2.75% | 2.48% | 2.07% | 2.07% |
| GIC Rates** | n/a | n/a | n/a | n/a | n/a | n/a |
| Acquisition Fund Rate | n/a | n/a | n/a | n/a | n/a | n/a |
| Float Fund Rate | n/a | n/a | n/a | n/a | n/a | n/a |
| MFA Contribution at Closing Cost of Issuance (COI) | $510,000 | $605,000 | $230,000 | $715,000 | $825,000 | $215,000 |
| COI as a % of Bonds Issued | 1.02% | 0.86% | 0.88% | 0.89% | 0.83% | 0.95% |
| Negative Arbitrage Deposit | $500,000 | $800,000 | None | $950,000 | $990,000 | None |
| Yield Spread | 1.122% | 1.122% | n/a | 1.123% | 1.122% | n/a |
| Administrative Fee (to MFA) | 0.180% | 0.180% | 1.854% | 0.180% | 0.180% | 2.088% |
| Bond Allocation System Followed*** | Yes | Yes | Yes | Yes | Yes | Yes |

*Subsidy was generated by a prior bond issue.
+Weighted average rate of loans in the pipeline.
**The Guaranteed Investment Contract is competitively bid.
***The bond allocation system that is followed is common in the investment banking industry and is as follows:
The lead manager keeps track of when the orders are received which is referred to as an order flow tracking system.
The bond allocation system also dictates that Bonds are awarded to managers prior to any selling group members even though group members may have entered orders first. In-state retail orders receive first priority, followed by orders for the benefit of the group which are allocated by management fee percentage; next are net designated orders placed through the senior manager where the buyer designates the sales credit to specific managers, and finally, member orders receive the lowest priority.
KEY RESULTS FOR MFA

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

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

Additionally, this transaction reallocates zero participation loans from prior series (2019 Series C) well within the required time of 18 months for which to reallocate loans.

Approach and Strategy. The last several years, MFA has used traditional bond structures to finance new production coupled with refunding older bonds in conjunction with the new issue. Unlike such transactions, 2018 Series B, C, D, 2019 Series A, C, and now 2019 Series D are all new-money transactions issued by MFA that did not need a refunding component in order to generate full spread economics (though 2019E taxable pass-through bonds were offered in the same Official Statement as 2019D, see 2019E Post Sale memo for description). Since early 2018, these series of bonds represent significant milestones in providing MFA with a balance sheet solution for new production without a form of subsidy whether refundings or zero participation loans.

From a strategic point of view, MFA has been:

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

Primary Objectives. MFA therefore has three primary objectives:

1. Finance existing production at the lowest yield possible,
2. Use as few of MFA’s approximately $13.308 million of zero participations (prior to issuing 2019D) as possible to achieve full spread, thus preserving more zero participations for future production, and,
3. Raise bond premium in order to generate proceeds to help fund the purchase of the MBS from the servicer at 101%, to fund cash flow lag, and to fund a portion of the negative arbitrage and costs of issuance of the transaction.

Structure. The 2019D bonds:

- Included bond proceeds sufficient to finance $100,000,000 of new pipeline production and provide
sufficient proceeds to use and store zero participations,

- Were structured with serials bonds, term bonds and Planned Amortization Class (PAC) bonds,
- Sold the PAC bonds with a total premium of $3,398,320, which provides additional funds to purchase $100.562 million of MBS, and all of the costs of issuance. Given the large amount of premium raised, the issue is being overcollateralized by $0.562 million with new MBS, which strengthens the cash flows of the indenture and will provide MFA with excess future assets.
- Were priced 5 weeks prior to closing, enabling MFA to lock in its borrowing cost sooner as well as finance more of its pipeline production prior to closing; thus reducing both interest rate risk and negative arbitrage,
- Allowed for either GNMA or FNMA MBS depending on MFA’s loan pipeline,
- Provided MFA with an optional par call in just more than 9 years if it proves profitable to redeem the bonds in the future,
- Deposited $990,000 of Authority funds in a negative arbitrage account for securities – including those to be financed by the zero participations – that had not yet been originated by bond closing. We expect most or all of MFA’s funds to eventually be transferred back to MFA.

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

1. **Yields.** The bond yield (true interest cost) was 2.78% assuming 100% FHA prepayments.

2. **Use of Zero Participations.** In order to achieve full spread, 2019D created approximately $5.842 million in zeros, leaving $19.150 million in zeros for future bond issues (assuming participation with a future issue in 3 months).

3. **Net Economic Benefits.** The transaction’s projected net present value before zeros was $3.362 million at 150% PSA prepayment speed, or approximately 3.4% of the bonds issued. Including the impact of zeros created, the net present value was $4.493 million (including the effect of the timing of zeros in and out as well as the loan rate of such zeros).

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

1. **Timing.** The bonds were priced on Tuesday, July 9th with a retail order period in the morning followed by an institutional order period that afternoon.

   The housing bond calendar was robust in the weeks leading up to the pricing of 2019D. Given the favorable execution of issuing bonds, housing bond issuance has been strong year-to-date, with increased bond volume compared to the same period 2018. On the day of MFA’s 2019D pricing, Nevada priced $75 million non-AMT bonds led by J.P. Morgan, which provided a very good comparable for MFA’s transaction.

   On the day of pricing, the 10-year Treasury increased by 0.02%, from 2.05% to 2.07% on July 9th. The municipal market in terms of MMD rates was reduced by 0.02% from 2020 to 2024, and reduced by 0.01% from 2025 to 2049. See “Market Details” below for a full description of the market leading up to the pricing date.
2. **Retail Interest.** A separate 2.5-hour retail order period was established with first priority to orders from New Mexico retail investors and second priority to national retail investors. This resulted in $22.2 million of retail orders, an increase compared to the $18.5 million realized in 2019C (though on bonds of $100 million versus $80 million in 2019C). $17 million of the 2019D retail orders were for serial bonds, which combined with institutional orders for 2023 to 2025 maturities, resulted in sufficient orders for the serial bonds to not require any pricing adjustments and no unsold balances (compared to Nevada who cheapened its serial bonds due to larger unsold balances). This continues the strong retail demand seen on recent transactions both from in-state and national retail investors.

3. **Institutional Interest.** In all, institutions put in orders totaling $292.6 million, $169 million of which were for the PAC bonds. Investor interest for the PAC bonds was more than sufficient with 4.4 orders for end investors (including 2 orders for all the bonds) resulting in the $39.7 million PAC bonds being oversubscribed by 4.4x. As a result of the oversubscription robust demand from municipal investors, the yield on the PAC bonds was lowered by 2 basis points. Some PAC buyers preferred a higher coupon of 4.00% on the PAC as opposed to the 3.75% coupon MFA’s 2019D PAC was offered at. It was important for the cash flows to not increase the PAC coupon above 3.75%, and the sale was the first sub-4.00% PAC coupon sold in more than one year at a very attractive spread to MMD (+0.65% over the 5-year MMD).

Institutions also placed orders totaling $121.1 million for the four (4) term bonds, and $2.56 million for various serial bonds. Each of the term bonds were fully subscribed with the 2034, 2039, 2044 and 2049 term bonds between 1.98x and 3.37x subscribed and as such, the coupons on the term bonds were left unchanged from the levels offered during the institutional order period.

4. **Selling Group.** To enhance the order flow particularly with retail investors, four selling group members were included in the underwriting syndicate for 2019D, continuing the same group from the last four transactions as well. Selling group members included D.A. Davidson, Fidelity Capital Markets, Stifel Nicolaus, and UBS, all of which also participated in the 2018B, 2018C, 2018D, 2019A and 2019C issuances. See below for orders and allotments from the selling group, of which Fidelity brought the most orders to the pricing:

<table>
<thead>
<tr>
<th>Selling Group Member</th>
<th>Orders</th>
<th>Allotments</th>
</tr>
</thead>
<tbody>
<tr>
<td>D.A. Davidson &amp; Company</td>
<td>$470</td>
<td>$470</td>
</tr>
<tr>
<td>Fidelity Capital Markets</td>
<td>3,220</td>
<td>2,950</td>
</tr>
<tr>
<td>Stifel Nicolaus</td>
<td>450</td>
<td>425</td>
</tr>
<tr>
<td>UBS</td>
<td>1,965</td>
<td>1,865</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$6,105</td>
<td>$5,710</td>
</tr>
</tbody>
</table>

The selling group was useful to the issuance in terms of generating additional retail interest, as it brought orders totaling more than 6% of the total amount of bonds sold (and 10% of the total bonds sold excluding the PAC bonds). Fidelity led the selling group in orders, followed by UBS.

5. **Comparable Transactions.** The 2019D PAC bonds, the serial bonds and the 3 term bonds priced well and at spreads to MMD comparable to other recent HFA issues in the market. The most direct comparable for the 2019D bonds was Nevada’s $75 million non-AMT issue that priced the same day. Most of MFA’s serials bonds priced at coupons 0.05% lower than Nevada, with a few 0.10% lower. Each of MFA’s term bonds in 2034, 2039, 2044 and 2049 was sold at the same coupon as Nevada (2.80%, 3.00%, 3.25%, and 3.35%) and at the same spreads to MMD. As for the PAC bonds, MFA achieved a spread of +65 to MMD with a lower coupon of 3.75%, compared to the spread of +61 with a 4.00% coupon achieved by Nevada. Investors preferred the 4.00% coupon PAC bond as we knew
going into the order period, hence the lower yield achieved on Nevada’s transaction. The 3.75% PAC coupon was important for MFA in order to reduce the overall bond coupons and maintain stable cash flows for the life of the transaction. The 2019D bonds included the first sub-4.00% PAC coupon sold in more than one year at a very attractive spread to MMD (+0.65% over the 5-year MMD). Compared to its peers, MFA achieved very good execution in terms of spreads to MMD and nominal rates. See Section 3 for detailed pricing comparables of all recent tax-exempt traditional bond issues priced around 2019 Series D.

MARKET DETAILS

Key Dates:

Institutional Order Period: Tuesday, July 9, 2019
Closing Date: Thursday, August 15, 2019

Economic Calendar. The key releases in the holiday week prior to the sale showed jobless claims in line with market forecasts, while the U.S. trade deficit widened to a 5-month high of $55.5 million. Unemployment remains at an historic low of 3.6% and nonfarm payrolls increased above the anemic figures for the prior month. This dampened the speculation that the Federal Reserve might cut rates by 50 basis points at their upcoming meeting on July 31st. The key news in the week of the sale was Federal Reserve Chairman Powell’s testimony to Congress that the Fed remained cautiously concerned about economic growth; the market interpreted this to suggest a 25 basis point rate cut in July and two more expected cuts later this year. That core inflation came in right at the Fed’s 2% annual target helped confirm this market view.

Treasuries. The improved economic news halted the drop in Treasury yields from May and June. The 10-year Treasury had plummeted to 2.03% on June 19th, a drop of 42 basis points in little more than a month. After falling to 1.96% on July 3rd, the stronger employment news pushed rates back up slightly to 2.07% the day before the sale, and 2.07% on the date of sale itself.

The yield curve has flattened out compared to prior years. The difference in the yield between the 1-year and 10-year yield was 16 basis points (and indeed the 2-year, 3-year and 5-year were all well below the 1-year yield). The difference between the 1-year and the 10-year was 106 basis points at the beginning of 2018.

Municipals. Through the course of 2019, MMD has outperformed Treasuries, with the 10-year MMD/Treasury ratio dropping to the low 70% range for the first time in years. Significant redemptions have given muni buyers additional cash and there have been 26 weeks in a row of weekly inflows to muni funds—all while the volume of new supply has been limited. Buyers have turned to municipal bonds to offset the limited deductions for state and local taxes.
### TABLE 1: COMPARISON OF RATES IN RECENT TRANSACTIONS

<table>
<thead>
<tr>
<th>Issue</th>
<th>Date</th>
<th>10 Year Treasury</th>
<th>10 Year MMD</th>
<th>MMD to Treasury Ratio</th>
<th>30 Year Treasury</th>
<th>30 Year MMD</th>
<th>MMD to Treasury Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018 A</td>
<td>4/3/18</td>
<td>2.77%</td>
<td>2.43%</td>
<td>87.7%</td>
<td>3.01%</td>
<td>2.96%</td>
<td>98.3%</td>
</tr>
<tr>
<td>2018 B</td>
<td>6/6/18</td>
<td>2.97%</td>
<td>2.46%</td>
<td>82.8%</td>
<td>3.13%</td>
<td>2.98%</td>
<td>95.2%</td>
</tr>
<tr>
<td>2018 C</td>
<td>8/6/18</td>
<td>2.96%</td>
<td>2.49%</td>
<td>84.1%</td>
<td>3.11%</td>
<td>3.08%</td>
<td>99.0%</td>
</tr>
<tr>
<td>2018 D</td>
<td>11/1/18</td>
<td>3.14%</td>
<td>2.75%</td>
<td>87.6%</td>
<td>3.38%</td>
<td>3.40%</td>
<td>99.4%</td>
</tr>
<tr>
<td>2019 A</td>
<td>1/17/19</td>
<td>2.75%</td>
<td>2.20%</td>
<td>80.0%</td>
<td>3.08%</td>
<td>3.04%</td>
<td>98.7%</td>
</tr>
<tr>
<td>2019 C</td>
<td>4/10/19</td>
<td>2.48%</td>
<td>1.92%</td>
<td>77.4%</td>
<td>2.90%</td>
<td>2.67%</td>
<td>92.1%</td>
</tr>
<tr>
<td>2019 D</td>
<td>7/9/19</td>
<td>2.07%</td>
<td>1.61%</td>
<td>77.7%</td>
<td>2.54%</td>
<td>2.28%</td>
<td>89.8%</td>
</tr>
</tbody>
</table>

**Change from 2019C to 2019D**

|                  | 41 bps | 31 bps | +0.3% | 36 bps | 39 bps | -2.3% |

### UNDERWRITING

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

**Underwriting Fees.** The underwriter discount of $6.54 per $1,000 bonds is reasonable compared to other similarly sized issues in the market.

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

1. Generate $169 million in orders for the PAC bond (4.4x subscribed) which allowed for a yield reduction by 0.02%,
2. Produce sufficient orders for the term bonds such that MFA was able to match Nevada’s term bond rates and keep all term bond yields unchanged, and
3. Generate a strong amount of retail orders ($22.2 million) continuing the strength last seen in the last several transactions. The four firm selling group enhanced the sale of the bonds. We would recommend a selling group on the next traditional bond issuance as well.
KEY RESULTS FOR MFA

Purpose. This transaction continued MFA’s successful federally taxable single-family monthly pass-through bond issues to refund old bond issues at lower interest rates available in the current market. This issue refunded two bond issues, namely, 2009 Series D and E which are eligible for optional redemption on September 1, 2019.

Primary Objectives.

1. Refund 2009 Series D and E so as to increase MFA’s net interest margin and net worth over time.
2. Refund in such a way that allows MFA to keep the interest rate savings as opposed to simply subsidizing new production with such savings.

Structure. Key structuring characteristics of Series 2019E include:

- Bonds are taxable so as to allow MFA to retain all of the savings achieved by the refunding.
- Bonds were structured as monthly pass-through bonds so as to take advantage of the lower yield of pass-through bonds.
- A projected average life of 7.1 years at 129% PSA (historic PSA prepayments speed over last 12 months) and 5.4 years at 209% PSA (lifetime speed of the portfolio).
- An optional par call in just over 9 years if it proves profitable to redeem the bonds in the future.

Accomplishments. The results were very successful.

1. Low Yields. The Bonds were sold at a yield of 2.90%. This provides an ongoing annual net spread to MFA of 209 basis points, well over $400k in the first year.

2. Tightness to Treasury and GNMA Yields. MFA’s 2019E pass-through bonds were priced at significantly lower nominal yield levels than the most recent taxable refunding (MFA 2019B Bonds), albeit at slightly higher spreads to Treasury yields given the lower absolute Treasury bond yields when 2019E was priced.

3. Net Present Value. The net present value of the transaction, assuming (conservatively) a 200% prepayment speed is approximately $1.72 million at a 3% discount rate. This net economic benefit is approximately 7.6% of the outstanding bonds. This type of economic benefit is well over the usual standard of 3% savings for whether a refunding is economically desirable.

Bond Results. Following are key highlights:

1. Investor Interest. Initial pre-marketing discussion had the bonds at a 100 basis point spread to the 7-year US Treasury, which on the date of pricing yielded 1.96%, so the 2019E bonds were offered during the institutional order period at 2.95%. Given strong demand and MFA’s strong reputation given its history issuing pass-through bonds, the 2019E bond coupon was reduced from 2.95% to a 2.90%. 6 investors put in orders including 3 orders for all the bonds, resulting in the bonds being
oversubscribed by 3.8 times. The 7-year US Treasury ended the day at a yield of 1.96%, such that the 2019E bonds priced at a spread of 94 basis points.

**Benefits to Investors.** The bonds allowed an investor to purchase a housing bond that is very similar to buying taxable securities but with a key additional advantage. To buy GNMA securities with similar underlying loans and net coupons, an investor would normally have to pay an upfront premium in today’s market of up to 6% or more. By purchasing 2019 Series E bonds at par, an investor avoids the risk of early prepayments wiping out the value of its premium, making MFA’s bonds more attractive.

**FEATURES OF THIS ISSUE**

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

**Strong Institutional Demand.** MFA attracted strong investor support for the Bonds, with orders from 6 institutional investors. This included 3 orders for all the bonds and 3 partial orders.

**UNDERWRITING**

**Underwriter.** RBC Capital Markets served as the book-running sole senior manager.

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

**Comparison to Other Single-Family Pass-Through Bond Issues.**

Given a lack of refunding opportunities, the number of taxable pass-through refundings has decreased over the last year, though Minnesota and Colorado are both active issuers of new money taxable pass-through bonds for volume cap preservation purposes. In September 2018, Louisiana HFA priced Series 2018A-2, an $11.2 million taxable pass-through refunding at a 3.70% yield. The Louisiana issuance had MBS with higher pass-through rates (6.06% versus MFA 2019E of 5.00%) as well as faster historic prepayment speeds; both of which make such bonds slightly more attractive to an investor looking for a short average life bond. Because of the faster historic prepayment speeds of Louisiana’s bonds, MFA’s 2019E bonds priced at a spread 26 basis points higher (+102 to the 5-year Treasury) compared to +76 for Louisiana. On a nominal yield basis, MFA did much better with its 2.90% coupon compared to Louisiana’s 3.70% coupon. Ohio also priced in September 2018 at a +83 spread to the 5-year Treasury. See the following table for bond pricing comparables of recently priced transactions.
<table>
<thead>
<tr>
<th></th>
<th>MFA 2019E</th>
<th>MFA 2019B</th>
<th>Louisiana HC 2018A-2</th>
<th>Ohio HFA 2018 B</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pricing Date</strong></td>
<td>July 9, 2019</td>
<td>Jan. 17, 2019</td>
<td>Sep. 18, 2018</td>
<td>Sep. 11, 2018</td>
</tr>
<tr>
<td><strong>Size</strong></td>
<td>$22.7 MM</td>
<td>$26.1 MM</td>
<td>$11.2 MM</td>
<td>$43.3 MM</td>
</tr>
<tr>
<td><strong>Book-Running Senior Manager</strong></td>
<td>RBC</td>
<td>RBC</td>
<td>Raymond James</td>
<td>JP Morgan</td>
</tr>
<tr>
<td><strong>Purpose</strong></td>
<td>Refunding</td>
<td>Refunding</td>
<td>Refunding</td>
<td>Refunding</td>
</tr>
<tr>
<td><strong>Rating</strong></td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
<td>Aaa</td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td>Pass-Through</td>
<td>Pass-Through</td>
<td>Pass-Through</td>
<td>Pass-Through</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>2040</td>
<td>2040</td>
<td>2040</td>
<td>2040</td>
</tr>
<tr>
<td><strong>Optional redemption at par</strong></td>
<td>9 years</td>
<td>9 years</td>
<td>9 years</td>
<td>9 years</td>
</tr>
<tr>
<td><strong>Price (Coupon)</strong></td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
<td>Par</td>
</tr>
<tr>
<td><strong>Yield</strong></td>
<td>2.90%</td>
<td>3.45%</td>
<td>3.70%</td>
<td>3.70%</td>
</tr>
<tr>
<td><strong>Tax Status</strong></td>
<td>Taxable</td>
<td>Taxable</td>
<td>Taxable</td>
<td>Taxable</td>
</tr>
<tr>
<td><strong>PSA Speed (Last 12 Mos.)</strong></td>
<td>129%</td>
<td>200%</td>
<td>242%</td>
<td>166%</td>
</tr>
<tr>
<td><strong>Projected Wtd. Average Life at 200% PSA</strong></td>
<td>5.6 years</td>
<td>5.1 years</td>
<td>5.6 years</td>
<td>5.6 years</td>
</tr>
<tr>
<td><strong>5 year Treasury</strong></td>
<td>1.88%</td>
<td>2.58%</td>
<td>2.94%</td>
<td>2.87%</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>+102 bp</td>
<td>+87 bp</td>
<td>+76 bp</td>
<td>+83 bp</td>
</tr>
<tr>
<td><strong>10 year Treasury</strong></td>
<td>2.07%</td>
<td>2.75%</td>
<td>3.05%</td>
<td>2.98%</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>+ 83 bp</td>
<td>+ 70 bp</td>
<td>+65 bp</td>
<td>+72 bp</td>
</tr>
<tr>
<td><strong>GNMA I yield</strong></td>
<td>2.66%</td>
<td>3.24%</td>
<td>3.55%</td>
<td>3.46%</td>
</tr>
<tr>
<td><strong>Difference</strong></td>
<td>+ 24 bp</td>
<td>+ 21 bp</td>
<td>+ 15 bp</td>
<td>+ 24 bp</td>
</tr>
</tbody>
</table>

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

**MARKET DETAILS**

**Key Dates:**
- Institutional Order Period: Tuesday, July 9, 2019
- Closing Date: Thursday, August 15, 2019

**Economic Calendar.** The key releases in the holiday week prior to the sale showed jobless claims in line with market forecasts, while the U.S. trade deficit widened to a 5-month high of $55.5 million. Unemployment remains at an historic low of 3.6% and nonfarm payrolls increased above the anemic figures for the prior month. This dampened the speculation that the Federal Reserve might cut rates by 50 basis points at their upcoming meeting on July 31st. The key news in the week of the sale was Federal Reserve Chairman Powell’s testimony to Congress that the Fed remained cautiously concerned about economic growth; the market interpreted this to suggest a 25 basis point rate cut in July and two more expected cuts later this year. That core inflation came in right at the Fed’s 2% annual target helped confirm this market view.

**Treasuries.** The improved economic news halted the drop in Treasury yields from May and June. The 10-year Treasury had plummeted to 2.03% on June 19th, a drop of 42 basis points in little more than a month. After falling to 1.96% on July 3rd, the stronger employment news pushed rates back up slightly to 2.07% the day before the sale, and 2.07% on the date of sale itself.

The yield curve has flattened out compared to prior years. The difference in the yield between the 1-year and 10-year yield was 16 basis points (and indeed the 2-year, 3-year and 5-year were all well below the
1-year yield). The difference between the 1-year and the 10-year was 106 basis points at the beginning of 2018.

**Municipals.** Muni yields played little role in this all-taxable transaction. As context, however, MMD has outperformed Treasuries, with the 10-year MMD/Treasury ratio dropping to the low 70% range for the first time in years. Significant redemptions have given muni buyers additional cash and there have been 26 weeks in a row of weekly inflows to muni funds—all while the volume of new supply has been limited. Buyers have turned to municipal bonds to offset the limited deductions for state and local taxes.

**MBS Secondary Markets.** Buyers for pass-through bonds look to the pricing of comparable MBS, which have significantly greater global liquidity than pass-through bonds. The yields on MBS have generally followed the same pattern as those on 10-year Treasuries.
MEMORANDUM

TO: MFA Board of Directors

Through: N/A

FROM: Kathleen M. Sysak-Keeler

DATE: September 18, 2019

SUBJECT: Multifamily Housing Revenue Tax-Exempt Bonds JLG North Apartments Projects Series 2019 and JLG South Apartments Projects Series 2019–Pricing Summaries

JLG North Apartments Projects

The JLG North Apartments Projects (“JLG North”) transaction is a new money bond issue which closed on August 13, 2019. The proceeds from the bonds will be used for the acquisition, rehabilitation and equipping of the following multifamily projects:

<table>
<thead>
<tr>
<th>Name of Apartments</th>
<th>Location</th>
<th>Number of Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cliffside I-III</td>
<td>Gallup, New Mexico</td>
<td>107</td>
</tr>
<tr>
<td>Pinos Blancos I-II</td>
<td>Bloomfield, New Mexico</td>
<td>69</td>
</tr>
<tr>
<td>Sandia Vista</td>
<td>Bernalillo, New Mexico</td>
<td>40</td>
</tr>
</tbody>
</table>

The following is a summary of the bond sale:

~Structure: The bonds were initially issued and delivered as draw down bonds with a stated principal amount of $9,650,000. However, the principal amount due will be only the amount that has been drawn down. The bonds carry an interest rate of 5.25% and mature on August 1, 2020 with an automatic extension of three months for an additional extension fee due and payable at the date of the extension.

~Bond Placement: The bonds were privately placed with the permanent lender which is a qualified institutional buyer under Rule 144A of the Securities Act of 1933.

~Investment of Funds: Funds were deposited in Cavanal Hill US Treasury Fund by BOKF, NA (Bank of Albuquerque), Trustee for the bond issue.
JLG South Apartments Projects

The JLG South Apartments Projects ("JLG North") transaction is a new money bond issue which closed on August 15, 2019. The proceeds from the bonds will be used for the acquisition, rehabilitation and equipping of the following multifamily projects:

<table>
<thead>
<tr>
<th>Name of Apartments</th>
<th>Location</th>
<th>Number of Housing Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franklin Vista I-V</td>
<td>Anthony, New Mexico</td>
<td>136</td>
</tr>
<tr>
<td>Rio Mimbres I-III</td>
<td>Deming, New Mexico</td>
<td>60</td>
</tr>
<tr>
<td>Columbus</td>
<td>Columbus, New Mexico</td>
<td>24</td>
</tr>
</tbody>
</table>

The following is a summary of the bond sale:

~Structure: The bonds were initially issued and delivered as draw down bonds with a stated principal amount of $9,000,000. However, the principal amount due will be only the amount that has been drawn down. The bonds carry an interest rate of 5.25% and mature on August 1, 2020 with an automatic extension of three months for an additional extension fee due and payable at the date of the extension.

~Bond Placement: The bonds were privately placed with the permanent lender which is a qualified institutional buyer under Rule 144A of the Securities Act of 1933.

~Investment of Funds: Funds were deposited in Cavanal Hill US Treasury Fund by BOKF, NA (Bank of Albuquerque), Trustee for the bond issue.

The attachment provides more detailed information about both the JLG South and JLG North bond issues along with the South Shiprock Homes Project and Paso Tiempo Apartment Project both of which were issued in 2017 and are presented for information purposes only.
<table>
<thead>
<tr>
<th>Type of Structure</th>
<th>South Shiprock Homes Project Series 2017</th>
<th>Pasa Tiempo Apartment Project Series 2017B</th>
<th>JLG North Apartments Projects Series 2019</th>
<th>JLG South Apartments Projects Series 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Tax Exempt Bonds</td>
<td>$11,800,000</td>
<td>$10,373,065</td>
<td>$9,650,000</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>2 Taxable Bonds</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3 Refunding Bonds</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4 Total Amount of Bonds Issued</td>
<td>$11,800,000</td>
<td>$10,373,065</td>
<td>$9,650,000</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>2 Type</td>
<td>Conduit</td>
<td>Conduit</td>
<td>Conduit</td>
<td>Conduit</td>
</tr>
<tr>
<td>3 Purpose</td>
<td>Acquisition/Construction/Rehabilitation</td>
<td>Acquisition/Rehabilitation/Equipping</td>
<td>Acquisition/Rehabilitation/Equipping</td>
<td>Acquisition/Rehabilitation/Equipping</td>
</tr>
<tr>
<td>4 Credit Enhancement</td>
<td>HUD Section 223 (f) program</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>5 Bond Ratings:</td>
<td>AAA</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Standard &amp; Poor's</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Moody's</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>6 Bond Closing Date</td>
<td>6/13/2017</td>
<td>7/25/2017</td>
<td>8/13/2019</td>
<td>8/15/2019</td>
</tr>
<tr>
<td>7 Public Sale/Private Placement</td>
<td>Public</td>
<td>Private Placement</td>
<td>Private Placement</td>
<td>Private Placement</td>
</tr>
<tr>
<td>8 Bond Structure</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Serial Bonds</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Term Bonds</td>
<td>$11,800,000</td>
<td>$10,373,065</td>
<td>$9,650,000</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>9 Fixed Rate/Variable Rate</td>
<td>Fixed</td>
<td>Variable</td>
<td>Fixed</td>
<td>Fixed</td>
</tr>
<tr>
<td>10 Cash Flow Verification</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>11 GIC Rates, if applicable*</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Construction Fund</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Float Fund Rate</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>12 Administrative Fee (to MFA)</td>
<td>0.15%</td>
<td>0.125%</td>
<td>0.15%</td>
<td>0.15%</td>
</tr>
<tr>
<td>Service Fee (to MFA)</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

*The Guaranteed Investment Contract ("GIC") is competitively bid.
Tab 16
New Mexico Mortgage Finance Authority

Combined Financial Statements
And Schedules

July 31, 2019
### COMPARATIVE YEAR-TO-DATE FIGURES (Dollars in millions):

<table>
<thead>
<tr>
<th></th>
<th>10 months 7/31/2019</th>
<th>10 months 7/31/2018</th>
<th>% Change Year / Year</th>
<th>Forecast 7/31/2019</th>
<th>Actual to Forecast/Target 9/30/19</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>PRODUCTION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Single family issues (new money):</td>
<td>$199.9</td>
<td>$160.0</td>
<td>24.9%</td>
<td>$245.0</td>
<td>-18.4% $294.0</td>
</tr>
<tr>
<td>2 Single family loans sold (TBA):</td>
<td>$92.7</td>
<td>$212.8</td>
<td>-56.4%</td>
<td>$105.0</td>
<td>-11.7% $126.0</td>
</tr>
<tr>
<td>3 Total Single Family Production</td>
<td>$292.6</td>
<td>$372.8</td>
<td>-21.5%</td>
<td>$350.0</td>
<td>-16.4% $420.0</td>
</tr>
<tr>
<td>4 Multifamily issues:</td>
<td></td>
<td></td>
<td>0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Single Family Bond MBS Payoffs:</td>
<td>$33.8</td>
<td>$48.2</td>
<td>-29.9%</td>
<td>$42.8</td>
<td>-20.9% $51.3</td>
</tr>
<tr>
<td><strong>STATEMENT OF NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6Avg. earning assets:</td>
<td>$1,156.0</td>
<td>$961.4</td>
<td>20.2%</td>
<td>$1,093.0</td>
<td>5.8% $1,181.5</td>
</tr>
<tr>
<td>7General Fund Cash and Securities:</td>
<td>$101.1</td>
<td>$85.3</td>
<td>18.5%</td>
<td>$91.0</td>
<td>11.1% $89.0</td>
</tr>
<tr>
<td>8General Fund SIC FMV Adj.:</td>
<td>$0.1</td>
<td>$0.1</td>
<td>0.0%</td>
<td>$0.0</td>
<td>N/A $0</td>
</tr>
<tr>
<td>9Total bonds outstanding:</td>
<td>$956.1</td>
<td>$760.9</td>
<td>25.7%</td>
<td>$924.0</td>
<td>3.5% $1,066.7</td>
</tr>
<tr>
<td><strong>STATEMENT OF REVENUES, EXPENSES AND NET POSITION</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10General Fund expenses (excluding capitalized assets):</td>
<td>$13.6</td>
<td>$12.3</td>
<td>10.6%</td>
<td>$14.7</td>
<td>-7.5% $18.0</td>
</tr>
<tr>
<td>11General Fund revenues:</td>
<td>$19.0</td>
<td>$19.2</td>
<td>-1.0%</td>
<td>$18.6</td>
<td>2.2% $22.8</td>
</tr>
<tr>
<td>12 Combined net revenues (all funds):</td>
<td>$9.4</td>
<td>$8.0</td>
<td>17.5%</td>
<td>$6.1</td>
<td>54.5% $7.3</td>
</tr>
<tr>
<td>13Combined net revenues excluding SIC FMV Adj. (all funds):</td>
<td>$8.7</td>
<td>$8.2</td>
<td>6.1%</td>
<td>$6.1</td>
<td>43.0% $7.3</td>
</tr>
<tr>
<td>14 Combined net position:</td>
<td>$244.3</td>
<td>$232.5</td>
<td>5.1%</td>
<td>$241.0</td>
<td>1.4% $242.2</td>
</tr>
<tr>
<td>15 Combined return on avg. earning assets:</td>
<td>0.98%</td>
<td>0.99%</td>
<td>-1.0%</td>
<td>0.62%</td>
<td>58.1% 0.62%</td>
</tr>
<tr>
<td>16 Net TBA profitability:</td>
<td>0.79%</td>
<td>1.06%</td>
<td>-25.5%</td>
<td>1.00%</td>
<td>-21.0% 1.00%</td>
</tr>
<tr>
<td>17 Combined interest margin:</td>
<td>1.06%</td>
<td>1.06%</td>
<td>0.0%</td>
<td>0.89%</td>
<td>19.1% 0.89%</td>
</tr>
<tr>
<td><strong>MOODY'S BENCHMARKS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 Net Asset to debt ratio (5-yr avg):</td>
<td>29.85%</td>
<td>29.40%</td>
<td>1.5%</td>
<td>29.66%</td>
<td>0.6% 29.66%</td>
</tr>
<tr>
<td>19 Net rev as a % of total rev (5-yr avg):</td>
<td>11.04%</td>
<td>10.14%</td>
<td>8.9%</td>
<td>10.04%</td>
<td>10.0% 10.0%</td>
</tr>
<tr>
<td><strong>SERVICING</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 Mortgage Operations net revenues:</td>
<td>$0.8</td>
<td>$3.6</td>
<td>-77.8%</td>
<td>$0.7</td>
<td>20.0% $0.8</td>
</tr>
<tr>
<td>21 Subserviced portfolio</td>
<td>$1,088.0</td>
<td>$696.5</td>
<td>56.2%</td>
<td>$1,026.5</td>
<td>6.0% $1,136.4</td>
</tr>
<tr>
<td>22 Servicing Yield (subserviced portfolio):</td>
<td>0.38%</td>
<td>0.39%</td>
<td>-2.6%</td>
<td>0.36%</td>
<td>5.6% 0.38%</td>
</tr>
<tr>
<td>23 Combined average delinquency rate (MFA serviced):</td>
<td>9.90%</td>
<td>12.00%</td>
<td>-17.5%</td>
<td>12.00%</td>
<td>-17.5% 12.00%</td>
</tr>
<tr>
<td>24 DPA loan delinquency rate (all):</td>
<td>8.92%</td>
<td>11.18%</td>
<td>-20.2%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>25 Default rate (MFA serviced-annualized):</td>
<td>1.27%</td>
<td>1.58%</td>
<td>-19.6%</td>
<td>2.75%</td>
<td>-53.8% 2.75%</td>
</tr>
<tr>
<td>26 Subserviced portfolio delinquency rate (first mortgages):</td>
<td>8.91%</td>
<td>5.53%</td>
<td>61.1%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>27 Purchased Servicing Rights Valuation Change (as of 6/30):</td>
<td>$1.4</td>
<td>$2.7</td>
<td>-48.1%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Note: Forecast updated with budget amendment and actuals through March 2019.

**Legend:**
- **Positive Trend**
- **Caution**
- **Negative Trend**
- **Known Trend/Immaterial**
NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the ten-month period ended July 31, 2019

SUMMARY OF NEW BOND ISSUES:

Single Family Issues:
$49.9 mm 2018 Series D Bonds-New Money (December)
$70.0 mm 2019 Series A Bonds-New Money (February)
$26.1 mm 2019 Series B Bonds-Refunding (February)
$80.0 mm 2019 Series C Bonds-New Money (May)

Multi-family Issues: None

SIGNIFICANT MONTHLY FINANCIAL VARIANCES:
► MFA has incurred a $.1 million year to date gain on the State Investment Counsel (SIC) General Fund investment portfolio due to fair market valuation (FMV) adjustments. MFA classifies FMV adjustments on this portfolio as non-operating gains/losses, however, that line item is still a component of the net revenues reported in the financial statements and in this financial review. Excluding the FMV adjustments on the SIC portfolios (General Fund and Housing Trust Fund), combined net revenues were $8.7 million which exceeds last fiscal year’s net revenues and the forecast. These FMV adjustments are not currently negatively impacting other metrics reported.

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:
► Servicing expansion continues to provide additional revenues as the subserviced portfolio and purchased servicing rights asset bases increase.
► Moving into this fiscal year bond issuance is still the best execution for Single Family Mortgage first-time homebuyer loans. 2019 Series D will close August 2019 and will fund $100 million in new mortgage loans. In the bond execution the majority of the revenue is earned over time and with TBA sales all revenue is received upfront. The budget was based on production being funded 70% by issuing tax exempt bonds and 30% TBA sales.
► NEXT HOME production levels are lower than anticipated this year and that is impacting the TBA program’s performance. Staff has had to lower mortgage rates to attract lenders which has impacted the profitability of that execution, including financial performance of the Mortgage Operations unit. The strategy is to price NEXT HOME very competitively to motivate lenders to use the program and manage profitability thresholds accordingly.
► Staff does continue to have concerns over the MBS subserviced portfolio increased delinquency rates. The Compliance Officer and Director of Servicing are closely monitoring loss mitigation activities, collections and foreclosure services provided by MFA’s subservicer and coordinating with them on risk management strategies and reporting. Idaho Housing is providing delinquency reasons and the two most common are still curtailment of income and excessive obligations. These delinquencies have an effect on the credit risk associated with MFA’s down payments assistance (DPA) portfolio as well as the financial impacts associated with foreclosures and loan modifications on the first mortgages themselves. The subserviced portfolio is approx. 80% FHA insured loans; the delinquency rate for FHA loans nationally is 8.93% and for New Mexico 6.56%. 4.71% of MFA’s delinquencies in this portfolio are in the 30 to 59 days past due bucket. Idaho Housing continues to allocate staff to early stage collection activities.
► Reserve levels for all MFA loan portfolios are deemed adequate.
► Fair market value for purchased servicing rights as of June 30, 2019 was $11.6 million an increase of approximately $1.4 million over cost. GASB requires MFA to utilize "lower of cost or market" accounting for this asset. Therefore, no valuation adjustments are anticipated. Current purchased servicing rights are recorded at a cost of $10.1 million as of June 30, 2019. Valuations are obtained on a quarterly basis. Valuation increases are declining primarily due to increases in New Mexico mortgage loan prepayments, decreased earnings rates and increased delinquencies during the last quarter.
► Based on Moody’s issuer credit rating scorecard, MFA’s 29.85 percent net asset ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining HFA’s creditworthiness under stressful circumstances (> 20 percent). The net revenue as a percent of total revenue measures performance and profitability and MFA’s 11.04 percent ratio (5-year average) points to a high profitability with favorable trends (10-15 percent range). While ratios currently fall within expected thresholds, there are some trends that are effecting these ratios. In future years MFA will see the net asset ratio decline as net revenues will not be increasing at the same rate as bonds outstanding. As previously noted, the bond execution is expected to fund 70% of the single family mortgage production this year.
► Moody’s Investor Services issued an updated credit opinion on MFA in the spring of 2018. They reaffirmed the Aa3 rating. Comments included strong asset to debt ratio, good profitability and low risk profile due to mortgage-backed security structure, multifamily risk share program and no exposure to variable rate debt. Additionally, Moody’s reaffirmed the Aaa1 rating on the single family indenture.
## NEW MEXICO MORTGAGE FINANCE AUTHORITY
### COMBINED STATEMENT OF NET POSITION
#### JULY 2019
##### (THOUSANDS OF DOLLARS)

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>YTD 7/31/2019</th>
<th>YTD 07/31/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>$43,453</td>
<td>$32,074</td>
</tr>
<tr>
<td>Restricted Cash Held in Escrow</td>
<td>10,094</td>
<td>10,342</td>
</tr>
<tr>
<td>Short-Term Investments</td>
<td>13,941</td>
<td>-</td>
</tr>
<tr>
<td>Accrued Interest Receivable</td>
<td>4,013</td>
<td>3,300</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>1,634</td>
<td>2,193</td>
</tr>
<tr>
<td>Administrative Fees Receivable (Payable)</td>
<td>-</td>
<td>(0)</td>
</tr>
<tr>
<td>Inter-Fund Receivable (Payable)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>73,135</td>
<td>47,908</td>
</tr>
<tr>
<td>Cash - Restricted</td>
<td>29,816</td>
<td>77,616</td>
</tr>
<tr>
<td>Long-Term &amp; Restricted Investments</td>
<td>68,215</td>
<td>66,915</td>
</tr>
<tr>
<td>Investments in Reserve Funds</td>
<td>323</td>
<td>68</td>
</tr>
<tr>
<td>FNMA, GNMA, &amp; FHLMC Securitized MTG. Loans</td>
<td>869,606</td>
<td>620,949</td>
</tr>
<tr>
<td>Mortgage Loans Receivable</td>
<td>223,100</td>
<td>241,358</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>(2,700)</td>
<td>(1,774)</td>
</tr>
<tr>
<td>Notes Receivable</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fixed Assets, Net of Accum. Depn</td>
<td>1,193</td>
<td>1,201</td>
</tr>
<tr>
<td>Other Real Estate Owned, Net</td>
<td>29</td>
<td>348</td>
</tr>
<tr>
<td>Other Non-Current Assets</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>10,424</td>
<td>6,499</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>1,273,142</td>
<td>1,061,089</td>
</tr>
<tr>
<td><strong>Deferred Outflows of Resources</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refundings of Debt</td>
<td>393</td>
<td>510</td>
</tr>
<tr>
<td><strong>Total Assets &amp; Deferred Outflows of Resources</strong></td>
<td>1,273,535</td>
<td>1,061,599</td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET POSITION:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued Interest Payable</td>
<td>$7,436</td>
<td>$7,819</td>
</tr>
<tr>
<td>Accounts Payable and Accrued Expenses</td>
<td>9,236</td>
<td>10,613</td>
</tr>
<tr>
<td>Escrow Deposits &amp; Reserves</td>
<td>10,013</td>
<td>10,231</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>26,685</td>
<td>28,662</td>
</tr>
<tr>
<td>Bonds Payable, Net of Unamortized Discount</td>
<td>956,087</td>
<td>760,885</td>
</tr>
<tr>
<td>Mortgage &amp; Notes Payable</td>
<td>46,276</td>
<td>39,344</td>
</tr>
<tr>
<td>Accrued Arbitrage Rebate</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>166</td>
<td>203</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>1,029,215</td>
<td>829,095</td>
</tr>
<tr>
<td><strong>NET POSITION:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invested in Capital Assets, Net of Related Debt</td>
<td>1,193</td>
<td>1,201</td>
</tr>
<tr>
<td>Unappropriated Net Position (Note 1)</td>
<td>63,763</td>
<td>63,633</td>
</tr>
<tr>
<td>Appropriated Net Position (Note 1)</td>
<td>179,365</td>
<td>167,671</td>
</tr>
<tr>
<td><strong>Total Net Position</strong></td>
<td>244,321</td>
<td>232,505</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Net Position</strong></td>
<td>1,273,535</td>
<td>1,061,599</td>
</tr>
</tbody>
</table>
### Statement of Revenues, Expenses and Changes in Net Position

**For the Ten Months Ended July 2019**

(Thousands of Dollars)

<table>
<thead>
<tr>
<th></th>
<th>YTD 7/31/19</th>
<th>YTD 07/31/18</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on Loans</td>
<td>$34,789</td>
<td>$27,622</td>
</tr>
<tr>
<td>Interest on Investments &amp; Securities</td>
<td>3,241</td>
<td>2,158</td>
</tr>
<tr>
<td>Loan &amp; Commitment Fees</td>
<td>2,515</td>
<td>1,281</td>
</tr>
<tr>
<td>Administrative Fee Income (Exp)</td>
<td>4,278</td>
<td>6,844</td>
</tr>
<tr>
<td>RTC, Risk Sharing &amp; Guaranty Income</td>
<td>112</td>
<td>103</td>
</tr>
<tr>
<td>Housing Program Income</td>
<td>1,148</td>
<td>1,097</td>
</tr>
<tr>
<td>Loan Servicing Income</td>
<td>3,489</td>
<td>2,171</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Subtotal Operating Revenues</strong></td>
<td>49,574</td>
<td>41,276</td>
</tr>
<tr>
<td><strong>Non-Operating Revenues:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arbitrage Rebate Income (Expense)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Gain(Loss) Asset Sales/Debt Extinguishment</td>
<td>780</td>
<td>(272)</td>
</tr>
<tr>
<td>Other Non-Operating Income</td>
<td>15</td>
<td>47</td>
</tr>
<tr>
<td>Grant Award Income</td>
<td>39,154</td>
<td>37,237</td>
</tr>
<tr>
<td><strong>Subtotal Non-Operating Revenues</strong></td>
<td>39,949</td>
<td>37,011</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>89,523</td>
<td>78,288</td>
</tr>
<tr>
<td><strong>Operating Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>11,538</td>
<td>10,789</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>27,779</td>
<td>21,247</td>
</tr>
<tr>
<td>Amortization of Bond/Note Premium(Discount)</td>
<td>(1,681)</td>
<td>(1,645)</td>
</tr>
<tr>
<td>Provision for Loan Losses</td>
<td>570</td>
<td>92</td>
</tr>
<tr>
<td>Mortgage Loan &amp; Bond Insurance</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Trustee Fees</td>
<td>91</td>
<td>69</td>
</tr>
<tr>
<td>Amort. of Serv. Rights &amp; Depreciation</td>
<td>600</td>
<td>236</td>
</tr>
<tr>
<td>Bond Cost of Issuance</td>
<td>2,010</td>
<td>1,683</td>
</tr>
<tr>
<td><strong>Subtotal Operating Expenses</strong></td>
<td>40,907</td>
<td>32,472</td>
</tr>
<tr>
<td><strong>Non-Operating Expenses:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capacity Building Costs</td>
<td>122</td>
<td>682</td>
</tr>
<tr>
<td>Grant Award Expense</td>
<td>39,082</td>
<td>37,176</td>
</tr>
<tr>
<td>Other Non-Operating Expense</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Subtotal Non-Operating Expenses</strong></td>
<td>39,204</td>
<td>37,859</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>80,111</td>
<td>70,331</td>
</tr>
<tr>
<td><strong>Net Revenues</strong></td>
<td>9,412</td>
<td>7,957</td>
</tr>
<tr>
<td>Other Financing Sources (Uses)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net Revenues and Other Financing Sources(Uses)</td>
<td>9,412</td>
<td>7,957</td>
</tr>
<tr>
<td>Net Position at Beginning of Year</td>
<td>234,909</td>
<td>224,548</td>
</tr>
<tr>
<td><strong>Net Position at 7/31/2019</strong></td>
<td>244,321</td>
<td>232,505</td>
</tr>
</tbody>
</table>
NOTES TO FINANCIAL STATEMENTS
(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1) MFA Net Position as of July 31, 2019:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNAPPROPRIATED NET POSITION:</td>
<td></td>
</tr>
<tr>
<td>$ 33,657 held by Bond Program Trustees and is pledged to secure repayment of</td>
<td></td>
</tr>
<tr>
<td>the Bonds.</td>
<td></td>
</tr>
<tr>
<td>$ 29,974 held in Trust for the NM Housing Trust Fund and the NM Land Title</td>
<td></td>
</tr>
<tr>
<td>Trust Fund.</td>
<td></td>
</tr>
<tr>
<td>$ 132 held for New Mexico Affordable Housing Charitable Trust.</td>
<td></td>
</tr>
<tr>
<td><strong>$ 63,763</strong> Total unappropriated Net Position</td>
<td></td>
</tr>
<tr>
<td>APPROPRIATED NET POSITION: GENERAL FUND</td>
<td></td>
</tr>
<tr>
<td>By actions of the Board of Directors on various dates, General Fund net</td>
<td></td>
</tr>
<tr>
<td>assets have been appropriated as follows:</td>
<td></td>
</tr>
<tr>
<td>$ 111,313 for use in the Housing Opportunity Fund ($95,275 in loans plus</td>
<td></td>
</tr>
<tr>
<td>$16,038 unfunded, of which $4,011 is committed.</td>
<td></td>
</tr>
<tr>
<td>$ 2,239 for loss exposure on Risk Sharing loans.</td>
<td></td>
</tr>
<tr>
<td>$ 1,193 invested in capital assets, net of related debt.</td>
<td></td>
</tr>
<tr>
<td>$ 10,406 invested in mortgage servicing rights.</td>
<td></td>
</tr>
<tr>
<td><strong>$ 5,252</strong> for the future General Fund Budget year ending 9/30/19 ($22,624</td>
<td></td>
</tr>
<tr>
<td>total budget less $17,372 expended budget through 07/31/19.)</td>
<td></td>
</tr>
<tr>
<td><strong>$ 166,015</strong> Subtotal - General Fund</td>
<td></td>
</tr>
<tr>
<td>APPROPRIATED NET POSITION: HOUSING</td>
<td></td>
</tr>
<tr>
<td>By actions of the Board of Directors on December 7, 1999, Housing assets</td>
<td></td>
</tr>
<tr>
<td>have been appropriated as follows:</td>
<td></td>
</tr>
<tr>
<td><strong>$ 14,542</strong> for use in the federal and state housing programs administered</td>
<td></td>
</tr>
<tr>
<td>by MFA.</td>
<td></td>
</tr>
<tr>
<td><strong>$ 14,542</strong> Subtotal - Housing Program</td>
<td></td>
</tr>
<tr>
<td><strong>$ 180,558</strong> Total appropriated Net Position</td>
<td></td>
</tr>
<tr>
<td><strong>$ 244,321</strong> Total combined Net Position at July 31, 2019</td>
<td></td>
</tr>
</tbody>
</table>

Total combined Net Position, or reserves, at July 31, 2019 was $244.3 million, of which $63.7 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $180.6 million of available reserves, with $101.1 million primarily liquid in the General Fund and in the federal and state Housing programs and $79.5 million illiquid -

- for use in existing and future programs
- for coverage of loss exposure in existing programs
- to meet servicing requirements, 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, servicing requirements and operations.
### Operating Revenues

<table>
<thead>
<tr>
<th>Description</th>
<th>Year To Date</th>
<th>Pro Rata</th>
<th>Under/(Over)</th>
<th>Annual</th>
<th>Under/(Over)</th>
<th>Expend</th>
<th>Annual Budget</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>717,010</td>
<td>7,142,462</td>
<td>(68,974)</td>
<td>8,713,054</td>
<td>1,501,619</td>
<td>82.77%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Admin Income</td>
<td>769,847</td>
<td>7,171,833</td>
<td>85,664</td>
<td>8,746,745</td>
<td>1,660,576</td>
<td>81.01%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>834,308</td>
<td>4,412,990</td>
<td>(336,435)</td>
<td>5,499,669</td>
<td>750,245</td>
<td>86.36%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal Operating Revenues</strong></td>
<td>2,321,165</td>
<td>16,727,284</td>
<td>(319,745)</td>
<td>22,959,468</td>
<td>3,912,439</td>
<td>82.96%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Operating Revenues</td>
<td>1,173,643</td>
<td>(103,250)</td>
<td>(123,900)</td>
<td>(119,113)</td>
<td>3.86%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>3,494,808</td>
<td>16,624,034</td>
<td>(418,208)</td>
<td>22,835,468</td>
<td>3,793,326</td>
<td>83.39%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Year To Date</th>
<th>Pro Rata</th>
<th>Under/(Over)</th>
<th>Annual</th>
<th>Under/(Over)</th>
<th>Expend</th>
<th>Annual Budget</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation</td>
<td>561,480</td>
<td>6,615,834</td>
<td>756,260</td>
<td>7,939,001</td>
<td>2,079,427</td>
<td>73.81%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travel &amp; Public Info</td>
<td>44,309</td>
<td>399,046</td>
<td>95,900</td>
<td>478,855</td>
<td>175,709</td>
<td>63.31%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Expenses</td>
<td>110,207</td>
<td>840,299</td>
<td>(59,168)</td>
<td>1,008,359</td>
<td>108,891</td>
<td>89.20%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>526,355</td>
<td>5,140,129</td>
<td>28,229</td>
<td>6,566,450</td>
<td>1,454,550</td>
<td>77.85%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal Operating Expenses</strong></td>
<td>1,242,351</td>
<td>12,995,308</td>
<td>821,221</td>
<td>15,992,865</td>
<td>3,818,578</td>
<td>74.78%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Operating Expenses</td>
<td>4,181</td>
<td>375,167</td>
<td>253,323</td>
<td>450,200</td>
<td>328,356</td>
<td>76.44%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal Operating &amp; Non-Operating Expenses</strong></td>
<td>1,246,532</td>
<td>13,370,475</td>
<td>1,074,544</td>
<td>16,442,865</td>
<td>4,146,934</td>
<td>74.78%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expensed Assets</td>
<td>14,042</td>
<td>62,642</td>
<td>(37,086)</td>
<td>75,170</td>
<td>(24,558)</td>
<td>132.67%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Cash Items</td>
<td>71,048</td>
<td>1,253,763</td>
<td>94,588</td>
<td>1,516,417</td>
<td>357,243</td>
<td>76.44%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>1,331,621</td>
<td>14,686,879</td>
<td>1,132,046</td>
<td>18,034,452</td>
<td>4,479,619</td>
<td>75.16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net Revenues</strong></td>
<td>2,163,187</td>
<td>3,937,155</td>
<td>(1,550,254)</td>
<td>4,801,116</td>
<td>(686,293)</td>
<td>114.29%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Purchased Servicing & Capital Outlay

<table>
<thead>
<tr>
<th>Description</th>
<th>Year To Date</th>
<th>Pro Rata</th>
<th>Under/(Over)</th>
<th>Annual</th>
<th>Under/(Over)</th>
<th>Expend</th>
<th>Annual Budget</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchased Servicing Rights</td>
<td>499,344</td>
<td>3,751,125</td>
<td>59,851</td>
<td>4,501,350</td>
<td>810,076</td>
<td>82.00%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capitalized Assets</td>
<td>5,959</td>
<td>73,664</td>
<td>(51,748)</td>
<td>88,397</td>
<td>(37,015)</td>
<td>141.87%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Purchased Servicing &amp; Capital Outlay</strong></td>
<td>505,303</td>
<td>3,624,789</td>
<td>8,103</td>
<td>4,569,747</td>
<td>773,061</td>
<td>83.16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Including Capitalized Items</strong></td>
<td>1,657,884</td>
<td>4,158,357</td>
<td>211,369</td>
<td>(1,459,354)</td>
<td>790.43%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**New Mexico Mortgage Finance Authority General Fund & Housing Budget Variance Report**

For the Ten Months Ended 7/31/19

6%
August 14 – September 10, 2019

ADVERTISING

Billboards August-September
- Roswell/Artesia US 70, inbound Roswell to Ruidoso
- Gallup I-40, between Gallup exits
- Alamogordo US 54, inbound to Alamogordo
- Carlsbad US 285, to Artesia/Lakes
- Silver City US 180 west
- Clovis US 70 north

Print August-September
- 2x per week Alamogordo Daily News
- 2x per week Carlsbad Current-Argus
- 1x per week Roswell Daily Record
- 2x per week Silver City Sun-News
- 2x per week Eastern New Mexico News
- 2x per week Gallup Independent

Digital August-September
- Alamogordo Daily News online
- Carlsbad Current-Argus online
- Eastern New Mexico News online
- Roswell Daily Record online
- Silver City Sun-News online

MEDIA COVERAGE

8-29 Taos News Centinel Bank CEO appointed to New Mexico’s Mortgage Finance Authority

8-29 Taos News Gonzales announces run for 14th term in House
Valencia County News-Bulletin Sen. Greg Baca reappointed to interim committees

PRESS RELEASES, NEWSLETTERS and LENDER MEMOS

8-12  Lender Memo 19-19  FINAL REMINDER Reservation Suspension for FNMA HFA Preferred Product

8-13  Email to database  Open House invitation

8-28  Lender Memo 19-20  Viewing Conventional Loans in the Internet Loan Reservation System (ILRS)

9-10  Email to database  Open House reminder
### POP NM Mortgage Finance Authority

<table>
<thead>
<tr>
<th>Map Icon</th>
<th>Label</th>
<th>Panel#</th>
<th>TAB ID</th>
<th>Media/Style</th>
<th>Facing</th>
<th>H x W</th>
<th>*Weekly Impressions</th>
<th>Illum.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>4011</td>
<td>139854</td>
<td>Permanent Bulletin / Regular</td>
<td>West</td>
<td>10' 0&quot; x 40' 0&quot;</td>
<td>64529</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>8491</td>
<td>140504</td>
<td>Permanent Bulletin / Regular</td>
<td>North</td>
<td>10' 0&quot; x 40' 0&quot;</td>
<td>41647</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>10901</td>
<td>138473</td>
<td>Permanent Bulletin / Regular</td>
<td>South</td>
<td>10' 0&quot; x 40' 0&quot;</td>
<td>11798</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>21032</td>
<td>7403939</td>
<td>Poster / Retro</td>
<td>East</td>
<td>10' 6&quot; x 22' 9&quot;</td>
<td>30220</td>
<td>YES</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>10162</td>
<td>138411</td>
<td>Permanent Bulletin / Regular</td>
<td>North</td>
<td>10' 0&quot; x 40' 0&quot;</td>
<td>27972</td>
<td>NO</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>20881</td>
<td>138906</td>
<td>Permanent Bulletin / Regular</td>
<td>West</td>
<td>10' 0&quot; x 40' 0&quot;</td>
<td>59198</td>
<td>YES</td>
</tr>
</tbody>
</table>

**Location:** I 40 S/L.88EMP016 MP 016.88  
**Current Advertiser:** NEW MEXICO MORTGAGE FINANCE AUTHORITY

**Location:** US 54 W/L.91SMP071 MP70.09  
**Current Advertiser:** NEW MEXICO MORTGAGE FINANCE AUTHORITY

**Location:** US 285 E/L .38 NMP038 MP38.38  
**Current Advertiser:** NEW MEXICO MORTGAGE FINANCE AUTHORITY

**Location:** US 70 2500 WEST SECOND MP329.95  
**Current Advertiser:** NEW MEXICO MORTGAGE FINANCE AUTHORITY

**Location:** US 70 S/L .50 E MP 439 MP 438.50  
**Current Advertiser:** NEW MEXICO MORTGAGE FINANCE AUTHORITY

**Location:** US 180 SILVER CITY S/L.25 EMP117 #117.25  
**Current Advertiser:** NEW MEXICO MORTGAGE FINANCE AUTHORITY

**Total Weekly Impressions:** 235364
**Location # 1**

**Advertising Strengths:** Between Gallup exits

**Market:** GALLUP  
**Panel:** 4011

**TAB Unique ID:** 139854

**Location:** I 40 S/L.88EMP016 MP 016.88  
**Lat/Long:** 35.5108/-108.8245

**Media/Style:** Permanent Bulletin/Regular  
**Weekly Impressions:** 64529

**Panel Size:** 10’ 0” x 40’ 0”  
**Vinyl Size:** 11’ 0” x 41’ 0”  
**Facing/Read:** West/Right

**Illuminated:** NO

**Current Advertiser:** NEW MEXICO MORTGAGE FINA ...

---

*Impression values based on: 18+ yrs

---

**Lamar**  
**New Mexico/El Paso**  
**800-334-2236**  
**Physical Address:** 1600 Airtech Court SE, Albuquerque, NM 87106  
**Mailing Address:** 1600 Airtech Court SE, Albuquerque, NM 87106
**Location # 2**

**Advertising Strengths:** Inbound Alamogordo

**Market:** ALAMOGORDO  
**Panel:** 8491  
**TAB Unique ID:** 140504

**Location:** US 54 W/L.91SMP071 MP70.09  
**Lat/Long:** 32.9509/-105.9709  
**Media/Style:** Permanent Bulletin/Regular

**Weekly Impressions:** 41647  
**Panel Size:** 10' 0" x 40' 0"  
**Vinyl Size:** 11' 0" x 41' 0"  
**Facing/Read:** North/Right  
**Illuminated:** NO  
**Current Advertiser:** NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs*
Location # 3

Advertising Strengths: To Artesia/Lakes

Market: CARLSBAD
Panel: 10901

TAB Unique ID: 138473
Location: US 285 E/L .38 NMP038 MP38.38
Lat/Long: 32.4678/-104.2758
Media/Style: Permanent Bulletin/Regular

*Weekly Impressions: 11798
Panel Size: 10’ 0” x 40’ 0”
Vinyl Size: 11’ 0” x 41’ 0”
Facing/Read: South/Right
Illuminated: NO

Current Advertiser: NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs
Location # 4

Advertising Strengths: Inbound Roswell to Ruidoso traffic

Market: ROSEWLL/ARTESIA
Panel: 21032

TAB Unique ID: 7403939
Location: US 70 2500 WEST SECOND MP329.95
Lat/Long: 33.3939/-104.5579
Media/Style: Poster/Retro
*Weekly Impressions: 30220
Panel Size: 10’ 6” x 22’ 9” Spec Sheet
Vinyl Size: 10’ 6.5” x 22’ 9.5”
Facing/Read: East/Left
Illuminated: YES
Current Advertiser: NEW MEXICO MORTGAGE FINA ...

Map data ©2019

*Impression values based on: 18+ yrs
Location # 5

**Advertising Strengths:** Inbound Portales, between Clovis and Portales

**Market:** CLOVIS/PORTALES  
**Panel:** 10162

**TAB Unique ID:** 138411  
**Location:** US 70 S/L .50 E MP 439 MP 438.50  
**Lat/Long:** 34.3593/-103.1963  
**Media/Style:** Permanent Bulletin/Regular  
**“Weekly Impressions:** 27972  
**Panel Size:** 10’ 0” x 40’ 0”  
**Vinyl Size:** 11’ 0” x 41’ 0”  
**Facing/Read:** North/Left  
**Illuminated:** NO  
**Current Advertiser:** NEW MEXICO MORTGAGE FINA ...
Location # 6

Advertising Strengths: Outbound Silver City towards Deming

Market: SILVER CITY
Panel: 20881

TAB Unique ID: 138906
Location: US 180 SILVER CITY S/L 25 EMP117 #117.25
Lat/Long: 32.7830/-108.2087
Media/Style: Permanent Bulletin/Regular
*Weekly Impressions: 59198
Panel Size: 10‘ 0” x 40‘ 0”  Spec Sheet
Vinyl Size: 11‘ 0” x 41‘ 0”
Facing/Read: West/Right
Illuminated: YES
Current Advertiser: NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs
YOU CAN OWN A HOME

MFA can help.

With an investment of $500, qualified buyers can own a home.

MFA
Housing New Mexico
New Mexico Mortgage Finance Authority
505.843.6880 800.444.6880 housingnm.org
YOU CAN OWN A HOME

MFA can help.

With an investment of $500, qualified buyers can own a home.

MFA
Housing New Mexico
New Mexico Mortgage Finance Authority
505.843.6880 800.444.6880 housingnm.org
YOU CAN OWN A HOME

MFA can help.

With an investment of $500, qualified buyers can own a home.
YOU CAN OWN A HOME

MFA can help.

With an investment of $500, qualified buyers can own a home.
YOU CAN OWN A HOME
MFA can help. housingnm.org

With an investment of $500, qualified buyers can own a home.

YOU CAN OWN A HOME
MFA can help. housingnm.org

With an investment of $500, qualified buyers can own a home.

YOU CAN OWN A HOME
MFA can help. housingnm.org

With an investment of $500, qualified buyers can own a home.
YOU CAN OWN A HOME

MFA can help.

housingnm.org

With an investment of $500, qualified buyers can own a home.
Angel Reyes, president and CEO of Centinel Bank of Taos, has been appointed chair of the New Mexico Mortgage Finance Authority by Gov. Michelle Lujan Grisham. Reyes has served on the MFA since June 2011. He also serves on the board of the Independent Community Bankers Association of New Mexico.

The Mortgage Finance Authority’s mission is to provide access to affordable housing for New Mexicans, through home ownership or affordable rent, and to assist the homeless and others in need of housing. MFA projects in Taos include development of the apartment complex that was recently completed near Taos High School as well as the El Cerrito Apartments at 250 Paseo del Cañon West and the Loma Parda Apartments at 1200 Camino de la Cruz.

Lujan Grisham also appointed Rosalyn Nguyen Chafey, Derek Valdo and Rebecca Wurzburger to the MFA. Chafey is staff attorney for Presbyterian Health Services in Albuquerque. Valdo, an enrolled member of Acoma Pueblo, is CEO of AMERIND Risk Management, a tribal insurance corporation. Wurzburger, a former Santa Fe City Council member for 12 years, is a construction contractor who holds advanced degrees in public administration and social work and has long worked in advocacy and community housing.
Gonzales announces run for 14th term in House

By Rep. Roberto 'Bobby' Gonzales

I am seeking a 14th term as State Representative, Taos County, District #42, for 2020. I am currently vice-chairman of the New Mexico House of Representatives Appropriations Committee and a member of the Transportation Public Works and Capital Improvements Committee. I am a member of the Interim Legislative Finance Committee, the Investment Pension Committee, the Transportation and Infrastructure Committee, Legislative Council, Revenue Stabilization and Tax Policy and the Mortgage Finance Authority.

I have been able to represent the needs of Taos County at the state Legislature for 13 terms. My experience and seniority in the House of Representatives have enabled me to be a leader in addressing important issues for the residents of Taos County.

My knowledge and 30 years of experience in the field of education have enabled me to represent Taos County on key legislative education committees. I have been able to assist Taos County schools and University of New Mexico-Taos with various capital outlay projects, including the passage of the Taos County Education Gross Receipt Tax Election, which will bring approximately $22 million to the Taos, Peñasco, Questa and Charter school districts and UNM-Taos. I sponsored legislation to acquire branch status for UNM-Taos and co-sponsored legislation for a Constitutional Amendment election for 70 million new dollars state-wide for education.

I co-sponsored legislation to acquire Eagle Nest Lake as a state park, legislation for a state-of-the-art ladder fire truck for the Taos Fire Department and swimming pool for the Town of Taos Youth and Family Center. Previous bills sponsored and passed include House Bill 112 Define Agricultural Use for Property Tax; HB441 Taos Ski Valley Bond Sale; HB534 Volunteer Firefighter Retirement Credit; HB29 Transfer Regional Housing Authority Oversight; HB32 Dialysis Facility Service Gross Receipts; HB257 Acequia and Community Ditch Act Purposes; HM4 National Native American Heritage Day; house bill to protect historical zoning, and others (for a complete list of legislation and capital outlay projects go to nmlegis.gov).

My community and state awards include Hispanic State Representative of the Year from the Hispanic Roundtable; the Soaring Eagle Award from the Association of Counties for the work done to support DWI programs; LEADER Award presented by the Greater Albuquerque Chamber of Commerce for efforts to reduce taxes on Health Care; recognition for support to restore Cabresto Lake; Dallan Sanders Award from N.M. Coalition of Main Street Communities for promoting the renewal of Main Street businesses; and New Mexico Municipal League Amigos de Ciudades Award.

I retired from education after serving as superintendent of the Taos Municipal Schools. I have served as president for the Western States Transportation Alliance. I am appreciative of the support of the voters of Taos County and remain committed to continue working and utilizing my expertise and experience at the legislative level to support the needs of constituents in Taos County and the state of New Mexico.
Sen. Greg Baca reappointed to interim committees

New Mexico State Sen. Gregory Baca (R-Belen) was reappointed to serve as a voting member on three legislative committees during the interim when the legislature is not in session.

Legislative Council, which is made up of the leadership of both the Senate and House as well as additional legislators, made the appointments last week in Santa Fe.

Baca was reappointed to serve as a voting member on the Courts, Corrections and Justice Committee, the Mortgage Finance Committee and the Land Grant Committee, as well as the Criminal Justice Reform Subcommittee.

Baca was also reappointed as an advisory member to the Radioactive and Hazardous Materials Committee.

During the interim, the committees examine the effectiveness of state government, including the operations of all of its departments and agencies and determine how they can be improved to better serve the citizens of New Mexico. The committees also consider proposed legislation for their endorsement.

When the legislature is in session, Baca serves on the Senate Judiciary and Senate Rules committees.

Baca has been serving in Senate District 29 since January 2017, and his district includes part of Bernalillo County, Isleta Reservation and most of Valencia County.

There are 16 Republicans and 26 Democrats in the New Mexico 42-member Senate. Because Republicans are in a minority in the Senate, no Republican was appointed Chairman of any of the legislative interim committees.
TO: Participating Lenders

FROM: Rene Acuna, Director of Homeownership

DATE: August 28, 2019

RE: Memo No. 19-20

- Viewing Conventional Loans in the Internet Loan Reservation System ("ILRS")

Instructions for viewing conventional loans in MFA’s ILRS

As previously announced, we will be making some programming updates to our reservation system in order to prepare for the new version of Fannie Mae’s HFA Preferred product. Now that the reprogramming is underway, the conventional program has been temporarily removed from the list of available products.

Conventional loans that were reserved on or before the August 16 deadline are in our system and will move through the process as usual. However, in order to view a conventional loan within our ILRS, it must be retrieved individually:

- From the main menu, select "View Loan Detail" (See Fig. 1)
- The next screen contains two options for loan retrieval (Fig. 2)
  1. Enter the MFA loan number; or
  2. The next screen contains two options for loan retrieval (Fig. 2)
  3. Use the "Cross-reference" tool and search by borrower name. (Fig. 3)

NOTE: All government loans in a pipeline may still be viewed in list form under the “Review Loan Pipeline” option in addition to being retrieved individually. (Fig. 4)
All loans may be looked up by the “View Loan Detail” selection.

Fig. 1

Fig. 2

Fig. 3

Fig. 4
Please do not hesitate to call our office if you have any questions: 505.843.6880.

Thank you for your participation in MFA programs.

Copyright © 2019 MFA, All rights reserved.
You are receiving this email because of your association with MFA.

Our mailing address is:
MFA
344 4th St SW, Albuquerque, NM, United States
Albuquerque, NM 87102

Add us to your address book

unsubscribe from this list  update subscription preferences
HOME IS WHERE...
life is the sweetest

DON'T MISS MFA'S 2019 OPEN HOUSE!

Join your friends and colleagues as we celebrate affordable housing in New Mexico.

Music by Felix Y Los Gatos

Thursday, Sept. 12
4 - 6 p.m. at MFA
344 Fourth St. SW
Albuquerque
TO: Participating Lenders

FROM: Rene Acuna, Director of Homeownership

DATE: August 12, 2019

RE: Memo No. 19-19

- FINAL REMINDER Reservation Suspension for FNMA HFA Preferred Product

PLEASE FORWARD THIS MEMORANDUM TO THE APPROPRIATE PERSONNEL WITHIN YOUR ORGANIZATION

- On July 23, MFA sent Lender Memo 19-17 regarding “MFA Conventional Loan Product Suspension”
- On August 1, MFA sent Lender Memo 19-18 regarding “Clarification of Fannie Mae conventional HFA product changes”
- Lender Memo 19-19 is the FINAL reminder that the conventional loan programs will be suspended and no reservations will be accepted as of Monday, August 19, 2019.

FirstHome and NextHome conventional (HFA Preferred) programs will be offline temporarily beginning August 19 while we develop the new conventional loan structure. These programs could be offline for several weeks to months due to the complexity and all the parties involved in revising the programs. Our intent is to restore these programs as soon as possible.

Please do not hesitate to call our office if you have any questions: 505.843.6880.
HOME IS WHERE...
life is the sweetest

MFA’S 2019
OPEN HOUSE

Don’t forget! MFA’s Open House is this Thursday.

We’ll be looking for you!

Thursday, Sept. 12
4 - 6 p.m. at MFA
344 Fourth St. SW
Albuquerque