

NOTICE OF FUNDS AVAILABILITY
RE: NEW MEXICO MORTGAGE FINANCE AUTHORITY
(TAX-EXEMPT) MBS PROGRAM
December 5, 2011

The New Mexico Mortgage Finance Authority ("MFA") is preparing to make funds available under its single family Mortgage Backed Security program (the "MBS" Program) to finance the purchase of Mortgage Loans, which are Privately Insured, Federally Insured, or Federally Guaranteed. Except as otherwise defined herein, capitalized terms used in this Notice of Funds Availability shall have the same meanings as the capitalized terms defined in the Master MBS Agreement. In the event of a conflict between the provisions of this Notice of Funds Availability and the provisions of the MBS Compliance Agreement for a Mortgage Loan, the provisions of the MBS Compliance Agreement shall control. The MFA may amend the provisions of this Notice of Funds Availability from time to time.

To participate in the MBS Program, your institution must have been approved by MFA as a Participating Mortgage Lender, have executed a Homeownership Programs Master Agreement with MFA and been approved by the MFA Master Servicer. MFA approval as a Participating Mortgage Lender is evidenced by the issuance to your institution of MFA's "Notice of Approval". If you have not been approved to participate in the MBS Program, you may submit an "Application for Approval" to the MFA Homeownership Department. Approved Mortgage Lenders may now make loan reservations under the MBS program.

MFA will finance the purchase of Eligible Mortgage Loans as set forth in the applicable MBS Compliance Agreement and the MBS Program Documents. Funds used to finance the purchase of the Mortgage Loans will be reserved in accordance with the MBS Reservation Procedures, as amended from time to time. MFA's Commitment and the Master Servicer's purchase of each Mortgage Loan will be subject to the execution of an individual MBS Compliance Agreement signed by the Mortgage Lender and the Master Servicer, as amended from time to time and any conditions thereto.

Funds to be made available for reservation will be used to purchase securities, backed by the Mortgage Loans, and guaranteed by Fannie Mae (FNMA) or Ginnie Mae (GNMA). The purchase of the mortgage-backed securities will be governed by a Master Mortgage Pooling and Servicing Agreement between MFA and the Master Servicer. All Mortgage Lenders will sell the Mortgage Loans and release their servicing rights to MFA's Master Servicer, US Bank, N.A. (see Sections 8 and 22) or FNMA's Designated "HomeChoice" Originator/Servicer (as described herein), see Section 24.

The terms and conditions applicable to the program are expected to include the following:

1. ACQUISITION POOL

MFA will establish an acquisition pool (the "Acquisition Pool") from which it will finance the purchase of Mortgage Loans.

Up to \$10,250,000 will be available for a period of one year to purchase loans secured by properties located in Targeted Areas. Lenders shall use their best efforts to make loans in Targeted Areas.

2. ACCEPTABLE LOAN TYPES

Each Mortgage Loan delivered for purchase must be either Federally Insured (FHA), Privately Insured (Fannie Mae Conventional), or Federally Guaranteed (VA or USDA Rural Development) and must be eligible for pooling as a FNMA or GNMA MBS, as set forth in the applicable guidelines of FNMA or GNMA.

a. FHA, USDA Rural Development Guaranty, and VA Loans

FHA, USDA Rural Development Guaranty and VA Loans will be included in GNMA MBS. The mortgage loans must be eligible to be Federally Insured or Federally Guaranteed and for inclusion in GNMA pools. Temporary buy downs can be according to applicable guidelines of FHA, USDA Rural Development and VA.

Borrowers may use MFA's MortgageSaver Plus loan program for down payment and closing cost assistance in connection with FHA, USDA Rural Development, and VA Mortgage Loans. With each MortgageSaver Plus mortgage loan, the borrower will receive a down payment and closing cost assistance grant equal to 3.5% of the mortgage amount. All MortgageSaver Plus mortgage loans must be eligible to be federally insured or guaranteed and for inclusion in GNMA Pools. Temporary buy downs will be acceptable according to applicable guidelines of FHA, USDA Rural Development and VA.

Borrowers may use MFA's PaymentSaver/Helping Hand Program (HOME/ADDI funds) for down payment and/or closing cost assistance and/or interest rate buy down in connection with FHA, USDA Rural Development and VA Mortgage Loans. The maximum amount of the PaymentSaver Loan can be up to \$8,000, not to exceed 8% of the sales price of the Residential Housing. The Helping Hand loan is \$8,000, regardless of sales price. Specific uses of the PaymentSaver/Helping Hand Program

are outlined in MFA's PaymentSaver/Helping Hand Program Description and subject to requirements of FHA, HUD, USDA Rural Development and VA.

Borrowers may use MFA's Mortgage Booster Program for minimum down payment and/or closing cost assistance and/or interest rate buy down in connection with FHA and USDA Rural Development Mortgage Loans. The maximum amount of the Mortgage Booster Loan can not to exceed \$8,000. Specific uses of the Mortgage Booster Program are outlined in MFA's Mortgage Booster Program Description and subject to requirements of FHA, USDA Rural Development.

Borrowers may use only one form of Down Payment Assistance (DPA) in conjunction with a first mortgage product that will be sold into a FNMA or GNMA MBS. A first mortgage product is defined as a MortgageSaver Plus a MortgageSaver Zero or MortgageSaver loan. A MortgageSaver Zero or a MortgageSaver loan may be used in conjunction with a Mortgage Booster or a PaymentSaver/Helping Hand DPA loan.

b. FNMA Standard Conventional and USDA Rural Development Leverage Lending Loans

FNMA Standard Conventional and USDA Rural Development Leverage Lending loans will be included in a FNMA MBS. These loans must qualify under the FNMA guidelines as well as those of any Private Mortgage Insurer and USDA Rural Development, as applicable. With these loans, borrowers may use MFA's MortgageSaver Plus loan program for down payment and closing cost assistance. With each MortgageSaver Plus mortgage loan, the borrower will receive a down payment and closing cost assistance grant equal to 3.5% of the mortgage amount. Temporary buy downs are acceptable according to applicable guidelines of USDA Rural Development and FNMA.

Borrowers may use MFA's PaymentSaver/Helping Hand Program (HOME/ADDI funds) for minimum down payment and/or closing cost assistance and/or interest rate buy down in connection with FNMA Standard Conventional and USDA Rural Development Leverage Lending Mortgage Loans. The maximum amount of the PaymentSaver Loan can be up to \$8,000, not to exceed 8% of the sales price of the Residential Housing. The Helping Hand loan is \$8,000, regardless of sales price. Specific uses of the

PaymentSaver/Helping Hand Program are outlined in MFA's PaymentSaver/Helping Hand Program Description.

Borrowers may use MFA's Mortgage Booster Program for minimum down payment and/or closing cost assistance and/or interest rate buy down in connection with an FNMA Standard Conventional and USDA Rural Development Leverage Lending Mortgage Loans. The maximum amount of the Mortgage Booster Loan can not to exceed \$8,000. Specific uses of the Mortgage Booster Program are outlined in MFA's Mortgage Booster Program Description.

Borrowers may use only one form of Down Payment Assistance (DPA) in conjunction with a first mortgage product that will be sold into a FNMA or GNMA MBS. A first mortgage product is defined as either a MortgageSaver, MortgageSaver Zero or a MortgageSaver Plus loan. A MortgageSaver or MortgageSaver Zero loan may be used in conjunction with a Mortgage Booster or a PaymentSaver/Helping Hand DPA loan.

c. FNMA MyCommunityMortgage™

Mortgage loans eligible under the FNMA MyCommunityMortgage™ program will be included in a FNMA MBS. First mortgage loan to value ("LTV") may not exceed 97% and combined loan to value ("CLTV") may not exceed 105%. A \$500 minimum cash investment is required from the borrower's own funds. Manually underwritten mortgage loans have a maximum LTV/CLTV of 97% and 105%, respectively. Additionally, the borrower must have a minimum credit score of 660. Pre-purchase homebuyer counseling is required. Available for properties on tribal trust lands with cost-based appraisal (lenders must have terms and conditions for FNMA's Native American Conventional Lending Initiative).

Borrowers may use MFA's MortgageSaver Plus Loan Program for minimum down payment and closing cost assistance in conjunction with FNMA MyCommunity Mortgage™. With each MortgageSaver Plus mortgage loan, the borrower will receive a down payment and closing cost assistance grant equal to 3.5% of the mortgage amount. All MortgageSaver Plus mortgage loans must be eligible for inclusion in a FNMA MBS. Temporary buy downs may be acceptable according to applicable guidelines of FNMA MyCommunity Mortgage™.

Borrowers may use MFA's Mortgage Booster Program for minimum down payment and closing cost assistance in conjunction with FNMA MyCommunity Mortgage™ loans.

The maximum amount of the Mortgage Booster Loan can not to exceed \$8,000. Specific uses of the Mortgage Booster Program are outlined in MFA's Mortgage Booster Program Description and subject to requirements of FNMA.

Borrowers may use MFA's PaymentSaver/Helping Hand (HOME/ADDI funds) Program for minimum down payment and closing cost assistance in connection with MyCommunity Mortgage™ loans. The maximum amount of the PaymentSaver Loan can be up to 8% of the sales price not to exceed \$8,000 of the sales price. The Helping Hand loan is \$8,000, regardless of sales price. Specific uses of the PaymentSaver/Helping Hand Program are outlined in MFA's PaymentSaver/Helping Hand Program Description.

d. MyCommunityMortgage™ – Community HomeChoice™ Option

Mortgage Loans eligible under FNMA's Community HomeChoice™ guidelines will be included in FNMA MBS. An eligible borrower must be of low to moderate income and is defined as disabled by the Fair Housing Amendments Act. To document a disability, lenders can require a borrower to self-identify according to the definition; determine that a borrower's source of income is consistent with having a disability; or by other means the lender believes appropriate. A non-occupying co-borrower is acceptable if the occupying borrower is a disabled person who qualifies under the applicable income guidelines. First mortgage LTV is up to 97%, with a CLTV of 105%. A \$500 minimum cash investment is required from the borrower's own funds. Community HomeChoice™ loans may be originated only by a FNMA approved HomeChoice™ lender. Homebuyer counseling is required and must be provided by a FNMA approved and designated counseling agency.

Borrowers may use MFA's MortgageSaver Plus loan program for minimum down payment and closing cost assistance in connection with FNMA My Community Mortgage™ – Community HomeChoice™ Option. With each MortgageSaver Plus mortgage loan, the borrower will receive a down payment and closing cost assistance grant equal to 3.5% of the mortgage amount. All MortgageSaver Plus mortgage loans must be eligible for inclusion in FNMA MBS.

e. Borrowers may use MFA's PaymentSaver/Helping Hand Program (HOME/ADDI funds) for down payment and

closing cost assistance in connection with FNMA MyCommunityMortgage™ – Community HomeChoice™ Option. The maximum amount of the PaymentSaver Loan can be up to 8% of the sales price not to exceed \$8,000 of the sales price. The Helping Hand loan is \$8,000, regardless of sales price. Specific uses of the PaymentSaver/Helping Hand Program are outlined in MFA’s PaymentSaver/Helping Hand Program Description.

3. PRODUCT TYPE LIMITS & GEOGRAPHIC SET-ASIDES

The MBS program is structured as a “Continuous Lending” program, which means funds will always be available for reservation. Funds will be offered with initial allocation amounts and will be adjusted as additional funds are needed for reservation. Since the MBS program is a “Continuous Lending” program, geographic set-asides are not required. Therefore, MBS program funds will be offered as a statewide allocation.

The MFA reserves the right to increase or decrease the percentage limits in future bond programs. The table below indicates the initial amount of funds allocated to the MBS program. Funds may be added to individual allocations, as needed:

	MortgageSaver	MortgageSaver Zero	MortgageSaver Plus
<u>MBS Program Initial Statewide Allocations</u>	\$15,890,000	\$15,890,000	\$13,620,000

4. UNDERWRITING

Mortgage Lenders are responsible for credit and collateral underwriting and for determining whether a loan qualifies for primary mortgage insurance or loan guarantee (FHA, FNMA Conventional, VA or USDA Rural Housing) as well as FNMA or GNMA MBS. The Master Servicer will not re-underwrite mortgage loans for MBS eligibility, but will provide a post-purchase review for Tax Code Compliance.

5. MORTGAGE LOAN CLOSING

A Participating Lender may not close a Mortgage Loan until the Mortgage Lender receives a Compliance Approval or Compliance Review Underwriter Certification (“commitment”) (as defined in individual Correspondent Lender agreements between the Master Servicer and Participating Lender) for such Mortgage Loan. A commitment may not be issued nor will the Master Servicer be obligated to purchase a Mortgage Loan that has been closed in an amount that is materially different from that shown on the MBS Compliance Agreement.

6. MORTGAGE STRUCTURE

Each Mortgage Loan must have a 30-year term and amortizing, substantially equal monthly payments of principal and interest (in amounts sufficient to amortize the principal amount of the mortgage Loan over the term thereof) due on the first day of the calendar month the first payment of which shall commence no later than sixty (60) days following Closing, and a fixed interest rate at the Respective Mortgage Note Rate.

7. DELIVERY

a. Delivery Dates

No loan purchase schedule will be published. Mortgage Lenders may deliver loans to the Master Servicer as soon as they are ready for purchase. MFA expects the Master Servicer to purchase loans daily during the Origination Period.

The Final Mortgage Loan Delivery Date (the final date on which a Mortgage Loan may be delivered for sale to the Master Servicer in satisfaction of the Mortgage Lender's obligations under a MBS Compliance Agreement) will be the earlier of:

1. May 15, 2012
2. The date which is seventy-five (75) days after the date upon which MFA issues the applicable MBS Compliance Agreement. Purchase files delivered after the seventy-fifth (75) day will receive a reduction in new wire at the time of purchase, as per the Fee Schedule dated June, 2008. A two-week extension from the 45/75 days is available for a no fee. **Any extensions after the complimentary 2 week extension will be assessed a \$100 per week fee, at the discretion of MFA.**

b. MBS Delivery Package

Mortgage Lenders must deliver the MBS Delivery Packages, as described in the MBS Reservation Procedures, to the Master Servicer (US Bank) by the dates shown on the MBS Compliance Agreement or Extension Notice.

c. Final Documents

So that the Master Servicer may certify all MBS pools, Participating Lenders must clear all outstanding conditions/exceptions related to final document delivery within 120 days of the purchase of the Mortgage Loan.

SERVICING

All Participating Lenders must sell the eligible Mortgage Loans, Service Released, to MFA's designated Master Servicer.

a. Servicing Documents

The Mortgage Loans will be collateral for the FNMA and GNMA MBS. Servicing will be performed according to the applicable guidelines of FNMA or GNMA.

b. Servicing Rights Fee

The Master Servicer will pay MFA a Servicing Rights Fee as consideration for MFA directing Participating Lenders to sell Mortgage Loans, Servicing Released, to the Master Servicer in accordance with the terms of the Master Mortgage Pooling and Servicing Agreement between MFA and Master Servicer.

c. Servicing Release Fee

The Master Servicer will pay Participating Lenders a Servicing Release Fee, determined by MFA, for relinquishing servicing rights of the mortgage loan to the Master Servicer at the time the loan is purchased by the Master Servicer.

The compensation paid will be based on the outstanding principal balance of the mortgage loans as follows:

US Bank will pay a Servicing Release Fee of one and sixty-nine hundredths percent (1.69%) of the outstanding principal balance, or a minimum of \$750 of eligible FHA, USDA Rural Development, VA, and FNMA Conventional loans.

The Servicing Release Fee compensation may be changed by MFA from time to time by amendment to this Notice of Funds Availability.

d. Servicing Transfer

The Mortgage Loan will be purchased and serviced by US Bank. This means that the Mortgage Note will be endorsed, and the Mortgage assigned, to US Bank at the time of Mortgage Loan purchased by US Bank. The transfer of servicing rights will be made to:

US Bank Home Mortgage-MRBP Division
17500 Rockside Rd
Bedford, OH 44146
Attn: Elmer Helbig, Vice President, Client Support Division

The Mortgage Lender is responsible for (i) transferring all escrow balances held to US Bank (ii) for notifying the borrower of the transfer with a "goodbye" letter which meets the requirements of RESPA and all other applicable regulations, and (iii) for transferring to US Bank any applicable insurance policies and guarantees. (See Section 14)

9. CURRENT MORTGAGE NOTE RATE

The Current Mortgage Note Rate for MortgageSaver mortgage loans will be **4.000%** per annum (fixed rate). The Mortgage Note Rate for MortgageSaver Zero mortgage loans will be **4.500%** per annum (fixed rate). The Mortgage Note Rate for MortgageSaver Plus loans will be **5.000%** per annum (fixed rate).

10. TAX CODE COMPLIANCE REVIEW

Post purchase compliance review/pre purchase compliance certification by the Participating Lender for all MortgageSaver first mortgage loans must be completed within 45 days from Loan Reservation.

The Loan Reservation may not be transferred to any other property, but in cases where a loan is canceled or denied, a Mortgage Lender may, with MFA's written approval, transfer the Reservation to a new buyer for the same property.

11. DISCOUNT FEE

Mortgage Lenders may charge a discount fee of up to one percent (1%) [for MortgageSaver loans ONLY].of the Mortgage Loan Amount set forth in the MBS Compliance Agreement less any amounts previously charged to either the mortgagor or the seller of the mortgaged property as the Reservation Fee. **Mortgage Lenders cannot charge any discount fee in conjunction with MortgageSaver Zero and MortgageSaver Plus loans.**

12. ORIGINATION FEE

Mortgage Lenders may charge an origination fee of up to one percent (1%) (MortgageSaver loans **ONLY**) of the Mortgage Loan Amount set forth in the MBS Compliance Agreement. **Mortgage Lenders cannot charge any origination fee in conjunction with MortgageSaver Zero and MortgageSaver Plus loans.**

13. PURCHASE PRICE, OTHER FEES & WIRE AMOUNT

The Master Servicer will purchase the loan from the Participating Lender by wiring the funds to the Participating Lender's account. The purchase price of **MortgageSaver loans will be the sum of ninety-nine percent (99%)**, less any applicable delivery fees or late fees, of the outstanding principal balance of the Mortgage Loan as of the date of purchase. The purchase price of the **MortgageSaver Zero loans will be the sum of one hundred and one percent (101%)**, less any applicable delivery fees or late fees, of the outstanding principal balance of the Mortgage Loan as of the date of purchase and the purchase price of the **MortgageSaver Plus loans will be the sum of one hundred and four and a half percent (104.50%)**, less any applicable delivery fees or late fees, of the outstanding principal balance of the Mortgage Loan as of the date of purchase, (ii) the servicing release premium (as described in Section 8.c. above), (iii) accrued interest to the date of purchase minus (iv) any fees. The amount of the wire will be the purchase price less any amounts held in escrow (including additional amounts necessary to make up for any escrow shortage).

14. INCOME LIMITS

The borrower's Current Annual Household Income must not exceed the Income Limits set forth in Exhibit A.

15. ACQUISITION COST LIMITS

The Acquisition Cost of Residential Housing to be financed with the Mortgage Loan must not exceed the Acquisition Cost Limits set forth in Exhibit A.

16. TARGETED AREAS

The census tracts within the state that qualify as Targeted Areas are set forth in Exhibit A.

17. RESIDENTIAL HOUSING

The Mortgage Loan must be for the purchase or Qualified Rehabilitation of Residential Housing.

18. FIRST-TIME BUYER

The Borrower must not have owned a home as a primary residence in the last three years prior to Closing unless: a) the property to be acquired is located in a Targeted Area as described in Exhibit A of this Notice of Funds Availability, b) the loan is a Qualified Rehabilitation Loan or c) the property is located on an Indian reservation and the Mortgage Loan is an FHA 248 loan or a HUD 184 loan (limited availability of funds). For purposes of qualifying for the Mortgage Loan, the borrower may use a Non-Occupant Co-Signer. The Non-Occupant Co-Signer will be liable for the Mortgage Loan debt, but will not have a real estate interest in the property being financed.

19. RECAPTURE

The "Recapture" provisions contained in Section 143(m) of the Code applies to Mortgage Loans purchased under this issue.

20. TAX EXEMPT RIDER

The VA Rider (MFA Form 017, dated 7/03) must be recorded with the mortgage for all VA loans. The Tax Exempt Financing Rider (MFA Form 016, dated 7/03) is required for all other loans.

21. RESERVATION REQUEST

All Reservations must be made via MFA's on-line reservation system found on MFA's website: www.housingnm.org

22. ASSIGNMENT OF MORTGAGE

MFA will not issue a form of assignment to be used in connection with Mortgage Loans in this issue. Mortgage Loans must be assigned to US Bank if the Mortgage Lender selects US Bank as the Master Servicer of a given loan.

23. REPURCHASE

MortgageSaver, MortgageSaver Zero or MortgageSaver Plus Loans and any down payment assistance loans made in conjunction with MortgageSaver or MortgageSaver Zero loans that are subsequently deemed to be ineligible and cannot be pooled into a FNMA or GNMA MBS or funded under the second mortgage program must be repurchased by the Participating Lender at the sole discretion of MFA and/or the Master Servicer.²⁴ FNMA DESIGNATED "HOMECHOICE" ORIGINATOR/SERVICER

FNMA's Designated "HomeChoice" Originator/Servicer is defined as the designated institution approved by FNMA to originate and service FNMA's "HomeChoice" Loans. The institution must be approved by MFA as an Eligible Mortgage Lender and have an executed Homeownership Programs Master Agreement with MFA. The designated institution will service the HomeChoice/MFA qualified mortgage loan they originate. The loans serviced are limited to the FNMA HomeChoice Loans. The Loan must be eligible to be included in a FNMA MBS. The designated institution must be a FNMA approved Seller/Servicer.

Fees, Reporting and Remitting, and Delivery Procedures will be defined within the executed Servicing Agreement between MFA and the designated Servicer.

A Participating Lender may not close a Mortgage Loan under a particular bond issue until they receive a valid MBS Compliance Agreement for such Mortgage Loan, executed by the Master Servicer and an Authorized Officer of the Participating Lender.

Exhibit A

1. (a) **INCOME LIMITS FOR MORTGAGE\$AVER, MORTGAGE\$AVER ZERO AND MORTGAGE\$AVER PLUS**
 The current annual household income of the borrower(s) may not exceed the applicable Income Limit described below:

NON-TARGETED AREAS

Geographic Areas	Income Limits	
	1- or 2-Person Household	3- or More Person Household
Albuquerque MSA (Bernalillo, Sandoval, Torrance and Valencia Counties)	\$61,000	\$70,150
Santa Fe MSA and Los Alamos County	\$67,800	\$77,970
Farmington MSA	\$56,200	\$64,630
All other areas of the state	\$53,800	\$61,870

TARGETED AREAS

Geographic Areas	Income Limits	
	1- or 2-Person Household	3- or More Person Household
Bernalillo, Sandoval County census tracts	\$73,200	\$85,400
San Juan County census tract	\$67,440	\$78,680
All areas of the state	\$64,560	\$75,320

For a list of Targeted Areas, see Section 3 of this exhibit. The Income Limits described above are subject to change and may be amended by MFA.

2. ACQUISITION COST LIMITS

The Acquisition Cost of the Residence financed with a Mortgage Loan may not exceed the applicable Acquisition Cost Limit described below:

NON-TARGETED AREAS

Area	Acquisition Cost Limit
Los Alamos County	\$342,585
Santa Fe County	\$384,750
San Juan County	\$253,125
All other areas of the State	\$243,945

TARGETED AREAS

Area	Acquisition Cost Limit
All areas of the State	\$298,155

For a list of Targeted Areas, see Section 3 of this Exhibit. The Acquisition Cost Limits described above are subject to change and may be amended by MFA.

3. TARGETED AREAS

Based on the 2000 Census, the following is a list of New Mexico census tracts that qualify as Targeted Areas. Geographic maps are available on MFA's web site. Point your browser to www.housingnm.org/publications.

County	Census Tract(s)
Bernalillo	000901, 940300
Cibola	945900
Curry	000100
Doña Ana	001704, 001000
Lea	000300
Luna	000600
McKinley	940200, 943400
Rio Arriba	000600, 943300
Sandoval	940900, 943300
San Juan	942900
Socorro	946100