



Financial Statements and  
GNMA Compliance Reports

New Mexico Mortgage  
Finance Authority  
(A Component Unit of the  
State of New Mexico)

September 30, 2015 and 2014

**MOSS ADAMS** LLP

Certified Public Accountants | Business Consultants



## CONTENTS

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	PAGE
BOARD OF DIRECTORS	1
REPORT OF INDEPENDENT AUDITORS	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-13
FINANCIAL STATEMENTS	
Statements of Net Position	14-15
Statements of Revenues, Expenses, and Changes in Net Position	16
Statements of Cash Flows	17-18
Notes to Financial Statements	19-55
SINGLE AUDIT INFORMATION	
Schedule of Expenditures of Federal Awards	56
Notes to Schedule of Expenditures of Federal Awards	57-58
Report of Independent Auditors on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	59-60
Report of Independent Auditor on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by OMB Circular A-133	61-63
Summary Schedule of Prior Year Audit Findings	64
Schedule of Findings and Questioned Costs	65-68
OTHER REPORTING	
Report of Independent Auditors on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69
SUPPLEMENTAL INFORMATION	
Computation of Adjusted Net Worth in Accordance with the Requirements of the Government National Mortgage Association (GNMA)	70
Institution-Wide Capital Requirement Calculation	71
Liquid Asset Requirement	72
Schedule of Insurance – GNMA Required Insurance Coverage – Issuer Identification Number 3676	73



**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**BOARD OF DIRECTORS**  
**SEPTEMBER 30, 2015**

<b>Name</b>	<b>Title</b>
Dennis Burt	Chairman
Angel Reyes	Vice Chairman
Steven J. Smith	Treasurer
Tim Eichenberg, New Mexico State Treasurer	Member
John A. Sanchez, New Mexico Lieutenant Governor	Member
Hector Balderas, New Mexico Attorney General	Member
Randy McMillan	Member

## REPORT OF INDEPENDENT AUDITORS

To the Authority Members  
New Mexico Mortgage Finance Authority and  
Mr. Timothy Keller, New Mexico State Auditor

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the business-type activities of the New Mexico Mortgage Finance Authority (the Authority), a component unit of the State of New Mexico, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Authority Members  
New Mexico Mortgage Finance Authority and  
Mr. Timothy Keller, New Mexico State Auditor

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the New Mexico Mortgage Finance Authority as of September 30, 2015, and the changes in financial position, and cash flows thereof for the year then ended, in accordance with U.S. generally accepted accounting principles.

***Other Matters***

*Prior Period Financial Statements*

The financial statements of New Mexico Mortgage Finance Authority as of and for the year ended September 30, 2014, were audited by other auditors whose report dated December 23, 2014, expressed an unmodified opinion on those statements, before restatement.

*Restatement*

We audited the adjustments described in Note 17 that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the Authority other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements as a whole.

*Required Supplementary Information*

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis on pages 5-13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the Authority Members  
New Mexico Mortgage Finance Authority and  
Mr. Timothy Keller, New Mexico State Auditor

*Supplementary and Other Information*

Our audits were conducted for the purpose of forming and opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, the Schedules of Computation of Adjusted Net Worth in Accordance with the Requirements of the Government National Mortgage Association (GNMA), Institution-wide Capital Requirement Calculation, Liquid Asset Requirement, and Schedule of Insurance – GNMA Required Insurance Coverage – Issuer Identification Number 3676, required by the Government National Mortgage Association, are presented for purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applies in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Mess Adams LLP*

Albuquerque, New Mexico  
December 8, 2015



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**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015 and 2014**

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In 1975, the New Mexico state legislature created the New Mexico Mortgage Finance Authority (the Authority), as a governmental instrumentality of the State of New Mexico. The purpose of the Authority is to raise funds from public and private investors in order to finance the acquisition, construction, rehabilitation and improvement of residential housing for persons and families of low to moderate income New Mexicans.

This section of the Authority's annual financial report presents management's discussion and analysis of financial position and changes in financial position for the fiscal years ended September 30, 2015, 2014, and 2013. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). The Authority is a self-supporting entity and follows business-type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short-term and long-term financial information about the Authority's activities. This analysis should be read in conjunction with the independent auditors' report, audited financial statements, and accompanying notes.

Effective October 1, 2014, the Authority implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is effective for financial statements for periods beginning after December 15, 2012. This Statement establishes accounting standards to reclassify certain items that were previously reported as assets and liabilities as deferred outflows or inflows on the Statement of Net Position. This Statement also recognizes certain items that were previously reported as assets and liabilities as outflows or inflows of resources on the Statements of Revenues, Expenses and Changes in Net Position. Accounting changes adopted to conform to the provisions of this statement were applied retroactively by restating the basic financial statements for all prior periods presented.

**Financial Highlights**

The Authority's financial position and results of operations for the current and two most recent prior years are summarized below (in thousands):

	<u>2015</u>	<u>2014</u> <u>(restated)</u>	<u>2013</u> <u>(restated)</u>
Cash and cash equivalents (unrestricted and restricted)	\$ 67,707	71,689	98,367
Investments (unrestricted and restricted)	62,572	62,316	55,640
Mortgage-backed securities and mortgage loans receivable	870,148	935,630	1,034,944
Total assets	1,007,430	1,077,060	1,197,362
Bonds payable	737,956	812,561	953,689
Total liabilities	762,487	836,812	966,811
Total net position	246,098	241,549	231,889
Total operating revenues	45,375	55,420	15,587
Total operating expenses	41,348	45,971	50,864
Operating income (loss)	4,027	9,449	(35,277)
Total nonoperating revenues	522	211	3,009
Change in net position	4,549	9,660	(32,268)

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015 and 2014**

**Financial Position**

The net position of the Authority increased \$4.5 million from September 30, 2014 to September 30, 2015 and increased \$9.7 million from September 30, 2013 to September 30, 2014. The following table is a condensed summary of net position at September 30, 2015, 2014, and 2013 (in thousands):

	<u>2015</u>	<u>2014 (restated)</u>	<u>2013 (restated)</u>
<b>Assets:</b>			
Current assets	\$ 55,658	50,889	45,482
Noncurrent assets	951,772	1,026,171	1,151,880
Total assets	<u>1,007,430</u>	<u>1,077,060</u>	<u>1,197,362</u>
<b>Deferred outflows of resources:</b>			
Unamortized loss on refunding	1,155	1,301	1,338
Total deferred outflows of resources	<u>1,155</u>	<u>1,301</u>	<u>1,338</u>
<b>Liabilities:</b>			
Current liabilities	34,749	36,123	31,499
Noncurrent liabilities	727,738	800,689	935,312
Total liabilities	<u>762,487</u>	<u>836,812</u>	<u>966,811</u>
<b>Net position:</b>			
Invested in capital assets, net of related debt	1,003	(681)	(672)
Restricted	79,466	83,872	81,079
Restricted for land title trust and housing trust	26,631	25,881	24,512
Unrestricted	138,998	132,477	126,970
Total net position	<u>\$ 246,098</u>	<u>241,549</u>	<u>231,889</u>

***Comparison of Years Ended September 30, 2015 and 2014***

The decrease in cash and cash equivalents of \$4.0 million reflects a reduction in restricted cash related to bond financing for the Single Family Mortgage Program as a result of decreased debt service cash collected due to lower outstanding debt balances and reduced interest through actions to restructure higher interest rate debt. Other factors include accelerating the recording of excess revenues from securitized mortgage loans thus resulting in redemptions more accurately reflecting funds available for redemption, as well as new bond structures with monthly and quarterly call provisions, thus providing better liquidity management in relation to the Single Family Bond Program. This decrease is offset by the recording of escrow and reserve cash balances in restricted cash. The Authority purchased \$29.9 million in Mortgage Backed Securities (MBS) and \$15.8 million in whole loans during the year; MBS and whole loan purchases were offset by MBS prepayments of \$80.1 million and whole loan prepayments of \$.8 million, reflected in the \$65.5 million net decrease of MBS and mortgage loans receivable. Essentially, loan prepayments occurred without a corresponding increase in new loans. Due to market conditions, in late 2013, the Authority began utilizing the secondary market to fund the majority of its single family mortgage loans. Selling MBS into the secondary market provides a funding mechanism for the Single Family Mortgage Program when a bond transaction is not viable. The current interest rate environment continues to limit the Authority's ability to issue new bonds; current interest

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015 and 2014**

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rates for mortgage loans have been lower than interest rates on new bond issuances. This business model is used by many Housing Finance Agencies (HFAs) across the country to assist in keeping single family programs competitive and in stabilizing revenue streams. The overall effect of these elements resulted in the 6.5% decrease in total assets. The sale of loans into the secondary market also impacts the liabilities of the Authority. Over the past year, the Authority experienced a \$74.6 million net decrease in bonds payable. As already noted, single family loans are being sold and not funded with debt, thus Authority liabilities decreased 8.9%. Proceeds from the issuance and sale of bonds and notes payable were \$88.2 million; bond repayments and refundings totaled \$155.7 million, resulting in the net decrease for the year. The Authority received \$98.1 million in repayments, including prepayments, of securitized mortgage loans and \$9.1 million of whole loan and down payment assistance loan repayments during the year.

***Comparison of Years Ended September 30, 2014 and 2013***

The decrease in cash and cash equivalents of \$26.7 million reflects a reduction in restricted cash related to bond financing for the Single Family Mortgage Program as a result of decreased debt service cash collected due to lower outstanding debt balances and reduced interest through actions to restructure debt. Other factors include accelerating the recording of excess revenues from securitized mortgage loans thus resulting in redemptions more accurately reflecting funds available for redemption, as well as new bond structures with monthly and quarterly call provisions, thus providing better liquidity management in relation to the Single Family Bond Program. This decrease is offset by the recording of escrow and reserve cash balances in restricted cash. The Authority purchased \$15.4 million in Mortgage Backed Securities (MBS) and \$13.0 million in whole loans during the year; MBS and whole loan purchases were offset by MBS prepayments of \$91.5 million and whole loan prepayments of \$0.7 million, reflected in the \$99.3 million net decrease of MBS and mortgage loans receivable. Essentially, loan prepayments occurred without a corresponding increase in new loans. The \$6.7 million increase in investments is primarily attributed to the \$7.8 million investment in Authority's MBS. Using available liquidity MBS were purchased as part of a bond refunding to hold in the intermediate-term investment portfolio. The overall effect of these elements resulted in the 10.0% decrease in total assets. The TBA funding execution also impacts the liabilities of the Authority. Over the past year, the Authority experienced a \$141.1 million net decrease in bonds payable. As already noted, single family loans are being sold and not funded with debt, thus Authority liabilities decreased 13.4%. Proceeds from the issuance and sale of bonds and notes payable were \$35.0 million; bond repayments and refundings totaled \$170.9 million, resulting in the net decrease for the year. The Authority received \$115.9 million in repayments, including prepayments, of securitized mortgage loans and \$10.8 million of whole loan and down payment assistance loan repayments during the year.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015 and 2014**

**Change in Financial Position**

The Authority's operating income for the year decreased by approximately \$5.4 million when compared to fiscal year 2014. The following table is a condensed summary of changes in net position for the years ended September 30, 2015, 2014, and 2013 (in thousands):

	<u>2015</u>	<u>2014 (restated)</u>	<u>2013 (restated)</u>
Operating revenues:			
Interest on loans and MBS	\$ 36,962	41,600	45,875
Interest on securities and investments	2,781	3,110	4,176
Program revenues	926	1,237	1,314
Net (decrease) increase in fair value of investments	(326)	2,795	(39,947)
Loan and commitment fees	348	198	1,273
Administrative fees	5,286	5,031	2,737
Other revenues	(602)	1,449	159
Total operating revenues	<u>45,375</u>	<u>55,420</u>	<u>15,587</u>
Operating expenses:			
Interest expense	30,174	35,137	42,200
Administrative fees and other expenses	11,174	10,834	8,664
Total operating expenses	<u>41,348</u>	<u>45,971</u>	<u>50,864</u>
Operating (loss) income	<u>4,027</u>	<u>9,449</u>	<u>(35,277)</u>
Nonoperating revenues (expenses):			
Grant award income	44,050	42,228	47,174
Grant award expense	(44,050)	(42,228)	(47,174)
State appropriations	500	200	3,000
Land title trust contributions	22	11	9
Total nonoperating revenues	<u>522</u>	<u>211</u>	<u>3,009</u>
Change in net position	4,549	9,660	(32,268)
Total net position, beginning of year	<u>241,549</u>	<u>231,889</u>	<u>264,157</u>
Total net position, end of year	<u>\$ 246,098</u>	<u>241,549</u>	<u>231,889</u>

**Comparison of Years Ended September 30, 2015 and 2014**

The change in fair value of securities for 2015 was a decrease of \$.3 million compared to an increase of \$2.8 million in 2014. This line represents a decrease in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2015 compared to their fair value at September 30, 2014. These valuation changes are due to interest rate sensitivity and a decrease in securitized mortgage loans at September 30, 2015 of \$70.8 million compared to September 30, 2014. As required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31), we account for investments in securitized mortgage loans at fair value.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015 and 2014**

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These MBS serve as collateral for the single family bonds issued by MFA and provide the revenue source to repay these debt obligations; legally MFA cannot sell/trade the related securities until the bonds are paid in full. The Authority's rating agencies do not include GASB No. 31 valuation adjustments in their analysis of an HFA's performance; these adjustments represent unrealized gains/losses and MFA considers these valuation changes non-operating revenues in its unaudited management financial statements. Without the required GASB No. 31 adjustment, the operating income for the period decreased \$2.3 million compared to prior year.

Operating revenues decreased \$10.0 million from 2014 to 2015; without the required GASB No. 31 adjustment operating revenues were \$6.9 million less than in 2014. As a result of single family secondary market loan sales, continued high prepayment activity and the low interest rate environment in general, the Authority experienced a decrease in mortgage interest revenue of approximately \$4.3 million in the current year. Additionally, other revenues decreased \$2.1 million in 2015 as the realized State Investment Council fair market value adjustments decreased \$2.6 million in comparison to 2014.

Operating expenses decreased by \$4.6 million in 2015, approximately 10.1%, primarily due to decreased interest expense of \$5.0 million as a result of lower debt service due to continued prepayments, secondary market loan sales and debt restructuring.

***Comparison of Years Ended September 30, 2014 and 2013***

The change in fair value of securities for 2014 was an increase of \$2.8 million compared to a decrease of \$39.9 million in 2013. This line represents a decrease in the overall fair value of investments, including securitized mortgage loans, held at September 30, 2014 compared to their fair value at September 30, 2013 due to a slight decrease in market interest rates of approximately 0.12% at September 30, 2014 compared to September 30, 2013, which was partially offset by a decrease in securitized mortgage loans at September 30, 2014 of \$103.5 million compared to September 30, 2013. These MBS serve as collateral for the single family bonds issued by MFA and provide the revenue source to repay these debt obligations and legally MFA cannot sell/trade the related securities until the bonds are paid in full. The Authority's rating agencies do not include GASB No. 31 valuation adjustments in their analysis of the HFA's performance. Without the required GASB No. 31 adjustment, the operating income for the period increased \$2.0 million compared to prior year.

Operating revenues increased \$39.8 million from 2013 to 2014; however, without the required GASB No. 31 adjustment operating revenues were \$2.9 million less than in 2013. The low interest rate environment has continued to impact interest income-related revenue. As a result of a continued drop in MBS and mortgage loan production as well as high prepayment activity, the Authority experienced a decrease in mortgage interest revenue of approximately \$4.3 million in the current year. The Authority experienced an increase of \$2.3 million for administrative fees due to transaction fees related to loan sales in the secondary market in 2014. Also in 2014, nonoperating revenues decreased by \$2.8 million in comparison to 2013 due to the recognition of a Housing Trust Fund appropriation received from the State of New Mexico in 2013.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015 and 2014**

---

Operating expenses decreased by \$4.9 million in 2014, approximately 10%, primarily due to decreased interest expense of \$7.1 million as a result of lower bond expenses due to continued prepayments and debt restructuring.

**Debt Administration**

Most of the debt issued by the Authority to fund affordable housing activities in New Mexico is tax-exempt and is issued under the Internal Revenue Code and Treasury Regulations governing either mortgage revenue bonds or residential rental projects. The Federal Tax Reform Act of 1986 imposes an annual ceiling on the aggregate amount of federally tax-exempt private activity bonds or Private Activity Bond Cap (Bond Cap). Each year, the New Mexico State Board of Finance receives and allocates Bond Cap based on the federal formula to both single and multifamily housing for tax-exempt bonding purposes.

The Authority continually investigates and utilizes financing and debt management techniques designed to achieve its goals of minimizing interest expense and efficiently utilizing Bond Cap while managing risk and responding to changing capital markets. The Authority evaluates other innovative financing structures and asset/liability management strategies as needed to maximize earnings in both the long and short term. This includes using existing liquidity to warehouse loans in order to minimize bond acquisition fund negative arbitrage, utilizing pass-through bond structures, issuing taxable bonds when rates are beneficial, refining internal processes for ensuring that cash received in relation to prepayments is used to redeem bonds as quickly as possible, and reviewing callable programs to determine if earnings could be maximized by eliminating debt and using the assets to generate more income or as subsidy to upcoming bond issues creating more competitive mortgage rates. The Authority reviews and monitors program parity, cash flow projections, prepayment speeds and internal rates of return related to General Fund bond cost contributions. Management of the overall bond portfolio and related assets is an ongoing process.

During fiscal year 2015, the Authority issued \$81.8 million of Single Family Mortgage Program revenue bonds of which approximately \$46.8 million was related to bond refunding transactions. This is \$53.8 million more than the \$28 million issued in 2014. MFA also sold \$115.5 million of single family first-time homebuyer mortgages during the course of the year. As noted above, the sale of loans versus issuing debt to fund the Single Family Mortgage Program has become an integral funding execution. Due to utilization of pass-through bond structures, improved timing of redeeming bonds with cash received from prepayments, the continuous lending loan origination model, and utilization of the secondary market to fund single family loans, negative arbitrage expenses decreased approximately \$.5 million this fiscal year in comparison to 2014. The Authority redeemed \$152.7 million of Single Family Mortgage Program bonds due to repayments and maturities, compared to \$163.2 million in 2014.

During fiscal year 2014, the Authority issued \$28.0 million of Single Family Mortgage Program revenue bonds of which approximately \$12.5 million was a bond refunding transaction. This is \$63.7 million less than the \$91.2 million issued in 2013. MFA did sell \$98.2 million of single family first-time homebuyer mortgages during the course of the year. As noted above, the sale of loans versus issuing debt to fund the Single Family Mortgage Program has become an integral funding execution. Due to utilization of



**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015 and 2014**

---

pass-through bond structures, improved timing of redeeming bonds with cash received from prepayments, the continuous lending loan origination model, and utilization of the secondary market to fund single family loans, negative arbitrage expenses decreased approximately \$2.9 million this fiscal year in comparison to 2013. The Authority redeemed \$163.2 million of Single Family Mortgage Program bonds due to repayments, compared to \$242.4 million in 2013.

During fiscal year 2015, the Authority issued \$11 million in Rental Housing Bonds, while in 2014, no Rental Housing Bonds were issued. In 2015, \$1.7 million of Rental Housing Bonds were redeemed due to repayments compared to \$1.6 million in 2014.

More detailed information about the Authority's outstanding debt obligations is presented in notes 5, 6, and 7 of the notes to the basic financial statements.

**Economic Outlook**

The Authority's Single Family Mortgage Program, administration of federal affordable housing programs and investment income are the main sources of revenues. During 2015, the Authority's programs and investment returns continued to be adversely affected by erratic capital markets and federal fiscal policy related to interest rates. We did continue to see better overall economic performance this year as gross domestic product improved, unemployment decreased and the housing market stabilized.

The Authority's Single Family Mortgage Programs rely on short-term liquidity from the Master Servicers, which purchase the mortgage loans from the lenders, then securitize them into Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae) MBS. The underlying mortgage loans are all fixed-rate, 30-year loans meeting the criteria for guarantee by Fannie Mae and Ginnie Mae. The bonds and MBSs, which provide collateral for the Single Family Mortgage Program bonds, had previously been rated AAA. However, on August 5, 2011, Standard and Poor's Rating Services downgraded the United States of America (U.S.) long-term rating to AA+ due to political risks and rising debt burden. A "Negative Outlook" was also placed on the rating. During 2015, S&P revised the outlook from negative to stable. As a result of the initial U.S. downgrade, Standard & Poor's lowered its rating on certain publicly financed debt issues that are credit enhanced by Fannie Mae and Ginnie Mae. Since the Authority issues single family mortgages that are backed by loans that are credit enhanced by Fannie Mae and Ginnie Mae, the majority of the Authority's single family bond programs currently reflect the U.S. government rating of AA+ with a stable outlook. During 2015, the Authority changed its primary rating agency relationship to Moody's Investors Service. Moody's has not downgraded the U.S. therefore their ratings on the Authority's single family housing bonds moving forward will be AAA. To date, the Master Servicers, Fannie Mae, Ginnie Mae, and the bond investors have continued to provide liquidity without interruption to the Authority's Single Family Mortgage Programs.

The programs have historically relied on Guaranteed Investment Contracts (GIC) for the temporary investment of bond proceeds and also for the ongoing investment of monthly MBS revenues between debt service dates. The GIC providers must maintain financial strength as evidenced by their credit

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015 and 2014**

---

rating in order for the bonds to maintain their rating. The Authority continues to have difficulty maintaining and securing GIC providers for the Single Family Mortgage Programs as the market recovers and is utilizing AAAM rated money market funds when necessary. Returns on GICs and money market funds are very low, impacting the negative arbitrage experienced by the Authority for these programs. Additionally, some GIC providers have not been able to maintain their minimum required credit rating levels and this has produced some bond rating downgrades in the Authority's portfolio over the last 5 years. This presents more of a rating risk versus a financial risk for the Authority, as these funds remain fully invested and cash flows are monitored closely. Because of this capital market constraint the rating agencies have revised their stress test criteria related to housing bonds transactions and now require that cash flows be run assuming a zero percent reinvestment rate. When rating agencies are evaluating indentures and consolidated cash flows they do allow slightly higher reinvestment rates, when there is not a GIC in place. At this time, all the Authority's single family bonds have met the required cash flow stress tests.

The Authority's investments outside of the Single Family Mortgage Programs are conservative, and include the AAAM rated New Mexico State Treasurer's Office Local Government Investment Pool and internal loan warehousing for short-term investments, highly liquid and marketable intermediate-term Treasury and Agency obligations, and for long-term investment, the nonrated State Investment Council Investment Funds Program utilizing a corporate investment grade bond fund (80%) and a large cap equities fund (20%). To improve investment returns, the Authority has also invested in its own MBS as bond programs become callable and residual MBS from the transactions are available. This strategy is helping to improve the investment income picture as that portion of our investment portfolio is yielding about 5.4% serving as a good intermediate term investment option for the Authority. During this fiscal year, the Treasury and Agency obligations provided yields of 1.2%. Investments in the State Investment Council Investment Funds Program experienced \$.9 million in fair market value losses in comparison to 2014 when fair market value gains were \$1.6 million. There continues to be extreme market volatility as evidenced by this year over year fluctuation. The overall rate of return on the Authority's State Investment Council Investment Funds Program long-term portfolio for 2015 was 0.6%, and the portfolio yield was 3.4%.

Moving into the new year, the Authority expects to continue to utilize both the secondary market and bond issuance to fund the Single Family Mortgage Program depending on market conditions. The cost of funds in the traditional tax-exempt bond market is expected to be less prohibitive as it is strongly believed we will begin to see an increasing interest rate environment, albeit slow, in FY2016 thus providing more opportunities for the Authority to fund its Single Family Mortgage Program through the issuance of bonds. This not only provides a mechanism for growing the Authority's earning asset base but also provides long-term administrative fee cash flows rather than one-time transaction fees related to loan sales. There will still be challenges in competing with the historically low mortgage interest rates currently offered in the traditional mortgage market. If borrowers have good credit and are not in need of down payment assistance, they may be able to get better mortgage rates elsewhere. The Authority does, however, believe that the down payment assistance programs will help in maintaining program demand and viability.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**September 30, 2015 and 2014**

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Market interest rates have an effect on both the Single Family Mortgage Programs and investment income revenues. If interest rates continue at current levels, the Authority expects single family bond program administrative fees and investment income to decrease slightly. If interest rates rise, the Authority expects single family bond program administrative fees and investment income to increase as new loans are originated and new investments are purchased at the higher levels. If interest rates fall, the Authority expects single family bond program administrative fees and investment income to decrease as new loans are originated and new investments are purchased at the lower levels. Interest rate decreases are not anticipated as it is believed that traditional mortgage and reinvestment rates have bottomed out. The Authority expects that the drop in mortgage interest rates over the last few years will continue to cause high prepayments on higher rate mortgages, and conversely, an increase in mortgage interest rates to cause a decrease in prepayments. The Authority uses these prepayments to call the corresponding series bonds. The current economic environment may, however, limit the ability of borrowers to refinance or prepay loans due to falling real estate values or a borrower's personal financial situation. The Authority anticipates that federal funding levels for affordable housing programs are still at risk and could continue to decline, thus decreasing administrative fee income related to those programs.

This financial report is presented to provide our constituents and investors with a general overview of the Authority's finances and to demonstrate the Authority's financial accountability over its resources. If you have questions about the report or need additional financial information, please contact the Deputy Director of Finance and Administration at New Mexico Mortgage Finance Authority, 344 4th Street SW, Albuquerque, New Mexico 87102, or visit our website at [www.housingnm.org](http://www.housingnm.org).



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**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**STATEMENTS OF NET POSITION**

	(In Thousands)	
	September 30,	
ASSETS	2015	As Restated 2014
Current assets:		
Cash and cash equivalents:		
Unrestricted	\$ 24,469	\$ 21,788
Restricted	14,873	12,719
Restricted cash held in escrow	10,874	10,712
Total cash and cash equivalents	50,216	45,219
Accrued interest receivable	3,489	4,075
Other current assets	1,953	1,595
Total current assets	55,658	50,889
Noncurrent assets:		
Restricted cash and cash equivalents	17,491	26,470
Investments:		
Restricted investments	12,796	13,114
Unrestricted investments	48,540	48,368
Unrealized gain on restricted and unrestricted investments	1,236	834
Total investments, net	62,572	62,316
Restricted securitized mortgage loans, net:		
Securitized mortgage loans, net	641,444	712,249
Unrealized gain on securitized mortgage loans	42,290	43,018
Restricted securitized mortgage loans, net	683,734	755,267
Mortgage loans, net:		
Restricted mortgage loans, net	102,983	102,212
Restricted trust funds mortgage loans, net	13,442	11,664
Unrestricted mortgage loans, net	69,989	66,487
Total mortgage loans, net	186,414	180,363
Capital assets, net	1,003	1,134
Intangible assets	67	68
Other noncurrent assets	491	553
Total noncurrent assets	951,772	1,026,171
Total assets	1,007,430	1,077,060
Deferred outflows of resources:		
Unamortized loss on refunding	1,155	1,301
Total assets and deferred outflows of resources	\$ 1,008,585	\$ 1,078,361

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**STATEMENTS OF NET POSITION (CONTINUED)**

	(In Thousands)	
	September 30,	
<b>LIABILITES AND NET POSITION</b>	<u>2015</u>	<u>As Restated 2014</u>
Current liabilities:		
Escrow deposits and reserves	\$ 10,874	\$ 10,712
Accrued interest payable	4,155	5,103
Accounts payable and other accrued expenses	4,801	5,261
Compensated absences	358	356
Current portion of bonds payable	13,837	14,691
Current portion of notes payable	724	-
Total current liabilities	<u>34,749</u>	<u>36,123</u>
Noncurrent liabilities:		
Bonds payable, net	724,119	797,870
Notes payable	3,288	2,500
Accrued arbitrage rebate	85	82
Other noncurrent liabilities	246	237
Total noncurrent liabilities	<u>727,738</u>	<u>800,689</u>
Total liabilities	<u>762,487</u>	<u>836,812</u>
Net position:		
Net investment in capital assets	1,003	(681)
Restricted for debt service	79,466	83,872
Restricted for land title trust and housing trust	26,631	25,881
Unrestricted	138,998	132,477
Total net position	<u>246,098</u>	<u>241,549</u>
Total liabilities and net position	<u>\$ 1,008,585</u>	<u>\$ 1,078,361</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

	(In Thousands)	
	September 30,	
	2015	2014
Operating revenues:		
Interest on mortgage loans and securitized mortgage loans	\$ 36,962	\$ 41,600
Interest on securities and investments	2,781	3,110
Net (decrease) increase in fair value of investments	(326)	2,795
Housing program income	1,073	1,204
Program servicing fees	(147)	33
Loan and commitment fees	348	198
Administrative fees	5,286	5,031
Other revenues	(602)	1,449
Total operating revenues	45,375	55,420
Operating expenses:		
Interest expense	30,174	35,137
Bond issuance costs	1,010	422
Provision for loan losses	681	629
Administrative and other expenses	9,483	9,783
Total operating expenses	41,348	45,971
Operating income	4,027	9,449
Nonoperating revenues (expenses):		
Grant income	44,050	42,228
Grant expense	(44,050)	(42,228)
State Appropriation	500	200
Land title trust contributions	22	11
Total nonoperating revenues	522	211
Change in net position	4,549	9,660
Total net position, beginning of year	241,549	231,889
Total net position, end of year	\$ 246,098	\$ 241,549



**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**STATEMENTS OF CASH FLOWS**

	(In Thousands)	
	September 30,	
	2015	2014
Cash flows from operating activities:		
Purchase of loans	\$ (15,762)	\$ (12,955)
Receipts of loan repayments	9,103	10,840
Loan and commitment fees	348	198
Mortgage interest received	39,534	44,516
Purchase of securitized mortgage loans	(29,938)	(15,409)
Principal repayment of securitized mortgage loans	98,094	115,937
Receipts for services	3,212	3,833
Payments to employees for services	(5,538)	(5,523)
Payments to suppliers of goods or services	(3,596)	(3,180)
Other receipts	3,128	3,117
Net cash flows from operating activities	98,585	141,374
Cash flows from noncapital financing activities:		
Proceeds from sale of bonds and notes payable	88,214	35,009
Repayment and refunding of bonds and notes payable	(155,730)	(170,897)
Payment of interest on bonds and notes	(34,591)	(40,631)
Payment of arbitrage rebate, net	3	4
Payment for bond issuance costs	(1,007)	(420)
State appropriations	500	200
Receipt of grant income	43,841	42,668
Payment of grant to subrecipients	(43,841)	(42,668)
Contributions to land title trust	22	11
Net cash flows from noncapital financing activities	(102,589)	(176,724)
Cash flows from capital financing activities:		
Purchases of capital assets	-	(92)
Proceeds from the sale of capital assets	-	2
Repayment of capital debt	(1,885)	(120)
Payment for interest on capital debt	(79)	(84)
Net cash flows from capital financing activities	(1,964)	(294)
Cash flows from investing activities:		
Proceeds (purchase) of other real estate owned	32	(49)
Purchase of investments	(17,136)	(25,374)
Proceeds from maturity and sale of investments	17,526	21,662
Investment interest income	1,565	2,028
Premium on investments	(1)	(11)
Loss on sale of securities	-	(2)
Net cash flows from investing activities	1,986	(1,746)
Net decrease in cash and cash equivalents	(3,982)	(37,390)
Cash and cash equivalents, beginning of year	71,689	109,079
Cash and cash equivalents, end of year	\$ 67,707	\$ 71,689
Current cash and cash equivalents	\$ 50,216	\$ 45,219
Noncurrent cash and cash equivalents	17,491	26,470
Cash and cash equivalents, end of year	\$ 67,707	\$ 71,689

See accompanying notes.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**

	(In Thousands)	
	September 30,	
	2015	2014
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 4,027	\$ 9,449
Adjustments to reconcile operating income to net cash from operating activities:		
Net decrease (increase) in the fair value of investments	326	(2,795)
Bond issuance costs	1,010	422
Loan and commitment fees	(348)	(198)
Amortization of securitized mortgage loans and mortgage loan discounts/premiums	2,229	2,669
Loss on sale of assets	31	250
Depreciation and amortization expense	145	236
Provision of loan losses	681	629
Investment interest income	(2,781)	(3,110)
Interest on bonds and notes payable	30,174	35,137
Changes in assets and liabilities:		
Accrued interest receivable on securitized mortgage loans and mortgage loans	536	371
Other current assets	(358)	(178)
Other noncurrent assets	62	(201)
Accounts payable and other accrued expenses	(460)	869
Compensated absences	2	30
Other noncurrent liabilities	9	6
Securitized mortgage loans, net cost	69,279	99,274
Mortgage loans	(5,979)	(1,486)
Net cash flows from operating activities	<u>\$ 98,585</u>	<u>\$ 141,374</u>
Supplemental disclosure:		
Other real estate acquired through foreclosure	<u>\$ -</u>	<u>\$ 36</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Basis of Accounting and Summary of Significant Accounting Policies**

**Reporting Entity** – New Mexico Mortgage Finance Authority (the Authority) is a semi-autonomous instrumentality of the State of New Mexico (the State), created April 10, 1975 under the Mortgage Finance Authority Act (the Act) enacted as Chapter 303 of the Laws of 1975 of the State. Pursuant to the Act, the Authority is authorized to undertake various programs to assist in the financing of housing for persons of low and moderate income in the State. The Authority is led by seven board members. Four of the board members are from the private sector and are appointed by the governor with the advice and consent of the state senate. Three are ex-officio voting members who serve by virtue of their state office, including the lieutenant governor, the state’s attorney general and the state treasurer.

On September 19, 2007, the Authority established the not-for-profit legally separate entity of the New Mexico Affordable Housing Charitable Trust (the Trust), which was created to support the purpose and programs of the Authority. The Authority acting through its board of directors in accordance with the Act, is the Trustee. The Authority supports the ongoing operations of the Trust with an annual contribution in the amount of the cost of operations. As such, the Trust is determined to be a blended component unit of the Authority.

For financial reporting purposes, the Authority is considered a discretely presented component unit of the State of New Mexico in accordance with GASB No. 14 and No. 61.

Bonds and other obligations issued by the Authority under the provisions of the Act are not a debt or liability of the State or any subdivision thereof.

**Basis of Presentation** – The Authority presents its financial statements in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB No. 34); GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

**Basis of Accounting** – For financial purposes, the Authority is considered a special-purpose government engaged in business-type activities. The financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

**Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates to the Authority’s financial statements include the allowance for loan losses and fair value estimates. Actual results could differ from those estimates.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Basis of Accounting and Summary of Significant Accounting Policies (continued)**

**Programs** – The following describes the nature of the programs maintained by the Authority:

- Single Family Mortgage Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related mortgage loans for single-family, owner-occupied housing in New Mexico. Each single family bond indenture is accounted for as a segment. See Note 19 for segment financial statements.
- Rental Housing Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related loans to qualified lenders for the purpose of financing multifamily rental housing facilities in New Mexico. Each multifamily bond indenture is accounted for as a segment. See Note 19 for segment financial statements.
- General Accounts – Accounts for assets, liabilities, revenues, and expenses not directly attributable to a bond program. Most of the bond resolutions of the programs permit the Authority to make cash transfers to the general accounts after establishing reserves required by the bond resolutions. The general accounts financially support the bond programs when necessary. The general accounts include proprietary loan programs developed by the Authority to meet the needs of low- and moderate-income borrowers not served by traditional lending programs. This group of accounts is referred to as the Housing Opportunity Fund and includes the ACCESS Loan program, HERO Loan program, Primero program, Partners program, and several down payment assistance programs.
- Housing Programs – Accounts for activities and programs financed by federal and state grants over which the Authority exercises fiscal and administrative control. The following is a brief description of the significant programs:
  - *Low-Income Housing Tax Credit Program (LIHTC)* – The LIHTC program was established to promote the development of low-income rental housing through tax incentives rather than direct subsidies. The LIHTC is a 10-year federal tax credit against a taxpayer’s ordinary income tax liability that is available to individuals (directly or through partnerships) and corporations who acquire or develop and own qualified low-income rental housing.
  - *HOME Investment Partnership Program (HOME)* – Congress created the HOME program as part of the National Affordable Housing Act of 1991. The Authority administers the federal funds to carry out program activities related to down payment assistance, homeowner and rental rehabilitation, and multifamily rental housing finance.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Basis of Accounting and Summary of Significant Accounting Policies (continued)**

- *Section 8 Program* – The Section 8 program provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing for very low-income families at rents they can afford.
- *The Weatherization Assistance Program (WAP)* – WAP is a long-term grant program funded by the U.S. Department of Energy and utility companies. The purpose of the program is to make low-income households more energy efficient, thereby reducing the utility bills of these families. The funds may be used for leakage reduction, incidental repairs, health and safety measures, insulation, storm windows and doors, and energy efficiency training.
- *The Low-Income Home Energy Assistance Program (LIHEAP)* – LIHEAP provides low-income households with a one-time cash benefit to help pay their utility bills. Up to 15% of the program grant, the only portion administered by the Authority, can be used for rehabilitation and can be combined with the WAP funds.
- *The Emergency Solutions Grants Program (ESG)* – ESG provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency shelters, to help meet the costs of operating emergency shelters, and to provide certain essential social services to homeless individuals and families.
- *Housing Opportunities for Persons with AIDS Program (HOPWA)* – The HOPWA program is designed to provide states and localities with resources and incentives to devise long-term strategies for meeting the housing needs of persons with acquired immune deficiency syndrome (AIDS) or related diseases.
- *Neighborhood Stabilization Program (NSP)* – The primary objective of this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.
- *Tax Credit Assistance Program (TCAP) (Recovery Act Funded)* – TCAP provided grant funds to State housing credit agencies for capital investments in rental projects that received an award of Low-Income Housing Tax Credits (LIHTC) during the period from October 1, 2006 to September 30, 2009, and required additional funding to be completed and placed into service in accordance with the LIHTC requirements of Section 42 of the Internal Revenue Code (IRC).

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Basis of Accounting and Summary of Significant Accounting Policies (continued)**

- New Mexico Housing Trust Fund (HTF) – The HTF’s purpose is to provide flexible funding for housing initiatives in order to produce significant additional housing investment in the State. The fund consists of all distributions and appropriations made to the fund. Earnings of the fund shall be credited to the fund, and unexpended and unencumbered balances in the fund shall not revert to any other fund. The Authority is the trustee for the fund. The fund receives revenue from the following recurring sources: 1) appropriations and transfers from the State of New Mexico; 2) any other money appropriated or distributed to the fund; 3) any private contributions to the fund; or 4) earnings of the fund. Money in the fund is appropriated to the Authority for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act, which are to provide affordable residential housing to persons of low or moderate income.
- Land Title Trust Fund (LTF) – Pursuant to the Land Title Trust Fund Act, depository institutions that maintain trust or escrow accounts for customers may establish and make available pooled interest-bearing transaction accounts for title company escrows. The interest earned from this program is forwarded to the LTF. The account agreement between the depositor and the financial institution shall expressly provide for the required remittance of interest. The Authority is trustee for the fund. The trustee shall deposit in the fund money received by it pursuant to the Low-Income Housing Trust Act and the Land Title Trust Fund Act, and use funds to finance in whole or part any loans or grant projects that will provide housing for low-income persons or for other uses specified in the Land Title Trust Fund Act.

**Cash and Cash Equivalents** – Certain cash, cash equivalents, and investments are designated by the board of directors of the Authority for specific purposes (Note 12). For purposes of the statements of cash flows, the Authority considers all cash on hand and in banks and all highly liquid securities and investments purchased with an original maturity of three months or less held in accounts used primarily for the payment of debt service to be cash equivalents.

Restricted cash and cash equivalents include fixed-rate investment agreements, which represent funds invested in unsecured nonparticipating contracts with financial institutions, and are valued at the contract amounts. Such investments are considered highly liquid with an original maturity of three months or less held in accounts, which are used primarily for the payment of debt service. Accordingly, such investments are treated as cash equivalents. Also included in restricted cash are escrow balances held in deposit on behalf of mortgages for whom the Authority acts as servicer.

**Unrestricted and Restricted Investments** – Unrestricted and restricted investments include U.S. government obligations, obligations of government-sponsored entities, mortgage-backed securities (MBSs), and amounts in investment pools of the New Mexico State Investment Council. These securities are stated at fair value based upon quoted market prices and changes in the fair value are reported in the statements of revenue, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31).

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Basis of Accounting and Summary of Significant Accounting Policies (continued)**

**Securitized Mortgage Loans** – Securitized mortgage loans consists primarily of Fannie Mae and Ginnie Mae MBSs, which were pooled and securitized by a contract servicer utilizing Single Family Mortgage Program loans purchased by the Authority. These securities are stated at fair value, and changes in the fair value are reported as revenue in the statements of revenues, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASB No. 31. The bond issue trustees use a third-party pricing service to compute the MBS fair value.

**Mortgage Loans** – Mortgage loans receivable are carried at the unpaid principal balance outstanding less an allowance for estimated loan losses. Mortgage loans are secured by first liens on the related properties, with the exception of down payment and closing cost assistance (DPA) loans. Mortgage loans purchased by the Authority are required to be insured by the Federal Housing Administration (FHA) or private mortgage insurance, or guaranteed by the Veterans' Administration (VA). Conventional loans with a loan-to-value ratio of 80% or less do not require insurance. These policies insure, subject to certain conditions, mortgage loans against losses not otherwise insured, generally for specified percentages of the principal balance due plus accrued interest and other expenses sustained in preservation of the property.

For qualifying borrowers in the Single Family Mortgage Programs, the Authority offers loans to provide DPA. DPA loans are secured by second liens. Additionally, included in mortgage loans as of September 30, 2015 and 2014 were \$5.3 million and \$5.4 million, respectively, of loans to borrowers of certain nonprofit organizations, which are subject to reimbursement provisions in lieu of insurance.

**Allowance for Mortgage Loan Losses** – Losses incurred on mortgage loans are charged to the allowance for mortgage loan losses. The provision for loan losses is charged to expense when, in management's opinion, the realization of all or a portion of the loans or properties owned is doubtful.

In evaluating the provision for loan losses, management considers the age of the various loan portfolios, the relationship of the allowances to outstanding mortgage loans, collateral values, insurance claims, government guarantees, and economic conditions.

Management of the Authority believes that the allowance for mortgage loan losses is adequate. While management uses available information to recognize losses on mortgage loans, future additions to the allowance may be necessary based on changes in economic conditions.

**Interest on Mortgage Loans** – Interest on mortgage loans is accrued based upon the principal amounts outstanding net of service fee expenses of approximately \$96,000 and \$99,000 as of September 30, 2015 and 2014, respectively. Mortgage loans are placed on nonaccrual after 90 days delinquency.

**Origination and Commitment Fees** – Origination and commitment fees, net of costs, represent compensation received for designating funds for lenders. The Authority recognizes these on an accrual basis.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Basis of Accounting and Summary of Significant Accounting Policies (continued)**

**Bond Issuance Costs** – Bond issuance costs, discounts, and premiums are expensed in the period incurred.

**Capital Assets** – Capital assets are stated at cost, less accumulated depreciation. Furniture, equipment, and software purchased with a unit cost of \$5,000 or more and an estimated useful life greater than one year are capitalized and depreciated based on the straight-line or the sum-of-the-years' digits method over the estimated useful lives of the assets, which range from 1 to 25 years. Depreciation expense is not computed on assets under construction until the asset is put into service. Furniture and equipment purchases less than \$5,000 or with lives of one year or less, and maintenance and repairs, which do not extend the useful lives of premises and equipment, are charged to expense as incurred.

**Intangible Assets** – Intangible assets represent 1) Purchased servicing rights – the fees the Authority pays to acquire the servicing of loan portfolios. The purchased servicing rights are capitalized and amortized on the effective-interest method over the estimated remaining life of the acquired portfolio; and 2) Internally generated computer software and commercially available software modified using more than minimal incremental effort before being placed into service that would be capitalized if it meets the \$5,000 capitalization threshold and has a useful life of more than one year. If not, related outlays are expensed. The assets are recorded at historical cost and amortized over its useful life once it has been placed in service (three years).

**Deferred Outflow of Resources** – For current refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old or new debt, whichever is shorter. The difference is amortized using the effective interest method. The deferred refunding amounts are classified as a component of deferred outflows on the Statement of Net Position.

**Accrued Arbitrage Rebate** – Earnings on certain investments are subject to the arbitrage rebate requirements of the IRC. Accrued arbitrage rebate represents the estimated excess earnings on these investments that must be rebated to the U.S. Treasury Department.

Arbitrage rebate amounts that are the result of investment yields are recorded as a reduction of interest income. Arbitrage rebate amounts that result from gains on sales of investment securities are recorded as a reduction to the net increase (decrease) in the fair value of investments.

**Advances on Revenue** – Advances on revenue consist primarily of advances from contracts and grants. Revenues are recognized when all applicable eligibility requirements have been met. Advances on revenue are reflected in current liabilities in the accompanying statements of net position.

**Compensated Absences** – Qualified Authority employees are entitled to accrue vacation leave and sick leave based on their full-time equivalent status.



**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Basis of Accounting and Summary of Significant Accounting Policies (continued)**

**Vacation Leave** – Full-time and part-time employees are eligible to accrue vacation leave based on their length of employment and hours regularly scheduled up to a maximum of 280 hours. At September 30 of each year, any accumulated hours in excess of 280 not taken are forfeited. Accrued vacation leave will be paid to an employee upon termination only after six months of employment. Accrued vacation leave is computed by multiplying each employee’s current hourly rate by the number of hours accrued.

**Sick Leave** – Full-time and part-time employees are eligible to accrue sick leave each pay period based on hours regularly scheduled. Accrued sick leave may be carried over to the next fiscal year. Full-time employees may be paid in cash for accrued sick leave in excess of 400 hours (120 hours maximum) on the first full pay period in January and/or July. The hours will be paid at a rate equal to 50% of the employee’s hourly wage. Unused sick leave will not be paid to an employee upon termination. Accrued sick leave is computed by multiplying 50% of each employee’s hourly rate by the number of hours accrued in excess of 400.

**Net Position** – Net position is classified as follows:

*Net investments in capital assets* represent the Authority’s total investment in capital assets, net of outstanding debt related to those capital assets.

*Restricted for debt service* represents those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. The Authority is legally or contractually obligated to spend these funds in accordance with the restrictions imposed by third parties.

*Restricted for land title trust and housing trust* represents those funds on which restrictions have been imposed that limit the purposes for which such funds can be used. The Authority is legally or contractually obligated to spend these funds for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act, the Low-Income Housing Trust Act, and the Land Title Trust Fund Act.

*Unrestricted* consist of those operating funds over which the board of directors retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the Authority’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

**Revenues and Expenses** – Revenues are classified as operating or nonoperating according to the following criteria:

Operating revenues include activities that have the characteristics of an exchange transaction as well as those that relate directly to programs to assist in the financing of housing for persons of low and moderate income in the State of New Mexico such as a) loan origination and commitment fees; b) program servicing fees; and c) administration fees. Operating revenues also include interest income since lending activities constitute the Authority’s principal ongoing operations.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 1 – Basis of Accounting and Summary of Significant Accounting Policies (continued)**

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as grant award revenues. These revenue streams are recognized under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB No. 33). Revenues are recognized when all applicable eligibility requirements have been met, specifically when expenditures related to the grant awards have been incurred, submitted, and approved for payment.

Expenses are classified as operating or nonoperating according to the following criteria:

Operating expenses include activities that have the characteristics of an exchange transaction such as a) employee salaries, benefits, and related expense; b) utilities, supplies, and other services; c) professional fees; and d) depreciation expenses related to capital assets. Operating expenses also include interest expense since lending activities constitute the Authority’s principal ongoing operations.

Nonoperating expenses include activities that have the characteristics of nonexchange transactions such as grant award expenses, which are defined as nonoperating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34.

**Income Taxes** – The income the Authority earns in the exercise of its essential government functions is excluded from federal income tax under Section 115(l) of the IRC. The Trust is exempt from federal income tax under Section 501(c)(3) of the IRC. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

**Note 2 – Cash, Cash Equivalents, and Investments**

As of September 30, the carrying value of cash and cash equivalents includes the following (in thousands):

	September 30,	
	2015	2014 as Restated
Cash on deposit at financial institutions	\$ 17,444	\$ 17,365
Cash on deposit at New Mexico State Treasurer	7,218	4,625
Cash on deposit held in escrow (note 17)	10,874	10,712
Cash equivalents not considered deposits:		
Money market funds	19,363	20,938
Repurchase agreements	1,048	1,128
Guaranteed investment contracts	11,760	16,921
	<u>\$ 67,707</u>	<u>\$ 71,689</u>

**Investment Policy** – The Authority’s investment policy requires all investments be made in accordance with the prudent investor rule with a primary objective to preserve capital and secondarily to achieve the highest market yield. Investments will be diversified to the extent permitted in Section 58, NMSA 1978 (MFA Act), and Section 6-8-7, NMSA 1978, and as prescribed in its various bond resolutions and trust indentures.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 2 – Cash, Cash Equivalents, and Investments (continued)**

Investments may be made in any investment instrument acceptable under and/or required by any bond resolution or indenture; in obligations of any municipality of New Mexico or the State of New Mexico or the United States of America, rated “AA” or better; in obligations guaranteed by the State of New Mexico or the United States of America; in obligations of any corporation wholly owned by the United States of America; in obligations of any corporation sponsored by the United States of America, which are or may become eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve System; in certificates of deposit or time deposits in banks qualified to do business in New Mexico; as otherwise provided in any trust indenture securing the issuance of the Authority’s bonds; in contracts for the purchase and sale of obligations of any municipality of New Mexico or the State of New Mexico or the United States of America; in the State of New Mexico Office of the Treasurer Local Short-Term Investment Fund; or in the State of New Mexico State Investment Council Investment Funds Program.

The State Treasurer Local Government Investment Pool (LGIP) is not U.S. Securities and Exchange Commission (SEC) registered. The State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(O) and Sections 6-10-10(1)A and E NMSA 1978. The pool does not have unit shares. At the end of each month, all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. The end of the fiscal year credit risk rating and the weighted average maturity (interest rate risk in number days) is available on the State Treasurer’s Website at [www.nmsto.gov](http://www.nmsto.gov). Participation in the local government pool is voluntary.

**Custodial Credit Risk** – The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority’s deposits may not be recovered. The investment policy requires consideration of the creditworthiness in selecting financial institutions. At September 30, 2015 and 2014, the Authority’s bank balance was \$13,060,000 and \$11,356,000, respectively. Of this amount at September 30, 2015 and 2014, \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC). The total amounts subject to custodial credit risk at September 30, 2015 and 2014 are \$3,102,000 and \$1,519,000, respectively. Management does not believe the remaining \$9,708,000 and \$9,392,000 is subject to custodial credit risk at September 30, 2015 and 2014, respectively.

All of the Authority’s investments are insured, registered, or held by the Authority or its agent in the Authority’s name.

The Authority administers public funds for the State Homeless, Innovation in Housing Awards, and Energy Savers Programs. New Mexico statutes require financial institutions to pledge qualifying collateral to the Authority to cover at least 50% of uninsured deposits. All collateral is held by third parties in safekeeping. Additionally, the Authority obtains from each bank that is a depository for public funds, which are in repurchase agreements, pledged collateral in an aggregate amount at least equal to 102% of the public money in each account. No security is required for the deposit of public money that is insured by the FDIC. As of September 30, 2015 and 2014, the Authority had \$1,642,000 and \$2,875,000, respectively, of public funds on deposit that are insured by FDIC or fully collateralized by collateral held by the bank in the Authority’s name.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2 – Cash, Cash Equivalents, and Investments (continued)**

**Investment Interest and Credit Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority’s investment policy requires 1) staggered maturities to avoid undue concentrations of assets in a specific maturity sector, 2) stable income, 3) adequate liquidity to meet operations and debt service obligations, and 4) diversification to avoid overweighting in any one type of security.

The Authority’s securitized mortgage loans are primarily mortgage loans originated under various bond resolutions that have been pooled and securitized by a servicer under contract to the Authority. Upon securitization, these primarily Ginnie Mae and Fannie Mae securities are then purchased by the bond issue trustee utilizing the proceeds of the respective bonds. The bonds in turn are secured, respectively, by the securities purchased with the bond proceeds (Note 5). The fixed-rate securitized mortgage loans are sensitive to changes in interest rates, which may result in prepayments of the underlying mortgages.

The Authority had the following investments and maturities at September 30, 2015 and 2014 (in thousands):

Investment Type	September 30, 2015						
	Fair Value	Investment Maturities (in Years)					Not Available
		Less than 1	1–5	6–10	More than 10		
Money market funds	\$ 19,363	\$ 19,363	\$ -	\$ -	\$ -	\$ -	
Repurchase agreements	3,979	3,979	-	-	-	-	
Guaranteed investment contracts	11,760	9,068	85	-	2,607	-	
Internal state investment pools:							
State Treasurer	7,218	7,218	-	-	-	-	
State Investment Council	33,443	-	-	-	-	33,443	
U.S. agencies	9,003	-	9,003	-	-	-	
Securitized mortgage loans:							
Unrestricted	14,494	-	-	1,654	12,840	-	
Restricted	683,734	7	6	1,037	682,684	-	
	<u>\$ 782,994</u>	<u>\$ 39,635</u>	<u>\$ 9,094</u>	<u>\$ 2,691</u>	<u>\$ 698,131</u>	<u>\$ 33,443</u>	

Investment Type	September 30, 2014						
	Fair Value	Investment Maturities (in Years)					Not Available
		Less than 1	1–5	6–10	More than 10		
Money market funds	\$ 20,938	\$ 20,938	\$ -	\$ -	\$ -	\$ -	
Repurchase agreements	1,128	1,128	-	-	-	-	
Guaranteed investment contracts	16,921	14,233	82	-	2,606	-	
Internal state investment pools:							
State Treasurer	4,625	4,625	-	-	-	-	
State Investment Council	33,589	-	-	-	-	33,589	
U.S. agencies	12,908	-	12,908	-	-	-	
Securitized mortgage loans:							
Unrestricted	10,157	-	-	-	10,157	-	
Restricted	755,267	-	14	189	755,064	-	
	<u>\$ 855,533</u>	<u>\$ 40,924</u>	<u>\$ 13,004</u>	<u>\$ 189</u>	<u>\$ 767,827</u>	<u>\$ 33,589</u>	

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 2 – Cash, Cash Equivalents, and Investments (continued)**

The following tables provide information on the credit ratings associated with the Authority's investments in debt securities at September 30, 2015 and 2014 (in thousands):

Investment Type	September 30, 2015						
	Fair Value	AAA	AA	A	U.S. Government Guaranteed	Not Rated	Not Available
Money market funds	\$ 19,363	\$ -	\$ -	\$ -	\$ -	\$ 19,363	\$ -
Repurchase agreements	3,979	-	-	-	-	3,979	-
Guaranteed investment contracts	11,760	-	10,026	1,734	-	-	-
Internal state investment pools:							
State Treasurer	7,218	7,218	-	-	-	-	-
State Investment Council	33,443	-	-	-	-	-	33,443
U.S. agencies	9,003	-	9,003	-	-	-	-
Securitized mortgage loans:							
Unrestricted	14,494	-	5,101	-	9,393	-	-
Restricted	683,734	-	125,579	-	558,155	-	-
	<u>\$ 782,994</u>	<u>\$ 7,218</u>	<u>\$ 149,709</u>	<u>\$ 1,734</u>	<u>\$ 567,548</u>	<u>\$ 23,342</u>	<u>\$ 33,443</u>

  

Investment Type	September 30, 2014						
	Fair Value	AAA	AA	A	U.S. Government Guaranteed	Not Rated	Not Available
Money market funds	\$ 20,938	\$ 20,938	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase agreements	1,128	-	-	-	-	1,128	-
Guaranteed investment contracts	16,921	521	14,687	1,713	-	-	-
Internal state investment pools:							
State Treasurer	4,625	4,625	-	-	-	-	-
State Investment Council	33,589	-	-	-	-	-	33,589
U.S. agencies	12,908	-	12,908	-	-	-	-
Securitized mortgage loans:							
Unrestricted	10,157	-	-	-	10,157	-	-
Restricted	755,267	-	149,452	-	605,815	-	-
	<u>\$ 855,533</u>	<u>\$ 26,084</u>	<u>\$ 177,047</u>	<u>\$ 1,713</u>	<u>\$ 615,972</u>	<u>\$ 1,128</u>	<u>\$ 33,589</u>

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment in a single issuer. The following issuers and their respective percentage of total investments represent greater than 5% of the Authority's total investments reported on the statement of net position as of September 30, 2015 and 2014, respectively, Ginnie Mae 76% and 75%, and Fannie Mae 18% and 19%.

**Note 3 – Mortgage Loans**

Mortgage loans reflected in the statement of net position consist of the following as of September 30 (in thousands):

	2015	2014
Total mortgage loan principal outstanding	\$ 189,095	\$ 182,876
Less:		
Allowance for mortgage loan losses	(2,681)	(2,513)
Mortgage loans, net	<u>\$ 186,414</u>	<u>\$ 180,363</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 3 - Mortgage Loans (continued)**

An analysis of the allowance for mortgage loan and real estate owned losses is as follows for the year ended September 30 (in thousands):

	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 2,513	\$ 2,648
Provision for loan losses	681	629
Loans written off net of recoveries	(513)	(764)
Ending balance	<u>\$ 2,681</u>	<u>\$ 2,513</u>

The mortgage loans have repayment terms ranging from 10 to 40 years. The stated interest rates for these programs are as follows:

Rental housing programs	0.00% to 7.02%
Other mortgage loans	0.00% to 9.99%
Second mortgage DPA loans	0.00% to 7.50%

MBSs have stated interest rates ranging from 2.75% and 9.365%.

As of September 30, 2015 and 2014, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately \$133,000 and \$36,000, respectively. As of September 30, 2015 and 2014, mortgage loans' total delinquent aggregate principal balances are approximately \$8,781,000 and \$9,483,000, respectively.

As of September 30, the Authority acts as servicer for loans owned by the following entities that are not recorded in the Authority's financials (in thousands):

	<u>2015</u>	<u>2014</u>
Southwest Neighborhood Housing Services	\$ 520	\$ 526
TIWA Lending Services	4,209	2,673
AFL-CIO	2,878	2,919
Fannie Mae Loans	17,862	18,084
Habitat for Humanity/Valencia County	29	32
Ginnie Mae Loans	650	792
Southwest Community Resources	25	27
Superior Mortgage	7	7
Wallick & Volk, Inc.	7	13
Hometruster	19	32
City of Albuquerque	10,370	1,383
Ventana Fund	1,544	219
	<u>\$ 38,120</u>	<u>\$ 26,707</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 4 – Capital Assets**

Changes in capital assets during 2015 and 2014 were as follows (in thousands):

	October 1, 2014	Additions	Dispositions	September 30, 2015
Land (nondepreciable)	\$ 512	\$ -	\$ -	\$ 512
Building and improvements	3,041	-	-	3,041
Furniture and equipment	1,895	-	-	1,895
Total capital assets	<u>5,448</u>	<u>-</u>	<u>-</u>	<u>5,448</u>
Less accumulated depreciation:				
Building and improvements	(2,578)	(76)	-	(2,654)
Furniture and equipment	(1,736)	(55)	-	(1,791)
Total accumulated depreciation	<u>(4,314)</u>	<u>(131)</u>	<u>-</u>	<u>(4,445)</u>
Capital assets, net	<u>\$ 1,134</u>	<u>\$ (131)</u>	<u>\$ -</u>	<u>\$ 1,003</u>
	October 1, 2013	Additions	Dispositions	September 30, 2014
Land (nondepreciable)	\$ 512	\$ -	\$ -	\$ 512
Building and improvements	3,041	-	-	3,041
Furniture and equipment	1,806	92	(3)	1,895
Total capital assets	<u>5,359</u>	<u>92</u>	<u>(3)</u>	<u>5,448</u>
Less accumulated depreciation:				
Building and improvements	(2,495)	(83)	-	(2,578)
Furniture and equipment	(1,611)	(128)	3	(1,736)
Total accumulated depreciation	<u>(4,106)</u>	<u>(211)</u>	<u>3</u>	<u>(4,314)</u>
Capital assets, net	<u>\$ 1,253</u>	<u>\$ (119)</u>	<u>\$ -</u>	<u>\$ 1,134</u>

**Note 5 – Bonds Payable**

Bonds payable at September 30 are as follows (in thousands):

Single Family Mortgage Programs	2015	2014
1994 Series A – 6.875% interest payable semiannually, principal due through 2025	\$ -	\$ 15
2005 Series A – 4.20% to 5.50% interest payable semiannually, principal due through 2036	-	5,730
2005 Series B – 4.50% to 6.10% interest payable semiannually, principal due through 2036	-	6,680
2005 Series C – 3.875% to 5.85% interest payable semiannually, principal due through 2037	-	6,595
2005 Series D – 4.05% to 5.85% interest payable semiannually, principal due through 2037	-	9,125
2006 Series A – 4.375% to 5.95% interest payable semiannually, principal due through 2037	9,390	12,535
2006 Series B – 4.30% to 5.90% interest payable semiannually, principal due through 2037	7,685	10,080

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 5 - Bonds Payable (continued)**

Single Family Mortgage Programs	2015	2014
2006 Series C - 4.35% to 6.15% interest payable semiannually, principal due through 2037	\$ 8,410	\$ 11,290
2006 Series D - 4.50% to 6.00% interest payable semiannually, principal due through 2037	7,620	9,555
2006 Series E - 4.60% to 6.05% interest payable semiannually, principal due through 2038	6,945	9,105
2006 Series F - 4.70% to 6.15% interest payable semiannually, principal due through 2038	11,260	13,830
2007 Series A - 4.625% to 5.75% interest payable semiannually, principal due through 2038	7,850	9,605
2007 Series B - 3.90% to 5.30% interest payable semiannually, principal due through 2039	18,445	24,310
2007 Series C - 4.875% to 5.92% interest payable semiannually, principal due through 2039	10,555	13,215
2007 Series D - 5.00% to 6.27% interest payable semiannually, principal due through 2039	14,200	16,940
2007 Series E - 4.90% to 6.35% interest payable semiannually, principal due through 2039	15,145	18,770
2008 Series A - 4.05% to 5.60% interest payable semiannually, principal due through 2039	12,805	15,115
2008 Series B - 5.00% to 6.375% interest payable semiannually, principal due through 2039	8,160	9,630
2008 Series C - 5.00% to 6.95% interest payable semiannually, principal due through 2039	5,860	7,275
2008 Series D - 4.00% to 5.50% interest payable semiannually, principal due through 2039	14,620	16,700
2009 Series A - 3.70% to 6.00% interest payable semiannually, principal due through 2039	8,650	10,240
2009 Series B - 3.35% to 5.65% interest payable semiannually, principal due through 2039	19,845	24,215
2009 Series C - 3.70% to 5.70% interest payable semiannually, principal due through 2040	24,565	28,425
2009 Series D - 3.20% to 5.35% interest payable semiannually, principal due through 2040	21,345	25,505
2009 Series E - 3.40% to 5.30% interest payable semiannually, principal due through 2040	20,970	26,030
2010 Series A - 3.01% to 4.625% interest payable semiannually, principal due through 2040	40,165	45,140
2011 Series A - 5.00% to 5.35% interest payable semiannually, principal due through 2030	17,230	47,960
2011 Series B - 2.77% to 5.00% interest payable semiannually, principal due through 2041	24,750	28,550
2011 Series C - 2.32% to 4.625% interest payable semiannually, principal due through 2041	30,875	35,955
2012 Series A - 1.20% to 4.25% interest payable semiannually, principal due through 2043	29,525	33,105



**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Bonds Payable (continued)**

Single Family Mortgage Programs	2015	2014
2012 Series B - 1.40% to 3.90% interest payable semiannually, principal due through 2043	\$ 44,735	\$ 49,765
2013 Series A - 2.6% interest payable semiannually, principal due through 2043	19,431	21,790
2013 Series B - 2.23% to 2.85% interest payable semiannually, principal due through 2043	27,027	31,313
2013 Series C - 4.50% interest payable semiannually, principal due through 2043	27,797	29,242
2014 Series A - 0.85% to 5.00% interest payable semiannually, principal due through 2044	13,155	14,445
2014 Series B - 2.75% interest payable semiannually, principal due through 2035	9,991	11,957
2015 Series A - 0.25% to 4.00% interest payable semiannually, principal due through 2045	34,635	-
2015 Series B - 2.75% interest payable semiannually, principal due through 2035	6,812	-
2015 Series C - 3.00% interest payable semiannually, principal due through 2041	24,640	-
2015 Series D - 3.125% interest payable semiannually, principal due through 2037	13,741	-
Subtotal	618,834	689,737
Unaccreted premium, net of underwriters' discount	11,934	14,669
Subtotal single family mortgage programs, net bonds payable	\$ 630,768	\$ 704,406

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Bonds Payable (continued)**

Rental Housing Mortgage Programs	2015	2014
2002 Series A&B Multi Family Risk Sharing – Sandpiper – 5.40% to 6.75% interest payable semiannually, principal due through 2038	\$ 8,595	\$ 8,770
2003 Series A&B Multi Family Risk Sharing – Aztec – 5.10% to 5.35% interest payable semiannually, principal due through 2038	8,120	8,290
2004 Series A&B Multi Family Risk Sharing – NM5 – 5.05% to 5.20% interest payable semiannually, principal due through 2039	7,875	8,030
2004 Series C&D Multi Family Risk Sharing – Alta Vista – 5.25% to 6.00% interest payable semiannually, principal due through 2039	11,095	11,290
2004 Series F & G Multi Family Risk Sharing – Arioso – 4.95% to 5.85% interest payable semiannually, principal due through 2040	9,910	10,090
2005 Series A & B Multi Family Risk Sharing – Las Palomas – 4.70% to 4.98% interest payable semiannually, principal due through 2040	10,610	10,805
2005 Series C & D Multi Family Risk Sharing – Chateau – 4.70% interest payable semiannually, principal due through 2040	3,680	3,750
2005 Series E & F Multi Family Risk Sharing – Sun Pointe – 4.80% to 5.06% interest payable semiannually, principal due through 2040	11,685	11,900
2007 A & B Multi Family Risk Sharing – St. Anthony – 5.05% to 5.25% interest payable semiannually, principal due through 2042	5,440	13,343
2007 C & D Multi Family – NM Rainbow 7 – 5.85% to 10.00% interest payable semiannually, principal due through 2043	13,192	5,520
2008 A & B Multi Family – Villas de San Ignacio variable interest rate * 0.02% to 0.48% at September 30, 2014 payable monthly, principal due through 2043	8,520	8,520
2010 A & B Multi Family Risk Sharing – Villa Alegre Senior Housing – 5% interest payable semiannually, principal due through 2047	870	880
2012 A Multi Family – Gallup Apartments – 5% interest payable semiannually, principal due through 2049	4,924	4,979
2014 A Multi-Family - Santa Fe Living - 2.6875% to 2.750% interest payable semiannually, principal due through 2017	2,516	-
Subtotal	<u>107,032</u>	<u>106,167</u>
Unaccreted premium	156	173
Subtotal rental housing mortgage programs, net bonds payable	<u>\$ 107,188</u>	<u>\$ 106,340</u>

\* Determined on a weekly basis until adjusted to reset rates or fixed rates

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 5 - Bonds Payable (continued)**

Capital Debt	2015	2014
2005 General Revenue Office Building Refunding Bonds – 3.750% to 4.375% interest payable semiannually, principal due through 2026	\$ -	\$ 1,885
Unamortized discount	-	(70)
Subtotal net capital bonds payable	-	1,815
Total bonds payable	725,866	797,789
Total unaccreted premium, net of unamortized discount	12,090	14,772
Total bonds payable, net	\$ 737,956	\$ 812,561

The 2005 General Revenue Office Building Refunding Bonds were called on September 1, 2015.

In November 2005 the Authority began issuing single family mortgage program bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bond issues under this indenture are 2005D through 2009E and 2012A through 2015D. The bonds are secured, as described in the General Indenture and the applicable amended and supplemented Series Indenture, by the revenues, moneys, investments, mortgage loans, MBSs and other assets in the accounts established under the General Indenture and each Series Indenture.

Prior to November 2005, the Authority issued bonds under separate Trust Indentures. The bonds were secured as described in each Trust Indenture by the revenues, moneys, investments, mortgage loans, MBSs and other assets in the accounts established by each respective Trust Indenture. As of September 30, 2015, all single family stand-alone bond indentures have been paid off.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2015 and 2014 were pooled and packaged as mortgage loan pass-through certificates insured by Ginnie Mae or Fannie Mae.

In December 2009, the Authority entered into a General Indenture of Trust dated December 1, 2009 to accommodate those bonds issued under the New Issue Bond Program (the “NIBP Program”) which was developed by the US Treasury in conjunction with Fannie Mae and Freddie Mac. On December 23, 2009, The Authority issued 2009 Series Bonds (GSE Escrow Bond Purchase Program) in the amount of \$155 million. The interest on the GSE Escrow Bond Purchase Program was a variable rate that produces an interest payment equal to investment earnings. The bonds were placed with Fannie Mae and Freddie Mac with bond proceeds being held in an escrow at US Bank National Association. The purpose of the escrow issue was to store private activity volume cap. The escrow bonds could then be rolled out into a maximum of six bond issues to provide funds to originate mortgage loans with all rollouts being initiated by December 31, 2011.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

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**Note 5 - Bonds Payable (continued)**

During fiscal year 2015, the Authority continued to issue bonds under the General Indenture of Trust Dated November 1, 2005 as follows:

- \$35.0 million Single Family Mortgage Program Class I Bonds, 2015 Series A (Tax-Exempt).
- \$7.2 million Single Family Mortgage Program Class I Bonds, 2015 Series B (MBS Pass-Through Program) (Federally Taxable) combined with funds in the trust estates, were used to fully refund the Single Family Mortgage Program Bonds 2005 Series A and 2005 Series B. The Authority will realize a \$1.7 million positive cash flow from this current refunding and an economic gain of approximately \$1.5 million.
- \$25.7 million Single Family Mortgage Program Class I Bonds, 2015 Series C (Federally Taxable) combined with funds in the trust estate were used to fully refund the Single Family Mortgage Program Bonds 2009 GSE Series B Bonds. The Authority will realize a \$2.9 million positive cash flow from this current refunding and an economic gain of approximately \$2.0 million.
- \$13.8 million Single Family Mortgage Program Class I Bonds, 2015 Series D (MBS Pass-Through Program) (Federally Taxable) combined with funds in the trust estates were used to fully refund the Single Family Mortgage Program Bonds 2005 Series C and 2005 Series D. The Authority will realize a \$2.5 million positive cash flow from this current refunding and an economic gain of approximately \$2.2 million.

During fiscal year 2014, the Authority issued bonds under the General Indenture of Trust dated November 1, 2005 as follows:

- \$15.5 million Single Family Mortgage Program Class I Bonds, 2014 Series A Bonds (non-AMT)
- \$12.5 million Single Family Mortgage Program Class I Bonds, 2014 Series B (MBS Pass-Through Program) (Federally Taxable) combined with funds in the trust estates, Authority General Fund and funds from the 2005 Master Indenture Surplus Account were used to fully refund the Single Family Mortgage Program Bonds 2004 Series B through 2004 Series E. The Authority realized a \$2 million positive cash flow from this current refunding and an economic gain of approximately \$2.4 million.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 6 - Notes Payable**

Notes payable at September 30, 2015 and 2014 consist of the following (in thousands):

	2015	2014
July 2005 Wells Fargo note bearing interest at 2.00% through August 2016 and thereafter the greater of 6.00% or the U.S. Treasury rate minus 3.50% until the loan is fully paid	\$ 650	\$ 650
November 2011 Wells Fargo note bearing interest at 2.00% through November 2021	850	850
January 2012 USDA Preservation Revolving Loan Fund (PRLF) note bearing interest at 1.00% through January 2042.	2,000	1,000
December 2013 NM Small Business Investment Corporation Note bearing interest at 2.00% through November 2018.	512	-
	\$ 4,012	\$ 2,500

The borrowings were made to raise capital to help fund the Primero Loan Program that provides loans for nonprofit, public, or tribal agency sponsored affordable projects.

**Note 7 - Debt Service Requirements**

A summary of bond and note debt service requirements as of September 30, 2015 is as follows (in thousands):

	Bonds Payable		Notes Payable	
	Interest	Principal	Interest	Principal
Year(s) ending September 30:				
2016	\$ 30,754	\$ 13,837	\$ 61	\$ 724
2017	30,193	16,581	46	74
2018	29,554	14,774	46	74
2019	28,884	15,343	39	587
2020	28,282	16,122	34	74
2021-2025	129,417	92,790	115	1,221
2026-2030	103,365	132,032	55	370
2031-2035	72,905	148,465	37	370
2036-2040	36,581	147,471	18	370
2041-2045	10,371	127,382	2	148
2046-2049	96	1,069	-	-
	500,402	725,866	453	4,012
Net unaccreted premium	-	12,090	-	-
	\$ 500,402	\$ 737,956	\$ 453	\$ 4,012

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 8 – Accounts Payable and Accrued Expenses**

At September 30, accounts payable and accrued expenses consist of the following:

	<u>2015</u>	<u>2014</u>
Vendor	\$ 3,178	\$ 2,981
Employee benefits	284	216
Advances on revenue	1,339	2,064
	<u>\$ 4,801</u>	<u>\$ 5,261</u>

**Note 9 – Noncurrent Liabilities and Compensated Absences**

A summary of noncurrent liability and compensated absence activity for the years ended September 30, 2015 and 2014 is as follows (in thousands):

	<u>October 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2015</u>	<u>Current Portion</u>
Bonds payable, net	\$ 812,561	\$ 86,465	\$ (161,070)	\$ 737,956	\$ 13,837
Note payable	2,500	1,512	-	4,012	724
Accrued arbitrage rebate	82	3	-	85	-
Other noncurrent liabilities	237	9	-	246	-
Compensated absences	356	365	(363)	358	358
	<u>\$ 815,736</u>	<u>\$ 88,354</u>	<u>\$ (161,433)</u>	<u>\$ 742,657</u>	<u>\$ 14,919</u>
	<u>October 1, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2014</u>	<u>Current Portion</u>
Bonds payable, net	\$ 953,689	\$ 32,017	\$ (173,145)	\$ 812,561	\$ 14,691
Note payable	1,500	1,000	-	2,500	-
Accrued arbitrage rebate	78	4	-	82	-
Other noncurrent liabilities	231	6	-	237	-
Compensated absences	326	381	(351)	356	356
	<u>\$ 955,824</u>	<u>\$ 33,408</u>	<u>\$ (173,496)</u>	<u>\$ 815,736</u>	<u>\$ 15,047</u>

**Note 10 – Litigation**

The Authority is involved in litigation arising in the ordinary course of business. Management believes the ultimate outcome of any litigation will not result in a material adverse impact on the Authority's financial statements.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 11 – Employee Benefit Plan**

The Authority sponsors the New Mexico Mortgage Finance Authority 401(k) Plan (Benefit Plan). The Benefit Plan is a defined-contribution 401(k) and 457(b) plan, which covers substantially all of the Authority’s employees. Participating employees may make voluntary contributions of not less than 3% of the participating employee’s annual salary. If the employee makes the minimum 3% voluntary employee contribution, the Authority will make a matching contribution equal to 5% of the participating employee’s salary. In addition to the matching contribution, the Authority makes a fixed annual contribution equal to 11% of each participating employee’s salary regardless of whether or not the participant makes a voluntary contribution. Plan participants become fully vested in the Authority’s contributions after five years of service. The Authority’s and employees’ contributions to the Benefit Plan were approximately \$583,000 and \$222,000, respectively, for the year ended September 30, 2015. The Authority’s and employees’ contributions to the Benefit Plan were approximately \$592,000 and \$227,000, respectively, for the year ended September 30, 2014. The Executive Director, Human Resources Manager, and Deputy Director of Finance and Administration have the authority to amend the plans.

**Note 12 – Board-Designated Net Position**

The board of directors of the Authority has the discretion to reverse any board-designated net position. The board of directors of the Authority designated the following amounts as of September 30, 2015 and 2014 (in thousands):

	2015	2014
Single family and multifamily programs as designated by the board	\$ 20,095	\$ 17,548
Future general operating budget, year-end September 30, 2016	12,070	11,200
Housing Opportunity Fund	85,028	83,128
Risk-sharing loss exposure	11,382	11,326
Federal and state housing programs administered by the Authority	10,423	9,275
Total board-designated net position	\$ 138,998	\$ 132,477

**Note 13 – Commitments and Contingencies**

The Authority entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development (HUD) under Section 542(c) of the Housing and Community Development Act of 1992, whereby HUD and the Authority provide credit enhancements for third party multifamily housing project loans. HUD has assumed 90% of the risk and the Authority guarantees the remaining 10% risk of loss in the event of default on specific loans. As of September 30, 2015 and 2014, the Authority is committed to assume a risk of approximately \$12,185,000 and \$12,264,000 for the 49 and 49 loans closed, respectively. These loans are considered in the Authority’s assessment for the allowance for mortgage loan losses. As of September 30, 2015, of the 49 loans closed, 13 of the loans are not included in the Authority’s financial statements because they are 100% participations with the AFL-CIO and

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 13 - Commitments and Contingencies (continued)**

Fannie Mae. Of the \$12,185,000 risk assumed as of September 30, 2015, the Authority's assumed risk approximated \$2,100,000 for these off balance sheet loans. The end dates for the guarantees range from 2027 - 2052. In situations where the Authority is called upon to honor its guarantee, the Authority will take possession of and sell the loan collateral. HUD and the Authority will make up any shortfall resulting from the sale of the collateral on a 90%/10% prorata basis.

The Authority also entered into a risk-sharing agreement with the U.S. Department of Agriculture under Section 538 Rural Rental Housing Guaranteed Loan Program. The Rural Housing Service (RHS), Department of Agriculture (USDA) provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority as of September 30, 2015. As of September 30, 2015 and 2014, the Authority is committed to assume a risk of approximately \$117,000 and \$119,000 for the one loan closed, respectively.

The Authority participates in a number of federal financial assistance programs. These programs are subject to independent financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies has not been determined at this time, although the Authority expects such amount, if any, to be immaterial.

On June 27, 2007 the Board of Directors approved the write off of two HOME loans: Mesa Grande Apts. Ltd. for \$209,000 and Sunrise Homes Apts. Ltd. for \$229,000. Based on the information available as of September 30, 2015, Management has determined that it is probable that MFA has incurred a contingent liability of \$438,000 for the balance of the loans, which may be payable to HUD for non-compliance with the affordability requirement. The reserve for contingent liability is included in Net Position as of September 30, 2015.

On September 30, 2014 Management approved a reserve for contingent liability for Home for Women and Children for \$19,000. Management has determined that it is probable that MFA has incurred a contingent liability under the 2012 Emergency Solutions Grant, which may be payable to HUD for unsupported expenditures. The reserve for contingent liability is included in Net Position as of September 30, 2015.

**Note 14 - Risk Management**

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance to cover losses to which it may be exposed.



**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 15 - Joint Powers Agreements and Memorandums of Understanding**

The Authority has entered into nine joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2015, these JPAs and MOUs were as follows:

- (a) The Authority entered into a JPA with the State Investment Council (SIC) in January 2006. The purpose of the agreement is to establish a relationship under which SIC will act as the investment manager of the Authority's funds. The JPA was effective January 1, 2006 and will continue in force until terminated by the parties.
- (b) The Authority entered into a JPA with Department of Finance and Administration (DFA) in April 2009, which was amended June 2009, March 2010, June 2010, June 2013, December 2013, and July 2014. The purpose of the agreement is for the implementation and administration of a subgrant of the HUD Neighborhood Stabilization Program grant. The Authority has the responsibility for program operations. The JPA was effective April 23, 2009 and terminated June 20, 2015. The maximum amount to be reimbursed under the JPA is \$15,148,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.
- (c) The Authority entered into a MOU with the New Mexico Attorney General in November 2012, which was amended December 2013 and June 2015. The purpose of this agreement is for the Attorney General to transfer funds to the Authority for the purpose of implementing a statewide program to provide comprehensive help to NM homeowners who are in danger of losing their home to foreclosure. The MOU was effective November 9, 2012, and will terminate June 30, 2016. The estimated amount of the project is \$8,749,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this MOU.
- (d) The Authority entered into a JPA with DFA in March 2014. The purpose of this agreement is to set forth the roles and responsibilities of the parties with respect to funding in connection with preparation of the Consolidated Plan and the Annual Plan. The JPA was effective March 18, 2014, and terminated March 18, 2015. The estimated amount of the project is \$75,000, all of which is applicable to the Authority. The Authority contributed funds to this project. The Authority is responsible for the audit of the funds received under this JPA.
- (e) The Authority entered into a JPA with DFA in September 2014. The purpose of this agreement is for DFA to transfer funds to the Authority for oversight of the Affordable Housing Act. The JPA was effective July 1, 2014, and terminated June 30, 2015. The estimated amount of the project is \$250,000, all of which is applicable to the Authority. The funds are subject to reversion to the State general fund. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 15 - Joint Powers Agreements and Memorandums of Understanding (continued)**

- (f) The Authority entered into a JPA with DFA in October 2014. The purpose of this agreement is for DFA to transfer funds to the Authority for the purpose of carrying out the provisions of the Housing Trust Fund Act. The JPA was effective July 1, 2014, and terminated June 30, 2015. The estimated amount of the project is \$500,000, all of which is applicable to the Authority. The funds are subject to reversion to the State general fund. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.
- (g) The Authority entered into a JPA with DFA in October 2014. The purpose of this agreement is for DFA to transfer funds to the Authority to provide oversight to regional housing authorities. The JPA was effective July 1, 2014, and terminated June 30, 2015. The estimated amount of the project is \$199,500, all of which is applicable to the Authority. The funds are subject to reversion to the State general fund. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.
- (h) The Authority entered into a JPA with DFA in August 2015. The purpose of this agreement is for DFA to transfer funds to the Authority to provide oversight to regional housing authorities. The JPA was effective July 1, 2015, and will terminate June 30, 2016. The estimated amount of the project is \$199,500, all of which is applicable to the Authority. The funds are subject to reversion to the State general fund. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.
- (i) The Authority entered into a JPA with DFA in September 2015. The purpose of this agreement is for DFA to transfer funds to the Authority for oversight of the Affordable Housing Act. The JPA was effective July 1, 2015, and will terminate June 30, 2016. The estimated amount of the project is \$250,000, all of which is applicable to the Authority. The funds are subject to reversion to the State general fund. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

**Note 16 - Related-Party Transactions**

In September 2007, the Authority's board of directors approved the creation of the New Mexico Affordable Housing Charitable Trust, a 501(c)3 entity. The purpose of the Trust is to support the purposes and programs of the Authority, to seek gifts and grants of property, to borrow money, and to lend, lease, sell, exchange or otherwise transfer or distribute property for affordable housing. The Trust is governed by the Authority's board of directors. The Authority supports the ongoing operations of the Trust with an annual contribution in the amount of the cost of operations. During fiscal years 2015 and 2014, the Authority incurred \$5,300 and \$2,500 respectively on behalf of the Trust. The Authority also made an in-kind contribution to the Trust in the same amount in order to forgive the amount incurred. As of September 30, 2015 and September 30, 2014, there were no balances due to/from the Trust.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

---

**Note 17 – Escrow Deposits and Development Reserves – Restatement**

The escrow deposits represent balances of receipts from single family program homeowners and multifamily program developers for anticipated payments of real estate taxes, property insurance and mortgage insurance. Development reserves represent operating reserves for repairs and replacement, property improvements, supportive services and potential operating deficits experienced by rental housing program developments. The accounts are individually insured.

The Authority included a prior period adjustment for escrow deposits of \$10,712,000 to the Statement of Net Position as restricted cash and a payable to external parties as of October 1, 2014, as the disclosure was not previously included on the Statement of Net Position for September 30, 2014. This adjustment had no effect on the Statements of Revenues, Expenses, and Changes in Net Position for the year ended September 30, 2014. The following table illustrates the changes in the Statement of Net Position previously reported and as restated (in thousands):

	<u>Statement of Net Position as of September 30, 2014</u>	
	<u>Previously Reported</u>	<u>As Restated</u>
Restricted Cash	\$ -	\$ 10,712
Escrow accounts due to borrower	-	10,712

**Note 18 – Segment Financial Information**

The Authority issues separate revenue bonds to finance the single family and rental housing mortgage financing programs. The investors in those bonds rely solely on the revenue generated by the individual activities for repayment. Summary of financial information for each bond indenture is presented on the following pages. Management expects to be able to securitize single family mortgage loans to maturity with no funding requirement necessary from the Authority. The deficits in rental housing programs' net position restricted for debt service are primarily attributable to balances that will amortize over the life of the loan, which are not expected to result in long-term deficiencies in these funds.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 - Segment Financial Information (continued)**

**September 30, 2015**  
**(In Thousands)**

Statement of Net Position	Single Family Mortgage Programs						
	1994 Series A	2000 Second Mortgage Series F	2002 Series E	2002 Series F	2003 Series A	2003 Series E	2004 Series A
<b>Assets</b>							
Current assets:							
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted investments, net	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-
Intra-entity receivable (payable)	-	-	-	-	-	-	-
Total current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent assets:							
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Restricted investments and reserve funds, net	-	-	-	-	-	-	-
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	-	-	-	-	-	-	-
Unrealized gain on securitized mortgage loans	-	-	-	-	-	-	-
Total restricted securitized mortgage loans, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted mortgage loans, net	-	-	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred outflows:							
Refundings of debt	-	-	-	-	-	-	-
Total assets & deferred outflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities and Net Position</b>							
Current liabilities:							
Accrued interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and other accrued expenses	-	-	-	-	-	-	-
Current portion of bonds payable	-	-	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:							
Bonds payable, net	-	-	-	-	-	-	-
Accrued arbitrage rebate	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position restricted for debt service	-	-	-	-	-	-	-
Total liabilities and net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Statement of Net Position	Single Family Mortgage Programs						
	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C
<b>Assets</b>							
Current assets:							
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted investments, net	-	-	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-	-	-
Other current assets	-	-	-	-	-	-	-
Intra-entity receivable (payable)	-	-	-	-	-	-	-
Total current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent assets:							
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Restricted investments and reserve funds, net	-	-	-	-	-	-	-
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	-	-	-	-	-	-	-
Unrealized gain on securitized mortgage loans	-	-	-	-	-	-	-
Total restricted securitized mortgage loans, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted mortgage loans, net	-	-	-	-	-	-	-
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred outflows:							
Refundings of debt	-	-	-	-	-	-	-
Total assets & deferred outflows	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Liabilities and Net Position</b>							
Current liabilities:							
Accrued interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable and other accrued expenses	-	-	-	-	-	-	-
Current portion of bonds payable	-	-	-	-	-	-	-
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Noncurrent liabilities:							
Bonds payable, net	-	-	-	-	-	-	-
Accrued arbitrage rebate	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position restricted for debt service	-	-	-	-	-	-	-
Total liabilities and net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 - Segment Financial Information (continued)**

September 30, 2015  
(In Thousands)

Statement of Net Position	Single Family Mortgage Programs		
	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
<b>Assets</b>			
Current assets:			
Restricted cash and cash equivalents	\$ 9,280	\$ 2,800	\$ 12,080
Restricted investments, net	-	-	-
Accrued interest receivable	1,998	482	2,480
Other current assets	-	-	-
Intra-entity receivable (payable)	(295)	(32)	(327)
Total current assets	<u>10,983</u>	<u>3,250</u>	<u>14,233</u>
Noncurrent assets:			
Restricted cash and cash equivalents	13,851	1,008	14,859
Restricted investments and reserve funds, net	-	-	-
Restricted securitized mortgage loans, net:			
Securitized mortgage loans, net cost	503,147	138,297	641,444
Unrealized gain on securitized mortgage loans	33,712	8,578	42,290
Total restricted securitized mortgage loans, net	<u>536,859</u>	<u>146,875</u>	<u>683,734</u>
Restricted mortgage loans, net	-	-	-
Total noncurrent assets	<u>550,710</u>	<u>147,883</u>	<u>698,593</u>
Total assets	<u>561,693</u>	<u>151,133</u>	<u>712,826</u>
Deferred outflows:			
Refundings of debt	1,155	-	1,155
Total assets & deferred outflows	<u>\$ 562,848</u>	<u>\$ 151,133</u>	<u>\$ 713,981</u>
<b>Liabilities and Net Position</b>			
Current liabilities:			
Accrued interest payable	\$ 3,134	\$ 409	\$ 3,543
Accounts payable and other accrued expenses	7	7	14
Current portion of bonds payable	9,280	2,800	12,080
Total current liabilities	<u>12,421</u>	<u>3,216</u>	<u>15,637</u>
Noncurrent liabilities:			
Bonds payable, net	481,819	136,869	618,688
Accrued arbitrage rebate	85	-	85
Total noncurrent liabilities	<u>481,904</u>	<u>136,869</u>	<u>618,773</u>
Total liabilities	<u>494,325</u>	<u>140,085</u>	<u>634,410</u>
Net position restricted for debt service	68,523	11,048	79,571
Total liabilities and net position	<u>\$ 562,848</u>	<u>\$ 151,133</u>	<u>\$ 713,981</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 – Segment Financial Information (continued)**

**September 30, 2015**  
**(In Thousands)**

Statements of Revenues, Expenses, and Changes in Net Position	Single Family Mortgage Programs						
	1994 Series A	2000 Second Mortgage Series F	2002 Series E	2002 Series F	2003 Series A	2003 Series E	2004 Series A
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on securities and temporary investments	-	-	-	-	-	-	-
Gain (loss) asset sale	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	(17)	-	-	-	-	-	-
Loan and commitment fees	-	-	-	-	-	-	-
Administrative fees and other	-	-	-	-	-	-	-
Total operating revenues	(13)	-	-	-	-	-	-
Operating expenses:							
Interest	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-
Administrative fees and other	1	-	-	-	-	-	-
Total operating expenses	1	-	-	-	-	-	-
Operating income (loss)	(14)	-	-	-	-	-	-
Other financing sources (uses) – operating transfers	(335)	-	-	-	-	-	-
Change in net position	(349)	-	-	-	-	-	-
Total net position – beginning	349	-	-	-	-	-	-
Total net position – ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Condensed Statements of Cash Flows</b>							
Net cash provided by (used in):							
Operating activities	\$ (71)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Noncapital financing activities	(16)	-	-	-	-	-	-
Investing activities	-	-	-	-	-	-	-
Net increase (decrease)	(87)	-	-	-	-	-	-
Cash and cash equivalents, beginning of year	87	-	-	-	-	-	-
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Statements of Revenues, Expenses, and Changes in Net Position	Single Family Mortgage Programs						
	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ -	\$ -	\$ -	\$ -	\$ 107	\$ 120	\$ 132
Interest on securities and temporary investments	-	-	-	-	-	7	8
Gain (loss) asset sale	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	-	-	-	-	(478)	(625)	(440)
Loan and commitment fees	-	-	-	-	-	-	-
Administrative fees and other	-	-	-	-	(6)	-	(13)
Total operating revenues	-	-	-	-	(377)	(498)	(313)
Operating expenses:							
Interest	-	-	-	-	125	138	235
Bond issuance costs	-	-	-	-	-	-	-
Administrative fees and other	-	-	-	-	2	1	2
Total operating expenses	-	-	-	-	127	139	237
Operating income (loss)	-	-	-	-	(504)	(637)	(550)
Other financing sources (uses) – operating transfers	-	-	-	-	(127)	(437)	(447)
Change in net position	-	-	-	-	(631)	(1,074)	(997)
Total net position – beginning	-	-	-	-	631	1,074	997
Total net position – ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Condensed Statements of Cash Flows</b>							
Net cash provided by (used in):							
Operating activities	\$ -	\$ -	\$ -	\$ -	\$ 5,908	\$ 6,398	\$ 6,740
Noncapital financing activities	-	-	-	-	(6,043)	(6,985)	(7,044)
Investing activities	-	-	-	-	-	11	8
Net increase (decrease)	-	-	-	-	(135)	(576)	(296)
Cash and cash equivalents, beginning of year	-	-	-	-	135	576	296
Cash and cash equivalents, end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 - Segment Financial Information (continued)**

September 30, 2015  
(In Thousands)

<b>Statements of Revenues, Expenses, and Changes in Net Position</b>	Single Family Mortgage Programs		
	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	\$ 22,134	\$ 5,630	\$ 28,127
Interest on securities and temporary investments	572	2	589
Gain (loss) asset sale	-	-	-
Net increase (decrease) in fair value of investments	119	713	(728)
Loan and commitment fees	348	-	348
Administrative fees and other	(1,803)	(360)	(2,182)
Total operating revenues	<u>21,370</u>	<u>5,985</u>	<u>26,154</u>
Operating expenses:			
Interest	19,538	4,746	24,782
Bond issuance costs	716	294	1,010
Administrative fees and other	179	24	209
Total operating expenses	<u>20,433</u>	<u>5,064</u>	<u>26,001</u>
Operating income (loss)	937	921	153
Other financing sources (uses) - operating transfers	(2,098)	(969)	(4,413)
Change in net position	(1,161)	(48)	(4,260)
Total net position - beginning	69,684	11,096	83,831
Total net position - ending	<u>\$ 68,523</u>	<u>\$ 11,048</u>	<u>\$ 79,571</u>
<b>Condensed Statements of Cash Flows</b>			
Net cash provided by (used in):			
Operating activities	\$ 49,021	\$ 24,816	\$ 92,812
Noncapital financing activities	(54,465)	(25,677)	(100,230)
Investing activities	606	2	627
Net increase (decrease)	(4,838)	(859)	(6,791)
Cash and cash equivalents, beginning of year	27,969	4,667	33,730
Cash and cash equivalents, end of year	<u>\$ 23,131</u>	<u>\$ 3,808</u>	<u>\$ 26,939</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 – Segment Financial Information (continued)**

**September 30, 2015**  
**(In Thousands)**

Statement of Net Position	Rental Housing Mortgage Programs						
	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D	2004 Series F, G	2005 Series A, B	2005 Series C, D
<b>Assets</b>							
Current assets:							
Restricted cash and cash equivalents	\$ 190	\$ 180	\$ 165	\$ 210	\$ 190	\$ 205	\$ 75
Accrued interest receivable	45	36	35	49	43	46	14
Other current assets	-	-	-	-	-	-	-
Intra-entity receivable (payable)	-	-	-	-	-	-	-
Total current assets	<u>235</u>	<u>216</u>	<u>200</u>	<u>259</u>	<u>233</u>	<u>251</u>	<u>89</u>
Noncurrent assets:							
Restricted cash and cash equivalents	389	228	296	338	310	484	85
Note receivable	-	-	-	-	-	-	-
Restricted securitized mortgage loans, net:	-	-	-	-	-	-	-
Securitized mortgage loans, net cost	-	-	-	-	-	-	-
Unrealized gain securitized mortgage loans	-	-	-	-	-	-	-
Total restricted securitized mortgage loans, net	-	-	-	-	-	-	-
Restricted mortgage loans, net	7,972	7,596	7,610	10,566	9,555	9,858	3,474
Total noncurrent assets	<u>8,361</u>	<u>7,824</u>	<u>7,906</u>	<u>10,904</u>	<u>9,865</u>	<u>10,342</u>	<u>3,559</u>
Total assets	<u>8,596</u>	<u>8,040</u>	<u>8,106</u>	<u>11,163</u>	<u>10,098</u>	<u>10,593</u>	<u>3,648</u>
Deferred outflows:							
Refundings of debt	-	-	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 8,596</u>	<u>\$ 8,040</u>	<u>\$ 8,106</u>	<u>\$ 11,163</u>	<u>\$ 10,098</u>	<u>\$ 10,593</u>	<u>\$ 3,648</u>
<b>Liabilities and Net Position</b>							
Current liabilities:							
Accrued interest payable	\$ 124	\$ 35	\$ 33	\$ 50	\$ 43	\$ 44	\$ 14
Accounts payable and other accrued expenses	-	-	1	-	-	-	-
Current portion of bonds payable	190	180	165	210	190	205	75
Total current liabilities	<u>314</u>	<u>215</u>	<u>199</u>	<u>260</u>	<u>233</u>	<u>249</u>	<u>89</u>
Noncurrent liabilities:							
Bonds payable, net	8,502	7,940	7,710	10,885	9,720	10,405	3,620
Accrued arbitrage rebate	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>8,502</u>	<u>7,940</u>	<u>7,710</u>	<u>10,885</u>	<u>9,720</u>	<u>10,405</u>	<u>3,620</u>
Total liabilities	<u>8,816</u>	<u>8,155</u>	<u>7,909</u>	<u>11,145</u>	<u>9,953</u>	<u>10,654</u>	<u>3,709</u>
Net position restricted for debt service	(220)	(115)	197	18	145	(61)	(61)
Total liabilities and net position	<u>\$ 8,596</u>	<u>\$ 8,040</u>	<u>\$ 8,106</u>	<u>\$ 11,163</u>	<u>\$ 10,098</u>	<u>\$ 10,593</u>	<u>\$ 3,648</u>

Statement of Net Position	Rental Housing Mortgage Programs							Total Rental Housing Mortgage Programs
	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B	2010 Series A, B	2012 Series A	2014 SF Living	
<b>Assets</b>								
Current assets:								
Restricted cash and cash equivalents	\$ 225	\$ 90	\$ 9	\$ -	\$ 10	\$ 1	\$ -	\$ 1,550
Accrued interest receivable	48	24	155	-	4	11	6	516
Other current assets	-	-	-	-	-	-	-	-
Intra-entity receivable (payable)	-	-	(7)	-	1	-	-	(6)
Total current assets	<u>273</u>	<u>114</u>	<u>157</u>	<u>-</u>	<u>15</u>	<u>12</u>	<u>6</u>	<u>2,060</u>
Noncurrent assets:								
Restricted cash and cash equivalents	289	172	-	-	41	-	-	2,632
Note receivable	-	-	-	-	-	-	-	-
Restricted securitized mortgage loans, net:	-	-	-	-	-	-	-	-
Securitized mortgage loans, net cost	-	-	-	-	-	-	-	-
Unrealized gain securitized mortgage loans	-	-	-	-	-	-	-	-
Total restricted securitized mortgage loans, net	-	-	-	-	-	-	-	-
Restricted mortgage loans, net	11,098	5,244	13,192	8,520	858	4,924	2,516	102,983
Total noncurrent assets	<u>11,387</u>	<u>5,416</u>	<u>13,192</u>	<u>8,520</u>	<u>899</u>	<u>4,924</u>	<u>2,516</u>	<u>105,615</u>
Total assets	<u>11,660</u>	<u>5,530</u>	<u>13,349</u>	<u>8,520</u>	<u>914</u>	<u>4,936</u>	<u>2,522</u>	<u>107,675</u>
Deferred outflows:								
Refundings of debt	-	-	-	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 11,660</u>	<u>\$ 5,530</u>	<u>\$ 13,349</u>	<u>\$ 8,520</u>	<u>\$ 914</u>	<u>\$ 4,936</u>	<u>\$ 2,522</u>	<u>\$ 107,675</u>
<b>Liabilities and Net Position</b>								
Current liabilities:								
Accrued interest payable	\$ 47	\$ 23	\$ 155	\$ -	\$ 4	\$ 11	\$ 6	\$ 589
Accounts payable and other accrued expenses	-	-	-	-	1	1	-	3
Current portion of bonds payable	225	90	160	-	10	57	-	1,757
Total current liabilities	<u>272</u>	<u>113</u>	<u>315</u>	<u>-</u>	<u>15</u>	<u>69</u>	<u>6</u>	<u>2,349</u>
Noncurrent liabilities:								
Bonds payable, net	11,499	5,373	13,032	8,520	842	4,867	2,516	105,431
Accrued arbitrage rebate	-	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>11,499</u>	<u>5,373</u>	<u>13,032</u>	<u>8,520</u>	<u>842</u>	<u>4,867</u>	<u>2,516</u>	<u>105,431</u>
Total liabilities	<u>11,771</u>	<u>5,486</u>	<u>13,347</u>	<u>8,520</u>	<u>857</u>	<u>4,936</u>	<u>2,522</u>	<u>107,780</u>
Net position restricted for debt service	(111)	44	2	-	57	-	-	(105)
Total liabilities and net position	<u>\$ 11,660</u>	<u>\$ 5,530</u>	<u>\$ 13,349</u>	<u>\$ 8,520</u>	<u>\$ 914</u>	<u>\$ 4,936</u>	<u>\$ 2,522</u>	<u>\$ 107,675</u>



**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 – Segment Financial Information (continued)**

**September 30, 2015**  
**(In Thousands)**

<b>Statements of Revenues, Expenses, and Changes in Net Position</b>	Rental Housing Mortgage Programs						
	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D	2004 Series F, G	2005 Series A, B	2005 Series C, D
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 494	\$ 419	\$ 397	\$ 582	\$ 510	\$ 535	\$ 173
Interest on securities and temporary investments	18	15	20	27	19	28	-
Net increase (decrease) in fair value of investments	-	-	-	-	-	-	-
Loan and commitment fees	-	-	-	-	-	-	-
Administrative fees and other	-	-	-	-	-	-	-
Total operating revenues	512	434	417	609	529	563	173
Operating expenses:							
Interest expense	488	423	409	606	520	530	174
Bond issuance costs	-	-	-	-	-	-	-
Provision (recovery) for loan losses	-	-	-	-	-	-	-
Administrative fees and other	81	79	2	(102)	(76)	266	(30)
Total operating expenses	569	502	411	504	444	796	144
Operating income (loss)	(57)	(68)	6	105	85	(233)	29
Other financing sources (uses) – operating transfers	-	-	-	-	-	-	-
Change in net position	(57)	(68)	6	105	85	(233)	29
Total net position – beginning (as restated)	(163)	(47)	191	(87)	60	172	(90)
Total net position – ending	\$ (220)	\$ (115)	\$ 197	\$ 18	\$ 145	\$ (61)	\$ (61)
<b>Condensed Statements of Cash Flows</b>							
Net cash provided by (used in):							
Operating activities	\$ 665	\$ 582	\$ 548	\$ 783	\$ 688	\$ 724	\$ 241
Noncapital financing activities	(680)	(594)	(564)	(802)	(701)	(725)	(246)
Investing activities	18	15	20	27	19	28	-
Net increase (decrease)	3	3	4	8	6	27	(5)
Cash and cash equivalents, beginning of year	576	405	457	540	494	662	165
Cash and cash equivalents, end of year	\$ 579	\$ 408	\$ 461	\$ 548	\$ 500	\$ 689	\$ 160

<b>Statements of Revenues, Expenses, and Changes in Net Position</b>	Rental Housing Mortgage Programs						SF Living 2014	Total Rental Housing Mortgage Programs
	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B	2010 Series A, B	2012 Series A		
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	\$ 565	\$ 284	\$ 859	\$ 6	\$ 45	\$ 251	\$ 32	\$ 5,152
Interest on securities and temporary investments	17	-	-	-	-	-	-	144
Net increase (decrease) in fair value of investments	-	-	-	-	-	-	-	-
Loan and commitment fees	-	-	-	-	-	-	-	-
Administrative fees and other	-	-	7	-	-	-	-	7
Total operating revenues	582	284	866	6	45	251	32	5,303
Operating expenses:								
Interest expense	572	284	859	6	45	251	32	5,199
Bond issuance costs	-	-	-	-	-	-	-	-
Provision (recovery) for loan losses	-	-	-	-	-	-	-	-
Administrative fees and other	(99)	2	2	-	-	-	-	125
Total operating expenses	473	286	861	6	45	251	32	5,324
Operating income (loss)	109	(2)	5	-	-	-	-	(21)
Other financing sources (uses) – operating transfers	-	-	-	-	-	-	-	-
Change in net position	109	(2)	5	-	-	-	-	(21)
Total net position – beginning	(220)	46	(3)	-	57	-	-	(84)
Total net position – ending	\$ (111)	\$ 44	\$ 2	\$ -	\$ 57	\$ -	\$ -	\$ (105)
<b>Condensed Statements of Cash Flows</b>								
Net cash provided by (used in):								
Operating activities	\$ 777	\$ 363	\$ 1,016	\$ 6	\$ 55	\$ 306	\$ (2,490)	\$ 4,264
Noncapital financing activities	(791)	(366)	(1,011)	(6)	(54)	(306)	2,490	(4,356)
Investing activities	17	-	-	-	-	-	-	144
Net increase (decrease)	3	(3)	5	-	1	-	-	52
Cash and cash equivalents, beginning of year	511	265	4	-	50	1	-	4,130
Cash and cash equivalents, end of year	\$ 514	\$ 262	\$ 9	\$ -	\$ 51	\$ 1	\$ -	\$ 4,182

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 – Segment Financial Information (continued)**

**September 30, 2014**  
**(In Thousands)**

Statement of Net Position	Single Family Mortgage Programs							
	1994 Series A	2004 Series B	2004 Series C	2001 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C
<b>Assets</b>								
Current assets:								
Restricted cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 135	\$ 170	\$ 160
Restricted investments, net	-	-	-	-	-	-	-	-
Accrued interest receivable	1	-	-	-	-	26	33	31
Other current assets	-	-	-	-	-	-	-	-
Intra-entity receivable (payable)	-	-	-	-	-	(3)	-	(4)
Total current assets	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158</u>	<u>203</u>	<u>187</u>
Noncurrent assets:								
Restricted cash and cash equivalents	87	-	-	-	-	-	406	136
Restricted investments and reserve funds, net	-	-	-	-	-	-	-	-
Restricted securitized mortgage loans, net:								
Securitized mortgage loans, net cost	259	-	-	-	-	5,913	6,688	7,043
Unrealized gain on securitized mortgage loans	17	-	-	-	-	478	625	440
Total restricted securitized mortgage loans, net	<u>276</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,391</u>	<u>7,313</u>	<u>7,483</u>
Restricted mortgage loans, net	-	-	-	-	-	-	-	-
Total noncurrent assets	<u>363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,391</u>	<u>7,719</u>	<u>7,619</u>
Total assets	<u>364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,549</u>	<u>7,922</u>	<u>7,806</u>
Deferred outflows:								
Refundings of debt	-	-	-	-	-	-	-	-
Total assets & deferred outflows	<u>\$ 364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,549</u>	<u>\$ 7,922</u>	<u>\$ 7,806</u>
<b>Liabilities and Net Position</b>								
Current liabilities:								
Accrued interest payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 73	\$ 87	\$ 84
Accounts payable and other accrued expenses	-	-	-	-	-	-	-	-
Current portion of bonds payable	-	-	-	-	-	140	170	160
Total current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213</u>	<u>257</u>	<u>244</u>
Noncurrent liabilities:								
Bonds payable, net	15	-	-	-	-	5,705	6,591	6,565
Accrued arbitrage rebate	-	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,705</u>	<u>6,591</u>	<u>6,565</u>
Total liabilities	<u>15</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,918</u>	<u>6,848</u>	<u>6,809</u>
Net position restricted for debt service	349	-	-	-	-	631	1,074	997
Total liabilities and net position	<u>\$ 364</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,549</u>	<u>\$ 7,922</u>	<u>\$ 7,806</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 - Segment Financial Information (continued)**

September 30, 2014  
(In Thousands)

Statement of Net Position	Single Family Mortgage Programs		
	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
<b>Assets</b>			
Current assets:			
Restricted cash and cash equivalents	\$ 9,475	\$ -	\$ 9,940
Restricted investments, net	-	-	-
Accrued interest receivable	2,204	555	2,850
Other current assets	-	-	-
Intra-entity receivable (payable)	(284)	(27)	(318)
Total current assets	<u>11,395</u>	<u>528</u>	<u>12,472</u>
Noncurrent assets:			
Restricted cash and cash equivalents	18,494	4,667	23,790
Restricted investments and reserve funds, net	-	-	-
Restricted securitized mortgage loans, net:			
Securitized mortgage loans, net cost	533,585	158,760	712,248
Unrealized gain on securitized mortgage loans	33,592	7,866	43,018
Total restricted securitized mortgage loans, net	<u>567,177</u>	<u>166,626</u>	<u>755,266</u>
Restricted mortgage loans, net	-	-	-
Total noncurrent assets	<u>585,671</u>	<u>171,293</u>	<u>779,056</u>
Total assets	<u>597,066</u>	<u>171,821</u>	<u>791,528</u>
Deferred outflows:			
Refundings of debt	1,301	-	1,301
Total assets & deferred outflows	<u>\$ 598,367</u>	<u>\$ 171,821</u>	<u>\$ 792,829</u>
<b>Liabilities and Net Position</b>			
Current liabilities:			
Accrued interest payable	\$ 3,765	\$ 484	\$ 4,493
Accounts payable and other accrued expenses	8	9	17
Current portion of bonds payable	9,475	2,970	12,915
Total current liabilities	<u>13,248</u>	<u>3,463</u>	<u>17,425</u>
Noncurrent liabilities:			
Bonds payable, net	515,353	157,262	691,491
Accrued arbitrage rebate	82	-	82
Total noncurrent liabilities	<u>515,435</u>	<u>157,262</u>	<u>691,573</u>
Total liabilities	<u>528,683</u>	<u>160,725</u>	<u>708,998</u>
Net position restricted for debt service	69,684	11,096	83,831
Total liabilities and net position	<u>\$ 598,367</u>	<u>\$ 171,821</u>	<u>\$ 792,829</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 – Segment Financial Information (continued)**

**September 30, 2014**  
**(In Thousands)**

	Single Family Mortgage Programs							
	1994 Series A	2004 Series B	2004 Series C	2004 Series D	2004 Series E	2005 Series A	2005 Series B	2005 Series C
<b>Statements of Revenues, Expenses, and Changes in Net Position</b>								
Operating revenues:								
Interest on mortgage loans and securitized mortgage loans	\$ 23	\$ 174	\$ 167	\$ 212	\$ 169	\$ 280	\$ 338	\$ 357
Interest on securities and temporary investments	-	11	18	18	-	-	21	15
Gain (loss) asset sale	-	-	-	-	-	-	-	-
Net increase (decrease) in fair value of investments	(14)	(387)	(399)	(497)	(415)	18	1	12
Loan and commitment fees	-	-	-	-	-	-	-	-
Administrative fees and other	-	(11)	(10)	(11)	(14)	(15)	-	(17)
Total operating revenues	9	(213)	(224)	(278)	(260)	283	360	367
Operating expenses:								
Interest	5	178	193	241	201	286	337	298
Bond issuance costs	-	-	-	-	-	-	-	-
Administrative fees and other	1	3	2	2	2	-	-	-
Total operating expenses	6	181	195	243	203	286	337	298
Operating income (loss)	3	(394)	(419)	(521)	(463)	(3)	23	69
Other financing sources (uses) – operating transfers	-	(506)	(293)	(289)	(123)	-	-	-
Change in net position	3	(900)	(712)	(810)	(586)	(3)	23	69
Total net position – beginning (as restated)	346	900	712	810	586	634	1,051	928
Total net position – ending	\$ 349	\$ -	\$ -	\$ -	\$ -	\$ 631	\$ 1,074	\$ 997
<b>Condensed Statements of Cash Flows</b>								
Net cash provided by (used in):								
Operating activities	\$ 115	\$ 5,850	\$ 5,443	\$ 6,527	\$ 6,000	\$ 1,223	\$ 1,406	\$ 1,317
Noncapital financing activities	(120)	(6,345)	(6,055)	(7,393)	(7,101)	(2,306)	(1,626)	(1,672)
Investing activities	-	13	22	23	-	-	21	17
Net increase (decrease)	(5)	(482)	(590)	(843)	(1,101)	(1,083)	(199)	(338)
Cash and cash equivalents, beginning of year	92	482	590	843	1,101	1,218	775	634
Cash and cash equivalents, end of year	\$ 87	\$ -	\$ -	\$ -	\$ -	\$ 135	\$ 576	\$ 296

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 – Segment Financial Information (continued)**

September 30, 2014  
(In Thousands)

<b>Statements of Revenues, Expenses, and Changes in Net Position</b>	Single Family Mortgage Programs		
	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
Operating revenues:			
Interest on mortgage loans and securitized mortgage loans	\$ 24,369	\$ 6,476	\$ 32,565
Interest on securities and temporary investments	1,041	1	1,125
Gain (loss) asset sale	(2)	-	(2)
Net increase (decrease) in fair value of investments	3,686	590	2,595
Loan and commitment fees	150	-	150
Administrative fees and other	(1,582)	(350)	(2,010)
Total operating revenues	27,662	6,717	34,423
Operating expenses:			
Interest	22,466	5,539	29,744
Bond issuance costs	423	-	423
Administrative fees and other	97	27	134
Total operating expenses	22,986	5,566	30,301
Operating income (loss)	4,676	1,151	4,122
Other financing sources (uses) – operating transfers	775	(591)	(1,027)
Change in net position	5,451	560	3,095
Total net position – beginning (as restated)	64,233	10,536	80,736
Total net position – ending	\$ 69,684	\$ 11,096	\$ 83,831
<b>Condensed Statements of Cash Flows</b>			
Net cash provided by (used in):			
Operating activities	\$ 74,739	\$ 24,411	\$ 127,031
Noncapital financing activities	(107,977)	(25,069)	(165,664)
Investing activities	1,144	1	1,241
Net increase (decrease)	(32,094)	(657)	(37,392)
Cash and cash equivalents, beginning of year	60,063	5,324	71,122
Cash and cash equivalents, end of year	\$ 27,969	\$ 4,667	\$ 33,730

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 - Segment Financial Information (continued)**

**September 30, 2014**  
**(In Thousands)**

Statement of Net Position	Rental Housing Mortgage Programs						
	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D	2004 Series F, G	2005 Series A, B	2005 Series C, D
<b>Assets</b>							
Current assets:							
Restricted cash and cash equivalents	\$ 175	\$ 170	\$ 155	\$ 195	\$ 180	\$ 195	\$ 70
Accrued interest receivable	46	36	35	51	44	47	14
Other current assets	-	-	-	-	-	-	-
Intra-entity receivable (payable)	-	-	-	-	-	-	-
Total current assets	<u>221</u>	<u>206</u>	<u>190</u>	<u>246</u>	<u>224</u>	<u>242</u>	<u>84</u>
Noncurrent assets:							
Restricted cash and cash equivalents	401	235	302	345	314	467	95
Note receivable	-	-	-	-	-	-	-
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	-	-	-	-	-	-	-
Unrealized gain securitized mortgage loans	-	-	-	-	-	-	-
Total restricted securitized mortgage loans, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted mortgage loans, net	8,223	7,837	7,763	10,663	9,656	10,313	3,512
Total noncurrent assets	<u>8,624</u>	<u>8,072</u>	<u>8,065</u>	<u>11,008</u>	<u>9,970</u>	<u>10,780</u>	<u>3,607</u>
Total assets	<u>8,845</u>	<u>8,278</u>	<u>8,255</u>	<u>11,254</u>	<u>10,194</u>	<u>11,022</u>	<u>3,691</u>
Deferred outflows:							
Refundings of debt	-	-	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 8,845</u>	<u>\$ 8,278</u>	<u>\$ 8,255</u>	<u>\$ 11,254</u>	<u>\$ 10,194</u>	<u>\$ 11,022</u>	<u>\$ 3,691</u>
<b>Liabilities and Net Position</b>							
Current liabilities:							
Accrued interest payable	\$ 127	\$ 35	\$ 34	\$ 51	\$ 44	\$ 44	\$ 15
Accounts payable and other accrued expenses	-	-	-	-	-	1	-
Current portion of bonds payable	175	170	155	195	180	195	70
Total current liabilities	<u>302</u>	<u>205</u>	<u>189</u>	<u>246</u>	<u>224</u>	<u>240</u>	<u>85</u>
Noncurrent liabilities:							
Bonds payable, net	8,706	8,120	7,875	11,095	9,910	10,610	3,696
Accrued arbitrage rebate	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>8,706</u>	<u>8,120</u>	<u>7,875</u>	<u>11,095</u>	<u>9,910</u>	<u>10,610</u>	<u>3,696</u>
Total liabilities	<u>9,008</u>	<u>8,325</u>	<u>8,064</u>	<u>11,341</u>	<u>10,134</u>	<u>10,850</u>	<u>3,781</u>
Net position restricted for debt service	(163)	(47)	191	(87)	60	172	(90)
Total liabilities and net position	<u>\$ 8,845</u>	<u>\$ 8,278</u>	<u>\$ 8,255</u>	<u>\$ 11,254</u>	<u>\$ 10,194</u>	<u>\$ 11,022</u>	<u>\$ 3,691</u>

Statement of Net Position	Rental Housing Mortgage Programs						Total Rental Housing Mortgage Programs
	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B	2010 Series A, B	2012 Series A	
<b>Assets</b>							
Current assets:							
Restricted cash and cash equivalents	\$ 215	\$ 80	\$ 4	\$ -	\$ 10	\$ 1	\$ 1,450
Accrued interest receivable	49	24	155	-	4	11	516
Other current assets	-	-	-	-	-	-	-
Intra-entity receivable (payable)	-	-	(7)	-	-	-	(7)
Total current assets	<u>264</u>	<u>104</u>	<u>152</u>	<u>-</u>	<u>14</u>	<u>12</u>	<u>1,959</u>
Noncurrent assets:							
Restricted cash and cash equivalents	296	185	-	-	40	-	2,680
Note receivable	-	-	-	-	-	-	-
Restricted securitized mortgage loans, net:							
Securitized mortgage loans, net cost	-	-	-	-	-	-	-
Unrealized gain securitized mortgage loans	-	-	-	-	-	-	-
Total restricted securitized mortgage loans, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted mortgage loans, net	11,210	5,324	13,343	8,520	868	4,979	102,211
Total noncurrent assets	<u>11,506</u>	<u>5,509</u>	<u>13,343</u>	<u>8,520</u>	<u>908</u>	<u>4,979</u>	<u>104,891</u>
Total assets	<u>11,770</u>	<u>5,613</u>	<u>13,495</u>	<u>8,520</u>	<u>922</u>	<u>4,991</u>	<u>106,850</u>
Deferred outflows:							
Refundings of debt	-	-	-	-	-	-	-
Total assets and deferred outflows	<u>\$ 11,770</u>	<u>\$ 5,613</u>	<u>\$ 13,495</u>	<u>\$ 8,520</u>	<u>\$ 922</u>	<u>\$ 4,991</u>	<u>\$ 106,850</u>
<b>Liabilities and Net Position</b>							
Current liabilities:							
Accrued interest payable	\$ 49	\$ 23	\$ 155	\$ -	\$ 4	\$ 11	\$ 592
Accounts payable and other accrued expenses	-	-	-	-	-	1	2
Current portion of bonds payable	215	80	151	-	10	55	1,651
Total current liabilities	<u>264</u>	<u>103</u>	<u>306</u>	<u>-</u>	<u>14</u>	<u>67</u>	<u>2,245</u>
Noncurrent liabilities:							
Bonds payable, net	11,726	5,464	13,192	8,520	851	4,924	104,689
Accrued arbitrage rebate	-	-	-	-	-	-	-
Total noncurrent liabilities	<u>11,726</u>	<u>5,464</u>	<u>13,192</u>	<u>8,520</u>	<u>851</u>	<u>4,924</u>	<u>104,689</u>
Total liabilities	<u>11,990</u>	<u>5,567</u>	<u>13,498</u>	<u>8,520</u>	<u>865</u>	<u>4,991</u>	<u>106,934</u>
Net position restricted for debt service	(220)	46	(3)	-	57	-	(84)
Total liabilities and net position	<u>\$ 11,770</u>	<u>\$ 5,613</u>	<u>\$ 13,495</u>	<u>\$ 8,520</u>	<u>\$ 922</u>	<u>\$ 4,991</u>	<u>\$ 106,850</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 18 – Segment Financial Information (continued)**

**September 30, 2014**  
**(In Thousands)**

Rental Housing Mortgage Programs							
Statements of Revenues, Expenses, and Changes in Net Position	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D	2004 Series F, G	2005 Series A, B	2005 Series C, D
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 505	\$ 427	\$ 405	\$ 593	\$ 519	\$ 545	\$ 176
Interest on securities and temporary investments	18	15	21	27	19	27	-
Net increase (decrease) in fair value of investments	-	-	-	-	-	-	-
Loan and commitment fees	-	-	-	-	-	-	-
Administrative fees and other	-	-	-	-	-	-	-
Total operating revenues	<u>523</u>	<u>442</u>	<u>426</u>	<u>620</u>	<u>538</u>	<u>572</u>	<u>176</u>
Operating expenses:							
Interest expense	499	431	418	617	530	539	177
Provision (recovery) for loan losses	-	-	-	-	-	-	-
Administrative fees and other	(11)	(9)	3	175	(10)	(14)	(4)
Total operating expenses	<u>488</u>	<u>422</u>	<u>421</u>	<u>792</u>	<u>520</u>	<u>525</u>	<u>173</u>
Operating income (loss)	35	20	5	(172)	18	47	3
Other financing sources (uses) – operating transfers							
Change in net position	35	20	5	(172)	18	47	3
Total net position – beginning (as restated)	(198)	(67)	186	85	42	125	(93)
Total net position – ending	<u>\$ (163)</u>	<u>\$ (47)</u>	<u>\$ 191</u>	<u>\$ (87)</u>	<u>\$ 60</u>	<u>\$ 172</u>	<u>\$ (90)</u>
<b>Condensed Statements of Cash Flows</b>							
Net cash provided by (used in):							
Operating activities	\$ 536	\$ 524	\$ 423	\$ 721	\$ 650	\$ 641	\$ 240
Noncapital financing activities	(553)	(535)	(516)	(742)	(663)	(637)	(248)
Investing activities	18	15	21	27	19	27	-
Net increase (decrease)	1	4	(72)	6	6	31	(8)
Cash and cash equivalents, beginning of year	575	401	529	534	488	631	173
Cash and cash equivalents, end of year	<u>\$ 576</u>	<u>\$ 405</u>	<u>\$ 457</u>	<u>\$ 540</u>	<u>\$ 494</u>	<u>\$ 662</u>	<u>\$ 165</u>

Rental Housing Mortgage Programs							
Statements of Revenues, Expenses, and Changes in Net Position	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B	2010 Series A, B	2012 Series A	Total Rental Housing Mortgage Programs
Operating revenues:							
Interest on mortgage loans and securitized mortgage loans	\$ 575	\$ 288	\$ 867	\$ 7	\$ 46	\$ 264	\$ 5,217
Interest on securities and temporary investments	17	-	-	-	-	-	144
Net increase (decrease) in fair value of investments	-	-	-	-	-	-	-
Loan and commitment fees	-	-	-	-	-	-	-
Administrative fees and other	-	-	5	-	-	-	5
Total operating revenues	<u>592</u>	<u>288</u>	<u>872</u>	<u>7</u>	<u>46</u>	<u>264</u>	<u>5,366</u>
Operating expenses:							
Interest expense	582	288	867	7	46	264	5,265
Provision (recovery) for loan losses	-	-	-	-	-	-	-
Administrative fees and other	275	2	1	-	-	(1)	407
Total operating expenses	<u>857</u>	<u>290</u>	<u>868</u>	<u>7</u>	<u>46</u>	<u>263</u>	<u>5,672</u>
Operating income (loss)	(265)	(2)	4	-	-	1	(306)
Other financing sources (uses) – operating transfers							
Change in net position	(265)	(2)	4	-	-	1	(306)
Total net position – beginning	45	48	(7)	-	57	(1)	222
Total net position – ending	<u>\$ (220)</u>	<u>\$ 46</u>	<u>\$ (3)</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ -</u>	<u>\$ (84)</u>
<b>Condensed Statements of Cash Flows</b>							
Net cash provided by (used in):							
Operating activities	\$ 638	\$ 363	\$ 1,014	\$ 8	\$ 56	\$ (756)	\$ 5,058
Noncapital financing activities	(654)	(370)	(1,010)	(8)	(55)	757	(5,234)
Investing activities	17	-	-	-	-	-	144
Net increase (decrease)	1	(7)	4	-	1	1	(32)
Cash and cash equivalents, beginning of year	510	272	-	-	49	-	4,162
Cash and cash equivalents, end of year	<u>\$ 511</u>	<u>\$ 265</u>	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 1</u>	<u>\$ 4,130</u>





**SINGLE AUDIT INFORMATION**

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**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Federal Grantor/ Program Title	CFDA Number	Grant #	Total Federal Expenditures	Loans or Loan Guarantees	Total
U.S. Department of Agriculture:					
Very Low to Moderate Income Housing Loans	10.410	n/a	\$ -	\$ 167,311	\$ 167,311
Section 538 Rural Rental Housing Guaranteed Loans	10.438	n/a	-	1,057,403	1,057,403
Total U.S. Department of Agriculture			-	1,224,714	1,224,714
U.S. Department of Housing & Urban Development:					
Mortgage Insurance - Homes (FHA)	14.117	n/a	-	2,597,519	2,597,519
Housing Finance Agencies Risk Sharing Programs	14.188	n/a	-	90,057,384	90,057,384
Section 8 Housing Choice Vouchers	14.195	NM800CC0001	29,084,781	-	29,084,781
Neighborhood Stabilization Program pass-through State DFA (a Community Development Block Grant/Neighborhood Stabilization Program)	14.228	09-NSP-2-J-01	24,033	3,247,152	3,271,185
Emergency Solutions Grants Program	14.231	S15-DC-35-0001	964,525	-	964,525
HOME Investment Partnerships Program	14.239	M-15-SG-35-0100	5,615,087	38,866,720	44,481,806
Housing Opportunities for Persons with AIDS	14.241	NMMH015-F999	620,000	-	620,000
ARRA - Tax Credit Assistance Program	14.258	M-09-ES-35-0100	-	13,523,443	13,523,443
Emergency Homeowners Loan Program pass-through from Neighborworks America	14.323	n/a	1,517	-	1,517
Total U.S. Department of Housing & Urban Development			36,309,943	148,292,218	184,602,161
US Department of Veteran Affairs:					
Veterans Housing-Guaranteed and Insured Loans	64.114	n/a	-	126,500	126,500
US Department of Energy:					
Weatherization Assistance for Low-Income Persons	81.042	EE0000207	1,356,444	-	1,356,444
US Department of Health & Human Services pass-through from the NM Department of Human Services:					
Low-Income Home Energy Assistance Program	93.568	16-630-9000-0007	2,446,177	-	2,446,177
Total federal awards			\$ 40,112,565	\$ 149,643,432	\$ 189,755,997

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

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**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments. The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. All federal financial assistance received from federal agencies, including amounts passed through from other governmental entities and disbursed by the Authority, is included in the Schedule in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2 – Relationship to the Authority's Financial Statements**

Federal financial assistance program expenditures as presented in the accompanying Schedule primarily represent federal financial assistance payments disbursed by the Authority during the year ended September 30, 2015 or federally insured loans as described in Note 3.

**Note 3 – Mortgage Insurance and Guarantees**

Certain mortgage loans of the Authority are insured by the Federal Housing Administration (FHA) and partially guaranteed by the Veterans Administration (VA). At September 30, 2015, the Authority recorded approximately \$2,598,000 of FHA insured loans. These serviced loans are included on the accompanying Schedule.

The Authority participates in the Risk Sharing loan program, under which the Department of Housing and Urban Development (HUD) provides credit enhancements for multifamily housing project loans. HUD and the Authority share in the risk of loss on the mortgage. HUD has assumed 90% of the risk in 49 loans. HUD's assumed risk approximated \$108,612,000 at September 30, 2015. Of the 49 loans closed, the Authority funded 36 loans with outstanding principal of \$100,064,000 at September 30, 2015. HUD's assumed risk of loss of approximately \$90,057,000 related to these 36 loans is recorded in the accompanying Schedule.

The Authority participates in the Section 538 Rural Rental Housing Guaranteed Loan Program, under which the Rural Housing Service (RHS), Department of Agriculture (USDA), provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority. At September 30, 2015, the loan had an outstanding principal of \$1,175,000, of which the USDA assumed risk of loss of approximately \$1,057,000 serviced in the accompanying Schedule.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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**Note 4 - Loans and Loan Guarantees**

Loans and loan guarantees in the accompanying Schedule consist of outstanding principal loans in programs that have ongoing compliance requirements.

**Note 5 - Relationship to Federal Financial Reports**

Amounts reported in the accompanying Schedule agree with the amounts reported in the related federal financial reports submitted to the various federal agencies.

**Note 6 - Subrecipients**

Of the federal expenditures presented in the Schedule, the Authority provided federal awards to subrecipients as follows:

Federal Grants/Program Title	Federal CFDA Number	Amount Provided to Subrecipients
U.S. Department of Housing & Urban Development:		
Section 8 Housing Choice Vouchers	14.195	\$ 28,129,903
Emergency Solutions Grants Program	14.231	906,886
HOME Investment Partnerships Program	14.239	2,609,113
Housing Opportunities for Persons with AIDS	14.241	612,161
Emergency Homeowner's Loan Program	14.323	1,517
Total U.S. Department of Housing and Urban Development		32,259,580
U.S. Department of Energy:		
Weatherization Assistance Program for Low-Income Persons	81.042	1,252,021
U.S. Department of Health and Human Services:		
Low-Income Home Energy Assistance Program	93.568	2,341,692
Total federal assistance awarded to subrecipients		\$ 35,853,293

**REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Authority Members  
New Mexico Mortgage Finance Authority  
and  
Timothy Keller  
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Mexico Mortgage Finance Authority (the Authority), a component unit of the State of New Mexico, as of and for the year ended September 30, 2015, and the related notes to the financial statements and have issued our report thereon dated December 8, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Authority Members  
New Mexico Mortgage Finance Authority  
and  
Timothy Keller  
New Mexico State Auditor

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2015-001.

### **The Authority's Response to Findings**

The Authority's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
December 8, 2015

**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Authority Members  
New Mexico Mortgage Finance Authority  
and  
Timothy Keller  
New Mexico State Auditor

**Report on Compliance for Each Major Federal Program**

We have audited the New Mexico Mortgage Finance Authority's, (the Authority), a component unit of the State of New Mexico, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of law's regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

The Authority Members  
New Mexico Mortgage Finance Authority  
and  
Timothy Keller  
New Mexico State Auditor

### ***Opinion on Each of the Major Federal Programs***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

### **Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



The Authority Members  
New Mexico Mortgage Finance Authority  
and  
Timothy Keller  
New Mexico State Auditor

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Mess Adams LLP*

Albuquerque, New Mexico  
December 8, 2015

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**  
**September 30, 2015**

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**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

2013-001 Community Development Block Grant/Neighborhood Stabilization Program – Reporting  
Current Status: Resolved.

2014-001 Housing Finance Agencies Risk Sharing Program - Eligibility  
Current Status: Resolved.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**September 30, 2015**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  Yes  No

**Identification of Major Programs**

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
14.228	Neighborhood Stabilization Program (NSP)	Unmodified
14.117	FHA	Unmodified
14.188	Risk-Sharing	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee?  Yes  No

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**September 30, 2015**

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**Section II - Financial Statement Findings**

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**Non Compliance with Laws, Regulations, and Provisions of Grants and Contracts:**

**FINDING 2015-001 - Risk Sharing Reporting, Noncompliance that warrants attention of governance**

***Criteria or specific requirement:***

The Agreement between HUD and the Authority states, "The HFA shall perform annual physical inspections of all Projects insured hereunder and shall submit a copy of the inspection report to the Commissioner (i.e., showing and certifying that the Project is in safe and sanitary condition). If a Project is not in safe and sanitary condition, the HFA will provide the Commissioner with a summary of required actions, with target dates, to correct unresolved findings."

Also, the approved Risk Sharing Manual Rev. September 2013 states, "Each physical inspection will be documented in writing with detailed deficiency explanations, recommended or required actions and time frames and conclusions. The report must be signed and dated, and must specify the expected actions. The report should be completed within 30 days of the completion of the field work."

In accordance with Section 12-6-5-NMSA 1978 any violation of instances on noncompliance shall be reported.

***Condition:***

For two of the twelve inspection reports tested, we noted that the Authority could not provide the documentation that reports were submitted to HUD within 30 days of the completion of the field work. These reports were sent to HUD after our request to review these submission were made. Also, one of the aforementioned inspection reports included a property with deficiencies for which the Authority did not notify the Commissioner in writing within 30 days of the completion of the field work.

***Effect:***

The Authority was not in compliance with HUD requirements. The Authority did not ensure all reports were submitted within 30 days of the completion of the field work.

***Cause:***

The Authority ensures that the inspection reports are prepared but there was no process in place to ensure that the reports were submitted to HUD.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**September 30, 2015**

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**Section II - Financial Statement Findings (Continued)**

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**FINDING 2015-001 – Risk Sharing Reporting, Other Noncompliance (Continued)**

***Recommendation:***

Management should follow the established policies and procedures in place to ensure all inspection reports are submitted within 30 days and follow up actions on below standard properties are taking place when required.

***Views of responsible officials and planned corrective actions***

Management agrees. Effective 10/1/15 the Authority modified the process by which we send annual physical inspection and monitoring reports to HUD. Instead of sending reports to HUD in a separate e-mail, staff members copy HUD on the e-mail when reports are issued to the owner/managing agent. Evidence of this e-mail notification is retained in the property records with the corresponding monitoring cycle. The process modification was added to the Asset Management Department's quality control process to ensure compliance. Responsible party: Deputy Director of Programs.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**September 30, 2015**

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**Section III - Federal Award Findings and Questioned Costs**

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None

## **OTHER REPORTING**

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**REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

The Authority Members  
New Mexico Mortgage Finance Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of New Mexico Mortgage Finance Authority (the Authority), a component unit of the State of New Mexico, which comprise the statement of net position as of September 30, 2015, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2015.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of compliance and the result of that testing, and not to provide an opinion on the Authority's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams LLP*

Albuquerque, New Mexico  
December 8, 2015

**SUPPLEMENTAL INFORMATION**

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**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**COMPUTATION OF ADJUSTED NET WORTH IN ACCORDANCE WITH THE**  
**REQUIREMENTS OF THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION**  
**September 30, 2015**

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A. ADJUSTED NET WORTH CALCULATIONS:		
Total net position		\$ 246,098,000
Less:		
Itemized unacceptable assets		
1 Prepaid expenses	\$ (145,000)	
2 Other receivables	(1,808,000)	
3 Real estate owned	(490,000)	
4 Intangible assets	(68,000)	
5 Unrealized gain on securitized mortgage loans and debt securities	<u>(43,526,000)</u>	
Total unacceptable assets		<u>(46,037,000)</u>
Adjusted net worth		<u>\$ 200,061,000</u>
B. REQUIRED NET WORTH CALCULATIONS:		
Unpaid principal balance of pools (note: number of pools - 4)		<u>\$ 650,000</u>
Plus:		
Outstanding balance of commitments, authority issued and requested		<u>\$ -</u>
Total outstanding portfolio and authority		<u>\$ 650,000</u>
Required net worth		<u>\$ 2,501,300</u>
C. EXCESS (DEFICIT) NET WORTH:		
(Adjusted net worth - required net worth)		<u>\$ 197,559,700</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**INSTITUTION-WIDE CAPITAL REQUIREMENT CALCULATION**  
**September 30, 2015**

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A. CAPITAL REQUIREMENT FOR DEPOSITORY INSTITUTIONS:		Not applicable
B. CAPITAL REQUIREMENT FOR NONDEPOSITORY INSTITUTIONS:		
Total adjusted net worth		<u><u>\$ 200,061,000</u></u>
Total assets (excluding unacceptable assets)		<u><u>\$ 962,548,000</u></u>
		Meets requirement? (yes/no)
Total adjusted net worth/total assets	<u><u>19%</u></u>	<u><u>Yes</u></u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**LIQUID ASSET REQUIREMENT**  
**September 30, 2015**

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A. REQUIRED NET WORTH		<u>\$ 2,501,300</u>
Acceptable liquid assets:		
1 Unrestricted cash and cash equivalents	\$ 24,469,000	
2 Restricted cash and cash equivalents	32,364,000	
Total liquid assets		<u>\$ 56,833,000</u>
 B. REQUIRED LIQUID ASSETS		
20% of required net worth		\$ 500,260
Excess (deficit) liquid		56,332,740
Meets requirement		Yes

**NEW MEXICO MORTGAGE FINANCE AUTHORITY**  
**(A Component Unit of the State of New Mexico)**  
**SCHEDULE OF INSURANCE – GNMA REQUIRED INSURANCE COVERAGE – ISSUER**  
**IDENTIFICATION NUMBER 3676**  
**September 30, 2015**

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IDENTIFICATION OF AFFILIATED GNMA ISSUERS:

Affiliated GNMA issuers	None
Affiliated issuers on same insurance policies	None

REQUIRED INSURANCE CALCULATION:

Servicing portfolio:	
GNMA	\$ 650,000
FNMA	17,862,000
Conventional (other)	177,063,000
GNMA subservicing	None
	<hr/>
Total servicing portfolio	\$ 195,575,000
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Required fidelity bond coverage	\$ 443,363
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Required mortgage servicing errors and omissions coverage	\$ 443,363

VERIFICATION OF INSURANCE COVERAGE:

Fidelity bond coverage at September 30, 2015	\$ 2,500,000
Mortgage servicing errors and omissions coverage at September 30, 2015	\$ 1,000,000

EXCESS (DEFICIT) INSURANCE COVERAGE:

Fidelity bond coverage	\$ 2,056,637
Mortgage servicing errors and omissions coverage	\$ 556,637

GNMA LOSS PAYABLE ENDORSEMENT:

Fidelity bond coverage	Yes
Mortgage servicing errors and omissions coverage	Yes