



REPORT OF INDEPENDENT AUDITORS  
AND FINANCIAL STATEMENTS WITH  
SUPPLEMENTARY SCHEDULES AND SINGLE AUDIT INFORMATION

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

September 30, 2018 and 2017

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**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Board of Directors**  
**September 30, 2018**

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| <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. Wayne Johnson, New Mexico State Auditor

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

We have audited the accompanying financial statements of the New Mexico Mortgage Finance Authority (the "Authority"), a component unit of the State of New Mexico, as of and for the years ended September 30, 2018 and 2017, 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 accounting principles generally accepted in the United States of America; 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditor's 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.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New Mexico Mortgage Finance Authority as of September 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the financial position and changes in financial position of the Authority. They do not purport to, and do not, present fairly the financial position of the State of New Mexico as of September 30, 2018, the changes in the financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 audit 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the Authority's basic financial statements. The accompanying supplementary schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The supplementary schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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 November 29, 2018 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 solely 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 the effectiveness of 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 Authority's internal control over financial reporting and compliance.

*Moss Adams LLP*

Albuquerque, New Mexico  
November 29, 2018

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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, 2018 and 2017**

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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 New Mexicans of low to moderate income.

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, 2018, 2017 and 2016. 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) and GASB Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus. 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.

#### **Overview of the Financial Statements**

The basic financial statements consist of the Statements of Net Position, the Statements of Revenues, Expenses and Changes in Net Position, the Statements of Cash Flows and the notes thereto. The Authority follows enterprise fund accounting. The financial statements offer information about the Authority's activities and operations.

The Statements of Net Position include all of the Authority's assets and liabilities, presented in order of liquidity, along with deferred outflows and deferred inflows, which represent deferrals of resources related to future periods. The resulting net position presented in these statements is displayed as invested in capital assets, restricted or unrestricted. Net position is restricted when its use is subject to external limits such as bond indentures, legal agreements or statutes.

All of the Authority's current year revenues and expenses are recorded in the Statements of Revenues, Expenses and Changes in Net Position. This statement measures the activities of the Authority's operations over the past year and presents the resulting change in net position.

The final required financial statements are the Statements of Cash Flows. The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments and net changes in cash resulting from operating, noncapital financing, capital and related financing and investing activities. These statements also provide information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the financial statements.

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Required and other supplementary information is presented following the notes to financial statements to provide selected supplemental information, such as combining schedules for the Authority's programs.

**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>2018</u> | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|-------------|
| Cash and cash equivalents (unrestricted and restricted)  | \$ 132,023  | 72,123      | 75,374      |
| Notes receivable   | -           | 22,268      | 13,404      |
| Investments (unrestricted and restricted)                | 70,553      | 61,071      | 63,883      |
| Mortgage-backed securities and mortgage loans receivable | 897,192     | 775,794     | 837,251     |
| Total assets   | 1,115,401   | 942,204     | 997,686     |
| Bonds payable  | 815,322     | 646,567     | 698,555     |
| Total liabilities  | 880,769     | 695,260     | 745,046     |
| Total net position                                       | 235,115     | 247,569     | 253,520     |
| Total operating revenues                                 | 50,745      | 50,481      | 48,550      |
| Total operating expenses                                 | 40,569      | 38,228      | 38,725      |
| Operating income   | 10,176      | 12,253      | 9,825       |
| Total nonoperating (expenses) revenues                   | (22,630)    | (18,204)    | (2,403)     |
| Change in net position                                   | (12,454)    | (5,951)     | 7,422       |

The most impactful trends experienced by the Authority in this fiscal year's financial performance was the change in the Single Family Mortgage Program funding strategy and continued implementation of the new servicing business line. Due to the change in the economics of the mortgage program, beginning in February of this fiscal year the Authority began issuing tax-exempt bonds for all first-time homebuyer mortgage production. Rather than selling the mortgage-backed securities (MBS) originated through the Authority's mortgage program into the secondary market, the MBS were purchased with bond proceeds and recorded as assets on the Statements of Net Position. The bond execution primarily produces long-term annuity cash flows in comparison to loan sales, which provide one-time administrative fee income. In addition, through the bond execution the Authority incurs bond cost of issuance expense. Additionally, since late 2016 the Authority has been purchasing the servicing rights associated with its loan originations as part of a new servicing business line. This asset earns a long-term annuity over the life of the MBS. As this servicing asset portfolio grows, the income stream will continue to grow over time as well.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
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**September 30, 2018 and 2017**

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**Financial Position**

The net position of the Authority decreased \$12.5 million from September 30, 2017 to September 30, 2018 and decreased \$6.0 million from September 30, 2016 to September 30, 2017. The following table is a condensed summary of net position at September 30, 2018, 2017 and 2016 (in thousands):

|   | <u>2018</u>       | <u>2017</u>    | <u>2016</u>    |
|---|-------------------|----------------|----------------|
| <b>Assets:</b>                                    |                   |                |                |
| Current assets                                    | \$ 73,839         | 92,579         | 79,183         |
| Noncurrent assets                                 | <u>1,041,562</u>  | <u>849,625</u> | <u>918,503</u> |
| <b>Total assets</b>                               | <u>1,115,401</u>  | <u>942,204</u> | <u>997,686</u> |
| <b>Deferred outflows of resources:</b>            |                   |                |                |
| Unamortized loss on refunding                     | <u>483</u>        | <u>625</u>     | <u>880</u>     |
| <b>Total deferred outflows of resources</b>       | <u>483</u>        | <u>625</u>     | <u>880</u>     |
| <b>Liabilities:</b>                               |                   |                |                |
| Current liabilities                               | 63,930            | 59,265         | 72,775         |
| Noncurrent liabilities                            | <u>816,839</u>    | <u>635,995</u> | <u>672,271</u> |
| <b>Total liabilities</b>                          | <u>880,769</u>    | <u>695,260</u> | <u>745,046</u> |
| <b>Net position:</b>                              |                   |                |                |
| Invested in capital assets, net of related debt   | 1,223             | 1,054          | 995            |
| Restricted  | 36,696            | 56,472         | 78,017         |
| Restricted for land title trust and housing trust | 28,628            | 27,974         | 27,369         |
| Unrestricted                                      | <u>168,568</u>    | <u>162,069</u> | <u>147,139</u> |
| <b>Total net position</b>                         | <u>\$ 235,115</u> | <u>247,569</u> | <u>253,520</u> |

**Comparison of Years Ended September 30, 2018 and 2017**

The increase in cash and cash equivalents of \$59.9 million reflects an increase in restricted cash from a Single Family Mortgage Program bond transaction that closed in late September right before year-end. This increase is offset by a decrease in cash balances for funds obtained through borrowings from the Federal Home Loan Bank of Dallas made to warehouse single family mortgage loans originated through the Authority's mortgage programs. During this fiscal year, the Authority purchased \$165.3 million of MBS and \$445.6 million in whole loans during the year. MBS and whole loan purchases were offset by \$55.6 million in repayments of securitized mortgage loans and \$410.5 million of whole loan and down payment assistance loan repayments during the year. This accounts for the \$121.4 million net increase of MBS and mortgage loans receivable. For the first time since 2011, new MBS and loan activity outpaced repayments. As noted above these variances are due to the change in the economics of the Single Family Mortgage Program. Additionally, the servicing rights portfolio associated with the loan originations increased \$3.6mm. The overall effect of these elements resulted in the 18% increase in total assets. Over the past year due to increased tax-exempt bonding activity and increased borrowing from the Federal Home Loan Bank of Dallas to support mortgage loan warehousing activity, the Authority experienced a 27% increase in liabilities. Proceeds from the sale of bonds and notes payable were \$555.5 million; bond and note repayments and refundings totaled \$374.2 million, resulting in the net increase for the year.

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**(A Component Unit of the State of New Mexico)**  
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**September 30, 2018 and 2017**

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**Comparison of Years Ended September 30, 2017 and 2016**

The decrease in cash and cash equivalents of \$3.3 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. This decrease is offset by an increase in funds obtained through borrowings from the Federal Home Loan Bank of Dallas made to fund single family mortgage loans originated through the Authority's mortgage programs. MFA purchased \$53.9 million in Mortgage Backed Securities (MBS) and \$33.5 million in whole loans during the year; MBS and whole loan purchases were offset by \$85.6 million in repayments, including prepayments, of securitized mortgage loans and \$43.6 million of whole loan and down payment assistance loan repayments, including prepayments, during the year, reflected in the \$61.5 million net decrease of MBS and mortgage loans receivable. Essentially, repayments occurred without a corresponding increase in new loans. In addition, due to market conditions, in late 2013, the Authority began utilizing the secondary market to fund the majority of its single family mortgage loans, whereby the MBS are sold into the secondary market rather than purchased with bond proceeds and booked as assets on the balance sheet. Instead of a long-term annuity cash flow from the bond issue, MFA receives the cash upfront as transaction fees. This is a best execution 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 rates in the traditional mortgage loan market have been lower than the mortgage interest rates that can be achieved through new housing bond issuances. The business model of selling loans via the secondary market 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 5.6% 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 \$52.0 million net decrease in bonds payable. As already noted, single family loans are being sold and not funded with debt, thus MFA's liabilities decreased 6.7%. Proceeds from the sale of bonds and notes payable were \$274.4 million; bond and note repayments and refundings totaled \$321.3 million, resulting in the net decrease for the year.

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**Change in Financial Position**

The operating income for the year decreased by approximately \$2.1 million when compared to fiscal year 2017. The following table is a condensed summary of changes in net position for the years ended September 30, 2018, 2017 and 2016 (in thousands):

|   | <u>2018</u>       | <u>2017</u>     | <u>2016</u>    |
|---|-------------------|-----------------|----------------|
| Operating revenues:                       |                   |                 |                |
| Interest on loans and MBS                 | \$ 33,716         | 33,928          | 34,759         |
| Interest on securities and investments    | 2,753             | 2,355           | 2,564          |
| Program revenues                          | 4,225             | 2,836           | 959            |
| Loan and commitment fees                  | 1,843             | 520             | 453            |
| Administrative fees                       | 7,776             | 9,560           | 7,013          |
| Other revenues                            | 432               | 1,282           | 2,802          |
| Total operating revenues                  | <u>50,745</u>     | <u>50,481</u>   | <u>48,550</u>  |
| Operating expenses:                       |                   |                 |                |
| Interest expense                          | 23,857            | 24,435          | 26,987         |
| Administrative fees and other expenses    | 16,712            | 13,793          | 11,738         |
| Total operating expenses                  | <u>40,569</u>     | <u>38,228</u>   | <u>38,725</u>  |
| Operating income                          | <u>10,176</u>     | <u>12,253</u>   | <u>9,825</u>   |
| Nonoperating revenues (expenses):         |                   |                 |                |
| Net decrease in fair value of investments | (22,697)          | (18,195)        | (2,323)        |
| Grant award income                        | 44,686            | 43,095          | 42,970         |
| Grant award expense                       | (44,686)          | (43,095)        | (42,970)       |
| Land title trust contributions            | 75                | 28              | 30             |
| Land title trust distributions            | (8)               | (37)            | (110)          |
| Total nonoperating (expenses) revenues    | <u>(22,630)</u>   | <u>(18,204)</u> | <u>(2,403)</u> |
| Change in net position                    | (12,454)          | (5,951)         | 7,422          |
| Total net position, beginning of year     | <u>247,569</u>    | <u>253,520</u>  | <u>246,098</u> |
| Total net position, end of year           | <u>\$ 235,115</u> | <u>247,569</u>  | <u>253,520</u> |

**Comparison of Years Ended September 30, 2018 and 2017**

Operating revenues increased \$.3 million from 2017 to 2018, approximately .5%, because of increased interest income, loan commitment fees and program servicing fees offset by a decrease in administrative fees and gains on sales of assets. The increase in loan commitment fees was \$1.3 million and the decrease in administrative fees was \$1.8 million as a result of the change in single family program funding. Program servicing fees increased by \$1.4 million due to the growth of the servicing portfolio. Lastly, in fiscal year 2017 the Authority realized one-time gains on sale of assets of \$.8 million that did not recur this year.

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**September 30, 2018 and 2017**

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Operating expenses increased by \$2.3 million in 2018, approximately 6%, primarily due to increased bond issuance costs of \$1.4 million and administrative expenses of \$1.8 million to support record mortgage production and expenses related to servicing. This was offset by decreased interest expense of \$.6 million because of lower debt service due to debt restructuring.

The change in fair value of securities for 2018 was a decrease of \$22.7 million compared to a decrease of \$18.2 million in 2017. This represents a decrease in the overall fair market value of investments, held at September 30, 2018 compared to September 30, 2017. These valuation changes are due to the interest rate sensitivity of these assets and they are adjusted as required by GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools (GASB No. 31) to fair value.

The majority of the assets impacted by the GASB valuation requirement are the MBS held on the Authority's balance sheet that serve as collateral for the single family bonds issued and provide the revenue source to repay those debt obligations; legally the Authority cannot sell or trade the related securities unless the bonds are optionally redeemable and redeemed. Rating agencies do not include GASB No. 31 valuation adjustments in their analysis of an HFA's performance; these adjustments represent unrealized gains or losses and the Authority considers these valuation changes non-operating revenues.

**Comparison of Years Ended September 30, 2017 and 2016**

Operating revenues increased \$1.9 million from 2016 to 2017, approximately 4.0%, as a result of increased housing program and program servicing fees offset by a reduction in realized State Investment Council fair market value adjustments and mortgage interest revenue. Program servicing fees increased by \$1.8 million due to the implementation of a new servicing model. With this new business line MFA purchases the mortgage servicing rights on its mortgage program loans and earns a long-term annuity flow from the asset. As this portfolio grows, the income stream will also continue to grow over time. Operating expenses decreased by \$.5 million in 2017, approximately 1.3%, primarily due to decreased interest expense as a result of lower debt service due to continued prepayments, secondary market loan sales and debt restructuring. This decrease was offset by increased administrative expense.

The change in fair value of securities for 2017 was a decrease of \$18.2 million compared to a decrease of \$2.3 million in 2016. This represents a decrease in the overall fair market value of investments, held at September 30, 2017 compared to September 30, 2016. These valuation changes are due to the interest rate sensitivity of these assets and they are adjusted as required by GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools (GASB No. 31) to fair value.

The majority of the assets impacted by the GASB valuation requirement are the MBS held on MFA's balance sheet that serve as collateral for the single family bonds issued and provide the revenue source to repay those debt obligations; legally MFA cannot sell or trade the related securities unless the bonds are optionally redeemable and also redeemed. Rating agencies do not include GASB No. 31 valuation adjustments in their analysis of an HFA's performance; these adjustments represent unrealized gains or losses and MFA considers these valuation changes non-operating revenues.

# **New Mexico Mortgage Finance Authority**

## **(A Component Unit of the State of New Mexico)**

### **Management's Discussion and Analysis**

#### **September 30, 2018 and 2017**

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#### **Debt Administration**

Most of the debt maintained by the Authority to fund affordable housing activities in New Mexico is tax-exempt bonds that are 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 multi-family housing for tax-exempt bonding purposes.

In conjunction with bond issuance activities, 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 bond financing structures and asset/liability management strategies as needed to maximize earnings in both the long- and short-term. This includes evaluating tax-exempt housing bond structures, issuing taxable bonds when rates are beneficial, and reviewing callable bond 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 mortgage rates that are more competitive. The Authority reviews and monitors indenture program parity, cash flow projections, and prepayment speeds. Management of the overall bond portfolio and related assets is an active and ongoing process.

During fiscal year 2018, the Authority issued \$259.2 million of Single Family Mortgage Program revenue bonds of which approximately \$25.1 million was related to bond refunding transactions. This is \$163.1 million more than the \$96.1 million issued in 2017. The issuance of debt increased during fiscal year 2018 due to favorable market conditions. The Authority also sold \$235.4 million of single family mortgages into the secondary market during the course of the year. Due to the improved interest rate environment and the continuous lending origination model, interest margin increased approximately \$.4 million this fiscal year in comparison to 2017. The Authority redeemed \$98.3 million of Single Family Mortgage Program bonds due to repayments and maturities, compared to \$131.9 million in 2017.

During fiscal year 2017, the Authority issued \$96.1 million of Single Family Mortgage Program revenue bonds of which approximately \$27.9 million was related to bond refunding transactions. This is \$12.5 million less than the \$108.6 million issued in 2016. The Authority also sold \$293.7 million of single family 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 the improved interest rate environment, the continuous lending loan origination model, and utilization of the secondary market to fund single family loans, interest margin increased approximately \$.6 million this fiscal year in comparison to 2016. The Authority redeemed \$131.9 million of Single Family Mortgage Program bonds due to repayments and maturities, compared to \$158.3 million in 2016.

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During fiscal year 2018, the Authority did not issue any Rental Housing Bonds, while in 2017 \$22.2 million Rental Housing Bonds were issued. In 2018, \$2.3 million of Rental Housing Bonds were redeemed due to repayments and maturities compared to \$32.1 million in 2017.

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.

In addition to issuing bonds to fund the Authority's Single Family Mortgage Program, the Authority also uses short-term borrowings from the Federal Home Loan Bank of Dallas to support the warehousing of single family mortgages originated through the mortgage program as noted in the discussions related to cash and cash equivalents. As of September 30, 2018 those notes outstanding total \$36.0 million, in comparison to \$25.7 million at the end of 2017. The Authority relies on this liquidity to purchase program mortgages.

### **Economic Outlook**

The Single Family Mortgage Program, administration of federal affordable housing programs, servicing income and investment income are the main sources of revenues. During 2018, the Authority's programs and investment returns rebounded as federal fiscal policy moved into a more robust increasing interest rate mode. We did continue to see better overall economic performance again this year due to rising interest rates, stable gross domestic product, continued unemployment declines, wage growth and a stable housing market.

The Authority's Single Family Mortgage Programs rely on short-term liquidity to purchase the mortgage loans from the lenders which are then securitized into Federal National Mortgage Association (Fannie Mae) and Government National Mortgage Association (Ginnie Mae) MBS by the Authority's third party sub-servicer. The underlying mortgage loans are all fixed-rate, 30-year loans meeting the criteria for guarantee by Fannie Mae and Ginnie Mae. The Fannie Mae and Ginnie Mae guarantees ensure that the holder of the security issued by the Authority receives the timely payment of scheduled monthly principal and any unscheduled recoveries of principal on the underlying mortgages, plus interest at the rate provided for in the securities. To date, Fannie Mae, Ginnie Mae, MBS and bond investors have continued to provide liquidity without interruption to the Authority's Single Family Mortgage Program.

The 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+



# **New Mexico Mortgage Finance Authority**

## **(A Component Unit of the State of New Mexico)**

### **Management's Discussion and Analysis**

#### **September 30, 2018 and 2017**

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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.

Prior to 2010 the programs have 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. Those GIC providers must maintain financial strength as evidenced by their credit rating in order for the bonds to maintain their rating. The Authority is currently utilizing AAAM rated money market funds and has no GISs in place for the Single Family Mortgage Program bond issues. Returns on money market funds continue to improve in the current increasing interest rate environment allowing the Authority to limit the negative arbitrage experienced for these programs. Restricted cash related to bond issuance remain fully invested and cash flows are monitored closely. All of the Authority's single family bonds continue to meet all required rating agency cash flow stress tests.

The Authority's investments outside of the Single Family Mortgage Programs are also conservative, and include the AAAM rated New Mexico State Treasurer's Local Government Investment Pool and internal loan warehousing for short-term investments. Liquid and marketable U.S. Treasury and agency obligations and Authority program MBS are maintained in the intermediate term investment portfolio. For long-term investment purposes the Authority invests in program MBS as well as the nonrated New Mexico State Investment Council Investment Funds Program (SIC). During fiscal year 2018 based on investment advisor guidance the Authority diversified its SIC portfolio to include corporate investment grade bond funds (33%), a large cap equities fund (31%), a small/mid cap fund (14%), a non-U.S. developed markets fund (17%) and a non-U.S. emerging markets fund (5%). Several years ago, to improve investment returns, the Authority began investing in its own MBS as bond programs became callable and residual MBS from those bond programs became available. Due to the strong investment returns associated with that asset class, the Authority now carries MBS in the long-term portion of the investment portfolio. Both the intermediate and long-term MBS portfolios yielded approximately 5.3%. During this fiscal year, the U.S. Treasury and agency obligations provided yields of 1.9%. Investments in the SIC experienced \$.3 million in fair market value gains in comparison to 2017 when fair market value gains were \$.5 million. Although year over year fluctuations were minimal, there continued to be extreme market volatility from month to month during the course of the year. The overall rate of return on the Authority's SIC long-term portfolio for 2018 was 3.48%.

Moving into fiscal year 2019, 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. Based on the economic forecasts, the cost of funds in the traditional tax-exempt bond market is expected to be less prohibitive and more advantageous to the Authority and potential borrowers. 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. Additionally, the Authority will continue to purchase the mortgage servicing rights associated with the Single Family Mortgage Program growing that new revenue base for the organization.

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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 to increase as anticipated, the Authority expects interest income on loans and investment income to increase as new loans are originated and new investments are purchased at a higher level. If interest rates fall, the Authority expects interest income on loans, and investment income to decrease as new loans are originated and new investments are purchased at lower levels. However, as noted, interest rate declines are not anticipated as market forecasts indicate that traditional mortgage and reinvestment rates will continue to rise. The Authority expects that with the increase in mortgage rates over the last year, prepayments will stabilize or even continue to decrease. Conversely, a decrease in mortgage interest rates could cause an increase in prepayments. 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 Fourth 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**

| <b>ASSETS</b>  | (In Thousands) |            |
|--|----------------|------------|
|  | September 30,  |            |
|  | 2018           | 2017       |
| Current assets:  |                |            |
| Cash and cash equivalents:                                 |                |            |
| Unrestricted   | \$ 37,924      | \$ 38,718  |
| Restricted   | 17,864         | 15,257     |
| Restricted cash held in escrow                             | 10,921         | 10,338     |
| Total cash and cash equivalents                            | 66,709         | 64,313     |
| Notes receivable   | -              | 22,268     |
| Accrued interest receivable                                | 3,435          | 3,084      |
| Other current assets                                       | 3,695          | 2,914      |
| Total current assets                                       | 73,839         | 92,579     |
| Noncurrent assets:   |                |            |
| Restricted cash and cash equivalents                       | 65,314         | 7,810      |
| Investments:   |                |            |
| Restricted investments                                     | 21,214         | 10,484     |
| Unrestricted investments                                   | 49,188         | 50,010     |
| Unrealized gain on restricted and unrestricted investments | 151            | 577        |
| Total investments, net                                     | 70,553         | 61,071     |
| Restricted securitized mortgage loans, net:                |                |            |
| Securitized mortgage loans, net                            | 666,320        | 558,105    |
| Unrealized gain on securitized mortgage loans              | 160            | 22,431     |
| Restricted securitized mortgage loans, net                 | 666,480        | 580,536    |
| Mortgage loans, net:                                       |                |            |
| Restricted mortgage loans, net                             | 103,973        | 100,221    |
| Restricted trust funds mortgage loans, net                 | 13,932         | 16,211     |
| Unrestricted mortgage loans, net                           | 112,807        | 78,826     |
| Total mortgage loans, net                                  | 230,712        | 195,258    |
| Capital assets, net  | 1,223          | 1,054      |
| Intangible assets  | 7,179          | 3,521      |
| Other noncurrent assets                                    | 101            | 375        |
| Total noncurrent assets                                    | 1,041,562      | 849,625    |
| Total assets   | 1,115,401      | 942,204    |
| Deferred outflows of resources:                            |                |            |
| Unamortized loss on refunding bonds                        | 483            | 625        |
| Total assets and deferred outflows of resources            | \$ 1,115,884   | \$ 942,829 |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Statements of Net Position (continued)**

| <b>LIABILITIES AND NET POSITION</b>               | (In Thousands) |            |
|---|----------------|------------|
|   | September 30,  |            |
|   | 2018           | 2017       |
| Current liabilities:                              |                |            |
| Escrow deposits and reserves                      | \$ 10,814      | \$ 10,248  |
| Accrued interest payable                          | 3,265          | 2,461      |
| Accounts payable and other accrued expenses       | 11,411         | 6,114      |
| Compensated absences                              | 414            | 414        |
| Current portion of bonds payable                  | 16,952         | 14,254     |
| Current portion of notes payable                  | 21,074         | 25,774     |
| Total current liabilities                         | 63,930         | 59,265     |
| Noncurrent liabilities:                           |                |            |
| Bonds payable                                     | 798,370        | 632,313    |
| Notes payable                                     | 18,270         | 3,437      |
| Other noncurrent liabilities                      | 199            | 245        |
| Total noncurrent liabilities                      | 816,839        | 635,995    |
| Total liabilities                                 | 880,769        | 695,260    |
| Net position:                                     |                |            |
| Net investment in capital assets                  | 1,223          | 1,054      |
| Restricted for debt service                       | 36,696         | 56,472     |
| Restricted for land title trust and housing trust | 28,628         | 27,974     |
| Unrestricted                                      | 168,568        | 162,069    |
| Total net position                                | 235,115        | 247,569    |
| Total liabilities and net position                | \$ 1,115,884   | \$ 942,829 |

**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)            |                   |
|---|---------------------------|-------------------|
|   | Years Ended September 30, |                   |
|   | <u>2018</u>               | <u>2017</u>       |
| Operating revenues:                                       |                           |                   |
| Interest on mortgage loans and securitized mortgage loans | \$ 33,716                 | \$ 33,928         |
| Interest on securities and investments                    | 2,753                     | 2,355             |
| Housing program income                                    | 1,157                     | 1,187             |
| Program servicing fees                                    | 3,068                     | 1,649             |
| Loan and commitment fees                                  | 1,843                     | 520               |
| Administrative fees                                       | 7,776                     | 9,560             |
| Other revenues  | 432                       | 1,282             |
| Total operating revenues                                  | <u>50,745</u>             | <u>50,481</u>     |
| Operating expenses:                                       |                           |                   |
| Interest expense  | 23,857                    | 24,435            |
| Bond issuance costs                                       | 2,398                     | 993               |
| (Recovery of) provision for loan losses                   | (218)                     | 19                |
| Administrative and other expenses                         | 14,532                    | 12,781            |
| Total operating expenses                                  | <u>40,569</u>             | <u>38,228</u>     |
| Operating income  | <u>10,176</u>             | <u>12,253</u>     |
| Nonoperating (expenses) revenues:                         |                           |                   |
| Net decrease in fair value of investments                 | (22,697)                  | (18,195)          |
| Grant income  | 44,686                    | 43,095            |
| Grant expense   | (44,686)                  | (43,095)          |
| Land title trust contributions                            | 75                        | 28                |
| Land title trust distributions                            | (8)                       | (37)              |
| Total nonoperating expenses                               | <u>(22,630)</u>           | <u>(18,204)</u>   |
| Change in net position                                    | (12,454)                  | (5,951)           |
| Total net position, beginning of year                     | <u>247,569</u>            | <u>253,520</u>    |
| Total net position, end of year                           | <u>\$ 235,115</u>         | <u>\$ 247,569</u> |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Statements of Cash Flows**

|  | (In Thousands)            |             |
|--|---------------------------|-------------|
|  | Years Ended September 30, |             |
|  | 2018                      | 2017        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>            |                           |             |
| Purchase of loans                                      | \$ (445,599)              | \$ (33,495) |
| Receipts of loan repayments                            | 410,450                   | 43,595      |
| Loan and commitment fees                               | 1,843                     | 520         |
| Mortgage interest received                             | 34,829                    | 35,970      |
| Purchase of securitized mortgage loans                 | (165,335)                 | (53,907)    |
| Principal repayment of securitized mortgage loans      | 55,611                    | 85,633      |
| Restricted escrow and reserves, net                    | 567                       | (1,001)     |
| Receipts for services                                  | 14,186                    | 11,879      |
| Payments to employees for services                     | (6,661)                   | (6,449)     |
| Payments to suppliers of goods or services             | (5,625)                   | (4,957)     |
| Other (payments) receipts                              | (3,334)                   | (2,571)     |
| Net cash flows from operating activities               | (109,068)                 | 75,217      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b> |                           |             |
| Proceeds from sale of bonds and notes payable          | 555,465                   | 274,378     |
| Repayment and refunding of bonds and notes payable     | (374,247)                 | (321,265)   |
| Payment of interest on bonds and notes                 | (25,244)                  | (27,651)    |
| Payment of arbitrage rebate, net                       | -                         | 1           |
| Payment for bond issuance costs                        | (2,398)                   | (791)       |
| Receipt of grant income                                | 44,751                    | 43,247      |
| Payment of grant to subrecipients                      | (44,751)                  | (43,247)    |
| Contributions to land title trust                      | 76                        | 28          |
| Land title trust distribution                          | (7)                       | (37)        |
| Net cash flows from noncapital financing activities    | 153,645                   | (75,337)    |
| <b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>    |                           |             |
| Purchases of capital assets                            | (298)                     | (191)       |
| Proceeds from the sale of capital assets               | 2                         | 2           |
| Net cash flows from capital financing activities       | (296)                     | (189)       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>            |                           |             |
| Payments of notes receivable                           | 22,268                    | (8,865)     |
| Sale (purchase) of other real estate owned             | 228                       | (36)        |
| Purchase of investments                                | (64,294)                  | (99,729)    |
| Proceeds from maturity and sale of investments         | 55,764                    | 103,468     |
| Investment interest income                             | 1,776                     | 1,458       |
| Premium on investments                                 | (122)                     | (3)         |
| Gain on sale of securities                             | (1)                       | 765         |
| Net cash flows from investing activities               | 15,619                    | (2,942)     |
| Net change in cash and cash equivalents                | 59,900                    | (3,251)     |
| CASH AND CASH EQUIVALENTS, beginning of year           | 72,123                    | 75,374      |
| CASH AND CASH EQUIVALENTS, end of year                 | \$ 132,023                | \$ 72,123   |
| Current cash and cash equivalents                      | \$ 66,709                 | \$ 64,313   |
| Noncurrent cash and cash equivalents                   | 65,314                    | 7,810       |
| Cash and cash equivalents, end of year                 | \$ 132,023                | \$ 72,123   |

See accompanying notes.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Statements of Cash Flows (continued)**

|  | (In Thousands)            |                  |
|--|---------------------------|------------------|
|  | Years Ended September 30, |                  |
|  | <u>2018</u>               | <u>2017</u>      |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES  |                           |                  |
| Operating income   | \$ 10,176                 | \$ 12,253        |
| Adjustments to reconcile operating income to net cash from operating activities: |                           |                  |
| Bond issuance costs  | 2,398                     | 993              |
| Loan and commitment fees   | (1,843)                   | (520)            |
| Amortization of securitized mortgage loans and mortgage loan discounts/premiums  | 1,443                     | 1,828            |
| Gain on sale of assets   | (415)                     | (649)            |
| Depreciation and amortization expense  | 415                       | 200              |
| (Recovery) provision of loan losses  | (218)                     | 19               |
| Investment interest income   | (2,753)                   | (2,355)          |
| Interest on bonds and notes payable  | 23,857                    | 24,435           |
| Changes in assets and liabilities:   |                           |                  |
| Accrued interest receivable on securitized mortgage loans and mortgage loans     | (351)                     | 211              |
| Other current assets   | (781)                     | (303)            |
| Other noncurrent assets  | (3,384)                   | (3,053)          |
| Accounts payable and other accrued expenses                                      | 5,297                     | 1,381            |
| Compensated absences   | -                         | 41               |
| Other noncurrent liabilities   | 46                        | -                |
| Securitized mortgage loans, net cost   | (107,587)                 | 30,164           |
| Mortgage loans   | (35,368)                  | 10,572           |
| Net cash flows from operating activities   | <u>\$ (109,068)</u>       | <u>\$ 75,217</u> |



**New Mexico Mortgage Finance Authority  
(A Component Unit of the State of New Mexico)  
Notes to the 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.

# New Mexico Mortgage Finance Authority

## (A Component Unit of the State of New Mexico)

### Notes to the Financial Statements

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

##### 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.

##### 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. Management expects to be able to securitize single family mortgage loans to maturity with no funding requirement necessary from the Authority. Each single family bond indenture is accounted for as a segment. See supplementary schedules.
- 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. The deficit in rental housing programs' net position restricted for debt service is primarily attributable to balances that will amortize over the life of the loan, which are not expected to result in long-term deficiencies in this fund. Each multifamily bond indenture is accounted for as a segment. See supplementary schedules.
- 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.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

- *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.
- *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.
- *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 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).
- *Federal Housing Trust Fund (HTF)* – The HTF, funded by an assessment on loans made by Fannie Mae and Freddie Mac and administered by HUD, was established under the Housing and Economic Recovery Act of 2008. The purpose of the HTF is to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income and very low-income households, including homeless families. The Authority's program provides funds for the production, preservation, and rehabilitation of affordable rental housing units for families earning no more than 30% of the area median income.

## **New Mexico Mortgage Finance Authority (A Component Unit of the State of New Mexico) Notes to the Financial Statements**

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- *Capital Magnet Fund (CMF)* – The CMF, funded by United States Treasury grants, is to attract financing for and increase investment in affordable housing for low-income, very low-income, and extremely low-income people and certain related economic and community development activities. The Authority’s program provides down payment assistance to first-time homebuyers who meet the program qualifications.
- *New Mexico Housing Trust Fund (NMHTF)* – The NMHTF’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; 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.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

**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) and GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72).

**Securitized Mortgage Loans**

Securitized mortgage loans consist 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 nonoperating revenues (expenses) 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 and GASB No. 72. 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, 2018 and 2017 were \$4.0 million and \$4.4 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.

# **New Mexico Mortgage Finance Authority**

## **(A Component Unit of the State of New Mexico)**

### **Notes to the Financial Statements**

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

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 \$86,000 and \$88,000 as of September 30, 2018 and 2017, respectively. Mortgage loans are placed on nonaccrual after 90 days' delinquency.

#### **Loan 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.

#### **Bond Issuance Costs**

Bond issuance costs 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. Assets under construction are capitalized on the statement of financial position as capital assets, net. However, 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 are carried at lower of cost or market; 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 and advance 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 Statements of Net Position.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

**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.

**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.

# **New Mexico Mortgage Finance Authority**

## **(A Component Unit of the State of New Mexico)**

### **Notes to the Financial Statements**

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

*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.

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as grant award revenues and adjustments to fair market values in accordance with GASB No. 31. Grant award 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 and adjustments to fair market values in accordance with GASB No. 31.



**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

**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, |           |
|---|---------------|-----------|
|   | 2018          | 2017      |
| Cash on deposit at financial institutions     | \$ 32,199     | \$ 35,172 |
| Cash on deposit at New Mexico State Treasurer | 5,870         | 4,338     |
| Cash on deposit held in escrow (Note 17)      | 10,921        | 10,338    |
| Cash equivalents not considered deposits:     |               |           |
| Money market funds                            | 79,289        | 18,507    |
| Repurchase agreements                         | 1,172         | 444       |
| Guaranteed investment contracts               | 2,572         | 3,324     |
|   | \$ 132,023    | \$ 72,123 |

**Investment Policy**

The Authority's investment policy requires all investments be made in accordance with the prudent person rule whose primary objectives are to preserve capital, provide needed liquidity and achieve the highest market yield. Investments will be diversified to the extent permitted in Section 58, NMSA 1978 (MFA Act), Section 6-8-7, NMSA 1978, and Section 6-10-10.1 NMSA 1978 and as prescribed in its various bond resolutions and trust indentures.

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.

# **New Mexico Mortgage Finance Authority**

## **(A Component Unit of the State of New Mexico)**

### **Notes to the Financial Statements**

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

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 of 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, 2018 and 2017, the Authority's bank balance was approximately \$29,100,000 and \$37,182,000, respectively. The Federal Deposit Insurance Corporation (FDIC) insures each depositor up to \$250,000 per insured bank. The total amounts subject to custodial credit risk at September 30, 2018 and 2017 are approximately \$15,440,000 and \$28,745,000, respectively. Management does not believe the remaining approximately \$13,160,000 and \$7,937,000 is subject to custodial credit risk at September 30, 2018 and 2017, respectively.

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

#### **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.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

The Authority had the following cash and cash equivalents and investments and maturities at September 30, 2018 and 2017 (in thousands):

| Investment Type                  | September 30, 2018 |                                  |                  |                 |                   |                  |
|----------------------------------|--------------------|----------------------------------|------------------|-----------------|-------------------|------------------|
|                                  | Fair Value         | Investment Maturities (in Years) |                  |                 |                   | Not Available    |
|                                  |                    | Less than 1                      | 1–5              | 6–10            | More than 10      |                  |
| Money market funds               | \$ 79,289          | \$ 79,289                        | \$ -             | \$ -            | \$ -              | \$ -             |
| Repurchase agreements            | 1,172              | 1,172                            | -                | -               | -                 | -                |
| Guaranteed investment contracts  | 2,572              | 642                              | -                | -               | 1,930             | -                |
| Internal state investment pools: |                    |                                  |                  |                 |                   |                  |
| State Treasurer                  | 5,870              | 5,870                            | -                | -               | -                 | -                |
| State Investment Council         | 35,079             | -                                | -                | -               | -                 | 35,079           |
| U.S. agencies                    | 19,854             | 6,948                            | 12,906           | -               | -                 | -                |
| Securitized mortgage loans:      |                    |                                  |                  |                 |                   |                  |
| Unrestricted                     | 6,205              | -                                | -                | 2,007           | 4,198             | -                |
| Restricted                       | 671,756            | -                                | -                | 7,781           | 663,975           | -                |
|                                  | <u>\$ 821,797</u>  | <u>\$ 93,921</u>                 | <u>\$ 12,906</u> | <u>\$ 9,788</u> | <u>\$ 670,103</u> | <u>\$ 35,079</u> |

  

| Investment Type                  | September 30, 2017 |                                  |                  |                 |                   |                  |
|----------------------------------|--------------------|----------------------------------|------------------|-----------------|-------------------|------------------|
|                                  | Fair Value         | Investment Maturities (in Years) |                  |                 |                   | Not Available    |
|                                  |                    | Less than 1                      | 1–5              | 6–10            | More than 10      |                  |
| Money market funds               | \$ 18,507          | \$ 18,507                        | \$ -             | \$ -            | \$ -              | \$ -             |
| Repurchase agreements            | 444                | 444                              | -                | -               | -                 | -                |
| Guaranteed investment contracts  | 3,324              | 1,394                            | -                | -               | 1,930             | -                |
| Internal state investment pools: |                    |                                  |                  |                 |                   |                  |
| State Treasurer                  | 4,338              | 4,338                            | -                | -               | -                 | -                |
| State Investment Council         | 28,835             | -                                | -                | -               | -                 | 28,835           |
| U.S. agencies                    | 15,927             | 2,994                            | 12,933           | -               | -                 | -                |
| Securitized mortgage loans:      |                    |                                  |                  |                 |                   |                  |
| Unrestricted                     | 10,794             | -                                | -                | 1,868           | 8,926             | -                |
| Restricted                       | 580,536            | -                                | -                | 7,009           | 573,527           | -                |
|                                  | <u>\$ 662,705</u>  | <u>\$ 27,677</u>                 | <u>\$ 12,933</u> | <u>\$ 8,877</u> | <u>\$ 584,383</u> | <u>\$ 28,835</u> |

The following tables provide information on the credit ratings associated with the Authority's cash and cash equivalents and investments at September 30, 2018 and 2017 (in thousands):

| Investment Type                  | Fair Value        | September 30, 2018 |                   |               |               |                            |             |                  |
|----------------------------------|-------------------|--------------------|-------------------|---------------|---------------|----------------------------|-------------|------------------|
|                                  |                   | AAA                | AA                | A             | BBB           | U.S. Government Guaranteed | Not Rated   | Not Available    |
| Money market funds               | 79,289            | \$ 78,621          | \$ 537            | \$ 65         | \$ 66         | \$ -                       | \$ -        | \$ -             |
| Repurchase agreements            | 1,172             | -                  | 1,172             | -             | -             | -                          | -           | -                |
| Guaranteed investment contracts  | 2,572             | -                  | 1,613             | 459           | 500           | -                          | -           | -                |
| Internal state investment pools: |                   |                    |                   |               |               |                            |             |                  |
| State Treasurer                  | 5,870             | 5,870              | -                 | -             | -             | -                          | -           | -                |
| State Investment Council         | 35,079            | -                  | -                 | -             | -             | -                          | -           | 35,079           |
| U.S. agencies                    | 19,854            | -                  | 19,854            | -             | -             | -                          | -           | -                |
| Securitized mortgage loans:      |                   |                    |                   |               |               |                            |             |                  |
| Unrestricted                     | 6,205             | -                  | 3,423             | -             | -             | 2,782                      | -           | -                |
| Restricted                       | 671,756           | -                  | 106,644           | -             | -             | 565,112                    | -           | -                |
|                                  | <u>\$ 821,797</u> | <u>\$ 84,491</u>   | <u>\$ 133,243</u> | <u>\$ 524</u> | <u>\$ 566</u> | <u>\$ 567,894</u>          | <u>\$ -</u> | <u>\$ 35,079</u> |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

| September 30, 2017               |                   |                  |                   |               |               |                            |             |                  |
|----------------------------------|-------------------|------------------|-------------------|---------------|---------------|----------------------------|-------------|------------------|
| Investment Type                  | Fair Value        | AAA              | AA                | A             | BBB           | U.S. Government Guaranteed | Not Rated   | Not Available    |
| Money market funds               | \$ 18,507         | \$ 17,882        | \$ 495            | \$ 65         | \$ 65         | \$ -                       | \$ -        | \$ -             |
| Repurchase agreements            | 444               | -                | 444               | -             | -             | -                          | -           | -                |
| Guaranteed investment contracts  | 3,324             | -                | 2,375             | 457           | 492           | -                          | -           | -                |
| Internal state investment pools: |                   |                  |                   |               |               |                            |             |                  |
| State Treasurer                  | 4,338             | 4,338            | -                 | -             | -             | -                          | -           | -                |
| State Investment Council         | 28,835            | -                | -                 | -             | -             | -                          | -           | 28,835           |
| U.S. agencies                    | 15,927            | -                | 15,927            | -             | -             | -                          | -           | -                |
| Securitized mortgage loans:      |                   |                  |                   |               |               |                            |             |                  |
| Unrestricted                     | 10,794            | -                | 4,101             | -             | -             | 6,693                      | -           | -                |
| Restricted                       | 580,536           | -                | 86,212            | -             | -             | 494,324                    | -           | -                |
|                                  | <u>\$ 662,705</u> | <u>\$ 22,220</u> | <u>\$ 109,554</u> | <u>\$ 522</u> | <u>\$ 557</u> | <u>\$ 501,017</u>          | <u>\$ -</u> | <u>\$ 28,835</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 Statements of Net Position as of September 30, 2018 and 2017, respectively: Ginnie Mae 77% and 78%, and Fannie Mae 15% and 15%.

**Fair Value Reporting**

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All investments are valued using quoted market prices (Level 1 inputs), except for the State Investment Council internal state investment pool, which is valued using Level 2 inputs.

**Note 3 – Mortgage Loans, net**

Mortgage loans reflected in the Statements of Net Position consist of the following as of September 30 (in thousands):

|   | 2018              | 2017              |
|---|-------------------|-------------------|
| Total mortgage loan principal outstanding | \$ 232,103        | \$ 197,522        |
| Less:                                     |                   |                   |
| Allowance for mortgage loan losses        | (1,391)           | (2,264)           |
| Mortgage loans, net                       | <u>\$ 230,712</u> | <u>\$ 195,258</u> |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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**Note 3 – Mortgage Loans, net (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>2018</u>     | <u>2017</u>     |
|--------------------------------------|-----------------|-----------------|
| Beginning balance                    | \$ 2,264        | \$ 2,717        |
| (Recovery) provision for loan losses | (218)           | 19              |
| Loans written off net of recoveries  | (655)           | (472)           |
| Ending balance                       | <u>\$ 1,391</u> | <u>\$ 2,264</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   | 2.50% to 7.02% |
| Other mortgage loans      | 0.00% to 8.99% |
| Second mortgage DPA loans | 0.00% to 6.59% |

MBSs have stated interest rates ranging from 2.75% and 7.49%.

As of September 30, 2018 and 2017, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately \$170,000 and \$243,000, respectively. As of September 30, 2018 and 2017, mortgage loans' total delinquent aggregate principal balances are approximately \$6,515,000 and \$9,157,000, 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 financial statements (in thousands):

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Southwest Neighborhood Housing Services | \$ 247            | \$ 270            |
| TIWA Lending Services                   | 6,175             | 5,283             |
| AFL-CIO                                 | 2,736             | 2,787             |
| Fannie Mae Loans                        | 124,898           | 50,598            |
| Habitat for Humanity/Valencia County    | -                 | 24                |
| Ginnie Mae Loans                        | 657,300           | 340,625           |
| Northern Pueblos Housing Authority      | 266               | 271               |
| Southwest Community Resources           | 13                | 16                |
| Superior Mortgage                       | 7                 | 7                 |
| Wallick & Volk, Inc.                    | 7                 | 7                 |
| Hometrust                               | 12                | 12                |
| City of Albuquerque                     | 15,797            | 16,269            |
| Ventana Fund                            | 2,381             | 2,468             |
| Ohkay Owingeh                           | 226               | -                 |
|   | <u>\$ 810,065</u> | <u>\$ 418,637</u> |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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**Note 4 – Capital Assets**

Changes in capital assets during 2018 and 2017 were as follows (in thousands):

|                                | October 1,<br>2017 | Additions     | Dispositions  | Transfers             | September 30,<br>2018 |
|--------------------------------|--------------------|---------------|---------------|-----------------------|-----------------------|
| Land (nondepreciable)          | \$ 512             | \$ -          | \$ -          | \$ -                  | \$ 512                |
| Building and improvements      | 3,066              | 173           | -             | 149                   | 3,388                 |
| Furniture and equipment        | 1,936              | 125           | (41)          | -                     | 2,020                 |
| Construction in progress       | 149                | -             | -             | (149)                 | -                     |
| Total capital assets           | <u>5,663</u>       | <u>298</u>    | <u>(41)</u>   | <u>-</u>              | <u>5,920</u>          |
| Less accumulated depreciation: |                    |               |               |                       |                       |
| Building and improvements      | (2,785)            | (62)          | -             | -                     | (2,847)               |
| Furniture and equipment        | (1,824)            | (66)          | 40            | -                     | (1,850)               |
| Total accumulated depreciation | <u>(4,609)</u>     | <u>(128)</u>  | <u>40</u>     | <u>-</u>              | <u>(4,697)</u>        |
| Capital assets, net            | <u>\$ 1,054</u>    | <u>\$ 170</u> | <u>\$ (1)</u> | <u>\$ -</u>           | <u>\$ 1,223</u>       |
|                                | October 1,<br>2016 | Additions     | Dispositions  | September 30,<br>2017 |                       |
| Land (nondepreciable)          | \$ 512             | \$ -          | \$ -          | \$ 512                |                       |
| Building and improvements      | 3,066              | -             | -             | 3,066                 |                       |
| Furniture and equipment        | 1,983              | 42            | (89)          | 1,936                 |                       |
| Construction in progress       | -                  | 149           | -             | 149                   |                       |
| Total capital assets           | <u>5,561</u>       | <u>191</u>    | <u>(89)</u>   | <u>5,663</u>          |                       |
| Less accumulated depreciation: |                    |               |               |                       |                       |
| Building and improvements      | (2,723)            | (62)          | -             | (2,785)               |                       |
| Furniture and equipment        | (1,843)            | (68)          | 87            | (1,824)               |                       |
| Total accumulated depreciation | <u>(4,566)</u>     | <u>(130)</u>  | <u>87</u>     | <u>(4,609)</u>        |                       |
| Capital assets, net            | <u>\$ 995</u>      | <u>\$ 61</u>  | <u>\$ (2)</u> | <u>\$ 1,054</u>       |                       |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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**Note 5 – Bonds Payable**

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

| Single Family Mortgage Programs   | 2018   | 2017     |
|---|--------|----------|
| 2008 Series A – 5.00% to 5.60% interest payable semiannually, principal due through 2039  | \$ -   | \$ 7,615 |
| 2008 Series B – 5.10% to 6.375% interest payable semiannually, principal due through 2039 | -      | 5,720    |
| 2008 Series C – 5.00% to 6.95% interest payable semiannually, principal due through 2039  | -      | 3,255    |
| 2008 Series D – 4.25% to 5.50% interest payable semiannually, principal due through 2039  | -      | 10,425   |
| 2009 Series A – 4.30% to 5.60% interest payable semiannually, principal due through 2034  | 4,985  | 6,415    |
| 2009 Series B – 4.00% to 5.65% interest payable semiannually, principal due through 2039  | 10,285 | 13,560   |
| 2009 Series C – 4.20% to 5.70% interest payable semiannually, principal due through 2040  | 12,760 | 16,175   |
| 2009 Series D – 3.90% to 5.35% interest payable semiannually, principal due through 2040  | 13,145 | 15,795   |
| 2009 Series E – 3.95% to 5.30% interest payable semiannually, principal due through 2040  | 12,640 | 15,320   |
| 2010 Series A – 4.50% to 4.625% interest payable semiannually, principal due through 2028 | 6,975  | 8,820    |
| 2011 Series A – 5.00% to 5.35% interest payable semiannually, principal due through 2030  | 8,820  | 11,340   |
| 2011 Series B – 2.77% to 5.00% interest payable semiannually, principal due through 2041  | 16,125 | 18,725   |
| 2011 Series C – 2.32% to 4.625% interest payable semiannually, principal due through 2041 | 18,310 | 21,910   |
| 2012 Series A – 2.10% to 4.25% interest payable quarterly, principal due through 2043     | 20,015 | 23,405   |
| 2012 Series B – 2.10% to 3.90% interest payable quarterly, principal due through 2043     | 28,620 | 33,315   |
| 2013 Series A – 2.6% interest payable monthly, principal due through 2043                 | 12,994 | 15,071   |
| 2013 Series B – 2.23% to 2.85% interest payable monthly, principal due through 2043       | 19,127 | 20,666   |
| 2013 Series C – 4.50% interest payable monthly, principal due through 2043                | 21,746 | 24,198   |
| 2014 Series A – 2.15% to 5.00% interest payable quarterly, principal due through 2043     | 8,895  | 10,495   |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

| Single Family Mortgage Programs   | 2018                    | 2017                    |
|---|-------------------------|-------------------------|
| 2014 Series B – 2.75% interest payable monthly, principal due through 2035            | \$ 6,031                | \$ 7,180                |
| 2015 Series A - 1.45% to 4.00% interest payable quarterly, principal due through 2045 | 26,705                  | 31,310                  |
| 2015 Series B - 2.75% interest payable monthly, principal due through 2035            | 4,404                   | 4,991                   |
| 2015 Series C - 3.00% interest payable monthly, principal due through 2041            | 16,290                  | 18,860                  |
| 2015 Series D - 3.125% interest payable monthly, principal due through 2037           | 7,992                   | 9,247                   |
| 2015 Series E - 3.10% interest payable monthly principal due through 2037             | 12,277                  | 14,851                  |
| 2016 Series A - 1.15% to 3.80% interest payable quarterly principal due through 2046  | 49,515                  | 54,525                  |
| 2016 Series B - 2.60% interest payable monthly principal due through 2040             | 20,300                  | 21,810                  |
| 2016 Series C - 1.15% to 3.5% interest payable quarterly principal due through 2045   | 56,710                  | 62,700                  |
| 2017 Series A - 2.98% interest payable monthly principal due through 2038             | 22,142                  | 25,734                  |
| 2017 Series B - 1.10% to 3.80% interest payable quarterly principal due through 2047  | 54,615                  | -                       |
| 2018 Series A 1.75% to 4.00% interest payable quarterly principal due through 2049    | 62,000                  | -                       |
| 2018 Series B 1.70% to 4.00% interest payable quarterly principal due through 2049    | 65,000                  | -                       |
| 2018 Series C 1.55% to 4.00% interest payable quarterly principal due through 2049    | 75,000                  | -                       |
|   | <hr/>                   | <hr/>                   |
| Subtotal  | 694,423                 | 533,433                 |
| Unaccreted premium, net of underwriters' discount                                     | 14,315                  | 9,773                   |
| Subtotal single family mortgage programs, net bonds payable                           | <hr/> <u>\$ 708,738</u> | <hr/> <u>\$ 543,206</u> |



**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

| Rental Housing Mortgage Programs   | 2018     | 2017     |
|--|----------|----------|
| 2002 Series A&B Multi Family Risk Sharing – Sandpiper –<br>5.40% to 6.75% interest payable semiannually,<br>principal due through 2038   | \$ 7,980 | \$ 8,200 |
| 2003 Series A&B Multi Family Risk Sharing – Aztec – 5.10%<br>to 5.15% interest payable semiannually,<br>principal due through 2038   | 7,560    | 7,755    |
| 2004 Series A&B Multi Family Risk Sharing – NM5 – 5.05%<br>to 5.20% interest payable semiannually,<br>principal due through 2039   | 7,355    | 7,540    |
| 2004 Series C&D Multi Family Risk Sharing – Alta Vista –<br>5.25% to 6.00% interest payable semiannually,<br>principal due through 2039  | 10,425   | 10,660   |
| 2005 Series A & B Multi Family Risk Sharing – Las<br>Palomas – 4.70% to 4.98% interest payable semiannually,<br>principal due through 2040                                     | 9,960    | 10,190   |
| 2005 Series C & D Multi Family Risk Sharing – Chateau –<br>4.70% interest payable semiannually, principal due<br>through 2040  | 3,445    | 3,525    |
| 2005 Series E & F Multi Family Risk Sharing – Sun Pointe –<br>4.80% to 5.06% interest payable semiannually,<br>principal due through 2040                                      | 10,965   | 11,220   |
| 2007 A & B Multi Family Risk Sharing – St. Anthony –<br>5.05% to 5.25% interest payable semiannually, principal<br>due through 2042  | 5,160    | 5,260    |
| 2007 C & D Multi Family – NM Rainbow 7 –<br>5.85% to 10.00% interest payable monthly for senior<br>bonds and semiannually for subordinate bonds,<br>principal due through 2043 | 12,682   | 12,862   |
| 2008 A & B Multi Family – Villas de San<br>Ignacio variable interest rate * 1.56% at September 30, 2018<br>payable monthly, principal due through 2043                         | 8,000    | 8,520    |
| 2010 A & B Multi Family Risk Sharing – Villa Alegre Senior<br>Housing – 5% interest payable semiannually, principal<br>due through 2047  | 835      | 850      |

**New Mexico Mortgage Finance Authority**  
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**Notes to the Financial Statements**

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

|   |                   |                   |
|---|-------------------|-------------------|
| 2012 A Multi Family – Gallup Apartments – 5% interest payable monthly, principal due through 2049                                     | \$ 4,743          | \$ 4,807          |
| 2017 A Multi-Family - Shiprock Homes - 1.35% interest payable semiannually, principal due through 2020                                | 11,800            | 11,800            |
| 2017 B Multi-Family - Pasa Tiempo - Variable interest rate* (3.775% at September 30, 2018) payable monthly principal due through 2020 | 5,567             | 50                |
| Subtotal  | <u>106,477</u>    | <u>103,239</u>    |
| Unaccreted premium  | <u>107</u>        | <u>122</u>        |
| Subtotal rental housing mortgage programs, net bonds payable  | <u>\$ 106,584</u> | <u>\$ 103,361</u> |
| <br>  |                   |                   |
| Total bonds payable   | \$ 800,901        | \$ 636,672        |
| Total unaccreted premium, net of unamortized discount   | 14,421            | 9,895             |
| Total bonds payable   | <u>\$ 815,322</u> | <u>\$ 646,567</u> |

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 2018C. 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.

**New Mexico Mortgage Finance Authority**  
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**Notes to the Financial Statements**

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

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2018 and 2017 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. In addition, the 2015 Series C and 2016 Series B bond were issued under this indenture.

During fiscal year 2018, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005 as follows:

- \$57.3 million Single Family Mortgage Program Class I Bonds, 2017 Series B-1 (Tax-Exempt) (Non-AMT) and 2017 Series B-2 (Tax-Exempt) (AMT). The \$45.0 million 2017 Series B-1 bonds were used to originate new loans. The \$12.3 million 2017 Series B-2 bonds combined with funds in the trust estates, were used to fully refund the Single Family Mortgage Program Bonds 2008 Series A and 2008 Series B. The Authority will realize a \$2.3 million positive cash flow from this refunding and an economic gain of approximately \$3.0 million.
- \$62.0 million Single Family Mortgage Program Class I Bonds, 2018 Series A-1 (Tax-Exempt) (Non-AMT) and 2018 Series A-2 (Tax-Exempt) (AMT). Fifty million dollars from the 2018 Series A-1 bonds was used to originate new loans. The remaining \$9.5 million of the Series A-1 bonds and the \$2.5 Series A-2 bonds combined with funds in the trust estates, were used to fully refund the Single Family Mortgage Program Bonds 2008 Series C and 2008 Series D. The Authority will realize a \$3.9 million positive cash flow from this refunding and an economic gain of approximately \$2.2 million.
- \$65 million Single Family Mortgage Program Class I Bonds, 2018 Series B Bonds (Tax-Exempt) (Non-AMT). The \$65 million 2018 Series B bonds were used to originate new loans.
- \$75 million Single Family Mortgage Program Class I Bonds, 2018 Series C Bonds (Tax-Exempt) (Non-AMT). The \$75 million 2018 Series C bonds were used to originate new loans.

## **New Mexico Mortgage Finance Authority (A Component Unit of the State of New Mexico) Notes to the Financial Statements**

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### **Note 5 – Bonds Payable (continued)**

During fiscal year 2017, the Authority continued to issue bonds under the General Indenture of Trust Dated November 1, 2005 as follows:

- \$68.3 million Single Family Mortgage Program Class I Bonds, 2016 Series C-1 (Tax-Exempt) (Non AMT) and 2016 Series C-2 (Tax-Exempt) (AMT). The \$50 million 2016 Series C-1 bonds were used to originate new loans. The \$18.3 million 2016 Series C-2 bonds combined with funds in the trust estates, were used to fully refund the Single Family Mortgage Program Bonds 2007 Series A, and 2007 Series B. The Authority will realize a \$2.8 million positive cash flow from this refunding and an economic gain of approximately \$3.9 million.
- \$27.9 million Single Family Mortgage Program Class I Bonds, 2017 Series A-2 (MBS Pass-Through Program) (Federally Taxable) combined with funds in the trust estates were used to fully refund the Single Family Mortgage Program Bonds, 2007 Series C, 2007 Series D and 2007 Series E. The Authority will realize a \$6.0 million positive cash flow from this refunding and an economic gain of approximately \$6.1 million.

During fiscal year 2018 and 2017, the Authority did not issue any bonds under the General Indenture of Trust dated December 1, 2009.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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**Note 6 – Notes Payable**

Notes payable at September 30, 2018 and 2017 consist of the following (in thousands):

|  | 2018      | 2017      |
|--|-----------|-----------|
| November 2011 Wells Fargo note bearing interest at 2.00% through November 2023.  | \$ 850    | \$ 850    |
| January 2012 USDA Preservation Revolving Loan Fund (PRLF) note bearing interest at 1.00% through January 2042.<br>The loan is secured by a PRLF Revolving Fund held as restricted cash in the Statement of Net Position. | 1,794     | 1,861     |
| December 2013 NM Small Business Investment Corporation note bearing interest at 2.00% through November 2023.   | 700       | 800       |
| September 2018 Federal Home Loan Bank Of Dallas (FHLB) note bearing interest at 2.19% through October 2018<br>loans are collateralized by securities and loans held for sale.  | 21,000    | -         |
| September 2018 Federal Home Loan Bank Of Dallas (FHLB) note bearing variable interest at 2.475% as of September 30, 2018, through September 2020<br>loans are collateralized by securities and loans held for sale.      | 15,000    | -         |
| September 2017 Federal Home Loan Bank Of Dallas (FHLB) note bearing interest at 1.17% through November 2017<br>loans are collateralized by securities.   | -         | 10,700    |
| September 2017 Federal Home Loan Bank Of Dallas (FHLB) note bearing interest at 1.17% through December 2017<br>loans are collateralized by securities.   | -         | 15,000    |
|  | \$ 39,344 | \$ 29,211 |

The borrowings from Wells Fargo, USDA and NM SBIC were made to raise capital to help fund the Primero Loan Program that provides loans for nonprofit, public, or tribal agency sponsored affordable projects. The borrowings from FHLB were made to fund single family residential mortgages originated through the Authority's mortgage programs.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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**Note 7 – Debt Service Requirements**

A summary of bond and note debt service requirements as of September 30, 2018 is as follows (in thousands):

| Year(s) ending September 30: | Bonds Payable     |                   | Notes Payable   |                  |
|------------------------------|-------------------|-------------------|-----------------|------------------|
|                              | Interest          | Principal         | Interest        | Principal        |
| 2019                         | \$ 28,743         | \$ 16,952         | \$ 433          | \$ 21,074        |
| 2020                         | 28,814            | 35,669            | 449             | 15,075           |
| 2021                         | 27,866            | 18,904            | 48              | 74               |
| 2022                         | 27,213            | 19,540            | 46              | 393              |
| 2023                         | 26,520            | 20,263            | 38              | 499              |
| 2024-2028                    | 120,675           | 110,687           | 70              | 1,178            |
| 2029-2033                    | 97,550            | 124,734           | 45              | 371              |
| 2034-2038                    | 69,849            | 183,597           | 27              | 371              |
| 2039-2043                    | 37,150            | 166,342           | 8               | 309              |
| 2044-2048                    | 7,771             | 103,167           | -               | -                |
| 2049-2053                    | 20                | 1,046             | -               | -                |
|                              | <u>472,171</u>    | <u>800,901</u>    | <u>1,164</u>    | <u>39,344</u>    |
| Net unaccrued premium        | -                 | 14,421            | -               | -                |
|                              | <u>\$ 472,171</u> | <u>\$ 815,322</u> | <u>\$ 1,164</u> | <u>\$ 39,344</u> |

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

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

|                     | 2018             | 2017            |
|---------------------|------------------|-----------------|
| Vendor              | \$ 6,378         | \$ 4,665        |
| Employee benefits   | 487              | 458             |
| Advances on revenue | 4,546            | 991             |
|                     | <u>\$ 11,411</u> | <u>\$ 6,114</u> |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

A summary of noncurrent liability and compensated absence activity for the years ended September 30, 2018 and 2017 is as follows (in thousands):

|                              | October 1,<br>2017 | Increases         | Decreases           | September 30,<br>2018 | Current<br>Portion |
|------------------------------|--------------------|-------------------|---------------------|-----------------------|--------------------|
| Bonds payable                | \$ 646,567         | \$ 276,577        | \$ (107,822)        | \$ 815,322            | \$ 16,952          |
| Note payable                 | 29,211             | 276,700           | (266,567)           | 39,344                | 21,074             |
| Accrued arbitrage rebate     | -                  | -                 | -                   | -                     | -                  |
| Other noncurrent liabilities | 245                | 4                 | (50)                | 199                   | -                  |
| Compensated absences         | 414                | 436               | (436)               | 414                   | 414                |
|                              | <u>\$ 676,437</u>  | <u>\$ 553,717</u> | <u>\$ (374,875)</u> | <u>\$ 855,279</u>     | <u>\$ 38,440</u>   |
|                              | October 1,<br>2016 | Increases         | Decreases           | September 30,<br>2017 | Current<br>Portion |
| Bonds payable                | \$ 698,555         | \$ 112,546        | \$ (164,534)        | \$ 646,567            | \$ 14,254          |
| Note payable                 | 26,580             | 146,485           | (143,854)           | 29,211                | 25,774             |
| Accrued arbitrage rebate     | 51                 | -                 | (51)                | -                     | -                  |
| Other noncurrent liabilities | 245                | -                 | -                   | 245                   | -                  |
| Compensated absences         | 373                | 428               | (387)               | 414                   | 414                |
|                              | <u>\$ 725,804</u>  | <u>\$ 259,459</u> | <u>\$ (308,826)</u> | <u>\$ 676,437</u>     | <u>\$ 40,442</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.

**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) plan, which covers substantially all of the Authority's employees. Participating employees may make pre-tax salary deferrals of not less than 3% of the participating employee's annual salary. If the employee makes the minimum 3% employee salary deferral, the Authority will make a matching contribution equal to 5% of the participating employee's salary on a per payroll basis. 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 salary deferral. Plan participants become fully vested in the Authority's contributions after five years of service. The Authority also sponsors a 457(b) plan. The Authority's and employees' contributions to the Benefit Plan were approximately \$659,000 and \$300,000, respectively, for the year ended September 30, 2018. The Authority's and employees' contributions to the Benefit Plan were approximately \$792,000 and \$247,000, respectively, for the year ended September 30, 2017. The Executive Director, Human Resources Director, and Deputy Director of Finance and Administration have the authority to amend the plans.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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**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, 2018 and 2017 (in thousands):

|   | <u>2018</u>       | <u>2017</u>       |
|---|-------------------|-------------------|
| Single family and multifamily programs as designated by the board | \$ 19,140         | \$ 20,751         |
| Future general operating budget                                   | 20,097            | 17,873            |
| Housing Opportunity Fund  | 105,794           | 101,094           |
| Risk-sharing loss exposure  | 10,193            | 9,864             |
| Federal and state housing programs administered by the Authority  | <u>13,344</u>     | <u>12,487</u>     |
| Total board-designated net position                               | <u>\$ 168,568</u> | <u>\$ 162,069</u> |

**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, 2018 and 2017, the Authority is committed to assume a risk of approximately \$10,125,000 and \$10,390,000 for the 45 loans closed, respectively. These loans are considered in the Authority's assessment for the allowance for mortgage loan losses. As of September 30, 2018, of the 45 loans closed, 7 of the loans are not included in the Authority's financial statements because they are 100% participations with the AFL-CIO and Fannie Mae. Of the \$10,125,000 risk assumed as of September 30, 2018, the Authority's assumed risk approximated \$1,294,000 for these off balance sheet loans. The end dates for the guarantees range from 2027 – 2058. 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% pro rata 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, 2018. As of September 30, 2018 and 2017, the Authority is committed to assume a risk of approximately \$112,000 and \$114,000 for the one loan closed, respectively.



**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Financial Statements**

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

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, 2018, 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, 2018.

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, 2018.

**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.

**Note 15 – Joint Powers Agreements**

The Authority has entered into two joint powers agreements (JPAs) with various departments of the State. At September 30, 2018, these JPAs 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.

## **New Mexico Mortgage Finance Authority (A Component Unit of the State of New Mexico) Notes to the Financial Statements**

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### **Note 15 – Joint Powers Agreements (continued)**

- (b) The Authority entered into a MOU with DFA in August 2018. The purpose of this agreement is for DFA to transfer funds to the Authority to implement the 2020-2024 New Mexico Consolidated Plan. The JPA was effective August 30, 2018, and will terminate upon acceptance by HUD of the 2020-2024 New Mexico Consolidated Plan, or on the date the final Contractor invoice is paid, whichever is later. The estimated amount of the project is \$52,700, all of which is applicable to the Authority. The funds are not subject to reversion to the State general fund. The Authority does contribute funds to this project. The Authority is responsible for the audit of the funds received under this MOU.

### **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 2018 and 2017, the Authority incurred \$1,000 and \$1,250, 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, 2018 and September 30, 2017, there were no balances due to/from the Trust.

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

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.

## **Supplementary Schedules**

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**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Single Family Mortgage Programs-Statement of Net Position**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

|  | Single Family Mortgage Programs |                              | Total<br>Single Family<br>Mortgage<br>Programs |
|--|---------------------------------|------------------------------|--|
|  | 2005<br>General<br>Indenture    | 2009<br>General<br>Indenture |  |
| <b>Assets</b>                                    |                                 |                              |  |
| Current assets:                                  |                                 |                              |  |
| Restricted cash and cash equivalents             | \$ 12,785                       | \$ 2,154                     | \$ 14,939                                      |
| Restricted investments, net                      | -                               | -                            | -  |
| Accrued interest receivable                      | 1,917                           | 307                          | 2,224  |
| Other current assets                             | -                               | -                            | -  |
| Intra-entity receivable (payable)                | (320)                           | (22)                         | (342)  |
| Total current assets                             | <u>14,382</u>                   | <u>2,439</u>                 | <u>16,821</u>                                  |
| Noncurrent assets:                               |                                 |                              |  |
| Restricted cash and cash equivalents             | 63,217                          | -                            | 63,217   |
| Restricted investments and reserve funds, net    | -                               | -                            | -  |
| Restricted securitized mortgage loans, net:      |                                 |                              |  |
| Securitized mortgage loans, net cost             | 578,173                         | 88,147                       | 666,320  |
| Unrealized gain on securitized mortgage loans    | (856)                           | 1,016                        | 160  |
| Total restricted securitized mortgage loans, net | <u>577,317</u>                  | <u>89,163</u>                | <u>666,480</u>                                 |
| Restricted mortgage loans, net                   | -                               | -                            | -  |
| Total noncurrent assets                          | <u>640,534</u>                  | <u>89,163</u>                | <u>729,697</u>                                 |
| Total assets                                     | <u>654,916</u>                  | <u>91,602</u>                | <u>746,518</u>                                 |
| Deferred outflows:                               |                                 |                              |  |
| Refundings of debt                               | 483                             | -                            | 483  |
| Total assets & deferred outflows                 | <u>\$ 655,399</u>               | <u>\$ 91,602</u>             | <u>\$ 747,001</u>                              |
| <b>Liabilities and Net Position</b>              |                                 |                              |  |
| Current liabilities:                             |                                 |                              |  |
| Accrued interest payable                         | \$ 2,402                        | \$ 242                       | \$ 2,644                                       |
| Accounts payable and other accrued expenses      | 8                               | 3                            | 11   |
| Current portion of bonds payable                 | 12,784                          | 2,315                        | 15,099   |
| Total current liabilities                        | <u>15,194</u>                   | <u>2,560</u>                 | <u>17,754</u>                                  |
| Noncurrent liabilities:                          |                                 |                              |  |
| Bonds payable                                    | 608,388                         | 85,251                       | 693,639  |
| Accrued arbitrage rebate                         | -                               | -                            | -  |
| Total noncurrent liabilities                     | <u>608,388</u>                  | <u>85,251</u>                | <u>693,639</u>                                 |
| Total liabilities                                | <u>623,582</u>                  | <u>87,811</u>                | <u>711,393</u>                                 |
| Net position restricted for debt service         | 31,817                          | 3,791                        | 35,608   |
| Total liabilities and net position               | <u>\$ 655,399</u>               | <u>\$ 91,602</u>             | <u>\$ 747,001</u>                              |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Single Family Mortgage Programs-Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

|   | Single Family Mortgage Programs |                      | Total<br>Single Family<br>Mortgage<br>Programs |
|---|---------------------------------|----------------------|--|
|   | 2005                            | 2009                 |  |
|   | General<br>Indenture            | General<br>Indenture |  |
| Operating revenues:                                       |                                 |                      |  |
| Interest on mortgage loans and securitized mortgage loans | \$ 18,644                       | \$ 3,703             | \$ 22,347                                      |
| Interest on securities and temporary investments          | 500                             | 50                   | 550  |
| Gain (loss) asset sale                                    | -                               | -                    | -  |
| Loan and commitment fees                                  | 1,833                           | -                    | 1,833  |
| Administrative fees and other                             | (2,574)                         | (325)                | (2,899)  |
| Total operating revenues                                  | <u>18,403</u>                   | <u>3,428</u>         | <u>21,831</u>                                  |
| Operating expenses:                                       |                                 |                      |  |
| Interest  | 15,531                          | 2,883                | 18,414   |
| Bond issuance costs                                       | 2,398                           | -                    | 2,398  |
| Administrative fees and other                             | 240                             | 13                   | 253  |
| Total operating expenses                                  | <u>18,169</u>                   | <u>2,896</u>         | <u>21,065</u>                                  |
| Operating income (loss)                                   | 234                             | 532                  | 766  |
| Net decrease in fair value of investments                 | (18,036)                        | (4,235)              | (22,271)                                       |
| Other financing sources (uses) – operating transfers      | 1,510                           | (339)                | 1,171  |
| Change in net position                                    | (16,292)                        | (4,042)              | (20,334)                                       |
| Total net position – beginning                            | 48,109                          | 7,833                | 55,942   |
| Total net position – ending                               | <u>\$ 31,817</u>                | <u>\$ 3,791</u>      | <u>\$ 35,608</u>                               |
| <b>Condensed Statements of Cash Flows</b>                 |                                 |                      |  |
| Net cash provided by (used in):                           |                                 |                      |  |
| Operating activities                                      | \$ (103,364)                    | \$ 17,119            | \$ (86,245)                                    |
| Noncapital financing activities                           | 163,544                         | (17,897)             | 145,647  |
| Investing activities                                      | 505                             | 50                   | 555  |
| Net (decrease) increase                                   | <u>60,685</u>                   | <u>(728)</u>         | <u>59,957</u>                                  |
| Cash and cash equivalents, beginning of year              | 15,317                          | 2,882                | 18,199   |
| Cash and cash equivalents, end of year                    | <u>\$ 76,002</u>                | <u>\$ 2,154</u>      | <u>\$ 78,156</u>                               |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Net Position-**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

|  |  | Rental Housing Mortgage Programs |                        |                        |                        |                        |
|--|--|----------------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Assets</b>                                    |  | 2002<br>Series<br>A, B           | 2003<br>Series<br>A, B | 2004<br>Series<br>A, B | 2004<br>Series<br>C, D | 2004<br>Series<br>F, G |
| Current assets:                                  |  |                                  |                        |                        |                        |                        |
| Restricted cash and cash equivalents             |  | \$ 235                           | \$ 204                 | \$ 190                 | \$ 255                 | \$ -                   |
| Accrued interest receivable                      |  | 43                               | 34                     | 32                     | 47                     | -                      |
| Other current assets                             |  | -                                | -                      | -                      | -                      | -                      |
| Intra-entity receivable (payable)                |  | -                                | 1                      | (1)                    | -                      | -                      |
| Total current assets                             |  | <u>278</u>                       | <u>239</u>             | <u>221</u>             | <u>302</u>             | <u>-</u>               |
| Noncurrent assets:                               |  |                                  |                        |                        |                        |                        |
| Restricted cash and cash equivalents             |  | 341                              | 129                    | 282                    | 311                    | -                      |
| Note receivable                                  |  | -                                | 68                     | -                      | -                      | -                      |
| 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                   |  | <u>7,649</u>                     | <u>7,289</u>           | <u>7,097</u>           | <u>9,953</u>           | <u>-</u>               |
| Total noncurrent assets                          |  | <u>7,990</u>                     | <u>7,486</u>           | <u>7,379</u>           | <u>10,264</u>          | <u>-</u>               |
| Total assets                                     |  | <u>8,268</u>                     | <u>7,725</u>           | <u>7,600</u>           | <u>10,566</u>          | <u>-</u>               |
| Deferred outflows:                               |  |                                  |                        |                        |                        |                        |
| Refundings of debt                               |  | -                                | -                      | -                      | -                      | -                      |
| Total assets and deferred outflows               |  | <u>\$ 8,268</u>                  | <u>\$ 7,725</u>        | <u>\$ 7,600</u>        | <u>\$ 10,566</u>       | <u>\$ -</u>            |
| <b>Liabilities and Net Position</b>              |  |                                  |                        |                        |                        |                        |
| Current liabilities:                             |  |                                  |                        |                        |                        |                        |
| Accrued interest payable                         |  | \$ 114                           | \$ 32                  | \$ 31                  | \$ 47                  | \$ -                   |
| Accounts payable and other accrued expenses      |  | -                                | -                      | -                      | -                      | -                      |
| Current portion of bonds payable, net            |  | 235                              | 205                    | 190                    | 255                    | -                      |
| Total current liabilities                        |  | <u>349</u>                       | <u>237</u>             | <u>221</u>             | <u>302</u>             | <u>-</u>               |
| Noncurrent liabilities:                          |  |                                  |                        |                        |                        |                        |
| Bonds payable, net                               |  | 7,805                            | 7,355                  | 7,165                  | 10,170                 | -                      |
| Accrued arbitrage rebate                         |  | -                                | -                      | -                      | -                      | -                      |
| Total noncurrent liabilities                     |  | <u>7,805</u>                     | <u>7,355</u>           | <u>7,165</u>           | <u>10,170</u>          | <u>-</u>               |
| Total liabilities                                |  | <u>8,154</u>                     | <u>7,592</u>           | <u>7,386</u>           | <u>10,472</u>          | <u>-</u>               |
| Net position restricted for debt service         |  | 114                              | 133                    | 214                    | 94                     | -                      |
| Total liabilities and net position               |  | <u>\$ 8,268</u>                  | <u>\$ 7,725</u>        | <u>\$ 7,600</u>        | <u>\$ 10,566</u>       | <u>\$ -</u>            |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Net Position-**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

|  |  | Rental Housing Mortgage Programs |                        |                        |                        |                        |
|--|--|----------------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Assets</b>                                    |  | 2005<br>Series<br>A, B           | 2005<br>Series<br>C, D | 2005<br>Series<br>E, F | 2007<br>Series<br>A, B | 2007<br>Series<br>C, D |
| <b>Current assets:</b>                           |  |                                  |                        |                        |                        |                        |
| Restricted cash and cash equivalents             |  | \$ 245                           | \$ 85                  | \$ 265                 | \$ 105                 | \$ 12                  |
| Accrued interest receivable                      |  | 43                               | 13                     | 45                     | 22                     | 152                    |
| Other current assets                             |  | -                                | -                      | -                      | -                      | -                      |
| Intra-entity receivable (payable)                |  | -                                | -                      | (1)                    | -                      | (6)                    |
| Total current assets                             |  | <u>288</u>                       | <u>98</u>              | <u>309</u>             | <u>127</u>             | <u>158</u>             |
| <b>Noncurrent assets:</b>                        |  |                                  |                        |                        |                        |                        |
| Restricted cash and cash equivalents             |  | 524                              | 65                     | 259                    | 140                    | -                      |
| 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>               |
| Restricted mortgage loans, net                   |  | <u>9,575</u>                     | <u>3,268</u>           | <u>10,551</u>          | <u>4,974</u>           | <u>12,682</u>          |
| Total noncurrent assets                          |  | <u>10,099</u>                    | <u>3,333</u>           | <u>10,810</u>          | <u>5,114</u>           | <u>12,682</u>          |
| Total assets                                     |  | <u>10,387</u>                    | <u>3,431</u>           | <u>11,119</u>          | <u>5,241</u>           | <u>12,840</u>          |
| <b>Deferred outflows:</b>                        |  |                                  |                        |                        |                        |                        |
| Refundings of debt                               |  | -                                | -                      | -                      | -                      | -                      |
| Total assets and deferred outflows               |  | <u>\$ 10,387</u>                 | <u>\$ 3,431</u>        | <u>\$ 11,119</u>       | <u>\$ 5,241</u>        | <u>\$ 12,840</u>       |
| <b>Liabilities and Net Position</b>              |  |                                  |                        |                        |                        |                        |
| <b>Current liabilities:</b>                      |  |                                  |                        |                        |                        |                        |
| Accrued interest payable                         |  | \$ 41                            | \$ 13                  | \$ 45                  | \$ 22                  | \$ 152                 |
| Accounts payable and other accrued expenses      |  | -                                | -                      | -                      | -                      | -                      |
| Current portion of bonds payable, net            |  | <u>245</u>                       | <u>85</u>              | <u>265</u>             | <u>105</u>             | <u>191</u>             |
| Total current liabilities                        |  | <u>286</u>                       | <u>98</u>              | <u>310</u>             | <u>127</u>             | <u>343</u>             |
| <b>Noncurrent liabilities:</b>                   |  |                                  |                        |                        |                        |                        |
| Bonds payable, net                               |  | 9,715                            | 3,372                  | 10,731                 | 5,074                  | 12,491                 |
| Accrued arbitrage rebate                         |  | -                                | -                      | -                      | -                      | -                      |
| Total noncurrent liabilities                     |  | <u>9,715</u>                     | <u>3,372</u>           | <u>10,731</u>          | <u>5,074</u>           | <u>12,491</u>          |
| Total liabilities                                |  | <u>10,001</u>                    | <u>3,470</u>           | <u>11,041</u>          | <u>5,201</u>           | <u>12,834</u>          |
| Net position restricted for debt service         |  | <u>386</u>                       | <u>(39)</u>            | <u>78</u>              | <u>40</u>              | <u>6</u>               |
| Total liabilities and net position               |  | <u>\$ 10,387</u>                 | <u>\$ 3,431</u>        | <u>\$ 11,119</u>       | <u>\$ 5,241</u>        | <u>\$ 12,840</u>       |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Net Position-**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

|  |  | Rental Housing Mortgage Programs |               |                 |             |             |
|--|--|----------------------------------|---------------|-----------------|-------------|-------------|
|  |  | 2008                             | 2010          | 2012            | 2014        | 2016        |
|  |  | Series                           | Series        | Series          | SF Living   | Series      |
| <b>Assets</b>                                    |  | A,B                              | A,B           | A               |             | A           |
| <b>Current assets:</b>                           |  |                                  |               |                 |             |             |
| Restricted cash and cash equivalents             |  | \$ -                             | \$ 10         | \$ 2            | \$ -        | \$ -        |
| Accrued interest receivable                      |  | 10                               | 4             | 11              | -           | -           |
| Other current assets                             |  | -                                | -             | -               | -           | -           |
| Intra-entity receivable (payable)                |  | -                                | -             | -               | -           | -           |
| Total current assets                             |  | <u>10</u>                        | <u>14</u>     | <u>13</u>       | <u>-</u>    | <u>-</u>    |
| <b>Noncurrent assets:</b>                        |  |                                  |               |                 |             |             |
| Restricted cash and cash equivalents             |  | -                                | 44            | -               | -           | -           |
| 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                   |  | <u>8,000</u>                     | <u>825</u>    | <u>4,743</u>    | <u>-</u>    | <u>-</u>    |
| Total noncurrent assets                          |  | <u>8,000</u>                     | <u>869</u>    | <u>4,743</u>    | <u>-</u>    | <u>-</u>    |
| Total assets                                     |  | <u>8,010</u>                     | <u>883</u>    | <u>4,756</u>    | <u>-</u>    | <u>-</u>    |
| <b>Deferred outflows:</b>                        |  |                                  |               |                 |             |             |
| Refundings of debt                               |  | -                                | -             | -               | -           | -           |
| Total assets and deferred outflows               |  | <u>\$ 8,010</u>                  | <u>\$ 883</u> | <u>\$ 4,756</u> | <u>\$ -</u> | <u>\$ -</u> |
| <b>Liabilities and Net Position</b>              |  |                                  |               |                 |             |             |
| <b>Current liabilities:</b>                      |  |                                  |               |                 |             |             |
| Accrued interest payable                         |  | \$ 10                            | \$ 3          | \$ 11           | \$ -        | \$ -        |
| Accounts payable and other accrued expenses      |  | -                                | -             | 2               | -           | -           |
| Current portion of bonds payable, net            |  | -                                | 10            | 67              | -           | -           |
| Total current liabilities                        |  | <u>10</u>                        | <u>13</u>     | <u>80</u>       | <u>-</u>    | <u>-</u>    |
| <b>Noncurrent liabilities:</b>                   |  |                                  |               |                 |             |             |
| Bonds payable, net                               |  | 8,000                            | 810           | 4,676           | -           | -           |
| Accrued arbitrage rebate                         |  | -                                | -             | -               | -           | -           |
| Total noncurrent liabilities                     |  | <u>8,000</u>                     | <u>810</u>    | <u>4,676</u>    | <u>-</u>    | <u>-</u>    |
| Total liabilities                                |  | <u>8,010</u>                     | <u>823</u>    | <u>4,756</u>    | <u>-</u>    | <u>-</u>    |
| <b>Net position restricted for debt service</b>  |  |                                  |               |                 |             |             |
|  |  | -                                | 60            | -               | -           | -           |
| Total liabilities and net position               |  | <u>\$ 8,010</u>                  | <u>\$ 883</u> | <u>\$ 4,756</u> | <u>\$ -</u> | <u>\$ -</u> |



**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Position**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

| <b>Assets</b>                                    | <b>Rental Housing Mortgage Programs</b> |                     | <b>Total<br/>Rental Housing<br/>Mortgage<br/>Programs</b> |
|--|---|---------------------|---|
|  | 2017<br>Shiprock                        | 2017<br>Series<br>B |   |
| <b>Current assets:</b>                           |   |                     |   |
| Restricted cash and cash equivalents             | \$ -                                    | \$ -                | \$ 1,608  |
| Accrued interest receivable                      | 53                                      | 14                  | 523   |
| Other current assets                             | -                                       | -                   | -   |
| Intra-entity receivable (payable)                | -                                       | -                   | (7)   |
| Total current assets                             | <u>53</u>                               | <u>14</u>           | <u>2,124</u>  |
| <b>Noncurrent assets:</b>                        |   |                     |   |
| Restricted cash and cash equivalents             | -                                       | 2                   | 2,097   |
| Note receivable                                  | -                                       | -                   | 68  |
| 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                   | <u>11,800</u>                           | <u>5,567</u>        | <u>103,973</u>  |
| Total noncurrent assets                          | <u>11,800</u>                           | <u>5,569</u>        | <u>106,138</u>  |
| Total assets                                     | <u>11,853</u>                           | <u>5,583</u>        | <u>108,262</u>  |
| <b>Deferred outflows:</b>                        |   |                     |   |
| Refundings of debt                               | -                                       | -                   | -   |
| Total assets and deferred outflows               | <u>\$ 11,853</u>                        | <u>\$ 5,583</u>     | <u>\$ 108,262</u>   |
| <b>Liabilities and Net Position</b>              |   |                     |   |
| <b>Current liabilities:</b>                      |   |                     |   |
| Accrued interest payable                         | \$ 53                                   | \$ 16               | \$ 590  |
| Accounts payable and other accrued expenses      | -                                       | -                   | 2   |
| Current portion of bonds payable, net            | -                                       | -                   | 1,853   |
| Total current liabilities                        | <u>53</u>                               | <u>16</u>           | <u>2,445</u>  |
| <b>Noncurrent liabilities:</b>                   |   |                     |   |
| Bonds payable, net                               | 11,800                                  | 5,567               | 104,731   |
| Accrued arbitrage rebate                         | -                                       | -                   | -   |
| Total noncurrent liabilities                     | <u>11,800</u>                           | <u>5,567</u>        | <u>104,731</u>  |
| Total liabilities                                | <u>11,853</u>                           | <u>5,583</u>        | <u>107,176</u>  |
| Net position restricted for debt service         | -                                       | -                   | 1,086   |
| Total liabilities and net position               | <u>\$ 11,853</u>                        | <u>\$ 5,583</u>     | <u>\$ 108,262</u>   |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental House Mortgage Programs-Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

|   | Rental Housing Mortgage Programs |                        |                        |                        |                        |
|---|----------------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2002<br>Series<br>A, B           | 2003<br>Series<br>A, B | 2004<br>Series<br>A, B | 2004<br>Series<br>C, D | 2004<br>Series<br>F, G |
| Operating revenues:                                       |                                  |                        |                        |                        |                        |
| Interest on mortgage loans and securitized mortgage loans | \$ 461                           | \$ 390                 | \$ 371                 | \$ 547                 | \$ -                   |
| Interest on securities and temporary investments          | 18                               | 6                      | 20                     | 27                     | -                      |
| Gain (Loss) Asset Sale/Debt Ext                           | -                                | (1)                    | -                      | -                      | -                      |
| Loan and commitment fees                                  | -                                | -                      | -                      | -                      | -                      |
| Administrative fees and other                             | -                                | -                      | -                      | -                      | -                      |
| Total operating revenues                                  | <u>479</u>                       | <u>395</u>             | <u>391</u>             | <u>574</u>             | <u>-</u>               |
| Operating expenses:                                       |                                  |                        |                        |                        |                        |
| Interest expense  | 450                              | 395                    | 383                    | 567                    | -                      |
| Bond issuance costs                                       | -                                | -                      | -                      | -                      | -                      |
| Provision (recovery) for loan losses                      | -                                | -                      | -                      | -                      | -                      |
| Administrative fees and other                             | (214)                            | 2                      | 2                      | 3                      | -                      |
| Total operating expenses                                  | <u>236</u>                       | <u>397</u>             | <u>385</u>             | <u>570</u>             | <u>-</u>               |
| Operating income (loss)                                   | 243                              | (2)                    | 6                      | 4                      | -                      |
| Net increase (decrease) in fair value of investments      | -                                | -                      | -                      | -                      | -                      |
| Other financing sources (uses) – operating transfers      | -                                | -                      | -                      | -                      | -                      |
| Change in net position                                    | 243                              | (2)                    | 6                      | 4                      | -                      |
| Total net position – beginning (as restated)              | (129)                            | 135                    | 208                    | 90                     | -                      |
| Total net position – ending                               | <u>\$ 114</u>                    | <u>\$ 133</u>          | <u>\$ 214</u>          | <u>\$ 94</u>           | <u>\$ -</u>            |
| <b>Condensed Statements of Cash Flows</b>                 |                                  |                        |                        |                        |                        |
| Net cash provided by (used in):                           |                                  |                        |                        |                        |                        |
| Operating activities                                      | \$ 666                           | \$ 583                 | \$ 550                 | \$ 785                 | \$ -                   |
| Noncapital financing activities                           | (686)                            | (591)                  | (569)                  | (804)                  | -                      |
| Investing activities                                      | 18                               | 48                     | 20                     | 28                     | -                      |
| Net (decrease) increase                                   | (2)                              | 40                     | 1                      | 9                      | -                      |
| Cash and cash equivalents, beginning of year              | 578                              | 293                    | 471                    | 557                    | -                      |
| Cash and cash equivalents, end of year                    | <u>\$ 576</u>                    | <u>\$ 333</u>          | <u>\$ 472</u>          | <u>\$ 566</u>          | <u>\$ -</u>            |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental House Mortgage Programs-Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

|   | Rental Housing Mortgage Programs |                        |                        |                        |                        |
|---|----------------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2005<br>Series<br>A, B           | 2005<br>Series<br>C, D | 2005<br>Series<br>E, F | 2007<br>Series<br>A, B | 2007<br>Series<br>C, D |
| Operating revenues:                                       |                                  |                        |                        |                        |                        |
| Interest on mortgage loans and securitized mortgage loans | \$ 503                           | \$ 161                 | \$ 530                 | \$ 270                 | \$ 827                 |
| Interest on securities and temporary investments          | 30                               | 2                      | 17                     | 3                      | 3                      |
| Gain (Loss) Asset Sale/Debt Ext                           | -                                | -                      | -                      | -                      | -                      |
| Loan and commitment fees                                  | -                                | -                      | -                      | -                      | -                      |
| Administrative fees and other                             | -                                | 2                      | -                      | -                      | 1                      |
| Total operating revenues                                  | <u>533</u>                       | <u>165</u>             | <u>547</u>             | <u>273</u>             | <u>831</u>             |
| Operating expenses:                                       |                                  |                        |                        |                        |                        |
| Interest expense  | 501                              | 163                    | 537                    | 271                    | 830                    |
| Bond issuance costs                                       | -                                | -                      | -                      | -                      | -                      |
| Provision (recovery) for loan losses                      | -                                | -                      | -                      | -                      | -                      |
| Administrative fees and other                             | (309)                            | 45                     | 3                      | 2                      | 1                      |
| Total operating expenses                                  | <u>192</u>                       | <u>208</u>             | <u>540</u>             | <u>273</u>             | <u>831</u>             |
| Operating income (loss)                                   | 341                              | (43)                   | 7                      | -                      | -                      |
| Net increase (decrease) in fair value of investments      | -                                | -                      | -                      | -                      | -                      |
| Other financing sources (uses) – operating transfers      | -                                | -                      | -                      | -                      | -                      |
| Change in net position                                    | 341                              | (43)                   | 7                      | -                      | -                      |
| Total net position – beginning (as restated)              | 45                               | 4                      | 71                     | 40                     | 6                      |
| Total net position – ending                               | <u>\$ 386</u>                    | <u>\$ (39)</u>         | <u>\$ 78</u>           | <u>\$ 40</u>           | <u>\$ 6</u>            |
| <b>Condensed Statements of Cash Flows</b>                 |                                  |                        |                        |                        |                        |
| Net cash provided by (used in):                           |                                  |                        |                        |                        |                        |
| Operating activities                                      | \$ 726                           | \$ 243                 | \$ 779                 | \$ 364                 | \$ 1,011               |
| Noncapital financing activities                           | (731)                            | (245)                  | (796)                  | (373)                  | (1,011)                |
| Investing activities                                      | 30                               | 2                      | 18                     | 3                      | 2                      |
| Net (decrease) increase                                   | <u>25</u>                        | <u>-</u>               | <u>1</u>               | <u>(6)</u>             | <u>2</u>               |
| Cash and cash equivalents, beginning of year              | 744                              | 150                    | 523                    | 251                    | 10                     |
| Cash and cash equivalents, end of year                    | <u>\$ 769</u>                    | <u>\$ 150</u>          | <u>\$ 524</u>          | <u>\$ 245</u>          | <u>\$ 12</u>           |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental House Mortgage Programs-Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

|   | Rental Housing Mortgage Programs |                        |                     |                   |                     |
|---|----------------------------------|------------------------|---------------------|-------------------|---------------------|
|   | 2008<br>Series<br>A, B           | 2010<br>Series<br>A, B | 2012<br>Series<br>A | 2014<br>SF Living | 2016<br>Series<br>A |
| <b>Operating revenues:</b>                                |                                  |                        |                     |                   |                     |
| Interest on mortgage loans and securitized mortgage loans | \$ 104                           | \$ 44                  | \$ 242              | \$ -              | \$ -                |
| Interest on securities and temporary investments          | -                                | 1                      | -                   | -                 | -                   |
| Gain (Loss) Asset Sale/Debt Ext                           | -                                | -                      | -                   | -                 | -                   |
| Loan and commitment fees                                  | -                                | -                      | -                   | -                 | -                   |
| Administrative fees and other                             | -                                | -                      | -                   | -                 | -                   |
| Total operating revenues                                  | <u>104</u>                       | <u>45</u>              | <u>242</u>          | <u>-</u>          | <u>-</u>            |
| <b>Operating expenses:</b>                                |                                  |                        |                     |                   |                     |
| Interest expense  | 104                              | 43                     | 242                 | -                 | -                   |
| Bond issuance costs                                       | -                                | -                      | -                   | -                 | -                   |
| Provision (recovery) for loan losses                      | -                                | -                      | -                   | -                 | -                   |
| Administrative fees and other                             | -                                | -                      | -                   | -                 | -                   |
| Total operating expenses                                  | <u>104</u>                       | <u>43</u>              | <u>242</u>          | <u>-</u>          | <u>-</u>            |
| Operating income (loss)                                   | -                                | 2                      | -                   | -                 | -                   |
| Net increase (decrease) in fair value of investments      | -                                | -                      | -                   | -                 | -                   |
| Other financing sources (uses) – operating transfers      | -                                | -                      | -                   | -                 | -                   |
| Change in net position                                    | -                                | 2                      | -                   | -                 | -                   |
| Total net position – beginning                            | -                                | 58                     | -                   | -                 | -                   |
| Total net position – ending                               | <u>\$ -</u>                      | <u>\$ 60</u>           | <u>\$ -</u>         | <u>\$ -</u>       | <u>\$ -</u>         |
| <b>Condensed Statements of Cash Flows</b>                 |                                  |                        |                     |                   |                     |
| <b>Net cash provided by (used in):</b>                    |                                  |                        |                     |                   |                     |
| Operating activities                                      | \$ 620                           | \$ 55                  | \$ 307              | \$ -              | \$ -                |
| Noncapital financing activities                           | (620)                            | (58)                   | (306)               | -                 | -                   |
| Investing activities                                      | -                                | 1                      | -                   | -                 | -                   |
| Net (decrease) increase                                   | -                                | (2)                    | 1                   | -                 | -                   |
| Cash and cash equivalents, beginning of year              | -                                | 56                     | 1                   | -                 | -                   |
| Cash and cash equivalents, end of year                    | <u>\$ -</u>                      | <u>\$ 54</u>           | <u>\$ 2</u>         | <u>\$ -</u>       | <u>\$ -</u>         |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental House Mortgage Programs-Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**September 30, 2018**

**September 30, 2018**  
**(In Thousands)**

|   | <u>Rental Housing Mortgage Programs</u> |                     | Total Rental<br>Housing<br>Mortgage<br>Programs |
|---|---|---------------------|---|
|   | 2017<br>Shiprock                        | 2017<br>Series<br>B |   |
| Operating revenues:                                       |   |                     |   |
| Interest on mortgage loans and securitized mortgage loans | \$ 158                                  | \$ 101              | \$ 4,709  |
| Interest on securities and temporary investments          | -                                       | -                   | 127   |
| Gain (Loss) Asset Sale/Debt Ext                           | -                                       | -                   | (1)   |
| Loan and commitment fees                                  | -                                       | -                   | -   |
| Administrative fees and other                             | -                                       | -                   | 3   |
| Total operating revenues                                  | <u>158</u>                              | <u>101</u>          | <u>4,838</u>                                    |
| Operating expenses:                                       |   |                     |   |
| Interest expense  | 159                                     | 101                 | 4,746   |
| Bond issuance costs                                       | -                                       | -                   | -   |
| Provision (recovery) for loan losses                      | -                                       | -                   | -   |
| Administrative fees and other                             | -                                       | -                   | (465)   |
| Total operating expenses                                  | <u>159</u>                              | <u>101</u>          | <u>4,281</u>                                    |
| Operating income (loss)                                   | (1)                                     | -                   | 557   |
| Net increase (decrease) in fair value of investments      | -                                       | -                   | -   |
| Other financing sources (uses) – operating transfers      | -                                       | -                   | -   |
| Change in net position                                    | (1)                                     | -                   | 557   |
| Total net position – beginning                            | <u>1</u>                                | <u>-</u>            | <u>529</u>                                      |
| Total net position – ending                               | <u>\$ -</u>                             | <u>\$ -</u>         | <u>\$ 1,086</u>                                 |
| <b>Condensed Statements of Cash Flows</b>                 |   |                     |   |
| Net cash provided by (used in):                           |   |                     |   |
| Operating activities                                      | \$ 154                                  | \$ (5,430)          | \$ 1,413  |
| Noncapital financing activities                           | (154)                                   | 5,432               | (1,512)   |
| Investing activities                                      | -                                       | -                   | 170   |
| Net (decrease) increase                                   | -                                       | 2                   | 71  |
| Cash and cash equivalents, beginning of year              | <u>-</u>                                | <u>-</u>            | <u>3,634</u>                                    |
| Cash and cash equivalents, end of year                    | <u>\$ -</u>                             | <u>\$ 2</u>         | <u>\$ 3,705</u>                                 |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Single Family Mortgage Programs-Statement of Net Position**  
**September 30, 2017**

**September 30, 2017**  
**(In Thousands)**

|  | Single Family Mortgage Programs |                              | Total<br>Single Family<br>Mortgage<br>Programs |
|--|---------------------------------|------------------------------|--|
|  | 2005<br>General<br>Indenture    | 2009<br>General<br>Indenture |  |
| <b>Assets</b>                                    |                                 |                              |  |
| Current assets:                                  |                                 |                              |  |
| Restricted cash and cash equivalents             | \$ 10,035                       | \$ 2,460                     | \$ 12,495                                      |
| Restricted investments, net                      | -                               | -                            | -  |
| Accrued interest receivable                      | 1,614                           | 356                          | 1,970  |
| Other current assets                             | -                               | -                            | -  |
| Intra-entity receivable (payable)                | (289)                           | (25)                         | (314)  |
| Total current assets                             | <u>11,360</u>                   | <u>2,791</u>                 | <u>14,151</u>                                  |
| Noncurrent assets:                               |                                 |                              |  |
| Restricted cash and cash equivalents             | 5,281                           | 421                          | 5,702  |
| Restricted investments and reserve funds, net    | -                               | -                            | -  |
| Restricted securitized mortgage loans, net:      |                                 |                              |  |
| Securitized mortgage loans, net cost             | 455,909                         | 102,196                      | 558,105  |
| Unrealized gain on securitized mortgage loans    | 17,181                          | 5,250                        | 22,431   |
| Total restricted securitized mortgage loans, net | <u>473,090</u>                  | <u>107,446</u>               | <u>580,536</u>                                 |
| Restricted mortgage loans, net                   | -                               | -                            | -  |
| Total noncurrent assets                          | <u>478,371</u>                  | <u>107,867</u>               | <u>586,238</u>                                 |
| Total assets                                     | <u>489,731</u>                  | <u>110,658</u>               | <u>600,389</u>                                 |
| Deferred outflows:                               |                                 |                              |  |
| Refundings of debt                               | 625                             | -                            | 625  |
| Total assets & deferred outflows                 | <u>\$ 490,356</u>               | <u>\$ 110,658</u>            | <u>\$ 601,014</u>                              |
| <b>Liabilities and Net Position</b>              |                                 |                              |  |
| Current liabilities:                             |                                 |                              |  |
| Accrued interest payable                         | \$ 1,571                        | \$ 288                       | \$ 1,859                                       |
| Accounts payable and other accrued expenses      | 5                               | 3                            | 8  |
| Current portion of bonds payable                 | 10,035                          | 2,460                        | 12,495   |
| Total current liabilities                        | <u>11,611</u>                   | <u>2,751</u>                 | <u>14,362</u>                                  |
| Noncurrent liabilities:                          |                                 |                              |  |
| Bonds payable                                    | 430,637                         | 100,074                      | 530,711  |
| Accrued arbitrage rebate                         | -                               | -                            | -  |
| Total noncurrent liabilities                     | <u>430,637</u>                  | <u>100,074</u>               | <u>530,711</u>                                 |
| Total liabilities                                | <u>442,248</u>                  | <u>102,825</u>               | <u>545,073</u>                                 |
| Net position restricted for debt service         | 48,108                          | 7,833                        | 55,941   |
| Total liabilities and net position               | <u>\$ 490,356</u>               | <u>\$ 110,658</u>            | <u>\$ 601,014</u>                              |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Single Family Mortgage Programs-Statement of Revenues, Expenses and**  
**Changes in Net Position-**  
**September 30, 2017**

**September 30, 2017**  
**(In Thousands)**

|   | Single Family Mortgage Programs |                              | Total<br>Single Family<br>Mortgage<br>Programs |
|---|---------------------------------|------------------------------|--|
|   | 2005<br>General<br>Indenture    | 2009<br>General<br>Indenture |  |
| Operating revenues:                                       |                                 |                              |  |
| Interest on mortgage loans and securitized mortgage loans | \$ 18,666                       | \$ 4,238                     | \$ 22,904                                      |
| Interest on securities and temporary investments          | 421                             | 23                           | 444  |
| Gain (loss) asset sale                                    | 765                             | -                            | 765  |
| Loan and commitment fees                                  | 500                             | -                            | 500  |
| Administrative fees and other                             | (2,455)                         | (371)                        | (2,826)  |
| Total operating revenues                                  | <u>17,897</u>                   | <u>3,890</u>                 | <u>21,787</u>                                  |
| Operating expenses:                                       |                                 |                              |  |
| Interest  | 15,662                          | 3,367                        | 19,029   |
| Bond issuance costs                                       | 971                             | 22                           | 993  |
| Administrative fees and other                             | 100                             | 17                           | 117  |
| Total operating expenses                                  | <u>16,733</u>                   | <u>3,406</u>                 | <u>20,139</u>                                  |
| Operating income (loss)                                   | 1,164                           | 484                          | 1,648  |
| Net decrease in fair value of investments                 | (13,876)                        | (3,901)                      | (17,777)                                       |
| Other financing sources (uses) – operating transfers      | (5,213)                         | (418)                        | (5,631)  |
| Change in net position                                    | (17,925)                        | (3,835)                      | (21,760)                                       |
| Total net position – beginning                            | 66,034                          | 11,668                       | 77,702   |
| Total net position – ending                               | <u>\$ 48,109</u>                | <u>\$ 7,833</u>              | <u>\$ 55,942</u>                               |
| <b>Condensed Statements of Cash Flows</b>                 |                                 |                              |  |
| Net cash provided by (used in):                           |                                 |                              |  |
| Operating activities                                      | \$ 27,257                       | \$ 21,438                    | \$ 48,695                                      |
| Noncapital financing activities                           | (34,023)                        | (22,736)                     | (56,759)                                       |
| Investing activities                                      | 1,168                           | 22                           | 1,190  |
| Net (decrease) increase                                   | (5,598)                         | (1,276)                      | (6,874)  |
| Cash and cash equivalents, beginning of year              | 20,915                          | 4,157                        | 25,072   |
| Cash and cash equivalents, end of year                    | <u>\$ 15,317</u>                | <u>\$ 2,881</u>              | <u>\$ 18,198</u>                               |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Net Position-**  
**September 30, 2017**

**September 30, 2017**  
**(In Thousands)**

|  |  | Rental Housing Mortgage Programs |                        |                        |                        |                        |
|--|--|----------------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Assets</b>                                    |  | 2002<br>Series<br>A, B           | 2003<br>Series<br>A, B | 2004<br>Series<br>A, B | 2004<br>Series<br>C, D | 2004<br>Series<br>F, G |
| Current assets:                                  |  |                                  |                        |                        |                        |                        |
| Restricted cash and cash equivalents             |  | \$ 220                           | \$ 195                 | \$ 185                 | \$ 235                 | \$ -                   |
| Accrued interest receivable                      |  | 42                               | 35                     | 32                     | 48                     | -                      |
| Other current assets                             |  | -                                | -                      | -                      | -                      | -                      |
| Intra-entity receivable (payable)                |  | -                                | -                      | -                      | -                      | -                      |
| Total current assets                             |  | <u>262</u>                       | <u>230</u>             | <u>217</u>             | <u>283</u>             | <u>-</u>               |
| Noncurrent assets:                               |  |                                  |                        |                        |                        |                        |
| Restricted cash and cash equivalents             |  | 358                              | 98                     | 286                    | 322                    | -                      |
| Note receivable                                  |  | -                                | 112                    | -                      | -                      | -                      |
| 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                   |  | <u>7,640</u>                     | <u>7,483</u>           | <u>7,277</u>           | <u>10,193</u>          | <u>-</u>               |
| Total noncurrent assets                          |  | <u>7,998</u>                     | <u>7,693</u>           | <u>7,563</u>           | <u>10,515</u>          | <u>-</u>               |
| Total assets                                     |  | <u>8,260</u>                     | <u>7,923</u>           | <u>7,780</u>           | <u>10,798</u>          | <u>-</u>               |
| Deferred outflows:                               |  |                                  |                        |                        |                        |                        |
| Refundings of debt                               |  | -                                | -                      | -                      | -                      | -                      |
| Total assets and deferred outflows               |  | <u>\$ 8,260</u>                  | <u>\$ 7,923</u>        | <u>\$ 7,780</u>        | <u>\$ 10,798</u>       | <u>\$ -</u>            |
| <b>Liabilities and Net Position</b>              |  |                                  |                        |                        |                        |                        |
| Current liabilities:                             |  |                                  |                        |                        |                        |                        |
| Accrued interest payable                         |  | \$ 117                           | \$ 33                  | \$ 32                  | \$ 48                  | \$ -                   |
| Accounts payable and other accrued expenses      |  | 1                                | -                      | -                      | -                      | -                      |
| Current portion of bonds payable, net            |  | <u>220</u>                       | <u>195</u>             | <u>185</u>             | <u>235</u>             | <u>-</u>               |
| Total current liabilities                        |  | <u>338</u>                       | <u>228</u>             | <u>217</u>             | <u>283</u>             | <u>-</u>               |
| Noncurrent liabilities:                          |  |                                  |                        |                        |                        |                        |
| Bonds payable, net                               |  | 8,051                            | 7,560                  | 7,355                  | 10,425                 | -                      |
| Accrued arbitrage rebate                         |  | -                                | -                      | -                      | -                      | -                      |
| Total noncurrent liabilities                     |  | <u>8,051</u>                     | <u>7,560</u>           | <u>7,355</u>           | <u>10,425</u>          | <u>-</u>               |
| Total liabilities                                |  | <u>8,389</u>                     | <u>7,788</u>           | <u>7,572</u>           | <u>10,708</u>          | <u>-</u>               |
| Net position restricted for debt service         |  | (129)                            | 135                    | 208                    | 90                     | -                      |
| Total liabilities and net position               |  | <u>\$ 8,260</u>                  | <u>\$ 7,923</u>        | <u>\$ 7,780</u>        | <u>\$ 10,798</u>       | <u>\$ -</u>            |



**New Mexico Mortgage Finance Authority**  
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**Rental Housing Mortgage Programs-Statement of Net Position-**  
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**September 30, 2017**  
**(In Thousands)**

|  |    | Rental Housing Mortgage Programs |                        |                        |                        |                        |
|--|----|----------------------------------|------------------------|------------------------|------------------------|------------------------|
|  |    | 2005<br>Series<br>A, B           | 2005<br>Series<br>C, D | 2005<br>Series<br>E, F | 2007<br>Series<br>A, B | 2007<br>Series<br>C, D |
| <b>Assets</b>                                    |    |                                  |                        |                        |                        |                        |
| Current assets:                                  |    |                                  |                        |                        |                        |                        |
| Restricted cash and cash equivalents             | \$ | 230                              | \$ 80                  | \$ 255                 | \$ 100                 | \$ 10                  |
| Accrued interest receivable                      |    | 44                               | 14                     | 46                     | 23                     | 156                    |
| Other current assets                             |    | -                                | -                      | -                      | -                      | -                      |
| Intra-entity receivable (payable)                |    | -                                | -                      | -                      | -                      | (6)                    |
| Total current assets                             |    | <u>274</u>                       | <u>94</u>              | <u>301</u>             | <u>123</u>             | <u>160</u>             |
| Noncurrent assets:                               |    |                                  |                        |                        |                        |                        |
| Restricted cash and cash equivalents             |    | 514                              | 70                     | 268                    | 151                    | -                      |
| 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>               |
| Restricted mortgage loans, net                   |    | 9,489                            | 3,392                  | 10,802                 | 5,069                  | 12,862                 |
| Total noncurrent assets                          |    | <u>10,003</u>                    | <u>3,462</u>           | <u>11,070</u>          | <u>5,220</u>           | <u>12,862</u>          |
| Total assets                                     |    | <u>10,277</u>                    | <u>3,556</u>           | <u>11,371</u>          | <u>5,343</u>           | <u>13,022</u>          |
| Deferred outflows:                               |    |                                  |                        |                        |                        |                        |
| Refundings of debt                               |    | -                                | -                      | -                      | -                      | -                      |
| Total assets and deferred outflows               | \$ | <u>10,277</u>                    | \$ <u>3,556</u>        | \$ <u>11,371</u>       | \$ <u>5,343</u>        | \$ <u>13,022</u>       |
| <b>Liabilities and Net Position</b>              |    |                                  |                        |                        |                        |                        |
| Current liabilities:                             |    |                                  |                        |                        |                        |                        |
| Accrued interest payable                         | \$ | 42                               | \$ 14                  | \$ 46                  | \$ 23                  | \$ 153                 |
| Accounts payable and other accrued expenses      |    | -                                | -                      | -                      | -                      | 1                      |
| Current portion of bonds payable, net            |    | 230                              | 80                     | 255                    | 100                    | 180                    |
| Total current liabilities                        |    | <u>272</u>                       | <u>94</u>              | <u>301</u>             | <u>123</u>             | <u>334</u>             |
| Noncurrent liabilities:                          |    |                                  |                        |                        |                        |                        |
| Bonds payable, net                               |    | 9,960                            | 3,458                  | 10,999                 | 5,180                  | 12,682                 |
| Accrued arbitrage rebate                         |    | -                                | -                      | -                      | -                      | -                      |
| Total noncurrent liabilities                     |    | <u>9,960</u>                     | <u>3,458</u>           | <u>10,999</u>          | <u>5,180</u>           | <u>12,682</u>          |
| Total liabilities                                |    | <u>10,232</u>                    | <u>3,552</u>           | <u>11,300</u>          | <u>5,303</u>           | <u>13,016</u>          |
| Net position restricted for debt service         |    | 45                               | 4                      | 71                     | 40                     | 6                      |
| Total liabilities and net position               | \$ | <u>10,277</u>                    | \$ <u>3,556</u>        | \$ <u>11,371</u>       | \$ <u>5,343</u>        | \$ <u>13,022</u>       |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Net Position-**  
**September 30, 2017**

**September 30, 2017**  
**(In Thousands)**

|  |  | Rental Housing Mortgage Programs |                       |                     |                   |                     |
|--|--|----------------------------------|-----------------------|---------------------|-------------------|---------------------|
| <b>Assets</b>                                    |  | 2008<br>Series<br>A,B            | 2010<br>Series<br>A,B | 2012<br>Series<br>A | 2014<br>SF Living | 2016<br>Series<br>A |
| Current assets:                                  |  |                                  |                       |                     |                   |                     |
| Restricted cash and cash equivalents             |  | \$ -                             | \$ 15                 | \$ 1                | \$ -              | \$ -                |
| Accrued interest receivable                      |  | 6                                | 4                     | 11                  | -                 | -                   |
| Other current assets                             |  | -                                | -                     | -                   | -                 | -                   |
| Intra-entity receivable (payable)                |  | -                                | -                     | -                   | -                 | -                   |
| Total current assets                             |  | <u>6</u>                         | <u>19</u>             | <u>12</u>           | <u>-</u>          | <u>-</u>            |
| Noncurrent assets:                               |  |                                  |                       |                     |                   |                     |
| Restricted cash and cash equivalents             |  | -                                | 41                    | -                   | -                 | -                   |
| 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                   |  | <u>8,520</u>                     | <u>837</u>            | <u>4,806</u>        | <u>-</u>          | <u>-</u>            |
| Total noncurrent assets                          |  | <u>8,520</u>                     | <u>878</u>            | <u>4,806</u>        | <u>-</u>          | <u>-</u>            |
| Total assets                                     |  | <u>8,526</u>                     | <u>897</u>            | <u>4,818</u>        | <u>-</u>          | <u>-</u>            |
| Deferred outflows:                               |  |                                  |                       |                     |                   |                     |
| Refundings of debt                               |  | -                                | -                     | -                   | -                 | -                   |
| Total assets and deferred outflows               |  | <u>\$ 8,526</u>                  | <u>\$ 897</u>         | <u>\$ 4,818</u>     | <u>\$ -</u>       | <u>\$ -</u>         |
| <b>Liabilities and Net Position</b>              |  |                                  |                       |                     |                   |                     |
| Current liabilities:                             |  |                                  |                       |                     |                   |                     |
| Accrued interest payable                         |  | \$ 6                             | \$ 4                  | \$ 11               | \$ -              | \$ -                |
| Accounts payable and other accrued expenses      |  | -                                | -                     | -                   | -                 | -                   |
| Current portion of bonds payable, net            |  | -                                | 15                    | 64                  | -                 | -                   |
| Total current liabilities                        |  | <u>6</u>                         | <u>19</u>             | <u>75</u>           | <u>-</u>          | <u>-</u>            |
| Noncurrent liabilities:                          |  |                                  |                       |                     |                   |                     |
| Bonds payable, net                               |  | 8,520                            | 819                   | 4,743               | -                 | -                   |
| Accrued arbitrage rebate                         |  | -                                | -                     | -                   | -                 | -                   |
| Total noncurrent liabilities                     |  | <u>8,520</u>                     | <u>819</u>            | <u>4,743</u>        | <u>-</u>          | <u>-</u>            |
| Total liabilities                                |  | <u>8,526</u>                     | <u>838</u>            | <u>4,818</u>        | <u>-</u>          | <u>-</u>            |
| Net position restricted for debt service         |  | -                                | 59                    | -                   | -                 | -                   |
| Total liabilities and net position               |  | <u>\$ 8,526</u>                  | <u>\$ 897</u>         | <u>\$ 4,818</u>     | <u>\$ -</u>       | <u>\$ -</u>         |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Net Position-**  
**September 30, 2017**

**September 30, 2017**  
**(In Thousands)**

| <b>Assets</b>                                    | <u>Rental Housing Mortgage Programs</u> |                     | Total<br>Rental Housing<br>Mortgage<br>Programs |
|--|---|---------------------|---|
|  | 2017<br>Shiprock                        | 2017<br>Series<br>B |   |
| <b>Current assets:</b>                           |   |                     |   |
| Restricted cash and cash equivalents             | \$ -                                    | \$ -                | \$ 1,526  |
| Accrued interest receivable                      | 49                                      | -                   | 510   |
| Other current assets                             | -                                       | -                   | -   |
| Intra-entity receivable (payable)                | -                                       | -                   | (6)   |
| Total current assets                             | <u>49</u>                               | <u>-</u>            | <u>2,030</u>                                    |
| <b>Noncurrent assets:</b>                        |   |                     |   |
| Restricted cash and cash equivalents             | -                                       | -                   | 2,108   |
| Note receivable                                  | -                                       | -                   | 112   |
| 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                   | <u>11,800</u>                           | <u>50</u>           | <u>100,220</u>                                  |
| Total noncurrent assets                          | <u>11,800</u>                           | <u>50</u>           | <u>102,440</u>                                  |
| Total assets                                     | <u>11,849</u>                           | <u>50</u>           | <u>104,470</u>                                  |
| <b>Deferred outflows:</b>                        |   |                     |   |
| Refundings of debt                               | -                                       | -                   | -   |
| Total assets and deferred outflows               | <u>\$ 11,849</u>                        | <u>\$ 50</u>        | <u>\$ 104,470</u>                               |
| <b>Liabilities and Net Position</b>              |   |                     |   |
| <b>Current liabilities:</b>                      |   |                     |   |
| Accrued interest payable                         | \$ 48                                   | \$ -                | \$ 577  |
| Accounts payable and other accrued expenses      | -                                       | -                   | 2   |
| Current portion of bonds payable, net            | -                                       | -                   | 1,759   |
| Total current liabilities                        | <u>48</u>                               | <u>-</u>            | <u>2,338</u>                                    |
| <b>Noncurrent liabilities:</b>                   |   |                     |   |
| Bonds payable, net                               | 11,800                                  | 50                  | 101,602   |
| Accrued arbitrage rebate                         | -                                       | -                   | -   |
| Total noncurrent liabilities                     | <u>11,800</u>                           | <u>50</u>           | <u>101,602</u>                                  |
| Total liabilities                                | <u>11,848</u>                           | <u>50</u>           | <u>103,940</u>                                  |
| Net position restricted for debt service         | 1                                       | -                   | 530   |
| Total liabilities and net position               | <u>\$ 11,849</u>                        | <u>\$ 50</u>        | <u>\$ 104,470</u>                               |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**September 30, 2017**

**September 30, 2017**  
**(In Thousands)**

|   | Rental Housing Mortgage Programs |                        |                        |                        |                        |
|---|----------------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2002<br>Series<br>A, B           | 2003<br>Series<br>A, B | 2004<br>Series<br>A, B | 2004<br>Series<br>C, D | 2004<br>Series<br>F, G |
| Operating revenues:                                       |                                  |                        |                        |                        |                        |
| Interest on mortgage loans and securitized mortgage loans | \$ 473                           | \$ 400                 | \$ 380                 | \$ 559                 | \$ 186                 |
| Interest on securities and temporary investments          | 17                               | 2                      | 20                     | 27                     | 4                      |
| Loan and commitment fees                                  | -                                | -                      | -                      | -                      | -                      |
| Administrative fees and other                             | -                                | -                      | -                      | -                      | -                      |
| Total operating revenues                                  | <u>490</u>                       | <u>402</u>             | <u>400</u>             | <u>586</u>             | <u>190</u>             |
| Operating expenses:                                       |                                  |                        |                        |                        |                        |
| Interest expense  | 464                              | 404                    | 392                    | 581                    | 123                    |
| Bond issuance costs                                       | -                                | -                      | -                      | -                      | -                      |
| Provision (recovery) for loan losses                      | -                                | -                      | -                      | -                      | -                      |
| Administrative fees and other                             | (23)                             | (225)                  | 2                      | (44)                   | 217                    |
| Total operating expenses                                  | <u>441</u>                       | <u>179</u>             | <u>394</u>             | <u>537</u>             | <u>340</u>             |
| Operating income (loss)                                   | 49                               | 223                    | 6                      | 49                     | (150)                  |
| Net increase (decrease) in fair value of investments      | -                                | -                      | -                      | -                      | -                      |
| Other financing sources (uses) – operating transfers      | -                                | -                      | -                      | -                      | -                      |
| Change in net position                                    | 49                               | 223                    | 6                      | 49                     | (150)                  |
| Total net position – beginning (as restated)              | (178)                            | (88)                   | 202                    | 41                     | 150                    |
| Total net position – ending                               | <u>\$ (129)</u>                  | <u>\$ 135</u>          | <u>\$ 208</u>          | <u>\$ 90</u>           | <u>\$ -</u>            |
| <b>Condensed Statements of Cash Flows</b>                 |                                  |                        |                        |                        |                        |
| Net cash provided by (used in):                           |                                  |                        |                        |                        |                        |
| Operating activities                                      | \$ 666                           | \$ 583                 | \$ 550                 | \$ 784                 | \$ 9,376               |
| Noncapital financing activities                           | (685)                            | (591)                  | (563)                  | (807)                  | (9,886)                |
| Investing activities                                      | 18                               | (110)                  | 20                     | 27                     | 5                      |
| Net (decrease) increase                                   | (1)                              | (118)                  | 7                      | 4                      | (505)                  |
| Cash and cash equivalents, beginning of year              | 579                              | 411                    | 464                    | 553                    | 505                    |
| Cash and cash equivalents, end of year                    | <u>\$ 578</u>                    | <u>\$ 293</u>          | <u>\$ 471</u>          | <u>\$ 557</u>          | <u>\$ -</u>            |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**September 30, 2017**

**September 30, 2017**  
**(In Thousands)**

|   | Rental Housing Mortgage Programs |                        |                        |                        |                        |
|---|----------------------------------|------------------------|------------------------|------------------------|------------------------|
|   | 2005<br>Series<br>A, B           | 2005<br>Series<br>C, D | 2005<br>Series<br>E, F | 2007<br>Series<br>A, B | 2007<br>Series<br>C, D |
| Operating revenues:                                       |                                  |                        |                        |                        |                        |
| Interest on mortgage loans and securitized mortgage loans | \$ 513                           | \$ 166                 | \$ 542                 | \$ 275                 | \$ 843                 |
| Interest on securities and temporary investments          | 30                               | -                      | 18                     | -                      | 1                      |
| Loan and commitment fees                                  | -                                | -                      | -                      | -                      | -                      |
| Administrative fees and other                             | -                                | 3                      | -                      | -                      | 1                      |
| Total operating revenues                                  | <u>543</u>                       | <u>169</u>             | <u>560</u>             | <u>275</u>             | <u>845</u>             |
| Operating expenses:                                       |                                  |                        |                        |                        |                        |
| Interest expense  | 511                              | 167                    | 549                    | 275                    | 840                    |
| Bond issuance costs                                       | -                                | -                      | -                      | -                      | -                      |
| Provision (recovery) for loan losses                      | -                                | -                      | -                      | -                      | -                      |
| Administrative fees and other                             | 314                              | (161)                  | (142)                  | 2                      | 1                      |
| Total operating expenses                                  | <u>825</u>                       | <u>6</u>               | <u>407</u>             | <u>277</u>             | <u>841</u>             |
| Operating income (loss)                                   | (282)                            | 163                    | 153                    | (2)                    | 4                      |
| Net increase (decrease) in fair value of investments      | -                                | -                      | -                      | -                      | -                      |
| Other financing sources (uses) – operating transfers      | -                                | -                      | -                      | -                      | -                      |
| Change in net position                                    | (282)                            | 163                    | 153                    | (2)                    | 4                      |
| Total net position – beginning (as restated)              | <u>327</u>                       | <u>(159)</u>           | <u>(82)</u>            | <u>42</u>              | <u>2</u>               |
| Total net position – ending                               | <u>\$ 45</u>                     | <u>\$ 4</u>            | <u>\$ 71</u>           | <u>\$ 40</u>           | <u>\$ 6</u>            |
| <b>Condensed Statements of Cash Flows</b>                 |                                  |                        |                        |                        |                        |
| Net cash provided by (used in):                           |                                  |                        |                        |                        |                        |
| Operating activities                                      | \$ 726                           | \$ 244                 | \$ 778                 | \$ 363                 | \$ 1,011               |
| Noncapital financing activities                           | (727)                            | (248)                  | (792)                  | (366)                  | (1,011)                |
| Investing activities                                      | 29                               | -                      | 17                     | -                      | 1                      |
| Net (decrease) increase                                   | <u>28</u>                        | <u>(4)</u>             | <u>3</u>               | <u>(3)</u>             | <u>1</u>               |
| Cash and cash equivalents, beginning of year              | 716                              | 154                    | 520                    | 254                    | 9                      |
| Cash and cash equivalents, end of year                    | <u>\$ 744</u>                    | <u>\$ 150</u>          | <u>\$ 523</u>          | <u>\$ 251</u>          | <u>\$ 10</u>           |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**September 30, 2017**

**September 30, 2017**  
**(In Thousands)**

|   | Rental Housing Mortgage Programs |                        |                     |                   |                     |
|---|----------------------------------|------------------------|---------------------|-------------------|---------------------|
|   | 2008<br>Series<br>A, B           | 2010<br>Series<br>A, B | 2012<br>Series<br>A | 2014<br>SF Living | 2016<br>Series<br>A |
| <b>Operating revenues:</b>                                |                                  |                        |                     |                   |                     |
| Interest on mortgage loans and securitized mortgage loans | \$ 66                            | \$ 45                  | \$ 245              | \$ 205            | \$ 233              |
| Interest on securities and temporary investments          | -                                | -                      | -                   | -                 | -                   |
| Loan and commitment fees                                  | -                                | -                      | -                   | -                 | -                   |
| Administrative fees and other                             | -                                | -                      | -                   | -                 | -                   |
| Total operating revenues                                  | <u>66</u>                        | <u>45</u>              | <u>245</u>          | <u>205</u>        | <u>233</u>          |
| <b>Operating expenses:</b>                                |                                  |                        |                     |                   |                     |
| Interest expense  | 66                               | 44                     | 245                 | 205               | 233                 |
| Bond issuance costs                                       | -                                | -                      | -                   | -                 | -                   |
| Provision (recovery) for loan losses                      | -                                | -                      | -                   | -                 | -                   |
| Administrative fees and other                             | -                                | -                      | -                   | -                 | -                   |
| Total operating expenses                                  | <u>66</u>                        | <u>44</u>              | <u>245</u>          | <u>205</u>        | <u>233</u>          |
| Operating income (loss)                                   | -                                | 1                      | -                   | -                 | -                   |
| Net increase (decrease) in fair value of investments      | -                                | -                      | -                   | -                 | -                   |
| Other financing sources (uses) – operating transfers      | -                                | -                      | -                   | -                 | -                   |
| Change in net position                                    | -                                | 1                      | -                   | -                 | -                   |
| Total net position – beginning                            | -                                | 58                     | -                   | -                 | -                   |
| Total net position – ending                               | <u>\$ -</u>                      | <u>\$ 59</u>           | <u>\$ -</u>         | <u>\$ -</u>       | <u>\$ -</u>         |
| <b>Condensed Statements of Cash Flows</b>                 |                                  |                        |                     |                   |                     |
| <b>Net cash provided by (used in):</b>                    |                                  |                        |                     |                   |                     |
| Operating activities                                      | \$ 65                            | \$ 55                  | \$ 306              | \$ 11,680         | \$ 4,992            |
| Noncapital financing activities                           | (65)                             | (52)                   | (306)               | (11,680)          | (5,009)             |
| Investing activities                                      | -                                | -                      | -                   | -                 | -                   |
| Net (decrease) increase                                   | -                                | 3                      | -                   | -                 | (17)                |
| Cash and cash equivalents, beginning of year              | -                                | 53                     | 1                   | -                 | 17                  |
| Cash and cash equivalents, end of year                    | <u>\$ -</u>                      | <u>\$ 56</u>           | <u>\$ 1</u>         | <u>\$ -</u>       | <u>\$ -</u>         |

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Rental Housing Mortgage Programs-Statement of Revenues, Expenses, and**  
**Changes in Net Position**  
**September 30, 2017**

**September 30, 2017**  
**(In Thousands)**

|   | <u>Rental Housing Mortgage Programs</u> |                     | Total Rental<br>Housing<br>Mortgage<br>Programs |
|---|---|---------------------|---|
|   | 2017<br>Shiprock                        | 2017<br>Series<br>B |   |
| Operating revenues:                                       |   |                     |   |
| Interest on mortgage loans and securitized mortgage loans | \$ 49                                   | \$ -                | \$ 5,180  |
| Interest on securities and temporary investments          | -                                       | -                   | 119   |
| Loan and commitment fees                                  | -                                       | -                   | -   |
| Administrative fees and other                             | -                                       | -                   | 4   |
| Total operating revenues                                  | <u>49</u>                               | <u>-</u>            | <u>5,303</u>                                    |
| Operating expenses:                                       |   |                     |   |
| Interest expense  | 48                                      | -                   | 5,147   |
| Bond issuance costs                                       | -                                       | -                   | -   |
| Provision (recovery) for loan losses                      | -                                       | -                   | -   |
| Administrative fees and other                             | -                                       | -                   | (59)  |
| Total operating expenses                                  | <u>48</u>                               | <u>-</u>            | <u>5,088</u>                                    |
| Operating income (loss)                                   | 1                                       | -                   | 215   |
| Net increase (decrease) in fair value of investments      | -                                       | -                   | -   |
| Other financing sources (uses) – operating transfers      | -                                       | -                   | -   |
| Change in net position                                    | 1                                       | -                   | 215   |
| Total net position – beginning                            | -                                       | -                   | 315   |
| Total net position – ending                               | <u>\$ 1</u>                             | <u>\$ -</u>         | <u>\$ 530</u>                                   |
| <b>Condensed Statements of Cash Flows</b>                 |   |                     |   |
| Net cash provided by (used in):                           |   |                     |   |
| Operating activities                                      | \$ (11,800)                             | \$ (50)             | \$ 20,329                                       |
| Noncapital financing activities                           | 11,800                                  | 50                  | (20,938)  |
| Investing activities                                      | -                                       | -                   | 7   |
| Net (decrease) increase                                   | -                                       | -                   | (602)   |
| Cash and cash equivalents, beginning of year              | -                                       | -                   | 4,236   |
| Cash and cash equivalents, end of year                    | <u>\$ -</u>                             | <u>\$ -</u>         | <u>\$ 3,634</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  
September 30, 2018**

| Federal Grantor/<br>Program Title  | CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Subrecipient<br>Expenditures | Total<br>Federal<br>Expenditures | Loans or<br>Loan Guarantees | TOTAL          |
|--|----------------|--|------------------------------|----------------------------------|-----------------------------|----------------|
| US Department of Housing and Urban Development   |                |  |                              |                                  |                             |                |
| Section 8 Housing Choice Vouchers  | 14.195         | NM800CC001                                   | \$ 30,172,125                | \$ 31,304,681                    | \$ -                        | \$ 31,304,681  |
| Section 811  | 14.326         | NM21RDD1301                                  | -                            | 12,541                           | -                           | 12,541         |
| Emergency Solutions Grants Program   | 14.231         | S18-DC-35-0001                               | 992,623                      | 1,053,097                        | -                           | 1,053,097      |
| HOME Investment Partnerships Program   | 14.239         | M-18-SG-35-0100                              | 2,813,335                    | 4,835,144                        | 33,156,109                  | 37,991,253     |
| Housing Opportunities for People with AIDS   | 14.241         | NMH018-F999                                  | 611,201                      | 634,359                          | -                           | 634,359        |
| ARRA-Tax Credit Assistance Program   | 14.258         | M-09-ES-35-0100                              | -                            | -                                | 12,977,071                  | 12,977,071     |
| Neighborhood Stabilization Program   | 14.228         | 09-NSP-2-J-01                                | -                            | -                                | 2,755,584                   | 2,755,584      |
| pass-through State DFA (a Community Development<br>Block/Grant Neighborhood Stabilization Program) |                |  |                              |                                  |                             |                |
| Housing Trust Fund - National  | 14.275         | F18-SG350100                                 | -                            | 58,816                           | -                           | 58,816         |
| Total U.S. Department of Housing and Urban Development   |                |  | 34,589,284                   | 37,898,638                       | 48,888,764                  | 86,787,402     |
| Capital Magnet Fund  | 21.011         | 171CM022207                                  | -                            | 4,720                            | -                           | 4,720          |
| Total Department of Treasury   |                |  |                              | 4,720                            | -                           | 4,720          |
| Weatherization Assistance for Low-Income Persons   | 81.042         | EE0006171                                    | 1,918,855                    | 2,086,248                        | -                           | 2,086,248      |
| Total Department of Energy   |                |  | 1,918,855                    | 2,086,248                        | -                           | 2,086,248      |
| US Department of Health & Human Services<br>pass-through from the NM Department of Human Services: |                |  |                              |                                  |                             |                |
| Low Income Home Energy Assistance Program  | 93.568         | 18-630-9000-0006                             | 2,339,692                    | 2,424,994                        | -                           | 2,424,994      |
| Total Federal grants   |                |  | 38,847,831                   | 42,414,600                       | 48,888,764                  | 91,303,364     |
| <u>Loan Guaranty Programs</u>  |                |  |                              |                                  |                             |                |
| US Department of Housing and Urban Development:<br>Mortgage Insurance - Homes (FHA)                | 14.117         | n/a  | -                            | -                                | 923,925                     | 923,925        |
| US Department of Veterans Affairs:<br>Veterans Housing-Guaranteed and Insured Loans                | 64.114         | n/a  | -                            | -                                | 24,746                      | 24,746         |
| US Department of Agriculture:<br>Very Low to Moderate Income Housing Loans                         | 10.410         | n/a  | -                            | -                                | 17,294                      | 17,294         |
| Section 538 Rural Rental Housing Guaranteed Loans  | 10.438         | n/a  | -                            | -                                | 1,009,495                   | 1,009,495      |
| US Department of Housing and Urban Development:<br>Housing Finance Agencies Risk Sharing Programs  | 14.188         | n/a  | -                            | 988,045                          | 78,493,521                  | 79,481,566     |
| Total loan guaranty programs   |                |  | -                            | 988,045                          | 80,468,981                  | 81,457,026     |
| Total Federal expenditures for Schedule of Federal Awards  |                |  | \$ 38,847,831                | \$ 43,402,645                    | \$ 129,357,745              | \$ 172,760,390 |

See accompanying notes to schedule of expenditures of federal awards.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**September 30, 2018**

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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 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. All federal financial assistance received from the 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 OMB Circular 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as applicable. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

**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, 2018 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, 2018, the Authority recorded approximately \$924,000 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 45 loans. HUD's assumed risk approximated \$91,127,000 at September 30, 2018. Of the 45 loans closed, the Authority funded 38 loans with outstanding principal of \$88,313,000 at September 30, 2018. HUD's assumed risk of loss of approximately \$79,482,000 related to these 38 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, 2018, the loan had an outstanding principal of \$1,122,000, of which the USDA assumed risk of loss of approximately \$1,009,000 is recorded in the accompanying Schedule.

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**September 30, 2018**

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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 – Indirect Cost**

The Authority has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

## **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  
Mr. Wayne Johnson  
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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements 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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 29, 2018.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 a 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. 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.

### **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 is 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 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.

*Moss Adams LLP*

Albuquerque, New Mexico  
November 29, 2018

## **Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Authority Members  
New Mexico Mortgage Finance Authority  
and  
Mr. Wayne Johnson  
New Mexico State Auditor

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

We have audited 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 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

### ***Opinion on Each Major Federal Program***

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, 2018.

### **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 the Uniform Guidance, 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. 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Moss Adams LLP*

Albuquerque, New Mexico  
November 29, 2018

**New Mexico Mortgage Finance Authority  
 (A Component Unit of the State of New Mexico)  
 Schedule of Findings and Questioned Costs  
 September 30, 2018**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: 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 federal 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 2 CFR 200.516(a)?  Yes  No

**Identification of Major Federal Programs**

| <i>CFDA Numbers</i> | <i>Name of Federal Program or Cluster</i>         | <i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i> |
|---------------------|---|---|
| 14.188              | Risk Sharing                                      | Unmodified  |
| 10.438              | Section 538 Rural Rental Housing Guaranteed Loans | 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, 2018**

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**Section II – Financial Statement Findings**

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No findings noted in 2018

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2018**

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

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No findings noted in 2018

**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Summary Schedule of Prior Year Audit Findings**  
**September 30, 2018**

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**FINDING 2017-001– Risk Sharing Reporting  
Noncompliance**

***Condition:***

For one of the three inspection reports tested, we noted that the Authority did not submit the inspection report to HUD within 30 days of the completion of the field work. Management made progress towards implementing new policy and procedures as stated in last year's corrective action plan; however, reports were not submitted timely.

***Status at 2018:***

Resolved; no such findings were noted in the current year.

**FINDING 2017-002– Section 8 Contract Administration – Management and Occupancy Review  
Significant Deficiency in Internal Control and Noncompliance**

***Prior Year Condition:***

For three of nine Management and Occupancy Reviews (MORS) reviewed, we noted that owners' responses to findings were received; however, they were not reviewed by MFA within 10 days per policy stated in the approved HUD work plan.

***Status at 2018:***

Resolved; no such findings were noted in the current year.

## **Other Required Schedules**

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**New Mexico Mortgage Finance Authority**  
**(A Component Unit of the State of New Mexico)**  
**Exit Conference**  
**September 30, 2018**

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An exit conference was conducted on November 28, 2018, in which the contents of this report were discussed with the following:

**New Mexico Mortgage Finance Authority**

Dennis Burt, Chair of Board and Finance Committee Member (by phone)

Steven Smith, Chair of Finance Committee and Board Treasurer

Mark Van Dyke, Finance Committee Member (by phone)

Jay Czar, Executive Director

Gina Hickman, Deputy Director of Finance & Administration

Isidoro Hernandez, Deputy Director of Programs

Yvonne Segovia, Controller

**Moss Adams LLP**

Laurie Tish, Partner (by phone)

Aaron Hamilton, Sr. Manager

Janna Skinner, Senior