NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)

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

YEARS ENDED SEPTEMBER 30, 2022 AND 2021

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
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NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
BOARD OF DIRECTORS
SEPTEMBER 30, 2022

Name	**Title**
Angel Reyes	Chair
Derek Valdo	Vice Chair
Rebecca Wurzburger	Treasurer
Tim Eichenberg, New Mexico State Treasurer	Member
Howie Morales, New Mexico Lieutenant Governor	Member
Hector Balderas, New Mexico Attorney General	Member
Dr. Patricia A. Sullivan	Member

INDEPENDENT AUDITORS' REPORT

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Brian Colón
New Mexico State Auditor

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and fiduciary fund 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, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and fiduciary fund of the Authority, as of September 30, 2022 and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2022 and 2021, the changes in the financial position, or, where applicable, its cash flows for the years 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Brian Colón
New Mexico State Auditor

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary schedules, as referenced in the Table of Contents, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as referenced in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the supplementary schedules and schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Board of Directors listing and Exit Conference, which are the responsibility of management, are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2022, 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 the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 30, 2022

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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 Authority is a component unit of the state of New Mexico. Component units are entities that are legally separate organizations from the state for which elected officials of the primary government are financially accountable. The purpose of the Authority is to raise funds from public and private investors to finance the acquisition, construction, rehabilitation, and improvement of residential housing for New Mexicans of low to moderate income. The Authority secures resources through the sale of bonds and mortgage assets, as well as through federal and state affordable housing programs. The Authority's net position is also a source of funding for housing related programs. 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.

This management discussion and analysis provides an overview of the Authority's financial position and changes in financial position for the fiscal years ended September 30, 2022, 2021, and 2020. This information is being presented to provide additional information regarding the activities and operations 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 and long-term financial information about the Authority's financial 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 annual financial report consists of four parts: management's discussion and analysis; the basic financial statements; the notes to the financial statements; and required and other supplementary information. The management discussion and analysis only discusses the business-type activities and does not include the fiduciary fund. The basic financial statements include the following:

> The statements of net position include all 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 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 statements of cash flows primary purpose 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. 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):

	2022	2021	2020, As Restated
Cash and Cash Equivalents (Unrestricted and Restricted)	$ 200,697	$ 156,627	$ 84,530
Investments (Unrestricted and Restricted)	70,120	69,494	72,658
Mortgage-Backed Securities and Mortgage Loans Receivable	1,327,112	1,294,333	1,318,300
Total Assets	1,629,932	1,552,759	1,500,489
Bonds Payable	1,393,931	1,161,309	1,121,174
Total Liabilities	1,472,218	1,219,388	1,180,761
Total Net Position	157,624	333,573	320,012
Total Operating Revenues	62,292	79,409	73,884
Total Operating Expenses	64,497	60,001	57,472
Operating Income	(2,205)	19,408	16,412
Total Nonoperating (Expenses) Revenues	(173,744)	(5,847)	27,781
Change in Net Position	(175,949)	13,561	44,193

The most impactful trends experienced by the Authority in this fiscal year's financial performance were the change in the Single-Family Mortgage Program funding strategy and the volatility in the equity market. Due to the change in the economics of the mortgage program, in 2022, the Authority favored issuing tax-exempt Mortgage Revenue Bonds (MRBs) as the primary loan financing tool. Rather than selling the Mortgage-Backed Securities (MBS) originated through the Authority's mortgage program into the secondary market, the MBS was purchased with bond proceeds and recorded as assets on the Statements of Net Position. The Authority successfully issued four tax-exempt MRBs to fund the first-time homebuyer program. In contrast to 2020 and 2021, the Authority relied heavily on bond financing in the current year by funding 82% of the loans with tax-exempt bonds and selling only 18% of loans to the secondary market.

Bond financing primarily produces long-term annuity cash flows over the loan life, leading to growth in balance sheet assets. In contrast, loan sales in the secondary market provide one-time administrative fee income. This shift to MRB financing is causing a decline in revenue. In addition, through the bond execution, the Authority incurs the bond cost of issuance expense. Additionally, the Authority purchases the servicing rights associated with its loan originations. This asset earns a long-term annuity over the life of the MBS. As this serving asset portfolio grows, the income stream will also continue to grow over time. The Authority experienced slower single-family loan financing compared to last year but remained solid overall with balance sheet growth despite headwinds from rising home prices, climbing mortgage rates, and high inflation.

Financial highlights are summarized as follows:

- Total assets were $1.6 billion, an increase of 4.97% from September 30, 2021. The increase primarily reflects growth in the Single-Family Mortgage Program investments for which new production exceeded loan pay downs and prepayments as locked-in low mortgage rates, not incentivizing borrowers to refinance in current rising mortgage rates.

- The fiscal year 2022 MBS purchases and originations totaled $334.7 million compared to $210.8 million in the fiscal year 2021 due to the increased utilization of MRBs instead of selling the loans in the secondary market to fund the Single-Family Mortgage Program.

- Revenue bonds issued for the Single-Family Mortgage program totaled $423.4 million in 2022 and $249.3 million in the fiscal year 2021. As previously noted, due to rapidly changing market conditions, MRBs were favored to fund the Single-Family Mortgage Program in 2022 over selling loans in the secondary market. Also, the Authority was able to take advantage of one refunding opportunity during the fiscal year 2022.

- Total liabilities were $1.5 billion, an increase of 20.7% from September 30, 2021, due to increased revenue bond activity.

- In the fiscal year 2022, the net position decreased by $176 million or $9 million when excluding the net change in the fair value of investments. The valuation of interest rate-sensitive assets tends to decrease in an increasing interest rate environment. As the interest rate increased, the market value of the MBS portfolio decreased.

FINANCIAL POSITION

The net position of the Authority decreased $176 million from September 30, 2021 to September 30, 2022 and increased $13.6 million from September 30, 2020 to September 30, 2021. The following table is a condensed summary of net position at September 30, 2022, 2021, and 2020 (in thousands):

	2022	2021	2020, As Restated
Assets			
Current Assets	$ 109,529	$ 92,420	$ 91,359
Noncurrent Assets	1,520,403	1,460,339	1,409,130
Total Assets	1,629,932	1,552,759	1,500,489
Deferred Outflows of Resources			
Unamortized Loss on Refunding	187	202	284
Liabilities			
Current Liabilities	122,514	105,221	103,633
Noncurrent Liabilities	1,349,704	1,114,167	1,077,128
Total Liabilities	1,472,218	1,219,388	1,180,761
Deferred Inflows of Resources			
Deferred Cost of Refunding	277	-	-
Net Position			
Investment in Capital Assets	1,793	1,912	1,295
Restricted	95,858	81,247	90,778
Restricted for Land Title Trust and Housing Trust	34,401	35,218	32,779
Unrestricted	25,572	215,196	195,160
Total Net Position	$ 157,624	$ 333,573	$ 320,012

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The increase in cash and cash equivalents of $44.1 million primarily reflects larger balances in the bond acquisition fund due to the timing of Single-Family Mortgage bond transactions.

During this fiscal year, the Authority purchased $334.7 million of MBS and $482.3 million in whole loans. MBS and whole loan purchases were offset by $178.8 million in repayments of securitized mortgage loans and $435.9 million of the whole loan and down payment assistance loan repayments during the year. The financial statements reflect a $32.8 million net increase of MBS and mortgage loans receivable due to favoring Mortgage Revenue Bonds (MRB) financing over selling the loans in the secondary market. Under the MRB financing new mortgage loans are added to the statement of net position, whereas sales in the secondary market do not impact the statement of net position.

The purchased mortgage servicing rights portfolio associated with the loan originations increased $0.8 million for a total portfolio of $18.2 million at year-end.

Over the past year, the Authority experienced a 20.73% increase in liabilities due to tax-exempt bonding activity. Proceeds from the sale of bonds and notes payable were $606.7 million; bond and note repayments and refunding totaled $370.0 million, resulting in a net increase for the year of $236.7 million.

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2021 AND 2020

The increase in cash and cash equivalents of $72.1 million primarily reflects larger balances in the bond acquisition fund due to the timing of Single Family Mortgage bond transactions.

During this fiscal year, the Authority purchased $210.8 million of MBS and $564.5 million in whole loans. MBS and whole loan purchases were offset by $195.0 million in repayments of securitized mortgage loans and $596.4 million of whole loan and down payment assistance loan repayments during the year. The financial statements reflect a $4.4 million net decrease of MBS and mortgage loans receivable due to accelerated payoff activity resulting from low interest rates experienced throughout the fiscal year.

The purchased mortgage servicing rights portfolio associated with the loan originations increased $3.0 million for a total portfolio of $17.5 million at year-end.

Over the past year, the Authority experienced a 3.3% increase in liabilities due to tax-exempt bonding activity. Proceeds from the sale of bonds and notes payable were $432.2 million; bond and note repayments and refundings totaled $397.7 million, resulting in the net increase for the year of $37.8 million.

CHANGE IN FINANCIAL POSITION

The operating income for the year decreased by approximately $21.6 million when compared to fiscal year 2021. The following table is a condensed summary of changes in net position for the years ended September 30, 2022, 2021, and 2020 (in thousands):

	2022	2021	2020, As Restated
Operating Revenues			
Interest on Loans and MBS	$ 44,648	$ 44,280	$ 49,027
Interest on Securities and Investments	2,329	1,652	3,217
Program Revenues	12,115	9,201	7,169
Loan and Commitment Fees	3,520	2,393	2,299
Administrative Fees	6,321	16,912	10,797
(Loss) Gain on Sale of Securities	(6,641)	4,971	1,375
Total Operating Revenues	62,292	79,409	73,884
Operating Expenses			
Interest Expense	35,089	33,933	37,390
Bond Issuance Costs	3,765	2,139	1,625
Provision for (Recovery of) Loan Losses	496	65	199
Administrative and Other Expenses	25,147	23,864	18,258
Total Operating Expenses	64,497	60,001	57,472
Operating (Loss) Income	(2,205)	19,408	16,412
Nonoperating Revenues (Expenses)			
Net (Decrease) Increase in Fair Value of Investments	(174,764)	(7,905)	26,712
State Appropriations	2,200	2,034	1,116
Grant Income	65,738	88,264	50,593
Grant Expense	(65,738)	(88,264)	(50,650)
Trust Contributions	33	30	14
Trust Distributions	(1,213)	(6)	(4)
Total Nonoperating Revenues (Expenses)	(173,744)	(5,847)	27,781
Change in Net Position	(175,949)	13,561	44,193
Total Net Position - Beginning of Year	333,573	320,012	275,819
Total Net Position - End of Year	$ 157,624	$ 333,573	$ 320,012

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2022 AND 2021

Operating revenues decreased $17.1 million from 2021 to 2022, or approximately 21.6%, primarily due to a decrease in administrative fees from loan sales to the secondary market and a reduction in realized State Investment Council investments' fair market value adjustments.

Operating expenses increased by $4.5 million in 2022, approximately 7.5%, primarily due to increases in administrative expenses of $1.3 million, interest expense of $1.2 million, and cost of bond issuance expenses of $1.6 million.

The change in the fair value of securities for 2022 was a decrease of $174.8 million compared to a decrease of $7.9 million in 2021. This represents a decrease in the overall fair market value of investments held at September 30, 2022, compared to September 30, 2021. These valuation changes are due to the interest rate sensitivity of these assets. They are adjusted to fair value as required by GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools (GASB No. 31). The majority of the assets impacted by the GASB valuation requirement are the MBS held on the Authority's statement of net position that serves 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 a Housing Finance Agency's (HFA) performance; these adjustments represent unrealized gains or losses. The Authority considers this valuation changes nonoperating expenses.

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2021 AND 2020

Operating revenues increased $5.5 million from 2020 to 2021, or approximately 7.5%, primarily due to an increase in administrative fees from direct market loan sales and federal grants and increases in program revenues resulting from growth of the servicing portfolio.

Operating expenses increased by $2.5 million in 2021, approximately 4.4%, primarily due to increases in administrative and other expenses of $5.5 million offset with a decrease in bond interest expense of $3.5 million.

The change in fair value of securities for 2021 was a decrease of $7.9 million compared to an increase of $26.7 million in 2020. This represents a decrease in the overall fair market value of investments, held at September 30, 2021 compared to September 30, 2020. 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 statement of net position 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 a Housing Finance Agency's (HFA) performance; these adjustments represent unrealized gains or losses and the Authority considers these valuation changes nonoperating revenues.

DEBT ADMINISTRATION

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

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 long-term and short-term earnings. 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 a subsidy to upcoming bond issues. Thus, creating mortgage rates that are more competitive for future New Mexico homeowners. 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 the fiscal year 2022, the Authority issued $423.4 million of Single-Family Mortgage Program revenue bonds, including $33.5 million of refunding bonds. This is $174.1 million more than the $249.3 million issued in 2021. The issuance of debt increased during the fiscal year 2022 due to favoring bond financing instead of loan sales to the secondary market. The issuance of tax-exempt bonds produced lower mortgage rates for the borrowers. The Authority also sold $83.7 million of single-family mortgages into the secondary market during the year. Due to the changing market conditions, interest rates rapidly rose to tame inflation. MBS interest margins decreased by approximately $0.7 million this fiscal year compared to 2021 for the Single Family Mortgage Program. The Authority redeemed $222.7 million of Single-Family Mortgage Program bonds due to repayments and maturities, compared to $189.2 million in 2021.

During the fiscal year 2021, the Authority issued $249.3 million of Single-Family Mortgage Program revenue bonds, including $16.3 million of refunding bonds. This is $59.3 million more than the $190.0 million issued in 2020. The issuance of debt increased during the fiscal year 2021 due to the stabilization of the market conditions created by the health crisis. The Authority also sold $327.0 million of single-family mortgages into the secondary market during the year. Due to the change in federal fiscal policy related to the pandemic, interest rates declined overall, but market conditions volatility continued to subside during 2021. MBS margins decreased by approximately $3.0 million this fiscal year compared to 2020 for the Single-Family Mortgage Program. The Authority redeemed $189.2 million of Single-Family Mortgage Program bonds due to repayments and maturities, compared to $98.9 million in 2020.

During the fiscal year 2022, the Authority issued $24 million in Rental Housing Bonds. There were no Rental Housing Bonds issued in 2021. In 2022, $0.9 million of Rental Housing Bonds were redeemed due to repayments and maturities compared to $40.5 million in 2021.

The Authority did not issue any Rental Housing Bonds in 2021 or 2020. In 2021, $40.5 million of Rental Housing Bonds were redeemed due to repayments and maturities compared to $24.5 million in 2020.

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 (FHLB) of Dallas to support the warehousing of single-family mortgages originated through the mortgage program. As of September 30, 2022, those outstanding notes total $29 million, compared to $26.9 million at the end of 2021. The Authority relies on this liquidity to purchase program mortgages.

ECONOMIC OUTLOOK

The Single-Family Mortgage Program, administration of federal affordable housing programs, interest income on Authority loans and investments, and mortgage servicing income are the primary sources of revenues for the Authority. During 2022, the Authority's programs and investment returns underperformed due to market volatility, and federal fiscal policy moved into a more robust increasing interest rate mode. The rapid increase in home prices throughout the pandemic and rising mortgage rates will bring demand for single-family loan production back to pre-pandemic levels, as low-to-median income homebuyers will find it increasingly difficult to find homes to buy at their price point. Because of the resulting decline in home affordability, after record years in 2020 and 2021, loan production declined in 2022 and will continue the trend in 2023 to pre-pandemic levels.

In addition to higher prices for homes, buyers' ability to make monthly payments is also reduced by rising inflation, including greater food and energy prices, which has increased their monthly costs for other necessary expenses. These increased expenses will further discourage potential homebuyers from entering the market. However, the slowdown in financing is unlikely to weaken the financial performance or concern since the Authority's cash flows are not dependent on future loan originations to pay debt service. The trend of rising home prices in 2022 is set to stabilize in 2023. While prices may undergo a correction over the next two years, their magnitude will be limited by fundamental housing strengths such as favorable demographic trends, solid underwriting of outstanding mortgages, and lingering housing supply constraints from a period of underbuilding.

The Authority's Single Family Mortgage Programs rely on short-term liquidity to purchase 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 to 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 MBS, which provides collateral for the Single-Family Mortgage Program bonds, had previously been rated AAA. However, on August 5, 2011, Standard and Poor's Rating Services (S&P) 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, S&P lowered its rating on certain publicly financed debt issues that are credit enhanced by Fannie Mae and Ginnie Mae. In 2015, the Authority changed its primary rating agency relationship to Moody's Investors Service (Moody's). Moody's has not downgraded the U.S. and provides a Aaa rating for all bonds backed by Fannie Mae and Ginnie Mae credit-enhanced securities. Approximately 4% of the Authority's outstanding bonds currently reflect the AA+ S&P rating, and about 96% reflect the Aaa Moody's rating. The Authority's single-family housing bonds moving forward will carry the Aaa rating.

Bond proceeds and monthly MBS revenues received between debt service dates are invested in a government money market fund. Although there have been changes in the current interest rate environment, the Authority has been able to limit the negative arbitrage experienced for these programs. Restricted cash related to bond issuance remains fully invested, and cash flows are monitored closely. All the Authority's single-family bonds continue to meet all required rating agency cash flow stress tests.

The Authority's investments outside the Single-Family Mortgage Programs are also conservative. They include the AAAm-rated New Mexico State Treasurer's Local Government Investment Pool (LGIP) and internal loan warehousing for short-term investments. Liquid and marketable U.S. agency obligations and Authority program MBS are maintained in the intermediate-term investment portfolio. For long-term investment purposes, the Authority invests in the MBS as well as the non-rated New Mexico State Investment Council (SIC) Investment Funds. The Authority's SIC portfolio includes corporate investment grade bond funds (33%), a large-cap equities fund (32%), a small/mid-cap fund (15%), a non-U.S. developed markets fund (16%), and a non-U.S. emerging markets fund (4%). 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 the MBS asset class, the Authority now carries both intermediate and long-term MBS portfolios, which yielded approximately 5.22% and 2.99%, respectively, during the fiscal year 2022. During this fiscal year, the U.S. Treasury and agency obligations provided yields of 0.62% compared to 0.34% in 2021. Investments in the SIC experienced $6.1 million in fair market value losses compared to 2021, when fair market value gains were $4.3 million. There was extreme market volatility in the equity market from month to month during the year. The overall rate of return on the Authority's SIC long-term investment portfolio for 2022 was negative 21.52%.

The Authority expects to continue to lean, like most Housing Finance Agencies (HFAs) in the country, more heavily toward tax-exempt MRB financing in 2023 and continue to use the secondary market when appropriate to fund the Single-Family Mortgage program, depending on market conditions. Based on economic forecasts, the cost of funds in the traditional tax-exempt bond market is expected to continue to be advantageous to the Authority and produce lower mortgage rates for first-time homebuyers. This leads to the Authority's balance sheet growth but lowers revenue from loan sales to the secondary market. The shift caused a short-term revenue decline during the transition period as loan sales revenue declined quicker than new mortgage loans were added to the balance sheet. The makeup of the Authority's revenue stream will evolve as we turn away from secondary market financing and toward bond financing in 2022 and 2023.

The Authority's competitive advantage over conventional lenders and continued strength in loan financing will limit the decline in loan production. The Authority is able to make lower-interest loans than conventional lenders due to the ability to raise money using tax-exempt MRBs. The spread between the Authority's loan rates and conventional rates is likely to increase as conventional rates rise. These lower mortgage rates allow for fulfilling the Authority's mission of providing loans to first-time low-to-moderate-income homebuyers. In addition, the Authority supports borrowers by providing funds for Down Payment Assistance (DPA) and closing cost assistance, which help increase the attractiveness and maintain the demand and viability of the program. Further, the Authority adjusted the DPA program to alleviate some of the borrowers' inflationary and borrowing pressures. Additionally, the Authority will continue to purchase the mortgage servicing rights associated with the Single-Family Mortgage Program to increase the revenue base for the organization.

Market interest rates influence both 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 interest rate. 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 interest rates. However, interest rate declines are not anticipated as market forecasts indicate that traditional mortgage and reinvestment rates will continue to rise. Additionally, the authority expects that the continued climbing mortgage rates will slow down the prepayments and discourage homeowners from refinancing their loans which will keep the mortgage loans on the balance sheet longer and enable the Authority to realize greater mortgage and servicing income. Conversely, a decrease in mortgage interest rates could cause an increase in prepayments. The U.S. Treasury yield curve is inverted, which provides higher yields for short-term instruments compared to the yields of long-term instruments, and this rise in short-term rates will positively affect Authority's earnings.

The rise in home equity will positively impact the existing Authority's single-family bond program by supporting loan portfolio performance. High home equity coupled with low mortgage rates of portfolio incentivizes borrowers to stay current on their payments. However, high consumer price inflation could begin to reduce the ability of single-family homeowners to make their payments. To date, however, the Authority has not experienced a significant impact of inflation on loan performance. The improved job market trend during 2021-2022, likely to continue in 2023, will help homebuyers stay current in their payments.

Furthermore, state and federal attention to affordable housing as a social issue is increasing state and federal funding for the Authority, which will be used for DPA or subsidies for multifamily loans. One such instance is securing recurring funding through Senate Bill 134, a 2.5% severance tax bonding capacity that will commence in 2024. In addition, the federal government provides funds to the Authority to administer programs such as the rental and homeowner assistance programs during the COVID crisis, resulting in additional administrative fee income. The American Rescue Plan Act (ARPA) provides funding for supportive services, homeownership, rental housing development, and neighborhood revitalization. The increased funding further helps MFA to serve the target markets in the next few years.

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 Chief Financial Officer at New Mexico Mortgage Finance Authority, 344 Fourth Street SW, Albuquerque, New Mexico 87102, or visit our website at www.housingnm.org.

BASIC FINANCIAL STATEMENTS

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	$ 43,831	$ 49,523
Restricted	45,695	23,124
Restricted Cash Held in Escrow	9,782	9,135
Total Cash and Cash Equivalents	99,308	81,782
Accrued Interest Receivable	4,700	4,153
Due from Fiduciary Fund	19	10
Other Current Assets	5,502	6,475
Total Current Assets	109,529	92,420
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	101,389	74,845
Investments:		
Restricted Investments	23,803	16,735
Unrestricted Investments	48,109	51,846
Unrealized (Loss) Gain on Restricted and Unrestricted Investments	(1,792)	913
Total Investments, Net	70,120	69,494
Restricted Securitized Mortgage Loans, Net:		
Securitized Mortgage Loans, Net	1,216,737	1,057,876
Unrealized (Loss) Gain on Securitized Mortgage Loans	(123,624)	48,435
Restricted Securitized Mortgage Loans, Net	1,093,113	1,106,311
Mortgage Loans, Net:		
Restricted Mortgage Loans, Net	56,199	44,091
Restricted Trust Funds Mortgage Loans, Net	19,373	17,088
Unrestricted Mortgage Loans, Net	158,427	126,843
Total Mortgage Loans, Net	233,999	188,022
Capital Assets, Net	1,793	1,912
Right-of-Use Asset, Net	89	-
Intangible Assets	18,290	17,477
Other Noncurrent Assets	1,610	2,278
Total Noncurrent Assets	1,520,403	1,460,339
Total Assets	1,629,932	1,552,759
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding Bonds	187	202
Total Assets and Deferred Outflows of Resources	$ 1,630,119	$ 1,552,961

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Escrow Deposits and Reserves	$ 9,650	$ 9,005
Accrued Interest Payable	7,837	7,250
Accounts Payable and Other Accrued Expenses	28,943	14,207
Compensated Absences	591	543
Current Portion of Bonds Payable	45,994	50,323
Current Portion of Notes Payable	29,499	23,893
Total Current Liabilities	122,514	105,221
NONCURRENT LIABILITIES		
Bonds Payable, Net of Current Portion	1,347,937	1,110,986
Notes Payable, Net of Current Portion	1,553	3,048
Other Noncurrent Liabilities	214	133
Total Noncurrent Liabilities	1,349,704	1,114,167
Total Liabilities	1,472,218	1,219,388
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Cost of Refunding	277	-
NET POSITION		
Investment in Capital Assets	1,793	1,912
Restricted for Debt Service	95,858	81,247
Restricted for Land Title Trust and Housing Trust	34,401	35,218
Unrestricted:		
Board Designated - General Fund	218,954	215,196
Unrestricted - Bond Issues	(193,382)	-
Total Unrestricted	25,572	215,196
Total Net Position	157,624	333,573
Total Liabilities and Net Position	$ 1,630,119	$ 1,552,961

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
OPERATING REVENUES		
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 44,648	$ 44,280
Interest on Securities and Investments	2,329	1,652
Housing Program Income	1,871	1,256
Program Servicing Fees	10,244	7,945
Loan and Commitment Fees	3,520	2,393
Administrative Fees	6,321	16,912
(Loss) Gain on Sale of Securities	(6,641)	4,971
Total Operating Revenues	62,292	79,409
OPERATING EXPENSES		
Interest Expense	35,089	33,933
Bond Issuance Costs	3,765	2,139
Provision for Loan Losses	496	65
Administrative and Other Expenses	25,147	23,864
Total Operating Expenses	64,497	60,001
OPERATING (LOSS) INCOME	(2,205)	19,408
NONOPERATING REVENUES (EXPENSES)		
Net (Decrease) Increase in Fair Value of Investments	(174,764)	(7,905)
State Appropriations	2,200	2,034
Grant Income	65,738	88,264
Grant Expense	(65,738)	(88,264)
Trust Contributions	33	30
Trust Distributions	(1,213)	(6)
Total Nonoperating Revenues (Expenses)	(173,744)	(5,847)
CHANGE IN NET POSITION	(175,949)	13,561
Total Net Position - Beginning of Year	333,573	320,012
TOTAL NET POSITION - END OF YEAR	$ 157,624	$ 333,573

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of Loans	$ (482,334)	$ (564,526)
Receipts of Loan Repayments	435,917	596,438
Loan and Commitment Fees	3,520	2,393
Mortgage Interest Received	44,101	44,612
Purchase of Securitized Mortgage Loans	(334,718)	(210,810)
Discount (Premium) on MBS	(6,652)	277
Principal Repayment of Securitized Mortgage Loans	178,809	195,033
Restricted Escrow and Reserves, Net	645	(1,491)
Receipts for Services	24,341	17,853
Payments to Employees for Services	(10,497)	(9,549)
Payments to Suppliers of Goods or Services	(10,137)	(9,477)
Other Payments	(2,491)	(4,476)
Net Cash Provided (Used) by Operating Activities	(159,496)	56,277
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Notes Payable	606,723	432,243
Repayment and Refunding of Bonds and Notes Payable	(369,990)	(397,676)
Payment of Interest on Bonds and Notes	(34,502)	(33,772)
Payment for Bond Issuance Costs	(3,765)	(2,139)
Receipt of Grant Income	65,738	88,264
Payment of Grants	(65,738)	(88,264)
Contributions to Land Title Trust	33	30
Land Title Trust Distributions	(1,213)	(6)
State Appropriations	2,200	2,034
Net Cash Provided by Noncapital Financing Activities	199,486	714
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of Capital Assets	(75)	(844)
Net Cash Used by Capital Financing Activities	(75)	(844)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Purchase) Sale of Other Real Estate Owned	871	(1,258)
Purchase of Investments	(37,148)	(21,536)
Proceeds from Maturity and Sale of Investments	38,071	37,150
Investment Interest Income	2,329	1,652
(Premium) on Investments	28	(58)
Gain on Sale of Securities	4	-
Net Cash Provided by Investing Activities	4,155	15,950
NET CHANGE IN CASH AND CASH EQUIVALENTS	44,070	72,097
Cash and Cash Equivalents - Beginning of Year	156,627	84,530
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 200,697	$ 156,627
Current Cash and Cash Equivalents	$ 99,308	$ 81,782
Noncurrent Cash and Cash Equivalents	101,389	74,845
Cash and Cash Equivalents - End of Year	$ 200,697	$ 156,627

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ (2,205)	$ 19,408
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Bond Issuance Costs	3,765	2,139
Loan and Commitment Fees	(3,520)	(2,393)
Amortization of Securitized Mortgage Loans and Mortgage Loan Discounts/Premiums	3,649	3,780
(Gain) Loss on Sale of Assets	(189)	(358)
Depreciation Expense	194	227
Provision of Loan Losses	496	65
Investment Interest Income	(2,329)	(1,652)
Interest Expense on Bonds and Notes Payable	35,089	33,933
Changes in Assets and Liabilities:		
Accrued Interest Receivable on Securitized Mortgage Loans and Mortgage Loans	(547)	332
Other Current Assets	973	(2,433)
Other Noncurrent Assets	(145)	(4,617)
Accounts Payable and Other Accrued Expenses	14,736	5,404
Escrows and Deposits	645	(1,491)
Other Noncurrent Liabilities	(7,036)	(6,956)
Securitized Mortgage Loans, Net Cost	(157,095)	(21,021)
Mortgage Loans	(45,977)	31,910
Net Cash Provided (Used) by Operating Activities	$ (159,496)	$ 56,277

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF FIDUCIARY NET POSITION
NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST
YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	$ 757	$ 863
Total Cash and Cash Equivalents	757	863
Other Current Assets	146	23
Total Current Assets	903	886
Total Assets	$ 903	$ 886
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to Authority	$ 19	$ 10
Total Current Liabilities	19	10
Total Liabilities	19	10
NET POSITION		
Restricted for Organizations and Other Governments	884	876
Total Net Position	884	876
Total Liabilities and Net Position	$ 903	$ 886

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST
YEARS ENDED SEPTEMBER 30, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
ADDITIONS		
CONTRIBUTIONS		
Trust Contributions	$ 68	$ 459
Grant Income	146	43
Total Contributions	214	502
OTHER		
Administrative Fees	-	9
Total Additions	214	511
DEDUCTIONS		
Trust Distributions	45	30
Grant Expense	146	43
Administrative and Other Expenses	15	31
Total Deductions	206	104
CHANGE IN NET POSITION	8	407
Total Net Position - Beginning of Year	876	469
TOTAL NET POSITION - END OF YEAR	$ 884	$ 876

See accompanying Notes to Financial Statements.

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 nonprofit 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 fiduciary activity of the Authority and is presented separately in the financial statements as such.

For financial reporting purposes, the Authority is considered a discretely presented component unit of the state of New Mexico in accordance with Governmental Accounting Standards Board (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 accounting principles generally accepted in the United States of America. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred. All significant intra-entity transactions have been eliminated.

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 statements and 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. Each multifamily bond indenture is accounted for as a segment (see supplementary statements and 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.

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs (Continued)

- Housing Programs – Accounts for activities and programs financed by federal and state grants over which the Authority exercises fiscal and administrative control. The following is a brief description of the significant programs:

  - *Low-Income Housing Tax Credit Program (LIHTC)* – The LIHTC program was established to promote the development of low-income rental housing through tax incentives rather than direct subsidies. The LIHTC is a 10-year federal tax credit against a taxpayer's ordinary income tax liability that is available to individuals (directly or through partnerships) and corporations who acquire or develop and own qualified low-income rental housing.

  - *HOME Investment Partnership Program (HOME)* – Congress created the HOME program as part of the National Affordable Housing Act of 1991. The Authority administers the federal funds to carry out program activities related to down payment assistance, homeowner and rental rehabilitation, and multifamily rental housing finance.

  - *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, state 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.

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs (Continued)

- *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.

- *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 (LTTF)* – 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 LTTF. 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.

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Programs (Continued)

Neighborhood Stabilization Program (NSP) – The primary objective of this program is the development of viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.

Homeowners' Assistance Fund (HAF) – This program was established to mitigate financial hardships associated with the coronavirus pandemic, for the purpose of preventing homeowner mortgage delinquencies, defaults, foreclosures, loss of utilities or home energy services and displacements of homeowners experiencing financial hardship through qualified expenses related to mortgages and housing.

Cash and Cash Equivalents

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

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

Unrestricted and Restricted Investments

Unrestricted and restricted investments include U.S. government obligations, obligations of government-sponsored entities, mortgage-backed securities (MBSs), and amounts in investment pools of the New Mexico State Investment Council. These securities are stated at fair value based upon quoted market prices and changes in the fair value are reported in the statements of revenue, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31) and GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72).

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022 and 2021 were $2.4 million and $3.1 million, respectively, of loans to borrowers of certain nonprofit organizations, which are subject to reimbursement provisions in lieu of insurance.

Allowance for Mortgage Loan Losses

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

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

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

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest on Mortgage Loans

Interest on mortgage loans is accrued based upon the principal amounts outstanding net of service fee expenses of approximately $120,000 and $93,000 as of September 30, 2022 and 2021, 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 net 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; 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) and 3) right-of-use assets capitalized under the lease agreements with a term greater than one year. The assets are amortized over the life of the leases.

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows or Inflows 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 or inflows on the statements of net position.

Accrued Arbitrage Rebate

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

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

Advances on Revenue

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

Compensated Absences

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

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. 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.

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Net position is classified as follows:

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

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

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

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

Unrestricted bond issues consist of those bond issues for which funds are not restricted for specific 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.

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses (Continued)

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.

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.

Adoption of New Accounting Standards:

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The Authority adopted the requirements of the guidance effective October 1, 2020, and has applied the provisions of this standard to the beginning of the period of adoption. See Footnote 9 for impact on the Authority.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

	2022	2021
Cash on Deposit at Financial Institutions	$ 30,073	$ 39,575
Cash on Deposit at New Mexico State Treasurer	13,758	11,112
Cash on Deposit Held in Escrow	9,782	9,135
Cash Equivalents Not Considered Deposits:		
Money Market Funds	146,364	95,709
Repurchase Agreements	-	377
Guaranteed Investment Contracts	720	719
Total	$ 200,697	$ 156,627

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.

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. Participation in the local government pool is voluntary.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

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, 2022 and 2021, the Authority's bank balance was approximately $41,129,000 and $50,421,000 (which includes the bank balances of the Trust of $757,000 and $863,000), respectively. The Federal Deposit Insurance Corporation (FDIC) insures each depositor up to $250,000 per insured bank. FDIC Coverage for the Authority approximated $755,000. The total amounts subject to custodial credit risk at September 30, 2022 and 2021, are approximately $9,089,000 and $27,202,000, respectively. Management does not believe the remaining approximately $31,285,000 and $22,469,000 are subject to custodial credit risk at September 30, 2022 and 2021, respectively.

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

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.

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investment Interest and Credit Risk (Continued)

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

	September 30, 2022					
		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Not Available
Money Market Funds	$ 146,364	$ 146,014	$ -	$ -	$ 350	$ -
Guaranteed Investment Contracts	720	-	-	-	720	-
External State Investment Pools:						
State Treasurer	13,758	13,758	-	-	-	-
State Investment Council	31,219	-	-	-	-	31,219
U.S. Agencies	25,704	5,881	19,823	-	-	-
Securitized Mortgage Loans:						
Unrestricted	13,197	-	359	230	12,608	-
Restricted	1,093,113	-	1,515	3,437	1,088,161	-
Total	$ 1,324,075	$ 165,653	$ 21,697	$ 3,667	$ 1,101,839	$ 31,219

	September 30, 2021					
		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Not Available
Money Market Funds	$ 95,709	$ 95,354	$ -	$ -	$ 355	$ -
Repurchase Agreements	377	377	-	-	-	-
Guaranteed Investment Contracts	719	233	-	-	486	-
External State Investment Pools:						
State Treasurer	11,112	11,112	-	-	-	-
State Investment Council	39,577	-	-	-	-	39,577
U.S. Agencies	16,028	4,010	12,018	-	-	-
Securitized Mortgage Loans:						
Unrestricted	13,889	-	450	436	13,003	-
Restricted	1,106,311	-	278	7,085	1,098,948	-
Total	$ 1,283,722	$ 111,086	$ 12,746	$ 7,521	$ 1,112,792	$ 39,577

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Investment Interest and Credit Risk (Continued)

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

	September 30, 2022								
	Fair Value	AAA	AAAm	AA+	A+	A	BBB	U.S. Government Guaranteed	Not Available
Money Market Funds	$ 146,364	$ -	$ 146,298	$ -	$ 65	$ 1	$ -	$ -	$ -
Guaranteed Investment Contracts	720	-	71	-	115	534	-	-	-
External State Investment Pools:									
State Treasurer	13,758	-	13,758	-	-	-	-	-	-
State Investment Council	31,219	-	-	-	-	-	-	-	31,219
U.S. Agencies	25,704	13,190	952	11,562	-	-	-	-	-
Securitized Mortgage Loans:									
Unrestricted	13,197	-	-	1,835	-	-	-	11,362	-
Restricted	1,093,113	-	-	170,634	-	-	-	922,479	-
Total	$ 1,324,075	$ 13,190	$ 161,079	$ 184,031	$ 180	$ 535	$ -	$ 933,841	$ 31,219

	September 30, 2021								
	Fair Value	AAA	AAAm	AA	A+	A	BBB	U.S. Government Guaranteed	Not Available
Money Market Funds	$ 95,709	$ 95,709	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Repurchase Agreements	377	-	-	-	-	-	-	-	377
Guaranteed Investment Contracts	719	-	-	-	186	533	-	-	-
External State Investment Pools:									
State Treasurer	11,112	11,112	-	-	-	-	-	-	-
State Investment Council	39,577	-	-	-	-	-	-	-	39,577
U.S. Agencies	16,028	-	-	16,028	-	-	-	-	-
Securitized Mortgage Loans:									
Unrestricted	13,889	-	-	2,201	-	-	-	11,688	-
Restricted	1,106,311	-	-	161,720	-	-	-	944,591	-
Total	$ 1,283,722	$ 106,821	$ -	$ 179,949	$ 186	$ 533	$ -	$ 956,279	$ 39,954

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, 2022 and 2021, respectively: Ginnie Mae: 80% and 81%, and Fannie Mae: 15% and 14%.

Fair Value Reporting

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. 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).

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Fair Value Reporting (Continued)

The State Treasurer's Local Government Investment Pool (LGIP) is recorded at amortized cost. The fair value of the position in LGIP is the same as the value of the pool shares. As the pool is not SEC registered, regulatory oversight of the pool rests with the New Mexico State Treasury.

The fair value of the State Investment Council pool is the same as the value of the of the pooled investment shares.

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

	2022	2021
Cash on Deposit at Financial Institutions	$ 757	$ 863

NOTE 3 MORTGAGE LOANS, NET

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

	2022	2021
Total Mortgage Loan Principal Outstanding	$ 244,130	$ 196,493
Less: Allowance for Mortgage Loan Losses	(10,131)	(8,471)
Mortgage Loans, Net	$ 233,999	$ 188,022

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

	2022	2021
Beginning Balance	$ 8,471	$ 5,847
Provision for Loan Losses	496	65
Specific Reserves	2,515	3,766
Loans Written Off Net of Recoveries	(1,351)	(1,207)
Ending Balance	$ 10,131	$ 8,471

The mortgage loans have repayment terms ranging from 5 to 40 years. The stated interest rates for these programs are as follows:

Rental Housing Programs	1.98% to 7.02%
Other Mortgage Loans	0.00% to 8.41%
Second Mortgage DPA Loans	0.00% to 8.00%

MBSs have stated interest rates ranging from 2.175% and 7.49%.

As of September 30, 2022 and 2021, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately $78,000 and $78,000, respectively. As of September 30, 2022 and 2021, mortgage loans' total delinquent aggregate principal balances are approximately $8,886,000 and $6,285,000, respectively.

NOTE 3 MORTGAGE LOANS, NET (CONTINUED)

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):

	2022	2021
Southwest Neighborhood Housing Services	$ 220	$ 227
TIWA Lending Services	7,684	7,510
Fannie Mae Loans	261,756	216,852
Ginnie Mae Loans	1,611,923	1,501,654
Nambe Housing	1,600	1,555
Southwest Community Resources	-	3
City of Albuquerque	15,759	15,831
Ventana Fund	1,210	2,423
Ohkay Owingeh	858	319
Total	$ 1,901,010	$ 1,746,374

NOTE 4 CAPITAL ASSETS

Changes in capital assets during 2022 and 2021, were as follows (in thousands):

	October 1, 2021	Additions	Dispositions	Transfers	September 30, 2022
Land (Nondepreciable)	$ 512	$ -	$ -	$ -	$ 512
Building and Improvements	4,363	-	-	-	4,363
Furniture and Equipment	2,100	75	(119)	-	2,056
Total Capital Assets	6,975	75	(119)	-	6,931
Less Accumulated Depreciation:					
Building and Improvements	(3,089)	(115)	-	-	(3,204)
Furniture and Equipment	(1,974)	(79)	119	-	(1,934)
Total Accumulated Depreciation	(5,063)	(194)	119	-	(5,138)
Capital Assets, Net	$ 1,912	$ (119)	$ -	$ -	$ 1,793

	October 1, 2020	Additions	Dispositions	Transfers	September 30, 2021
Land (Nondepreciable)	$ 512	$ -	$ -	$ -	$ 512
Building and Improvements	3,572	791	-	-	4,363
Furniture and Equipment	2,054	53	(7)	-	2,100
Total Capital Assets	6,138	844	(7)	-	6,975
Less Accumulated Depreciation:					
Building and Improvements	(2,991)	(98)	-	-	(3,089)
Furniture and Equipment	(1,852)	(129)	7	-	(1,974)
Total Accumulated Depreciation	(4,843)	(227)	7	-	(5,063)
Capital Assets, Net	$ 1,295	$ 617	$ -	$ -	$ 1,912

NOTE 5 BONDS PAYABLE

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

Single Family Mortgage Programs	2022	2021
2011 Series A - 5.00% to 5.35% interest payable semiannually, principal due through 2030	$ -	$ 3,364
2012 Series A - 2.85% to 4.25% interest payable quarterly, principal due through 2042	-	9,610
2012 Series B - 2.80% to 3.90% interest payable quarterly, principal due through 2043	-	15,935
2013 Series A - 2.60% interest payable monthly, principal due through 2043	5,722	6,884
2013 Series B - 2.23% to 2.85% interest payable monthly, principal due through 2043	8,276	9,486
2013 Series C - 4.50% interest payable monthly, principal due through 2043	10,850	12,838
2014 Series A - 3.50% to 5.00% interest payable quarterly, principal due through 2044	3,850	5,340
2014 Series B - 2.75% interest payable monthly, principal due through 2035	3,237	3,761
2015 Series A - 2.60% to 4.00% interest payable quarterly, principal due through 2045	13,520	16,850
2015 Series B - 2.75% interest payable monthly, principal due through 2035	2,140	2,414
2015 Series C - 3.00% interest payable monthly, principal due through 2041	-	9,285
2015 Series D - 3.125% interest payable monthly, principal due through 2037	3,707	4,821
2015 Series E - 3.10% interest payable monthly, principal due through 2037	5,325	6,771
2016 Series A - 2.05% to 3.80% interest payable quarterly, principal due through 2046	21,060	28,385
2016 Series B - 2.60% interest payable monthly, principal due through 2040	10,470	12,365
2016 Series C - 1.85% to 3.5% interest payable quarterly, principal due through 2045	25,630	33,985
2017 Series A - 2.98% interest payable monthly, principal due through 2038	9,205	11,806
2017 Series B - 1.85% to 3.80% interest payable quarterly, principal due through 2048	28,550	36,510

NOTE 5 BONDS PAYABLE (CONTINUED)

Single Family Mortgage Programs	2022	2021
2018 Series A 2.45% to 4.00% interest payable quarterly, principal due through 2049	$ 34,820	$ 43,260
2018 Series B 2.35% to 4.00% interest payable quarterly, principal due through 2049	38,145	49,915
2018 Series C 2.20% to 4.00% interest payable quarterly, principal due through 2049	41,970	56,230
2018 Series D 2.60% to 4.25% interest payable quarterly, principal due through 2049	26,735	38,160
2019 Series A 2.15% to 4.25% interest payable quarterly, principal due through 2050	41,915	55,905
2019 Series B 3.45% interest payable monthly, principal due through 2040	11,686	14,800
2019 Series C 1.90% to 4.00% interest payable quarterly, principal due through 2050	55,145	69,270
2019 Series D 1.55% to 3.75% interest payable quarterly, principal due through 2050	69,710	89,925
2019 Series E 2.90% interest payable monthly, principal due through 2040	9,684	11,894
2019 Series F 1.50% to 3.50% interest payable monthly, principal due through 2050	93,390	112,055
2020 Series A 1.20% to 3.50% interest payable monthly, principal due through 2051	58,625	66,575
2020 Series B - 0.40% to 3.00% interest payable monthly, principal due through 2051	49,930	53,555
2021 Series A - 0.20% to 3.00% interest payable monthly, principal due through 2052	75,025	78,000
2021 Series B - 1.62% interest payable monthly, principal due through 2042	11,710	14,837
2021 Series C - 0.25% to 3.00% interest payable monthly, principal due through 2052	97,830	100,000
2021 Series D - 0.30% to 3.00% interest payable semi-annually, principal due through 2052	98,525	-
2022 Series A - 0.40% to 3.00% interest payable semi-annually, principal due through 2052	98,960	-
2022 Series B - 2.2% interest payable monthly, principal due through 2044	30,200	-
2022 Series C - 1.80% to 4.25% interest payable semi-annually, principal due through 2053	90,000	-
2022 Series D - 1.65% to 5.25% interest payable semi-annually, principal due through 2053	99,900	-
Subtotal	1,285,447	1,084,791
Unaccreted Premium, Net of Underwriters' Discount	40,534	31,665
Subtotal Single Family Mortgage Programs, Net Bonds Payable	$ 1,325,981	$ 1,116,456

NOTE 5 BONDS PAYABLE (CONTINUED)

Rental Housing Mortgage Programs	2022	2021
2004 Series A&B Multifamily Risk Sharing - NM5 - 5.05% to 5.20% interest payable semiannually, principal due through 2039	$ 1,245	$ 1,290
2005 Series C & D Multifamily Risk Sharing - Chateau - 4.70% interest payable semiannually, principal due through 2040	3,075	3,175
2005 Series E & F Multifamily Risk Sharing - Sun Pointe - 4.80% to 5.06% interest payable semiannually, principal due through 2040	9,805	10,120
2007 A & B Multifamily Risk Sharing - St. Anthony - 5.05% to 5.25% interest payable semiannually, principal due through 2042	4,710	4,830
2007 C & D Multifamily - NM Rainbow - 5.85% to 10.00% interest payable monthly for senior bonds and semiannually for subordinate bonds, principal due through 2043	11,848	12,075
2008 A & B Multifamily - Villas de San Ignacio - variable interest rate* (0.04% and 1.29% at September 30, 2022) payable monthly, principal due through 2043	8,000	8,000
2010 A & B Multifamily Risk Sharing - Villa Alegre Senior Housing - 5% interest payable semiannually, principal due through 2047	780	795
2012 A Multifamily - Gallup Apartments - 5% interest payable monthly, principal due through 2049	4,454	4,532
2021 Multifamily - JLG Central Apartments - .53% interest payable biannually, principal through 2024	11,000	-
2022 Multifamily - Vista Mesa Villa Apartments - 4.25% interest payable monthly, principal through 2062	13,000	-
Subtotal	67,917	44,817
Unaccreted Premium	33	36
Subtotal Rental Housing Mortgage Programs, Net Bonds Payable	$ 67,950	$ 44,853

* determined on a weekly basis until adjusted to Reset Rates or Fixed Rates

NOTE 5 BONDS PAYABLE (CONTINUED)

	2022	2021
Total Bonds Payable	$ 1,353,364	$ 1,129,608
Total Unaccreted Premium, Net of Unamortized Discount	40,567	31,701
Total Bonds Payable	$ 1,393,931	$ 1,161,309

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 2022D. The bonds are secured, as described in the General Indenture and the applicable amended and supplemented Series Indenture, by the revenues, moneys, investments, mortgage loans, MBSs and other assets in the accounts established under the General Indenture and each Series Indenture.

Prior to November 2005, the Authority issued bonds under separate Trust Indentures. The bonds were secured as described in each Trust Indenture by the revenues, moneys, investments, mortgage loans, MBSs and other assets in the accounts established by each respective Trust Indenture. As of September 30, 2016 all single family stand-alone bond indentures have been paid off.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2022 and 2021 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

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 bonds were issued under this indenture.

During fiscal year 2022, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005, as follows:

- $99.99 million Single Family Mortgage Program Class I Bonds, 2021 Series D (Tax-Exempt) (Non-AMT). The $99.99 million 2021 Series B bonds were used to originate new loans.

NOTE 5 BONDS PAYABLE (CONTINUED)

- $133.5 million Single Family Mortgage Program Class I Bonds, 2022 Series A (Tax-Exempt) (Non-AMT) and 2022 Series B (MBS Pass-Through Program) (Federally Taxable). The $100 million 2022 Series A bonds were used to originate new loans. The $33.5 million 2022 Series B bonds combined with funds in the trust estates, were used to fully refund the Single Family Mortgage Program Bonds 2012 Series A, 2012 Series B and 2011 Series A / 2015 Series C. The Authority will realize a $3.9 million positive cash flow from this refunding and an economic gain of approximately $3.9 million.

- $90 million Single Family Mortgage Program Class I Bonds, 2022 Series C (Tax-Exempt) (Non-AMT). The $90 million 2022 Series C bonds were used to originate new loans.

- $99 million Single Family Mortgage Program Class I Bonds, 2022 Series D (Tax-Exempt) (Non-AMT). The $99 million 2022 Series D bonds were used to originate new loans.

During fiscal year 2021, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005 as follows:

- $55 million Single Family Mortgage Program Class I Bonds, 2020 Series B (Tax-Exempt) (Non-AMT). The $55 million 2020 Series B bonds were used to originate new loans.

- $94.3 million Single Family Mortgage Program Class I Bonds, 2021 Series A (Tax-Exempt) (Non-AMT) and 2021 Series B (MBS Pass-Through Program) (Federally Taxable). The $78 million 2021 Series A bonds were used to originate new loans. The $16.3 million 2021 Series B bonds combined with funds in the trust estates, were used to fully refund the Single Family Mortgage Program Bonds 2011 Series B and 2011 Series C. The Authority will realize a $3.0 million positive cash flow from this refunding and an economic gain of approximately $2.1 million.

- $100 million Single Family Mortgage Program Class I Bonds, 2021 Series C (Tax-Exempt) (Non-AMT). The $100 million 2021 Series C bonds were used to originate new loans.

During fiscal years 2022 and 2021, the Authority did not issue any bonds under the General Indenture of Trust dated December 1, 2009.

NOTE 6 NOTES PAYABLE

Notes payable with assets pledged as collateral consist of the following:

Assets Pledged as Collateral	2022	2021
PRLF Cash and Loans	$ 1,521	$ 1,591
Securities and Loans Held for Sale	29,000	23,500
Subtotal: Debt With Pledged Collateral	30,521	25,091
SBIC Loan Fund	-	1,000
Other Direct Borrowings Without Assets Pledged	531	850
Total Direct Borrowings	$ 31,052	$ 26,941

The Authority also has a line of credit in the amount of $2,500,000 and $2,500,000 as of September 30, 2022 and 2021, respectively. The Authority has an outstanding balance of $-0- and $1,000,000 as of September 30, 2022 and 2021, respectively.

The Authority's outstanding debt pledged by PRLF cash and loans of $1,521,000 and $1,591,000 as of September 30, 2022 and 2021, respectively, contains a provision that in the event of default, the Lender may declare all indebtedness immediately due and payable and may proceed to enforce its rights to any instrument securing the debt.

The Authority's outstanding debt pledged by securities and loans held for sale of $29,000,000 contains a provision that in the event the FHLB Bank withdraws its approval to participate in the Held For Sale program, the Bank will designate a Held for Sale Transition Date, after which the Authority will not be able to pledge loans until the Authority is re-approved.

The Authority's outstanding notes from other direct borrowings of $531,000 contains a provision that in the event of default, at Lender's option after giving 30 days' notice, all indebtedness will become immediately due and payable.

NOTE 7 DEBT SERVICE REQUIREMENTS

A summary of bond and note debt service requirements as of September 30, 2022, is as follows (in thousands):

	Bonds Payable		Notes from Direct Borrowings	
Year Ending September 30,	Interest	Principal	Interest	Principal
2023	$ 42,826	$ 45,994	$ 241	$ 29,499
2024	41,945	28,796	15	181
2025	41,230	38,022	14	74
2026	40,516	27,888	13	74
2027	39,795	29,065	12	74
2028 - 2032	185,950	162,443	50	371
2033 - 2037	157,021	216,767	32	371
2038 - 2042	115,745	281,657	13	408
2043 - 2047	62,452	322,886	-	-
2048 - 2052	16,729	192,806	-	-
2053 - 2057	1,009	3,375	-	-
2058 - 2062	545	3,665	-	-
Subtotal	745,763	1,353,364	390	31,052
Net Unaccreted Premium	-	40,567	-	-
Total	$ 745,763	$ 1,393,931	$ 390	$ 31,052

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2022	2021
Vendor	$ 20,116	$ 10,348
Employee Benefits	708	723
Advances on Revenue	8,119	3,136
Total	$ 28,943	$ 14,207

NOTE 9 LEASES

In fiscal year 2022, the Authority entered into a lease agreement for copier and printer equipment for 60 months beginning in March 2022. Under the terms of the lease, the Authority pays $1,768 per month over the life of the agreement.

At September 30, 2022, the Authority has recognized a right-to-use asset of $98,639 and a lease liability of $98,639 related to this agreement. During the fiscal year, the Authority recorded $9,864 in amortization expense and $744 in interest expense for the right to use these assets. The Authority used an incremental discount rate of 3.00%, based on the lease agreement.

Remaining obligations associated with these leases are as follows:

Year Ending September 30,	Principal	Interest	Total
2023	$ 20	$ 2	$ 22
2024	20	2	22
2025	20	2	22
2026	20	2	22
2027	9	1	10
Total	$ 89	$ 9	$ 98

In the statement of net position, under intangible assets, the Authority amortized the right to use assets as following during the fiscal year:

Lessee Activities	2021	Additions	Deletions	2022
Printers and Copiers	$ -	$ 99	$ (10)	$ 89

Lessee Activities	2020	Additions	Deletions	2021
Printers and Copiers	35	-	(35)	-

In fiscal year 2021, The Authority entered into a lease agreement for copier and printer equipment for 60 months beginning in February 2017. Under the terms of the lease, the Authority pays $2,058 per month over the life of the agreement. The lease was cancelled in fiscal year 2021. As such, there were no remaining lease obligations associated with this lease.

NOTE 10 NONCURRENT LIABILITIES AND COMPENSATED ABSENCES

A summary of noncurrent liabilities and compensated absences activity for the years ended September 30, is as follows (in thousands):

	October 1, 2021	Increases	Decreases	September 30, 2022	Current Portion
Bonds Payable	$ 1,161,309	$ 456,223	$ (223,601)	$ 1,393,931	$ 45,994
Notes from Direct Borrowings	26,941	150,500	(146,389)	31,052	29,499
Other Noncurrent Liabilities	133	81	-	214	-
Compensated Absences	543	597	(549)	591	591
Total	$ 1,188,926	$ 607,401	$ (370,539)	$ 1,425,788	$ 76,084

	October 1, 2020	Increases	Decreases	September 30, 2021	Current Portion
Bonds Payable	$ 1,121,174	$ 276,943	$ (236,808)	$ 1,161,309	$ 50,323
Notes from Direct Borrowings	32,509	155,300	(160,868)	26,941	23,893
Other Noncurrent Liabilities	158	-	(25)	133	-
Compensated Absences	532	546	(535)	543	543
Total	$ 1,154,373	$ 432,789	$ (398,236)	$ 1,188,926	$ 74,759

NOTE 11 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 12 EMPLOYEE BENEFIT PLAN

The Authority sponsors the New Mexico Mortgage Finance Authority 401(k) Plan (the 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 1% of the participating employee's annual salary. If the employee makes the minimum 1% employee salary deferral, the Authority will make a matching contribution. The Authority match is the same as the employee if they contribute 1% or 2%, if the employee contributes 3% the Authority match is 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 per payroll 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 $1,112,000 and $440,000, respectively, for the year ended September 30, 2022. The Authority's and employees' contributions to the Benefit Plan were approximately $1,005,000 and $399,000, respectively, for the year ended September 30, 2021. The Executive Director, Human Resources Director, and Chief Financial Officer have the authority to amend the plans.

NOTE 13 BOARD-DESIGNATED NET POSITION

The board of directors of the Authority designated the following amounts as of September 30, (in thousands):

	2022	2021
Single Family and Multifamily Programs as Designated by the Board	$ 31,560	$ 33,270
Future General Operating Budget	31,681	29,325
Housing Opportunity Fund	117,129	116,629
Risk-Sharing Loss Exposure	1,122	1,191
Federal and State Housing Programs Administered by the Authority	19,200	17,325
Investment in Mortgage Servicing Rights	18,262	17,456
Total Board-Designated Net Position	$ 218,954	$ 215,196

The board of directors of the Authority has the discretion to impose and reverse any board-designated unrestricted net position.

NOTE 14 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, 2022 and 2021, the Authority is committed to assume a risk of approximately $4,384,000 and $4,656,000 for the 34 and 36 loans closed, respectively. These loans are considered in the Authority’s assessment for the allowance for mortgage loan losses. As of September 30, 2022, of the 34 loans closed, 3 of the loans are not included in the Authority’s financial statements because they are 100% participations with Fannie Mae. Of the $4,384,000 risk assumed as of September 30, 2022, the Authority’s assumed risk approximated $151,000 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, 2022. As of September 30, 2022 and 2021, the Authority is committed to assume a risk of approximately $103,000 and $106,000 for the one loan closed, respectively.

NOTE 14 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.

NOTE 15 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. Insurance coverage has remained consistent from prior years.

NOTE 16 JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING

The Authority has entered into three joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2022, these JPAs and MOUs were as follows:

(a) The Authority entered into a JPA with the State Investment Council in January 2006. The purpose of the agreement is to establish a relationship under which SIC will act as the investment manager of the Authority's funds. The JPA was effective January 1, 2006, and will continue in force until terminated by the parties.

(b) The Authority entered into a JPA with the New Mexico Department of Finance and Administration (DFA) in October 2019, which was amended October 2021. The purpose of the agreement is for the implementation and administration of a subgrant of the HUD Neighborhood Stabilization Program 1 grant. The Authority has the responsibility for program operations. The JPA was effective October 22, 2019, and will terminate October 22, 2022. The maximum amount to be reimbursed under the JPA is $1,527,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

(c) The Authority entered into a JPA with DFA in October 2019, which was amended October 2021. The purpose of the agreement is for the implementation and administration of a subgrant of the HUD Neighborhood Stabilization Program 3 grant and the Neighborhood Stabilization Program 3 Substantial Amendment. The Authority has the responsibility for program operations. The JPA was effective October 22, 2019, and will terminate April 2022. The maximum amount to be reimbursed under the JPA is $2,000,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

NOTE 17 APPROPRIATIONS

The Authority received appropriations funded by state severance tax or general obligation bonds passed through the Department of Finance and Administration to the Authority. Depending on the purpose, the appropriations are recorded as grant award income and expense or recorded as state appropriations in the accompanying financial statements.

The following chart describes the appropriations from the state severance tax or general obligation bonds (in thousands) as of September 30, 2022:

Description	Original Appropriation	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Unencumbered Balance
Housing Trust Fund	$ 1,200	9/9/20-6/30/2024	$ 1,200	$ 1,200	$ -
Weatherization and Energy Efficiency	1,000	9/9/20-6/30/2024	817	1,000	-
Housing Trust Fund	3,000	11/5/21-6/30/25	1,419	1,419	1,581
Housing Trust Fund	2,000	12/16/21-6/30/22	2,000	2,000	-
Housing Trust Fund	9,000	8/2/22-6/30/26	-	-	9,000
Total	$ 16,200		$ 5,436	$ 5,619	$ 10,581

NOTE 18 TRANSACTIONS WITH NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST

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 2022 and 2021, the Authority incurred $6,300 and $325,600, respectively, on behalf of the Trust. The Authority also made an in-kind contribution to the Trust in the amount of $6,300 and $11,700 in order to forgive amounts incurred, and a cash contribution of $313,900 in fiscal year 2021. As of September 30, 2022 and 2021, there were $19,100 and $10,400 balances due to/from the Trust.

NOTE 19 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.

NOTE 20 SUBSEQUENT EVENTS

On December 15, 2022, the Authority issued $74,990,000 (2022 Series E) of Single Family Mortgage Program Class I Bonds under the 2005 General Indenture. The 2022 Series E Bonds will be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the 2022 Series E Bonds was sold at a premium generating $2,183,000, which will be used to purchase 2022 Series E Certificates, to fund 2022 Series E Participation Loans and to fund a portion of bond expenses.

SUPPLEMENTARY STATEMENTS AND SCHEDULES

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2022
(IN THOUSANDS)

	Single Family Mortgage Programs		Total
	2005 General Indenture	2009 General Indenture	Single Family Mortgage Programs
ASSETS			
CURRENT ASSETS			
Restricted Cash and Cash Equivalents	$ 44,771	$ 275	$ 45,046
Accrued Interest Receivable	3,438	39	3,477
Intra-Entity Payable	(638)	(9)	(647)
Total Current Assets	47,571	305	47,876
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	94,856	317	95,173
Restricted Securitized Mortgage Loans, Net:			
Securitized Mortgage Loans, Net Cost	1,205,955	10,782	1,216,737
Unrealized Gain on Securitized Mortgage Loans	(123,205)	(419)	(123,624)
Total Restricted Securitized Mortgage Loans, Net	1,082,750	10,363	1,093,113
Total Noncurrent Assets	1,177,606	10,680	1,188,286
Total Assets	1,225,177	10,985	1,236,162
DEFERRED OUTFLOWS			
Refundings of Debt	187	-	187
Total Assets and Deferred Outflows	$ 1,225,364	$ 10,985	$ 1,236,349
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accrued Interest Payable	$ 7,458	$ 23	$ 7,481
Accounts Payable and Other Accrued Expenses	33	-	33
Current Portion of Bonds Payable	44,771	275	45,046
Total Current Liabilities	52,262	298	52,560
NONCURRENT LIABILITIES			
Bonds Payable	1,270,740	10,195	1,280,935
Total Noncurrent Liabilities	1,270,740	10,195	1,280,935
Total Liabilities	1,323,002	10,493	1,333,495
Deferred Cost of Refunding	277	-	277
NET POSITION:			
Net Position Restricted for Debt Service	94,856	492	95,348
Unrestricted Net Position	(192,771)	-	(192,771)
Total Net Position	(97,915)	492	(97,423)
Total Liabilities and Net Position	$ 1,225,364	$ 10,985	$ 1,236,349

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2022
(IN THOUSANDS)

	Single Family Mortgage Program 2005 General Indenture	Single Family Mortgage Program 2009 General Indenture	Total Single Family Mortgage Programs
OPERATING REVENUES			
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 34,356	$ 642	$ 34,998
Interest on Securities and Temporary Investments	493	1	494
Gain Asset Sale	3	1	4
Loan and Commitment Fees	3,324	-	3,324
Administrative Fees and Other	(3,678)	(76)	(3,754)
Total Operating Revenues	34,498	568	35,066
OPERATING EXPENSES			
Interest	32,206	459	32,665
Bond Issuance Costs	3,673	-	3,673
Administrative Fees and Other	160	5	165
Total Operating Expenses	36,039	464	36,503
OPERATING INCOME (LOSS)	(1,541)	104	(1,437)
NONOPERATING REVENUES (EXPENSES)			
Net Decrease in Fair Value of Investments	(169,141)	(2,918)	(172,059)
Other Financing Uses - Operating Transfers	(2,865)	(1,843)	(4,708)
Total Nonoperating Revenue (Expenses)	(172,006)	(4,761)	(176,767)
CHANGE IN NET POSITION	(173,547)	(4,657)	(178,204)
Total Net Position - Beginning of Year	75,632	5,149	80,781
TOTAL NET POSITION - END OF YEAR	$ (97,915)	$ 492	$ (97,423)

CONDENSED STATEMENTS OF CASH FLOWS

	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
NET CASH PROVIDED (USED) BY:			
Operating Activities	$ (143,876)	$ 14,435	$ (129,441)
Noncapital Financing Activities	189,071	(15,098)	173,973
Investing Activities	496	2	498
NET INCREASE (DECREASE)	45,691	(661)	45,030
Cash and Cash Equivalents - Beginning of Year	93,936	1,253	95,189
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 139,627	$ 592	$ 140,219

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2022
(IN THOUSANDS)

	Rental Housing Mortgage Programs			
	2003 Series A, B	2004 Series A, B	2004 Series C, D	2005 Series C, D
ASSETS				
CURRENT ASSETS				
Restricted Cash and Cash Equivalents	$ -	$ 45	$ -	$ 105
Accrued Interest Receivable	-	6	-	12
Administrative Fees Receivable (Payable)	-	-	-	-
Intra-Entity Payable	-	-	-	-
Total Current Assets	-	51	-	117
NONCURRENT ASSETS				
Restricted Cash and Cash Equivalents	-	205	-	46
Restricted Investments and Reserve Funds	-	-	-	-
Unrealized Gain (Loss) - Investment	-	-	-	-
Restricted Mortgage Loans, Net	-	1,242	-	2,947
Total Noncurrent Assets	-	1,447	-	2,993
Total Assets	$ -	$ 1,498	$ -	$ 3,110
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accrued Interest Payable	$ -	$ 5	$ -	$ 12
Accounts Payable and Other Accrued Expenses	-	-	-	1
Current Portion of Bonds Payable, Net	-	45	-	105
Total Current Liabilities	-	50	-	118
NONCURRENT LIABILITIES				
Bonds Payable, Net	-	1,200	-	2,979
Total Noncurrent Liabilities	-	1,200	-	2,979
Total Liabilities	-	1,250	-	3,097
NET POSITION:				
Net Position Restricted for Debt Service	-	248	-	13
Unrestricted Net Position	-	-	-	-
Total Net Position	-	248	-	13
Total Liabilities and Net Position	$ -	$ 1,498	$ -	$ 3,110

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2022
(IN THOUSANDS)

	Rental Housing Mortgage Programs			
	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B
ASSETS				
CURRENT ASSETS				
Restricted Cash and Cash Equivalents	$ 335	$ 130	$ 19	$ -
Accrued Interest Receivable	40	20	148	11
Administrative Fees Receivable (Payable)	-	-	-	-
Intra-Entity Payable	-	-	(6)	-
Total Current Assets	375	150	161	11
NONCURRENT ASSETS				
Restricted Cash and Cash Equivalents	201	99	-	-
Restricted Investments and Reserve Funds	-	-	-	-
Unrealized Gain (Loss) - Investment	-	-	-	-
Restricted Mortgage Loans, Net	9,403	4,534	11,848	8,000
Total Noncurrent Assets	9,604	4,633	11,848	8,000
Total Assets	$ 9,979	$ 4,783	$ 12,009	$ 8,011
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES				
Accrued Interest Payable	$ 39	$ 20	$ 148	$ 11
Accounts Payable and Other Accrued Expenses	2	1	-	-
Current Portion of Bonds Payable, Net	335	130	241	-
Total Current Liabilities	376	151	389	11
NONCURRENT LIABILITIES				
Bonds Payable, Net	9,492	4,594	11,607	8,000
Total Noncurrent Liabilities	9,492	4,594	11,607	8,000
Total Liabilities	9,868	4,745	11,996	8,011
NET POSITION:				
Net Position Restricted for Debt Service	111	38	13	-
Unrestricted Net Position	-	-	-	-
Total Net Position	111	38	13	-
Total Liabilities and Net Position	$ 9,979	$ 4,783	$ 12,009	$ 8,011

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2022
(IN THOUSANDS)

	Rental Housing Mortgage Programs				Total Rental Housing Mortgage Programs
	2010 Series A, B	2012 Series A	2021 JLG Central	2022 Vista Mesa Villa	
ASSETS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	$ 10	$ 5	$ -	$ -	$ 649
Accrued Interest Receivable	3	10	25	46	321
Administrative Fees Receivable (Payable)	-	-	-	-	-
Intra-Entity Payable	-	-	-	-	(6)
Total Current Assets	13	15	25	46	964
NONCURRENT ASSETS					
Restricted Cash and Cash Equivalents	47	-	25	5,593	6,216
Restricted Investments and Reserve Funds	-	-	10,989	-	10,989
Unrealized Gain (Loss) - Investment	-	-	(612)	-	(612)
Restricted Mortgage Loans, Net	772	4,454	-	13,000	56,200
Total Noncurrent Assets	819	4,454	10,402	18,593	72,793
Total Assets	$ 832	$ 4,469	$ 10,427	$ 18,639	$ 73,757
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accrued Interest Payable	$ 3	$ 10	$ 24	$ 46	$ 318
Accounts Payable and Other Accrued Expenses	-	5	-	5,581	5,590
Current Portion of Bonds Payable, Net	10	82	-	-	948
Total Current Liabilities	13	97	24	5,627	6,856
NONCURRENT LIABILITIES					
Bonds Payable, Net	758	4,372	11,000	13,000	67,002
Total Noncurrent Liabilities	758	4,372	11,000	13,000	67,002
Total Liabilities	771	4,469	11,024	18,627	73,858
NET POSITION:					
Net Position Restricted for Debt Service	61	-	14	12	510
Unrestricted Net Position	-	-	(611)	-	(611)
Total Net Position	61	-	(597)	12	(101)
Total Liabilities and Net Position	$ 832	$ 4,469	$ 10,427	$ 18,639	$ 73,757

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022
(IN THOUSANDS)

	Rental Housing Mortgage Programs			
	2003 Series A, B	2004 Series A, B	2004 Series C, D	2005 Series C, D
OPERATING REVENUES				
Interest on Mortgage Loans and Securitized Mortgage Loans	$ -	$ 65	$ -	$ 144
Interest on Securities and Temporary Investments	-	7	-	1
Administrative Fees and Other	-	-	-	5
Total Operating Revenues	-	72	-	150
OPERATING EXPENSES				
Interest Expense	-	65	-	147
Bond Issuance Costs	-	-	-	-
Administrative Fees and Other	-	-	-	1
Total Operating Expenses	-	65	-	148
OPERATING INCOME (LOSS)	-	7	-	2
NONOPERATING REVENUES (EXPENSES)				
Net Increase (Decrease) in Fair Value of Investments	-	-	-	-
Total Nonoperating Revenues	-	-	-	-
CHANGE IN NET POSITION	-	7	-	2
Total Net Position – Beginning of Year	-	241	-	11
TOTAL NET POSITION - END OF YEAR	$ -	$ 248	$ -	$ 13

CONDENSED STATEMENTS OF CASH FLOWS

	2003 Series A, B	2004 Series A, B	2004 Series C, D	2005 Series C, D
NET CASH PROVIDED (USED) BY:				
Operating Activities	$ -	$ 110	$ -	$ 248
Noncapital Financing Activities	-	(111)	-	(248)
Investing Activities	-	6	-	1
NET INCREASE (DECREASE)	-	5	-	1
Cash and Cash Equivalents - Beginning of Year	-	245	-	150
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ 250	$ -	$ 151

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022
(IN THOUSANDS)

	Rental Housing Mortgage Programs			
	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B
OPERATING REVENUES				
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 475	$ 247	$ 782	$ 46
Interest on Securities and Temporary Investments	18	1	1	-
Administrative Fees and Other	-	-	1	-
Total Operating Revenues	493	248	784	46
OPERATING EXPENSES				
Interest Expense	481	249	782	46
Bond Issuance Costs	-	-	-	-
Administrative Fees and Other	3	1	1	-
Total Operating Expenses	484	250	783	46
OPERATING INCOME (LOSS)	9	(2)	1	-
NONOPERATING REVENUES (EXPENSES)				
Net Increase (Decrease) in Fair Value of Investments	-	-	-	-
Total Nonoperating Revenues	-	-	-	-
CHANGE IN NET POSITION	9	(2)	1	-
Total Net Position – Beginning of Year	102	40	12	-
TOTAL NET POSITION - END OF YEAR	$ 111	$ 38	$ 13	$ -

CONDENSED STATEMENTS OF CASH FLOWS

	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B
NET CASH PROVIDED (USED) BY:				
Operating Activities	$ 784	$ 366	$ 1,011	$ 35
Noncapital Financing Activities	(799)	(370)	(1,011)	(35)
Investing Activities	18	1	1	-
NET INCREASE (DECREASE)	3	(3)	1	-
Cash and Cash Equivalents - Beginning of Year	533	232	18	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 536	$ 229	$ 19	$ -

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2022
(IN THOUSANDS)

	Rental Housing Mortgage Programs				Total Rental Housing Mortgage Programs
	2010 Series A, B	2012 Series A	2021 JLG Central	2022 Vista Mesa Villa	
OPERATING REVENUES					
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 41	$ 228	$ -	$ 146	$ 2,174
Interest on Securities and Temporary Investments	-	-	69	8	105
Administrative Fees and Other	-	-	-	92	98
Total Operating Revenues	41	228	69	246	2,377
OPERATING EXPENSES					
Interest Expense	40	228	54	142	2,234
Bond Issuance Costs	-	-	-	92	92
Administrative Fees and Other	-	-	-	-	6
Total Operating Expenses	40	228	54	234	2,332
OPERATING INCOME (LOSS)	1	-	15	12	45
NONOPERATING REVENUES (EXPENSES)					
Net Increase (Decrease) in Fair Value of Investments	-	-	(612)	-	(612)
Total Nonoperating Revenues	-	-	(612)	-	(612)
CHANGE IN NET POSITION	1	-	(597)	12	(567)
Total Net Position – Beginning of Year	60	-	-	-	466
TOTAL NET POSITION - END OF YEAR	$ 61	$ -	$ (597)	$ 12	$ (101)

CONDENSED STATEMENTS OF CASH FLOWS

	2010 Series A, B	2012 Series A	2021 JLG Central	2022 Vista Mesa Villa	Total Rental Housing Mortgage Programs
NET CASH PROVIDED (USED) BY:					
Operating Activities	$ 55	$ 306	$ -	$ (7,227)	$ (4,312)
Noncapital Financing Activities	(54)	(306)	10,970	12,813	20,849
Investing Activities	-	-	(10,945)	7	(10,911)
NET INCREASE (DECREASE)	1	-	25	5,593	5,626
Cash and Cash Equivalents - Beginning of Year	56	5	-	-	1,239
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 57	$ 5	$ 25	$ 5,593	$ 6,865

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021
(IN THOUSANDS)

	Single Family Mortgage Programs		Total
	2005 General Indenture	2009 General Indenture	Single Family Mortgage Programs
ASSETS			
CURRENT ASSETS			
Restricted Cash and Cash Equivalents	$ 20,635	$ 330	$ 20,965
Accrued Interest Receivable	2,993	95	3,088
Restricted Securitized Mortgage Loans	-	-	-
Intra-Entity Payable	(528)	(13)	(541)
Total Current Assets	23,100	412	23,512
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	73,301	923	74,224
Restricted Securitized Mortgage Loans, Net:			
Securitized Mortgage Loans, Net Cost	1,031,429	26,447	1,057,876
Unrealized Gain on Securitized Mortgage Loans	45,935	2,499	48,434
Total Restricted Securitized Mortgage Loans, Net	1,077,364	28,946	1,106,310
Total Noncurrent Assets	1,150,665	29,869	1,180,534
Total Assets	1,173,765	30,281	1,204,046
DEFERRED OUTFLOWS			
Refundings of Debt	202	-	202
Total Assets and Deferred Outflows	$ 1,173,967	$ 30,281	$ 1,204,248
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accrued Interest Payable	$ 6,921	$ 65	$ 6,986
Accounts Payable and Other Accrued Expenses	25	-	25
Current Portion of Bonds Payable	49,093	330	49,423
Total Current Liabilities	56,039	395	56,434
NONCURRENT LIABILITIES			
Bonds Payable	1,042,296	24,737	1,067,033
Total Noncurrent Liabilities	1,042,296	24,737	1,067,033
Total Liabilities	1,098,335	25,132	1,123,467
NET POSITION RESTRICTED FOR DEBT SERVICE	75,632	5,149	80,781
Total Liabilities and Net Position	$ 1,173,967	$ 30,281	$ 1,204,248

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2021
(IN THOUSANDS)

	Single Family Mortgage Program		Total
	2005 General Indenture	2009 General Indenture	Single Family Mortgage Programs
OPERATING REVENUES			
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 32,587	$ 1,601	$ 34,188
Interest on Securities and Temporary Investments	20	1	21
Loan and Commitment Fees	2,149	-	2,149
Other Revenues	-	-	-
Administrative Fees and Other	(3,970)	(178)	(4,148)
Total Operating Revenues	30,786	1,424	32,210
OPERATING EXPENSES			
Interest	29,692	1,187	30,879
Bond Issuance Costs	2,139	-	2,139
Administrative Fees and Other	153	12	165
Total Operating Expenses	31,984	1,199	33,183
OPERATING INCOME (LOSS)	(1,198)	225	(973)
NONOPERATING REVENUES (EXPENSES)			
Net Decrease in Fair Value of Investments	(5,815)	(1,985)	(7,800)
Other Financing Sources (Uses) - Operating Transfers	245	(765)	(520)
Total Nonoperating Revenue (Expenses)	(5,570)	(2,750)	(8,320)
CHANGE IN NET POSITION	(6,768)	(2,525)	(9,293)
Total Net Position - Beginning of Year	82,400	7,674	90,074
TOTAL NET POSITION - END OF YEAR	$ 75,632	$ 5,149	$ 80,781

CONDENSED STATEMENTS OF CASH FLOWS

	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
NET CASH PROVIDED (USED) BY:			
Operating Activities	$ (26,131)	$ 34,658	$ 8,527
Noncapital Financing Activities	71,486	(37,359)	34,127
Investing Activities	7,470	-	7,470
NET INCREASE (DECREASE)	52,825	(2,701)	50,124
Cash and Cash Equivalents - Beginning of Year	41,111	3,954	45,065
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 93,936	$ 1,253	$ 95,189

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2021
(IN THOUSANDS)

	Rental Housing Mortgage Programs				
	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D	2005 Series A, B
ASSETS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	$ -	$ -	$ 45	$ -	$ -
Accrued Interest Receivable	-	-	6	-	-
Intra-Entity Payable	-	-	-	-	-
Total Current Assets	-	-	51	-	-
NONCURRENT ASSETS					
Restricted Cash and Cash Equivalents	-	-	200	-	-
Restricted Mortgage Loans, Net	-	-	1,286	-	-
Total Noncurrent Assets	-	-	1,486	-	-
Total Assets	$ -	$ -	$ 1,537	$ -	$ -
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accrued Interest Payable	$ -	$ -	$ 6	$ -	$ -
Accounts Payable and Other Accrued Expenses	-	-	-	-	-
Current Portion of Bonds Payable, Net	-	-	45	-	-
Total Current Liabilities	-	-	51	-	-
NONCURRENT LIABILITIES					
Bonds Payable, Net	-	-	1,245	-	-
Total Noncurrent Liabilities	-	-	1,245	-	-
Total Liabilities	-	-	1,296	-	-
NET POSITION RESTRICTED FOR DEBT SERVICE	-	-	241	-	-
Total Liabilities and Net Position	$ -	$ -	$ 1,537	$ -	$ -

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2021
(IN THOUSANDS)

	Rental Housing Mortgage Programs				
	2005 Series C, D	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B
ASSETS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	$ 100	$ 315	$ 120	$ 18	$ -
Accrued Interest Receivable	12	42	21	149	-
Intra-Entity Payable	-	-	-	(6)	-
Total Current Assets	112	357	141	161	-
NONCURRENT ASSETS					
Restricted Cash and Cash Equivalents	50	218	112	-	-
Restricted Mortgage Loans, Net	3,046	9,713	4,653	12,075	8,000
Total Noncurrent Assets	3,096	9,931	4,765	12,075	8,000
Total Assets	$ 3,208	$ 10,288	$ 4,906	$ 12,236	$ 8,000
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accrued Interest Payable	$ 12	$ 41	$ 21	$ 149	$ -
Accounts Payable and Other Accrued Expenses	-	-	-	-	-
Current Portion of Bonds Payable, Net	100	315	120	227	-
Total Current Liabilities	112	356	141	376	-
NONCURRENT LIABILITIES					
Bonds Payable, Net	3,085	9,830	4,725	11,848	8,000
Total Noncurrent Liabilities	3,085	9,830	4,725	11,848	8,000
Total Liabilities	3,197	10,186	4,866	12,224	8,000
NET POSITION RESTRICTED FOR DEBT SERVICE	11	102	40	12	-
Total Liabilities and Net Position	$ 3,208	$ 10,288	$ 4,906	$ 12,236	$ 8,000

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2021
(IN THOUSANDS)

	Rental Housing Mortgage Programs				Total Rental Housing Mortgage Programs
	2010 Series A, B	2012 Series A	2019 JLG South Apt	2019 JLG North Apt	
ASSETS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	$ 15	$ 5	$ -	$ -	$ 618
Accrued Interest Receivable	4	10	-	-	244
Intra-Entity Payable	-	-	-	-	(6)
Total Current Assets	19	15	-	-	856
NONCURRENT ASSETS					
Restricted Cash and Cash Equivalents	41	-	-	-	621
Restricted Mortgage Loans, Net	786	4,531	-	-	44,090
Total Noncurrent Assets	827	4,531	-	-	44,711
Total Assets	$ 846	$ 4,546	$ -	$ -	$ 45,567
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accrued Interest Payable	$ 4	$ 10	$ -	$ -	$ 243
Accounts Payable and Other Accrued Expenses	-	5	-	-	5
Current Portion of Bonds Payable, Net	15	78	-	-	900
Total Current Liabilities	19	93	-	-	1,148
NONCURRENT LIABILITIES					
Bonds Payable, Net	767	4,453	-	-	43,953
Total Noncurrent Liabilities	767	4,453	-	-	43,953
Total Liabilities	786	4,546	-	-	45,101
NET POSITION RESTRICTED FOR DEBT SERVICE	60	-	-	-	466
Total Liabilities and Net Position	$ 846	$ 4,546	$ -	$ -	$ 45,567

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2021
(IN THOUSANDS)

	Rental Housing Mortgage Programs				
	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D	2005 Series A, B
OPERATING REVENUES					
Interest on Mortgage Loans and Securitized Mortgage Loans	$ -	$ 51	$ 67	$ 85	$ -
Interest on Securities and Temporary Investments	-	(1)	8	4	-
Gain Asset Sale/Debt Ext	-	-	-	-	-
Loan and Commitment Fees	-	-	-	-	-
Administrative Fees and Other	-	-	-	-	-
Total Operating Revenues	-	50	75	89	-
OPERATING EXPENSES					
Interest Expense	-	60	68	86	-
Bond Issuance Costs	-	-	-	-	-
Provision for Loan Losses	-	-	-	-	-
Administrative Fees and Other	-	127	-	110	-
Total Operating Expenses	-	187	68	196	-
OPERATING INCOME (LOSS)	-	(137)	7	(107)	-
CHANGE IN NET POSITION	-	(137)	7	(107)	-
Total Net Position – Beginning of Year	-	137	234	107	-
TOTAL NET POSITION - END OF YEAR	$ -	$ -	$ 241	$ -	$ -

CONDENSED STATEMENTS OF CASH FLOWS

	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D	2005 Series A, B
NET CASH PROVIDED (USED) BY:					
Operating Activities	$ -	$ 6,821	$ 109	$ 9,448	$ -
Noncapital Financing Activities	-	(7,226)	(118)	(10,035)	-
Investing Activities	-	10	8	6	-
NET INCREASE (DECREASE)	-	(395)	(1)	(581)	-
Cash and Cash Equivalents - Beginning of Year	-	395	246	581	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ -	$ 245	$ -	$ -

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021
(IN THOUSANDS)

	Rental Housing Mortgage Programs				
	2005 Series C, D	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B
OPERATING REVENUES					
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 149	$ 489	$ 253	$ 795	$ 6
Interest on Securities and Temporary Investments	-	18	-	-	-
Gain Asset Sale/Debt Ext	-	-	-	-	-
Loan and Commitment Fees	-	-	-	-	-
Administrative Fees and Other	5	-	-	1	-
Total Operating Revenues	154	507	253	796	6
OPERATING EXPENSES					
Interest Expense	151	496	254	795	6
Bond Issuance Costs	-	-	-	-	-
Provision for Loan Losses	-	-	-	-	-
Administrative Fees and Other	-	3	2	1	-
Total Operating Expenses	151	499	256	796	6
OPERATING INCOME (LOSS)	3	8	(3)	-	-
CHANGE IN NET POSITION	3	8	(3)	-	-
Total Net Position – Beginning of Year	8	94	43	12	-
TOTAL NET POSITION - END OF YEAR	$ 11	$ 102	$ 40	$ 12	$ -
CONDENSED STATEMENTS OF CASH FLOWS					
NET CASH PROVIDED (USED) BY:					
Operating Activities	$ 248	$ 782	$ 365	$ 1,011	$ 6
Noncapital Financing Activities	(248)	(794)	(371)	(1,011)	(6)
Investing Activities	-	17	-	-	-
NET INCREASE (DECREASE)	-	5	(6)	-	-
Cash and Cash Equivalents - Beginning of Year	150	528	238	18	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 150	$ 533	$ 232	$ 18	$ -

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2021
(IN THOUSANDS)

	Rental Housing Mortgage Programs				Total Rental Housing Mortgage Programs
	2010 Series A, B	2012 Series A	2019 JLG South	2019 JLG North	
OPERATING REVENUES					
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 41	$ 232	$ 269	$ 344	$ 2,781
Interest on Securities and Temporary Investments	-	-	-	-	29
Gain Asset Sale/Debt Ext	-	-	-	-	-
Loan and Commitment Fees	-	-	-	-	-
Administrative Fees and Other	-	-	-	-	6
Total Operating Revenues	41	232	269	344	2,816
OPERATING EXPENSES					
Interest Expense	41	232	269	344	2,802
Bond Issuance Costs	-	-	-	-	-
Provision for Loan Losses	-	-	-	-	-
Administrative Fees and Other	2	7	-	-	252
Total Operating Expenses	43	239	269	344	3,054
OPERATING INCOME (LOSS)	(2)	(7)	-	-	(238)
CHANGE IN NET POSITION	(2)	(7)	-	-	(238)
Total Net Position – Beginning of Year	62	7	-	-	704
TOTAL NET POSITION - END OF YEAR	$ 60	$ -	$ -	$ -	$ 466

CONDENSED STATEMENTS OF CASH FLOWS

	2010 Series A, B	2012 Series A	2019 JLG South	2019 JLG North	Total Rental Housing Mortgage Programs
NET CASH PROVIDED (USED) BY:					
Operating Activities	$ 53	$ 299	$ 3,601	$ 5,734	$ 28,477
Noncapital Financing Activities	(55)	(306)	(3,616)	(5,758)	(29,544)
Investing Activities	-	-	-	-	41
NET INCREASE (DECREASE)	(2)	(7)	(15)	(24)	(1,026)
Cash and Cash Equivalents - Beginning of Year	58	12	15	24	2,265
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 56	$ 5	$ -	$ -	$ 1,239

SINGLE AUDIT INFORMATION

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2022

Federal Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number / Grant Number	Subrecipient Expenditures	Total Federal Expenditures	Beginning Balance, Loan or Loan Guarantees	Total
FEDERAL GRANTS						
U.S. Department of Housing and Urban Development						
Section 8 Project Based Cluster	14.195	NM800CC001	$ 32,108,546	$ 33,428,556	$ -	$ 33,428,556
Section 811	14.326	NM21RDD1301	333,361	342,882	-	342,882
Emergency Solutions Grants Program	14.231	E-22-DC-35-0001	1,057,247	1,067,535	-	1,067,535
COVID-19 Emergency Solutions Grants Program - CARES Act	14.231	E-20-DW-35-0001	5,131,588	5,201,440	-	5,201,440
Total Emergency Solutions Grants Program			6,188,835	6,268,975	-	6,268,975
HOME Investment Partnerships Program	14.239	M22-SG350100	797,567	2,011,087	42,875,834	44,886,921
HOME ARP	14.239	M21-SP350100	-	13,888	-	13,888
			797,567	2,024,975	42,875,834	44,900,809
Housing Opportunities for People with AIDS	14.241	NMH22-F999	1,044,976	1,069,934	-	1,069,934
COVID-19 Housing Opportunities for People with AIDS	14.241	NMH20-FHW999	57,249	58,250	-	58,250
Total Housing Opportunities for People with AIDS			1,102,225	1,128,184	-	1,128,184
ARRA-Tax Credit Assistance Program	14.258	M-09-ES-35-0100	-	-	12,563,000	12,563,000
Housing Trust Fund	14.275	F22-SG350100	-	1,009,515	11,625,500	12,635,015
NMAHCT Veterans Housing Rehabilitation & Modification Pilot Program	14.278	V-R1-6N-M0-0002	145,813	145,813	-	145,813
Neighborhood Stabilization Program						
Pass-through State DFA (a Community Development Block/Grant Neighborhood Stabilization Program)	14.228	19-NSP1-2-J-01	689,638	740,525	2,502,250	3,242,775
Recovery Housing Program Pass-Through State DFA	14.228	B-21-RH-35-0001	-	664,469	-	664,469
COVID-19 Community Development Block Grant Pass-Through State	14.228	20-CV-1002	370,589	435,369	-	435,369
Total Community Development Block Grants/State's Program			1,060,227	1,840,363	2,502,250	4,342,613
Total U.S. Department of Housing and Urban Development			**41,736,574**	**46,189,263**	**69,566,584**	**115,755,847**
U.S. Department of Treasury						
Capital Magnet Fund	21.011	201CM055112	-	1,200,620	3,446,071	4,646,691
COVID-19 Homeowner Assistance Fund						
Pass-through State DFA	21.026	HAF0013	-	6,324,122	-	6,324,122
COVID-19 Coronavirus Relief Fund						
Pass-through State DFA	21.019	20-CV-1000	-	5,181	-	5,181
COVID-19 Coronavirus State and Local Fiscal Recovery Fund						
Pass-through State DFA	21.027	CSLFRF-DFA-NMMFA-1	-	4,413	-	4,413
Total Department of Treasury			**-**	**7,534,336**	**3,446,071**	**10,980,407**
Department of Energy						
Weatherization Assistance for Low-Income Persons	81.042	EE0009918	3,711,504	4,181,055	-	4,181,055
Weatherization Assistance for Low-Income Persons BIL	81.042	EE0010003	-	14,285	-	14,285
Total Weatherization Assistance for Low-Income Persons			3,711,504	4,195,340	-	4,195,340
Total Department of Energy			**3,711,504**	**4,195,340**	**-**	**4,195,340**
U.S. Department of Health & Human Services						
Pass-Through from the NM Department of Human Services:						
Low Income Home Energy Assistance Program	93.568	22-630-9000-0009	3,000,472	3,089,961	-	3,089,961
Total Federal Grants			**48,448,550**	**61,008,900**	**73,012,655**	**134,021,555**
LOAN GUARANTY PROGRAMS						
U.S. Department of Housing and Urban Development:						
Mortgage Insurance - Homes (FHA)	14.117	N/A	-	19,406,943	4,655,531	24,062,474
U.S. Department of Housing and Urban Development:						
GNMA Mortgage Backed Security Program	14.000	N/A	-	110,269,001	1,501,653,751	1,611,922,752
U.S. Department of Veterans Affairs:						
Veterans Housing-Guaranteed and Insured Loans	64.114	N/A	-	139,623	457	140,080
U.S. Department of Agriculture:						
Very Low to Moderate Income Housing Loans	10.410	N/A	-	-	8,850	8,850
Section 538 Rural Rental Housing Guaranteed Loans	10.438	N/A	-	-	951,906	951,906
U.S. Department of Housing and Urban Development:						
Housing Finance Agencies Risk Sharing Programs	14.188	N/A	-	-	40,024,370	40,024,370
Total Loan Guaranty Programs			**-**	**129,815,567**	**1,547,294,865**	**1,677,110,432**
Total Federal Expenditures for Schedule of Federal Awards			**$ 48,448,550**	**$ 190,824,467**	**$ 1,620,307,520**	**$ 1,811,131,987**

See accompanying Notes to Schedule of Expenditures of Federal Awards.

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 for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. 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, 2022 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, 2022, the Authority recorded approximately $24,062,000 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 34 loans. HUD's assumed risk approximated $39,455,000 at September 30, 2022. Of the 34 loans closed, the Authority funded 31 loans with outstanding principal of $42,329,000 at September 30, 2022. HUD's assumed risk of loss of approximately $38,096,000 related to these 31 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.

NOTE 3 MORTGAGE INSURANCE AND GUARANTEES (CONTINUED)

At September 30, 2022, the loan had an outstanding principal of $1,034,000, of which the USDA assumed risk of loss of approximately $930,000 is recorded in the accompanying Schedule.

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.

The following is a summary of changes in federal loan balances for the year ended September 30, 2022:

Program Title	Assistance Listing Number	September 30, 2021 Balance	Current Year Activity	September 30, 2022 Balance
HOME Investment Partnerships Program	14.239	$ 42,875,834	$ (2,502,367)	$ 40,373,467
ARRA-Tax Credit Assistance Program	14.258	12,563,000	(157,120)	12,405,880
Neighborhood Stabilization Program	14.228	2,502,250	(243,689)	2,258,561
Mortgage Insurance - Homes (FHA)	14.117	4,655,531	19,406,943	24,062,474
Veterans Housing-Guaranteed and Insured Loans	64.114	457	139,623	140,080
Very Low to Moderate Income Housing Loans	10.410	8,850	(3,253)	5,597
Section 538 Rural Rental Housing Guaranteed Loans	10.438	951,906	(21,675)	930,231
GNMA Mortgage Backed Security Program	14.000	1,501,653,751	110,269,001	1,611,922,752
Housing Finance Agencies Risk Sharing Programs	14.188	40,024,370	(1,928,503)	38,095,867
Capital Magnet Fund	21.011	3,446,071	(202,717)	3,243,354
Housing Trust Fund - National	14.275	11,625,500	641,339	12,266,839
Total		$ 1,620,307,520	$ 125,397,582	$ 1,745,705,102

NOTE 5 INDIRECT COSTS

The Authority has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance for loans awarded after November 12, 2020.

INDEPENDENT AUDITORS' REPORT 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*

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Brian Colón
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 business-type activities and the fiduciary fund 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, 2022 and 2021, 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 30, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Brian Colón
New Mexico State Auditor

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 30, 2022

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Brian Colón
New Mexico State Auditor

Report on Compliance for Each Major Federal Program

Opinion on 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 identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended September 30, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Brian Colón
New Mexico State Auditor

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to New Mexico Mortgage Finance Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program is not modified with respect to these matters.

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Brian Colón
New Mexico State Auditor

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Brian Colón
New Mexico State Auditor

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 30, 2022

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? ______ yes __x__ none reported
3. Noncompliance material to financial statements noted? ______ yes __x__ no

Federal Awards

1. Internal control over major federal programs:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified? __x__ yes ______ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __x__ yes ______ no

Identification of Major Federal Programs

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
14.239	HOME Investment Partnerships Program
14.258	ARRA – Tax Credit Assistance Program
14.000	Ginnie Mae Mortgage- Backed Security Program
81.042	Weatherization Assistance for Low-Income Persons

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

Auditee qualified as low-risk auditee? __x__ yes ______ no

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

2022 - 001

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: HOME Investment Partnerships Program

Assistance Listing Number: 14.239

Federal Award Identification Number and Year: M22-SG350100 & M21-SP350100 - 2022

Award Period: October 1, 2021 through September 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: A pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

- Reviewing financial and programmatic (performance and special reports) required by the PTE.
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
- Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Condition: During our testing, we noted the Authority did not have adequate internal controls designed to properly monitor its' subrecipients.

Questioned costs: None

Context: During our testing of subrecipient monitoring, it was noted that there was not proper follow up conducted for 3 out of 8 subrecipients tested. The Authority did not follow its policies and procedures to ensure findings and questions were properly addressed by the subrecipient. The sample was a statistically valid sample.

Section III – Federal Award Findings and Questioned Costs (Continued)

2022 - 001 (Continued)

Cause: The Authority does not have a policy in place to ensure that subrecipients were responding to its monitoring reports in a timely manner.

Effect: The lack of internal controls over this compliance requirement provides an opportunity for noncompliance by subrecipients of the grant.

Recommendation: We recommend the Authority design controls to ensure subrecipients are responding to and addressing questions and findings within its monitoring reports.

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. The Authority uses the Tracker database to track monitoring deadlines electronically. The Tracker automatically sends reminders to all staff in the department every two weeks to follow up with pending and outstanding monitoring issues. However, some staff were not using the Tracker as intended. The Director will enforce and monitor the use of the Tracker and ensure staff follow up on the monitorings by the required deadlines.

Name of the contact person responsible for corrective action: Chief Housing Officer

Planned completion date for corrective action plan: November 30, 2022

2022 - 002

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Name: ARRA Tax Credit Assistance Program (TCAP)

Assistance Listing Number: 14.258

Federal Award Identification Number and Year: M-09-ES-35-0100 - 2022

Award Period: October 1, 2021 through September 30, 2022

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Section III – Federal Award Findings and Questioned Costs (Continued)

2022 - 002 (Continued)

Criteria or specific requirement: A pass-through entity must monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:

- Reviewing financial and programmatic (performance and special reports) required by the PTE.
- Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
- Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Criteria or specific requirement (Continued):
Grantees must perform asset management functions, or contract for performance of these services at the owner's expense, to ensure compliance with Section 42 of the IRC and with the long term viability of projects funded by TCAP (ARRA, 123 Stat. 221).

Condition: During our testing, we noted the Authority did not have adequate internal controls designed to properly monitor its' subrecipients.

Questioned costs: None

Context: During our testing of subrecipient monitoring, it was noted that there was not proper follow up conducted for one out of five subrecipients tested. The Authority did not follow its policies and procedures to ensure findings and questions were properly addressed by the subrecipient. The sample was a statistically valid sample.

Cause: The Authority does not have a policy in place to ensure that subrecipients were responding to its monitoring reports in a timely manner.

Effect: The lack of internal controls over this compliance requirement provides an opportunity for noncompliance by subrecipients of the grant.

Recommendation: We recommend the Authority design controls to ensure subrecipients are responding to and addressing questions and findings within its monitoring reports.

Section III – Federal Award Findings and Questioned Costs (Continued)

2022 - 002 (Continued)

Views of responsible officials and planned corrective actions: There is no disagreement with the audit finding. The Authority uses the Tracker database to track monitoring deadlines electronically. The Tracker automatically sends reminders to all staff in the department every two weeks to follow up with pending and outstanding monitoring issues. However, some staff were not using the Tracker as intended. The Director will enforce and monitor the use of the Tracker and ensure staff follow up on the monitorings by the required deadlines.

Name of the contact person responsible for corrective action: Chief Housing Officer

Planned completion date for corrective action plan: November 30, 2022

Section IV – Summary of Prior Year Audit Findings

FINDINGS - FINANCIAL STATEMENT AUDIT

There were no financial statement findings in the prior year.

FINDINGS-FEDERAL AWARD PROGRAMS AUDITS

2021-001 COVID-19 Community Development Block Grants/State's Program - Reporting

Status: Resolved.

MFA
Housing New Mexico

CORRECTIVE ACTION PLAN

December 1, 2022

The New Mexico Mortgage Finance Authority respectfully submits the following corrective action plan for the year ended September 30, 2022.

Name and address of independent public accounting firm:

CliftonLarsonAllen LLP
6501 Americas Parkway, Suite 500
Albuquerque, New Mexico 87110

Audit period: Year ended September 30, 2022

The findings from the September 30, 2022 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2022-001 HOME Investment Partnerships Program
Assistance Listing Number 14.239

Recommendation:
We recommend the Authority design controls to ensure subrecipients are responding to and addressing questions and findings within its monitoring reports.

Explanation of disagreement with audit finding:
There is no disagreement with the audit finding.

Views of responsible officials and planned corrective actions:
MFA uses the Tracker database to track monitoring deadlines electronically. The Tracker automatically sends reminders to all staff in the department every two weeks to follow up with pending and outstanding monitoring issues. However, some staff were not using the Tracker as intended. The Director will enforce and monitor the use of the Tracker and ensure staff follow up on the monitorings by the required deadlines.

Name of the person responsible for corrective action:
Chief Housing Officer

Planned completion date for corrective action plan:
November 30, 2022

2022-002 ARRA Tax Credit Assistance Program (TCAP)
Assistance Listing Number 14.258

Recommendation:
We recommend the Authority design controls to ensure subrecipients are responding to and addressing questions and findings within its monitoring reports.

Explanation of disagreement with audit finding:
There is no disagreement with the audit finding.

Views of responsible officials and planned corrective actions:
MFA uses the Tracker database to track monitoring deadlines electronically. The Tracker automatically sends reminders to all staff in the department every two weeks to follow up with pending and outstanding monitoring issues. However, some staff were not using the Tracker as intended. The Director will enforce and monitor the use of the Tracker and ensure staff follow up on the monitorings by the required deadlines.

Name of the person responsible for corrective action:
Chief Housing Officer

Planned completion date for corrective action plan:
November 30, 2022

Questions regarding this plan can be addressed to Yvonne Segovia at (505) 767-2253 ysegovia@housingnm.org.

Sincerely yours,

New Mexico Mortgage Finance Authority

Isidoro Hernandez

Isidoro Hernandez
Executive Director/CEO

MFA

OTHER REQUIRED SCHEDULES

EXIT CONFERENCE
YEAR ENDED SEPTEMBER 30, 2022

An exit conference was conducted on November 28, 2022, in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority

Angel Reyes, Chair of the Board and Finance Committee
Martina CdeBaca, proxy for Attorney General Howie Morales, Lt. Governor, Finance Committee Member
Tim Eichenberg, Finance Committee Member
Isidoro Hernandez, Executive Director/Chief Executive Officer
Lizzy Ratnaraj, Chief Financial Officer
Donna Maestas-De Vries, Chief Housing Officer
Jeff Payne, Chief Lending Officer
Yvonne Segovia, Controller

CliftonLarsonAllen, LLP

Mandy Merchant, Principal
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