

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

**FINANCIAL STATEMENTS AND
GNMA COMPLIANCE REPORTS**

YEARS ENDED SEPTEMBER 30, 2023 AND 2022



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**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, 2023**

Name	Title
Angel Reyes	Chair
Derek Valdo	Vice Chair
Rebecca Wurzburger	Treasurer
Laura M. Montoya, New Mexico State Treasurer	Member
Howie Morales, New Mexico Lieutenant Governor	Member
Raul Torrez, New Mexico Attorney General	Member
Dr. Patricia A. Sullivan	Member



INDEPENDENT AUDITORS' REPORT

Authority Members
New Mexico Mortgage Finance Authority
and Joseph M. Maestas, P.E.
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, 2023 and 2022, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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, 2023 and 2022, 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.

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Joseph M. Maestas, P.E.
New Mexico State Auditor

Related to New GASB Pronouncements

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance for GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The guidance requires the Authority to recognize a right-to-use subscription asset and corresponding subscription liability for all SBITAs with terms greater than twelve months. The adoption of the new accounting standard resulted in recording of right-to-use subscription assets and accumulated amortization related to the recognition of right-to-use subscription assets and the related balance of subscription liabilities. The impact on the Authority was immaterial, therefore there was no restatement to beginning net position. Our opinions are not modified with respect to this matter.

As discussed in Note 1 to the financial statements, the Authority adopted new accounting guidance for GASB Statement No. 91, *Conduit Debt Obligations*. The guidance requires the Authority to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. The Authority restated beginning net position related to the rental housing mortgage programs. Our opinions are 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.

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Joseph M. Maestas, P.E.
New Mexico State Auditor

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. Joseph M. Maestas, P.E.
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 statements and schedules and the 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Additionally, the Schedules of Computation of Adjusted Net Worth in Accordance with the Requirements of the Government National Mortgage Association (GNMA), Institution-wide Capital Requirement Calculation, Liquid Asset Requirement, and Schedule of Insurance-GNMA Required Insurance Coverage-Issuer Identification Number 3676, required by the Government National Mortgage Association, are presented for purposes of additional analysis and are not a required part of the 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 statements and schedules and the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Board of Directors listing and Exit Conference but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Authority Members
New Mexico Mortgage Finance Authority
and Mr. Joseph M. Maestas, P.E.
New Mexico State Auditor

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, 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

Albuquerque, New Mexico
November 28, 2023

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**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

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, 2023, 2022, and 2021. 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.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

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):

	2023	2022, As Restated	2021, As Restated
Cash and Cash Equivalents (Unrestricted and Restricted)	\$ 178,602	\$ 193,832	\$ 155,388
Investments (Unrestricted and Restricted)	65,386	59,743	69,494
Mortgage-Backed Securities and Mortgage			
Loans Receivable	1,493,795	1,270,913	1,250,243
Total Assets	1,787,713	1,556,675	1,507,192
Bonds Payable	1,547,359	1,325,981	1,116,456
Total Liabilities	1,666,348	1,398,860	1,174,287
Total Net Position	121,274	157,725	333,107
Total Operating Revenues	86,301	59,915	76,593
Total Operating Expenses	71,616	62,165	56,947
Operating Income (Loss)	14,685	(2,250)	19,646
Total Nonoperating Expenses	(51,136)	(173,132)	(5,847)
Change in Net Position	(36,451)	(175,382)	13,799

The most impactful trend experienced by the Authority in this fiscal year's financial performance was the volatility in the interest rate environment. Due to the economics of the mortgage program, in 2023, 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. The Authority relied heavily on bond financing in the current year by funding 94% of the loans with tax-exempt bonds and selling only 6% of loans to the secondary market.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022

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. 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 servicing 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 \$1.79 billion, an increase of 14.8% from September 30, 2022. The increase primarily reflects growth in the Single-Family Mortgage Program investments for which new production exceeded loan pay downs and prepayments with the locked-in low mortgage rates. Borrowers had no incentives to refinance under the current macro environment of rising mortgage rates.
- The fiscal year 2023 MBS purchases and originations totaled \$330.8 million compared to \$334.7 million in the fiscal year 2022 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 \$314.9 million in 2023 and \$423.4 million in the fiscal year 2022. As previously noted, due to rapidly changing market conditions, MRBs were favored to fund the Single-Family Mortgage Program in 2023 over selling loans in the secondary market.
- Total liabilities were \$1.7 billion, an increase of 19.1% from September 30, 2022, due to increased revenue bond activity.
- In the fiscal year 2023, the net position decreased by \$36.5 million. However, when excluding the net change in the fair value of investments of \$53.4 million, net position increased by \$17.0 million. 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.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

FINANCIAL POSITION

The net position of the Authority decreased \$36.5 million from September 30, 2022 to September 30, 2023 and decreased \$175.4 million from September 30, 2021 to September 30, 2022. The following table is a condensed summary of net position at September 30, 2023, 2022, and 2021 (in thousands):

	2023	2022, As Restated	2021, As Restated
Assets			
Current Assets	\$ 106,516	\$ 108,564	\$ 91,564
Noncurrent Assets	1,681,197	1,448,111	1,415,628
Total Assets	<u>1,787,713</u>	<u>1,556,675</u>	<u>1,507,192</u>
Deferred Outflows of Resources			
Unamortized Loss on Refunding	153	187	202
Liabilities			
Current Liabilities	138,590	115,658	104,073
Noncurrent Liabilities	1,527,758	1,283,202	1,070,214
Total Liabilities	<u>1,666,348</u>	<u>1,398,860</u>	<u>1,174,287</u>
Deferred Inflows of Resources			
Deferred Cost of Refunding	244	277	-
Net Position			
Investment in Capital Assets	11,601	1,793	1,912
Restricted	116,302	95,348	80,781
Restricted for Land Title Trust and Housing Trust	37,585	34,401	35,218
Unrestricted	(44,214)	26,183	215,196
Total Net Position	<u>\$ 121,274</u>	<u>\$ 157,725</u>	<u>\$ 333,107</u>

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2023 AND 2022

The decrease in cash and cash equivalents of \$15.2 million primarily reflects smaller balances in the bond acquisition fund due to the timing of Single-Family Mortgage bond transactions.

During this fiscal year, the Authority purchased \$330.8 million of MBS and \$395.3 million in whole loans. MBS and whole loan purchases were offset by \$84.7 million in repayments of securitized mortgage loans and \$371.1 million of the whole loan and down payment assistance loan repayments during the year. The financial statements reflect a \$222.9 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. In addition, new production exceeded loan pay downs and prepayments as locked-in low mortgage rates, not incentivizing borrowers to refinance in current rising mortgage rate environment.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

The purchased mortgage servicing rights portfolio associated with the loan originations increased \$1.9 million for a total portfolio of \$20.1 million at year-end.

Over the past year, the Authority experienced a 19.1% increase in liabilities due to tax-exempt bonding activity. Proceeds from the sale of bonds and notes payable were \$604.5 million; bond and note repayments and refunding totaled \$334.8 million, resulting in a net increase for the year of \$269.7 million.

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2022 AND 2021

The increase in cash and cash equivalents of \$38.4 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 whole loan and down payment assistance loan repayments during the year. The financial statements reflect a \$46.4 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 19.1% 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 the net increase for the year of \$236.7 million.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022

CHANGE IN FINANCIAL POSITION

The operating income for the year increased by approximately \$16.9 million when compared to fiscal year 2022. The following table is a condensed summary of changes in net position for the years ended September 30, 2023, 2022, and 2021 (in thousands):

	2023	2022, As Restated	2021, As Restated
Operating Revenues			
Interest on Loans and MBS	\$ 55,292	\$ 42,474	\$ 41,499
Interest on Securities and Investments	7,498	2,224	1,623
Program Revenues	11,706	12,115	9,201
Loan and Commitment Fees	3,499	3,520	2,393
Administrative Fees	5,585	6,223	16,906
(Loss) Gain on Sale of Securities	2,721	(6,641)	4,971
Total Operating Revenues	<u>86,301</u>	<u>59,915</u>	<u>76,593</u>
Operating Expenses			
Interest Expense	43,931	32,855	31,131
Bond Issuance Costs	2,819	3,673	2,139
Provision for Loan Losses	420	496	65
Administrative and Other Expenses	24,446	25,141	23,612
Total Operating Expenses	<u>71,616</u>	<u>62,165</u>	<u>56,947</u>
Operating Revenue (Loss)	14,685	(2,250)	19,646
Nonoperating Revenues (Expenses)			
Net (Decrease) Increase in Fair Value of Investments	(53,403)	(174,152)	(7,905)
State Appropriations	3,225	2,200	2,034
Grant Income	99,772	65,738	88,264
Grant Expense	(99,772)	(65,738)	(88,264)
Trust Contributions	36	33	30
Trust Distributions	(994)	(1,213)	(6)
Total Nonoperating Expenses	<u>(51,136)</u>	<u>(173,132)</u>	<u>(5,847)</u>
Change in Net Position	(36,451)	(175,382)	13,799
Total Net Position - Beginning of Year, As Restated	<u>157,725</u>	<u>333,107</u>	<u>319,308</u>
Total Net Position - End of Year	<u>\$ 121,274</u>	<u>\$ 157,725</u>	<u>\$ 333,107</u>

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2023 AND 2022

Operating revenues increased \$26.4 million from 2022 to 2023, or approximately 44%, primarily due to an increase in the interest earned on loans and investments and a reduction on realized State Investment Council investments' fair market value adjustments compared to 2022.

Operating expenses increased by \$9.5 million in 2023, approximately 15.2%, primarily due to an increase in interest expense of \$11.1 million offset with a decrease in bond issuance cost, provisions for loan losses and administrative and other expenses of \$1.6 million.

The change in the fair value of investments for 2023 was a decrease of \$53.4 million compared to a decrease of \$174.2 million in 2022. This represents an increase in the overall fair market value of investments held at September 30, 2023, compared to September 30, 2022. 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). Most 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, 2022 AND 2021

Operating revenues decreased \$16.7 million from 2021 to 2022, or approximately 21.8%, primarily due to an increase 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 \$5.2 million in 2022, approximately 9.2%, primarily due to increases in interest expense of \$1.7 million, administrative expenses of \$1.5 million and cost of bond issuance expenses of \$1.5 million.

The change in fair value of securities for 2022 was a decrease of \$174.2 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 for External Investment Pools* (GASB No. 31) to fair value. Most 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. The Authority considers these valuation changes nonoperating revenues.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023 AND 2022**

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 mortgage revenue bonds. 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 single-family housing for tax-exempt financing 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 2023, the Authority issued \$314.9 million of Single-Family Mortgage Program revenue bonds. This is \$108.5 million less than the \$423.4 million issued in 2022. The issuance of debt decreased during the fiscal year 2023 due to a reduction in production as a result of rising interest rates and a decrease in housing stock. The Authority also sold \$21.4 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 increased by approximately \$5.6 million this fiscal year compared to 2022 for the Single-Family Mortgage Program. The Authority redeemed \$100.5 million of Single-Family Mortgage Program bonds due to repayments and maturities, compared to \$222.7 million in 2022.

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.

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.

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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, 2023, those outstanding notes total \$70 million, compared to \$29 million at the end of 2022. 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 performed well due to the rise in market interest rates, and federal fiscal policy moved into a more robust increasing interest rate mode. The rapid increase in home prices throughout the pandemic and post pandemic era with 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 2021 and 2022, loan production declined in 2023 and will continue the trend in 2024 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 2023 is anticipated to stabilize in 2024. 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. 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.

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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). On November 13, 2023, Moody's downgraded the U.S. from Stable to Negative Outlook, but provides a Aaa rating for all bonds backed by Fannie Mae and Ginnie Mae credit-enhanced securities. All the Authority's outstanding bonds currently reflect the Aaa Moody's rating.

Bond proceeds and monthly MBS revenues received between debt service dates are invested in a government money market fund. 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 (66%), a large-cap equities fund (23%), a small/mid-cap fund (3%), a non-U.S. developed markets fund (3%), and a non-U.S. emerging markets fund (5%). Several years ago, to improve investment returns, the Authority began investing in its own MBS as bond programs became callable and residual MBS from those bond programs became available. In addition, loans repurchased due to delinquency are now performing and were converted into MBS, which were added to the Authority portfolio.

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 4.68% and 2.76%, respectively, during the fiscal year 2023. During this fiscal year, the U.S. Treasury and agency obligations provided yields of 2.41% compared to 0.62% in 2022. Investments in the SIC experienced \$0.8 million in fair market value gains compared to 2022, when fair market value losses were \$6.1 million. The overall rate of return on the Authority's SIC long-term investment portfolio for 2023 was negative 14.62%.

The Authority expects to continue to lean, like most Housing Finance Agencies (HFAs) in the country, more heavily toward tax-exempt MRB financing in 2024 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 continue to 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 makeup of the Authority's revenue stream will be favorable as a result of the continued rising trend in the interest rate environment.

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The Authority's competitive advantage over conventional lenders and continued strength in loan financing will limit the decline in loan production. The Authority can 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 over loan life. 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 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. One such instance is securing recurring funding through Senate Bill 134, a 2.5% severance tax bonding capacity that began in 2023. 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, 2023 AND 2022
(IN THOUSANDS)

ASSETS	2023	2022, As Restated
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	\$ 51,664	\$ 43,831
Restricted	29,081	45,046
Restricted Cash Held in Escrow	10,590	9,782
Total Cash and Cash Equivalents	91,335	98,659
Accrued Interest Receivable	6,002	4,379
Due from Fiduciary Fund	44	19
Other Current Assets	9,135	5,507
Total Current Assets	106,516	108,564
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	87,267	95,173
Investments:		
Restricted Investments	27,931	12,814
Unrestricted Investments	40,778	48,109
Unrealized Loss on Restricted and Unrestricted Investments	(3,323)	(1,180)
Total Investments, Net	65,386	59,743
Restricted Securitized Mortgage Loans, Net:		
Securitized Mortgage Loans, Net	1,467,093	1,216,737
Unrealized Loss on Securitized Mortgage Loans	(174,885)	(123,624)
Restricted Securitized Mortgage Loans, Net	1,292,208	1,093,113
Mortgage Loans, Net:		
Restricted Trust Funds Mortgage Loans, Net	22,582	19,373
Unrestricted Mortgage Loans, Net	179,005	158,427
Total Mortgage Loans, Net	201,587	177,800
Capital Assets, Net	11,601	1,793
Right-of-Use Asset, Net	484	589
Intangible Assets	20,157	18,290
Other Noncurrent Assets	2,507	1,610
Total Noncurrent Assets	1,681,197	1,448,111
Total Assets	1,787,713	1,556,675
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding Bonds	153	187
Total Assets and Deferred Outflows of Resources	\$ 1,787,866	\$ 1,556,862

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, 2023 AND 2022
(IN THOUSANDS)

LIABILITIES AND NET POSITION	<u>2023</u>	<u>2022, As Restated</u>
CURRENT LIABILITIES		
Escrow Deposits and Reserves	\$ 10,370	\$ 9,650
Accrued Interest Payable	8,339	7,519
Accounts Payable and Other Accrued Expenses	19,683	23,353
Compensated Absences	652	591
Current Portion of Bonds Payable	29,076	45,046
Current Portion of Notes Payable	70,181	29,499
Current Portion of Other Noncurrent Liabilities	289	-
Total Current Liabilities	<u>138,590</u>	<u>115,658</u>
NONCURRENT LIABILITIES		
Bonds Payable, Net of Current Portion	1,518,283	1,280,935
Notes Payable, Net of Current Portion	9,161	1,553
Other Noncurrent Liabilities	314	714
Total Noncurrent Liabilities	<u>1,527,758</u>	<u>1,283,202</u>
Total Liabilities	1,666,348	1,398,860
DEFERRED INFLOWS OF RESOURCES		
Deferred Cost of Refunding	244	277
NET POSITION		
Investment in Capital Assets	11,601	1,793
Restricted for Debt Service	116,302	95,348
Restricted for Land Title Trust and Housing Trust	37,585	34,401
Unrestricted:		
Board Designated - General Fund	215,291	218,954
Unrestricted - Bond Issues	<u>(259,505)</u>	<u>(192,771)</u>
Total Unrestricted	<u>(44,214)</u>	<u>26,183</u>
Total Net Position	<u>121,274</u>	<u>157,725</u>
Total Liabilities, Net Position and Deferred Inflows of Resources	<u>\$ 1,787,866</u>	<u>\$ 1,556,862</u>

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, 2023 AND 2022
(IN THOUSANDS)

	2023	2022, As Restated
OPERATING REVENUES		
Interest on Mortgage Loans and Securitized Mortgage Loans	\$ 55,292	\$ 42,474
Interest on Securities and Investments	7,498	2,224
Housing Program Income	1,755	1,871
Program Servicing Fees	9,951	10,244
Loan and Commitment Fees	3,499	3,520
Administrative Fees	5,585	6,223
Gain (Loss) on Sale of Securities	2,721	(6,641)
Total Operating Revenues	86,301	59,915
OPERATING EXPENSES		
Interest Expense	43,931	32,855
Bond Issuance Costs	2,819	3,673
Provision for Loan Losses	420	496
Administrative and Other Expenses	24,446	25,141
Total Operating Expenses	71,616	62,165
OPERATING INCOME (LOSS)	14,685	(2,250)
NONOPERATING REVENUES (EXPENSES)		
Net (Decrease) Increase in Fair Value of Investments	(53,403)	(174,152)
State Appropriations	3,225	2,200
Grant Income	99,772	65,738
Grant Expense	(99,772)	(65,738)
Trust Contributions	36	33
Trust Distributions	(994)	(1,213)
Total Nonoperating Revenues (Expenses)	(51,136)	(173,132)
CHANGE IN NET POSITION	(36,451)	(175,382)
Total Net Position - Beginning of Year, As Restated for GASB 91	157,725	333,107
TOTAL NET POSITION - END OF YEAR	\$ 121,274	\$ 157,725

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, 2023 AND 2022
(IN THOUSANDS)

	2023	2022, As Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of Loans	\$ (395,259)	\$ (469,334)
Discount (Premium) on Loans	3	-
Receipts of Loan Repayments	371,093	435,025
Loan and Commitment Fees	3,499	3,520
Mortgage Interest Received	53,669	41,980
Purchase of Securitized Mortgage Loans	(330,766)	(334,718)
Discount (Premium) on MBS	(4,328)	(6,652)
Principal Repayment of Securitized Mortgage Loans	84,738	178,809
Restricted Escrow and Reserves, Net	720	645
Receipts for Services	10,684	24,341
Payments to Employees for Services	(11,688)	(10,497)
Payments to Suppliers of Goods or Services	(11,404)	(15,714)
Other Payments	(3,052)	(2,590)
Transfers From (To) Other Prog	124	-
Net Cash Used in Operating Activities	(231,967)	(155,185)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Notes Payable	604,453	582,723
Repayment and Refunding of Bonds and Notes Payable	(334,785)	(369,089)
Payment of Interest on Bonds and Notes	(43,111)	(32,343)
Payment for Bond Issuance Costs	(2,819)	(3,673)
Receipt of Grant Income	99,772	65,738
Payment of Grants	(99,772)	(65,738)
Contributions to Land Title Trust	36	33
Land Title Trust Distributions	(994)	(1,213)
State Appropriations	3,225	2,200
Net Cash Provided by Noncapital Financing Activities	226,005	178,638
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of Capital Assets	(9,967)	(75)
Net Cash Used by Capital Financing Activities	(9,967)	(75)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Other Real Estate Owned	1,104	871
Purchase of Investments	(26,934)	(26,147)
Proceeds from Maturity and Sale of Investments	19,002	38,051
Investment Interest Income	7,498	2,259
(Premium) on Investments	29	28
Gain on Sale of Securities	-	4
Net Cash Provided by Investing Activities	699	15,066
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,230)	38,444
Cash and Cash Equivalents - Beginning of Year, As Restated	193,832	155,388
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 178,602	\$ 193,832
Current Cash and Cash Equivalents	\$ 91,335	\$ 98,659
Noncurrent Cash and Cash Equivalents	87,267	95,173
Cash and Cash Equivalents - End of Year	\$ 178,602	\$ 193,832

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, 2023 AND 2022
(IN THOUSANDS)

	2023	2022, As Restated
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 14,685	\$ (2,250)
Adjustments to Reconcile Operating Income (Loss) to Net Cash		
Used in Operating Activities:		
Bond Issuance Costs	2,819	3,673
Loan and Commitment Fees	(3,499)	(3,520)
Amortization of Securitized Mortgage Loans and Mortgage		
Loan Discounts/Premiums	2,242	3,649
(Gain) Loss on Sale of Assets	204	(189)
Depreciation Expense	158	194
Provision of Loan Losses	420	496
Investment Interest Income	(7,498)	(2,224)
Interest Expense on Bonds and Notes Payable	43,931	32,855
Changes in Assets and Liabilities:		
Accrued Interest Receivable on Securitized Mortgage		
Loans and Mortgage Loans	(1,623)	(494)
Other Current Assets	(3,628)	973
Other Noncurrent Assets	(2,763)	(145)
Accounts Payable and Other Accrued Expenses	(3,670)	9,153
Escrows and Deposits	720	645
Other Noncurrent Liabilities	(6,916)	(7,036)
Securitized Mortgage Loans, Net Cost	(243,762)	(157,095)
Mortgage Loans	(23,787)	(33,870)
Net Cash Used in Operating Activities	\$ (231,967)	\$ (155,185)

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, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	\$ 851	\$ 757
Total Cash and Cash Equivalents	851	757
Other Current Assets	26	146
Total Current Assets	877	903
 Total Assets	 \$ 877	 \$ 903
 LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to Authority	\$ 44	\$ 19
Total Current Liabilities	44	19
 Total Liabilities	 44	 19
NET POSITION		
Restricted for Organizations and Other Governments	833	884
Total Net Position	833	884
 Total Liabilities and Net Position	 \$ 877	 \$ 903

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, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
ADDITIONS		
CONTRIBUTIONS		
Trust Contributions	\$ 171	\$ 68
Grant Income	348	146
Total Contributions	519	214
OTHER		
Administrative Fees	-	-
Total Additions	519	214
DEDUCTIONS		
Trust Distributions	188	45
Grant Expense	348	146
Administrative and Other Expenses	34	15
Total Deductions	570	206
CHANGE IN NET POSITION	(51)	8
Total Net Position - Beginning of Year	884	876
TOTAL NET POSITION - END OF YEAR	\$ 833	\$ 884

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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.

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, *The Financial Reporting Entity* and No. 61, *The Financial Reporting Entity: Omnibus* – an amendment of GASB Statements No. 14 and No. 34.

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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

**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).
- General Accounts – Accounts for assets, liabilities, revenues, and expenses not directly attributable to a bond program. Most of the bond resolutions of the programs permit the Authority to make cash transfers to the general accounts after establishing reserves required by the bond resolutions. The general accounts financially support the bond programs when necessary. The general accounts include proprietary loan programs developed by the Authority to meet the needs of low- and moderate-income borrowers not served by traditional lending programs. This group of accounts is referred to as the Housing Opportunity Fund and includes the ACCESS Loan program, HERO Loan program, Primero program, Partners program, and several down payment assistance programs.
- Housing Programs – Accounts for activities and programs financed by federal and state grants over which the Authority exercises fiscal and administrative control. The following is a brief description of the significant programs:
 - *Low-Income Housing Tax Credit Program (LIHTC)* – The LIHTC program was established to promote the development of low-income rental housing through tax incentives rather than direct subsidies. The LIHTC is a 10-year federal tax credit against a taxpayer's ordinary income tax liability that is available to individuals (directly or through partnerships) and corporations who acquire or develop and own qualified low-income rental housing.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

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

Programs (Continued)

- Housing Programs – (Continued):
 - *HOME Investment Partnership Program (HOME)* – Congress created the HOME program as part of the National Affordable Housing Act of 1991. The Authority administers the federal funds to carry out program activities related to single family development, 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.
 - *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).

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

Programs (Continued)

- Housing Programs – (Continued):
 - *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) 2.5% of the state's severance tax bonding capacity; 2) appropriations and transfers from the state; 3) any other money appropriated or distributed to the fund; 4) any private contributions to the fund; or 5) 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.

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SEPTEMBER 30, 2023 AND 2022

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

Programs (Continued)

- Housing 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.

Rental Housing Programs – Accounts for the proceeds from conduit 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.

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 or money market accounts, 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).

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NOTES TO FINANCIAL STATEMENTS
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**NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Securitized Mortgage Loans

Securitized mortgage loans 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), 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, 2023 and 2022 were \$2.2 million and \$2.4 million, respectively, of loans to borrowers of certain nonprofit organizations, which are subject to reimbursement provisions in lieu of insurance.

Allowance for Mortgage Loan Losses

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

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

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

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**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 \$105,000 and \$120,000 as of September 30, 2023 and 2022, 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 method over the estimated useful lives of the assets, which range from 1 to 30 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 and subscription-based information technology agreements with a term greater than one year. The assets are amortized over the life of the leases and subscription-based information technology agreements.

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**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.

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**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.

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**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

GASB Statement No. 91, Conduit Debt Obligations

In May 2019, the GASB issued GASB Statement No. 91, Conduit Debt Obligations. This standard clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangement associated with conduit debt obligations.

The Authority adopted the requirements of the guidance effective October 1, 2021, and has applied the provisions of this standard to the beginning of the earliest comparative period presented. See Note 15 for additional information regarding Conduit Debt Obligations. Net position was restated as below (in thousands):

	2022	2021
Ending Net Position, as Previously Reported	\$ 157,624	\$ 333,573
Restatement Due to GASB Statement No. 91	101	(466)
Ending Net Position, as Restated	<u>\$ 157,725</u>	<u>\$ 333,107</u>

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

Adoption of New Accounting Standards (Continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The Entity adopted the requirements of the guidance effective October 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption. The implementation of this standard resulted in the Government reporting a SBITA asset and a SBITA liability as disclosed in Note 9.

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):

	2023	2022, As Restated
Cash on Deposit at Financial Institutions	\$ 38,625	\$ 30,073
Cash on Deposit at New Mexico State Treasurer	13,038	13,758
Cash on Deposit Held in Escrow	10,590	9,782
Cash Equivalents Not Considered Deposits:		
Money Market Funds	116,349	140,219
Total	<u>\$ 178,602</u>	<u>\$ 193,832</u>

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

	2023	2022
Cash on Deposit at Financial Institutions	<u>\$ 851</u>	<u>\$ 757</u>

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

Custodial Credit Risk

The following represents the reconciliation between the Authority's book balance and bank deposits subject to custodial credit risk as of September 30, 2023 (in thousands):

	Amount
Cash and Cash Equivalents - Unrestricted, Current	\$ 51,664
Cash and Cash Equivalents - Restricted, Current	29,081
Restricted Cash Held in Escrow, Current	10,590
Cash and Cash Equivalents - Restricted, Noncurrent	87,267
Fiduciary Fund Cash and Cash Equivalents, Unrestricted	851
Total Cash and Cash Equivalents Book Balance	179,453
Minus: Money Market Funds	(116,349)
Minus: State Treasurer	(13,038)
Reconciling Items	383
Deposits Subject to Custodial Credit Risk	\$ 50,449

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, 2023 and 2022, the Authority's bank balance was approximately \$50,449,000 and \$41,129,000 (which includes the bank balances of the Trust of \$864,000 and \$757,000), respectively. The Federal Deposit Insurance Corporation (FDIC) insures each depositor up to \$250,000 per insured bank. FDIC Coverage for the Authority approximated \$956,000 (\$250,000 for Wells Fargo for the Authority, \$250,000 for Wells Fargo for the Trust, \$250,000 for Sunflower Bank and \$206,000 for other banks). The total amounts subject to custodial credit risk at September 30, 2023 and 2022, are approximately \$12,621,000 and \$9,089,000, respectively. Management does not believe the remaining approximately \$36,872,000 and \$31,285,000 are subject to custodial credit risk at September 30, 2023 and 2022, respectively.

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

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.

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

Investment Policy (Continued)

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

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

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.

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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):

Investment Type	September 30, 2023					
	Fair Value	Investment Maturities (in Years)				Not Available
		Less Than 1	1 - 5	6 - 10	More Than 10	
Money Market Funds	\$ 116,349	\$ 116,349	\$ -	\$ -	\$ -	\$ -
External State Investment Pools:						
State Treasurer	13,038	13,038	-	-	-	-
State Investment Council	27,931	-	-	-	-	27,931
U.S. Agencies	6,781	2,925	3,856	-	-	-
U.S. Treasury	8,852	3,893	4,959	-	-	-
Securitized Mortgage Loans:						
Unrestricted	21,822	-	396	2,494	18,932	-
Restricted	1,292,208	76	1,359	3,690	1,287,083	-
Total	<u>\$ 1,486,981</u>	<u>\$ 136,281</u>	<u>\$ 10,570</u>	<u>\$ 6,184</u>	<u>\$ 1,306,015</u>	<u>\$ 27,931</u>

Investment Type	September 30, 2022, As Restated					
	Fair Value	Investment Maturities (in Years)				Not Available
		Less Than 1	1 - 5	6 - 10	More Than 10	
Money Market Funds	\$ 140,219	\$ 139,869	\$ -	\$ -	\$ 350	\$ -
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	<u>\$ 1,317,210</u>	<u>\$ 159,508</u>	<u>\$ 21,697</u>	<u>\$ 3,667</u>	<u>\$ 1,101,119</u>	<u>\$ 31,219</u>

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):

Investment Type	September 30, 2023								
	Fair Value							U.S.	
		AAA	AAAm	AA+	A+	A	BBB	Government Guaranteed	Not Available
Money Market Funds	\$ 116,349	\$ -	\$ 116,349	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
External State Investment Pools:									
State Treasurer	13,038	-	13,038	-	-	-	-	-	-
State Investment Council	27,931	-	-	-	-	-	-	-	27,931
U.S. Agencies	6,781	-	6,781	-	-	-	-	-	-
U.S. Treasury	8,852	-	8,852	-	-	-	-	-	-
Securitized Mortgage Loans:									
Unrestricted	21,822	-	-	1,565	-	-	-	20,257	-
Restricted	1,292,208	-	-	217,387	-	-	-	1,074,821	-
Total	<u>\$ 1,486,981</u>	<u>\$ -</u>	<u>\$ 129,387</u>	<u>\$ 234,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,095,078</u>	<u>\$ 27,931</u>

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

Investment Interest and Credit Risk (Continued)

	September 30, 2022, As Restated							U.S.	
	Fair Value	AAA	AAA _m	AA	A+	A	BBB	Government Guaranteed	Not Available
Money Market Funds	\$ 140,219	\$ -	\$ 139,433	\$ -	\$ 65	\$ 1	\$ -	\$ -	\$ -
Guaranteed Investment Contracts	-	-	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	<u>\$ 1,317,210</u>	<u>\$ 13,190</u>	<u>\$ 154,214</u>	<u>\$ 184,031</u>	<u>\$ 180</u>	<u>\$ 535</u>	<u>\$ -</u>	<u>\$ 933,841</u>	<u>\$ 31,219</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the Authority's investment in a single issuer. The following issuers and their respective percentage of total investments represent greater than 5% of the Authority's total investments reported on the statements of net position as of September 30, 2023 and 2022, respectively: Ginnie Mae: 81% and 80%, and Fannie Mae: 16% and 15%.

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).

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.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTE 3 MORTGAGE LOANS, NET

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

	<u>2023</u>	<u>2022, As Restated</u>
Total Mortgage Loan Principal Outstanding	\$ 211,127	\$ 187,931
Less: Allowance for Mortgage Loan Losses	(9,540)	(10,131)
Mortgage Loans, Net	<u>\$ 201,587</u>	<u>\$ 177,800</u>

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

	<u>2023</u>	<u>2022</u>
Beginning Balance	\$ 10,131	\$ 8,471
Provision for Loan Losses	420	496
Specific Reserves	4	2,515
Loans Written Off Net of Recoveries	(1,015)	(1,351)
Ending Balance	<u>\$ 9,540</u>	<u>\$ 10,131</u>

The mortgage loans have repayment terms ranging from 15 to 32 years. The stated interest rates for these programs are as follows:

Other Mortgage Loans	0.00% to 8.25%
Second Mortgage DPA Loans	0.00% to 8.75%

MBSs have stated interest rates ranging from 2.18% and 7.49%.

As of September 30, 2023 and 2022, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately \$29,000 and \$78,000, respectively. As of September 30, 2023 and 2022, mortgage loans' total delinquent aggregate principal balances are approximately \$6,968,000 and \$8,886,000, respectively.

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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):

	<u>2023</u>	<u>2022</u>
Southwest Neighborhood Housing Services	\$ 217	\$ 220
TIWA Lending Services	7,546	7,684
Fannie Mae Loans	314,132	261,756
Ginnie Mae Loans	1,795,269	1,611,923
Nambe Housing	2,107	1,600
Cochiti Pueblo	754	-
City of Albuquerque	14,564	15,759
Ventana Fund	1,137	1,210
Ohkay Owingeh	879	858
Total	<u>\$ 2,136,605</u>	<u>\$ 1,901,010</u>

NOTE 4 CAPITAL ASSETS

Changes in capital assets during 2023 and 2022, were as follows (in thousands):

	October 1, 2022	Additions	Dispositions	Transfers	September 30, 2023
Land (Nondepreciable)	\$ 512	\$ -	\$ -	\$ -	\$ 512
Building and Improvements	4,363	9,966	-	-	14,329
Furniture and Equipment	2,056	1	(43)	-	2,014
Total Capital Assets	6,931	9,967	(43)	-	16,855
Less Accumulated Depreciation:					
Building and Improvements	(3,204)	(105)	-	-	(3,309)
Furniture and Equipment	(1,934)	(54)	43	-	(1,945)
Total Accumulated Depreciation	(5,138)	(159)	43	-	(5,254)
Capital Assets, Net	<u>\$ 1,793</u>	<u>\$ 9,808</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,601</u>
	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	<u>\$ 1,912</u>	<u>\$ (119)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,793</u>

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NOTE 5 BONDS PAYABLE

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

<u>Single Family Mortgage Programs</u>	<u>2023</u>	<u>2022</u>
2013 Series A - 2.60% interest payable monthly, principal due through 2043	\$ 5,178	\$ 5,722
2013 Series B - 2.23% to 2.85% interest payable monthly, principal due through 2043	7,580	8,276
2013 Series C - 4.50% interest payable monthly, principal due through 2043	9,784	10,850
2014 Series A - 3.70% to 5.00% interest payable quarterly, principal due through 2044	3,470	3,850
2014 Series B - 2.75% interest payable monthly, principal due through 2035	2,674	3,237
2015 Series A - 2.80% to 4.00% interest payable quarterly, principal due through 2045	12,100	13,520
2015 Series B - 2.75% interest payable monthly, principal due through 2035	1,811	2,140
2015 Series D - 3.125% interest payable monthly, principal due through 2037	3,140	3,707
2015 Series E - 3.10% interest payable monthly, principal due through 2037	4,371	5,325
2016 Series A - 2.25% to 3.80% interest payable quarterly, principal due through 2046	18,475	21,060
2016 Series B - 2.60% interest payable monthly, principal due through 2040	9,185	10,470
2016 Series C - 2.00% to 3.5% interest payable quarterly, principal due through 2045	21,815	25,630
2017 Series A - 2.98% interest payable monthly, principal due through 2038	8,196	9,205
2017 Series B - 2.05% to 3.80% interest payable quarterly, principal due through 2048	25,025	28,550
2018 Series A 2.55% to 4.00% interest payable quarterly, principal due through 2049	29,365	34,820
2018 Series B 2.55% to 4.00% interest payable quarterly, principal due through 2049	33,745	38,145
2018 Series C 2.40% to 4.00% interest payable quarterly, principal due through 2049	37,645	41,970
2018 Series D 2.75% to 4.25% interest payable quarterly, principal due through 2049	23,255	26,735
2019 Series A 2.25% to 4.25% interest payable quarterly, principal due through 2050	37,760	41,915

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NOTE 5 BONDS PAYABLE (CONTINUED)

<u>Single Family Mortgage Programs</u>	<u>2023</u>	<u>2022</u>
2019 Series B 3.45% interest payable monthly, principal due through 2040	\$ 10,096	\$ 11,686
2019 Series C 2.00% to 4.00% interest payable quarterly, principal due through 2050	48,020	55,145
2019 Series D 1.65% to 3.75% interest payable quarterly, principal due through 2050	62,715	69,710
2019 Series E 2.90% interest payable monthly, principal due through 2040	8,898	9,684
2019 Series F 1.60% to 3.50% interest payable monthly, principal due through 2050	82,235	93,390
2020 Series A 1.25% to 3.50% interest payable monthly, principal due through 2051	53,590	58,625
2020 Series B - 0.50% to 3.00% interest payable monthly, principal due through 2051	46,130	49,930
2021 Series A - 0.30% to 3.00% interest payable monthly, principal due through 2052	71,255	75,025
2021 Series B - 1.62% interest payable monthly, principal due through 2042	10,679	11,710
2021 Series C - 0.375% to 3.00% interest payable monthly, principal due through 2052	94,665	97,830
2021 Series D - 0.45% to 3.00% interest payable semi-annually, principal due through 2052	95,055	98,525
2022 Series A - 0.65% to 3.00% interest payable semi-annually, principal due through 2053	95,155	98,960
2022 Series B - 2.2% interest payable monthly, principal due through 2044	27,880	30,200
2022 Series C - 2.20% to 4.25% interest payable semi-annually, principal due through 2053	87,455	90,000
2022 Series D - 2.05% to 5.25% interest payable semi-annually, principal due through 2053	98,115	99,900
2022 Series E - 3.25% to 6.25% interest payable semi-annually, principal due through 2053	73,870	-
2023 Series A - 2.50% to 5.75% interest payable semi-annually, principal due through 2054	59,600	-
2023 Series B - 2.80% to 5.50% interest payable semi-annually, principal due through 2054	80,000	-
2023 Series C - 3.30% to 5.75% interest payable semi-annually, principal due through 2054	100,000	-
Subtotal	<u>1,499,987</u>	<u>1,285,447</u>
Unaccreted Premium, Net of Underwriters' Discount	<u>47,372</u>	<u>40,534</u>
Subtotal Single Family Mortgage Programs, Net Bonds Payable	<u>\$ 1,547,359</u>	<u>\$ 1,325,981</u>

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTE 5 BONDS PAYABLE (CONTINUED)

	2023	2022
Total Bonds Payable	\$ 1,499,987	\$ 1,285,447
Total Unaccreted Premium, Net of Unamortized Discount	47,372	40,534
Total Bonds Payable	\$ 1,547,359	\$ 1,325,981

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 2023 and 2022 were pooled and packaged as mortgage loan pass-through certificates insured by GNMA or FNMA.

In December 2009, the Authority entered into a NIBP 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 2023, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005, as follows:

- \$74.99 million Single Family Mortgage Program Class I Bonds, 2022 Series E (Tax-Exempt) (Non-AMT). The \$74.99 million 2022 Series E bonds were used to originate new loans.

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NOTE 5 BONDS PAYABLE (CONTINUED)

- \$60.0 million Single Family Mortgage Program Class I Bonds, 2023 Series A (Tax-Exempt) (Non-AMT). The \$60.0 million 2023 Series A bonds were used to originate new loans.
- \$80.0 million Single Family Mortgage Program Class I Bonds, 2023 Series B (Tax-Exempt) (Non-AMT). The \$80.0 million 2023 Series B bonds were used to originate new loans.
- \$100.0 million Single Family Mortgage Program Class I Bonds, 2023 Series C (Tax-Exempt) (Non-AMT). The \$100.0 million 2023 Series C bonds were used to originate new loans.

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.
- \$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 years 2023 and 2022, the Authority did not issue any bonds under the NIBP General Indenture of Trust dated December 1, 2009.

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NOTE 6 NOTES PAYABLE

Notes payable with assets pledged as collateral consist of the following (in thousands):

Assets Pledged as Collateral	2023	2022
PRLF Cash and Loans	\$ 1,452	\$ 1,521
Jefferson Building	7,784	-
Securities and Loans Held for Sale	70,000	29,000
Subtotal: Debt With Pledged Collateral	79,236	30,521
Other Direct Borrowings Without Assets Pledged	106	531
Total Direct Borrowings	<u>\$ 79,342</u>	<u>\$ 31,052</u>

The Authority also has two lines of credit in the amount of \$6,500,000 and \$2,500,000 as of September 30, 2023 and 2022, respectively. The Authority had an outstanding balance of \$-0- and \$-0- as of September 30, 2023 and 2022, respectively.

The Authority's outstanding debt pledged by PRLF cash and loans of \$1,452,000 and \$1,521,000 as of September 30, 2023 and 2022, 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 \$70,000,000 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 debt pledged by the building located at 7425 Jefferson of \$7,784,000 contains a provision that in the event of default, the Lender may declare all indebtedness immediately due and payable.

The Authority's outstanding notes from other direct borrowings of \$106,000 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.

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NOTE 7 DEBT SERVICE REQUIREMENTS

A summary of bond and note debt service requirements as of September 30, 2023 is as follows (in thousands):

Year Ending September 30,	Bonds Payable		Notes from Direct Borrowings	
	Interest	Principal	Interest	Principal
2024	\$ 53,099	\$ 29,076	\$ 734	\$ 70,181
2025	52,233	29,750	350	74
2026	51,489	30,600	349	74
2027	50,681	31,855	348	74
2028	49,800	32,880	349	74
2029 - 2033	233,235	186,185	1,533	371
2034 - 2038	161,826	194,023	110	8,155
2039 - 2043	183,865	376,420	9	339
2044 - 2048	83,177	364,463	-	-
2049 - 2053	22,317	223,975	-	-
2054 - 2058	21	760	-	-
Subtotal	941,743	1,499,987	3,782	79,342
Net Unaccrued Premium	-	47,372	-	-
Total	<u>\$ 941,743</u>	<u>\$ 1,547,359</u>	<u>\$ 3,782</u>	<u>\$ 79,342</u>

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

At September 30, accounts payable and accrued expenses consist of the following (in thousands):

	2023	2022, As Restated
Vendor	\$ 14,345	\$ 14,526
Employee Benefits	776	708
Advances on Revenue	4,562	8,119
Total	<u>\$ 19,683</u>	<u>\$ 23,353</u>

NOTE 9 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS

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, 2023, the Authority has recognized a right-to-use asset of \$68,000 and a lease liability of \$68,000 related to this agreement. During the fiscal year, the Authority recorded \$20,000 in amortization expense and \$1,000 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.

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**NOTE 9 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS
(CONTINUED)**

Leases (Continued)

Remaining obligations associated with these leases are as follows (in thousands):

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 20	\$ 2	\$ 22
2025	20	2	22
2026	20	2	22
2027	8	-	8
Total	<u>\$ 68</u>	<u>\$ 6</u>	<u>\$ 74</u>

Subscription Based Information Technology Arrangements (SBITA)

SBITA assets are initially measured as the sum of the present value of payments expected to be made during the subscription term, payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, when applicable, and capitalizable implementation costs, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the SBITA term. SBITA assets are amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying information technology assets.

In fiscal year 2023, the Authority entered into the following subscription-based lease agreements that expire at various dates through 2026:

The Authority entered into a three-year agreement with Neighborly on 5/26/2022. The agreement term began 5/9/2022 – 5/8/2025 and includes an implementation fee of \$5,000 and an annual fee schedule of \$120,000 the first two years and \$45,000 the third year for a total of \$290,000. The agreement auto-renews in one-year increments. The Authority recognized a right of use software asset and liability for \$289,000. The Authority is using an interest rate based on the Authority's incremental borrowing rate of .11%. The Authority amortized the net present value of the agreement over the term of the agreement at \$8,000/month and upon payment of agreement will recognize interest expense of \$15/month.

The Authority entered into a recurring two-year agreement on 3/12/2013 with Bloomberg Finance. The agreement auto-renews unless cancelled. There were two agreement terms active during FY2023. The first term began 3/12/2021 – 3/11/2023, which had a quarterly payment of \$7,000. The second term began 3/12/2023 – 3/11/2025, which has a quarterly payment of \$8,000. The Authority recognized an initial software asset and liability for \$59,000 and \$63,000, respectively. The Authority is using an interest rate based on the Authority's incremental borrowing rate of 0.32% and 2.22% respectively. The Authority amortized the net present value of the agreement over the term of the agreement at \$2,000/month and \$3,000/month, respectively. Upon payment of the agreement, the Authority will recognize interest expense of \$9/month and \$66/month, respectively.

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**NOTE 9 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS
(CONTINUED)**

Subscription Based Information Technology Arrangements (SBITA) (Continued)

The Authority entered into a three-year agreement with Centage Budgeting software on 3/27/2020. There were two agreement terms active during FY2023. The first term began 3/27/2020 – 3/26/2023, which had an annual payment of \$19,000. The second agreement term began 3/27/2023 – 3/26/2026, which had a one-time payment of \$58,000. The Authority recognized an initial software asset and liability for \$83,000 and \$58,000 respectively. The Authority is using an interest rate based on the Authority's incremental borrowing rate of 2.12% and 0% respectively. The Authority amortized the net present value of the agreement over the term of the agreement at \$2,000/month and \$2,000/month respectively. Upon payment of the agreement, the Authority will recognize interest expense of \$66/month and \$0/month, respectively.

The Authority entered into an agreement with PowerLender on 01/01/2019 – 12/31/2024, which has a quarterly payment of \$18,000. The agreement auto renews in one-year increments. The Authority recognized an initial software asset and liability for \$420,000. The Authority is using an interest rate based on the Authority's incremental borrowing rate of 1.90%. The Authority amortized the net present value of the agreement over the term of agreement at \$6,000/month. Upon payment of the agreement, the Authority will recognize interest expense of \$247/month.

The Authority entered into a five-year agreement with VirPack on 03/14/2018 that auto renews in two year increments unless cancelled. There are two terms of the agreement valid during FY23. The first term is 03/14/2018 – 03/13/2023, which had a monthly payment of \$3,000. The second term began 3/14/2023 – 3/13/2025, which has a monthly payment of \$4,000. The Authority recognized an initial software asset and liability of \$158,000 and \$84,000, respectively. The Authority is using an interest rate based on the Authority's incremental borrowing rate of 1.04% and 2.22% respectively. The Authority amortized the net present value of the agreement over the term of the agreement at \$3,000/month and \$4,000/month respectively. Upon payment of the agreement, the Authority will recognize interest expense of \$58/month and \$82/month, respectively.

The Authority entered into a three-year agreement with GoSecure on 6/30/2021 that is recurring unless cancelled. The agreement term is 06/30/2021 - 06/30/2024, which has an annual payment of \$33,000. The Authority recognized an initial software asset and liability of \$98,000. The Authority is using an interest rate based on the Authority's incremental borrowing rate of .15%. The Authority amortizes the net present value of the agreement over the term of the agreement at \$2,700/month. Upon payment of the agreement, the Authority will recognize interest expense of \$8/month.

As of September 30, 2023, SBITA assets and the related accumulated amortization totaled \$706,000 and \$290,000, respectively.

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NOTE 9 LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY AGREEMENTS (CONTINUED)

Subscription Based Information Technology Arrangements (SBITA) (Continued)

The future subscription payments under SBITA agreements are as follows (in thousands):

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 289	\$ 5	\$ 294
2025	125	2	127
2026	2	-	2
Total	<u>\$ 416</u>	<u>\$ 7</u>	<u>\$ 423</u>

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

<u>Lessee Activities</u>	<u>October 1, 2022, As Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2023</u>
Printers and Copiers	\$ 89	\$ -	\$ (21)	\$ 68
Subscription-Based Technology	500	206	(290)	416
Total	<u>\$ 589</u>	<u>\$ 206</u>	<u>\$ (311)</u>	<u>\$ 484</u>

<u>Lessee Activities</u>	<u>October 1, 2021, As Restated</u>	<u>Additions</u>	<u>Deletions</u>	<u>September 30, 2022 As Restated</u>
Printers and Copiers	\$ -	\$ 99	\$ (10)	\$ 89
Subscription-Based Technology	443	289	(232)	500
Total	<u>\$ 443</u>	<u>\$ 388</u>	<u>\$ (242)</u>	<u>\$ 589</u>

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):

<u>2022, As Restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2023</u>	<u>Current Portion</u>
Bonds Payable	\$ 1,325,981	\$ 325,453	\$ (104,075)	\$ 1,547,359
Notes from Direct Borrowings	31,052	279,000	(230,710)	79,342
Other Noncurrent Liabilities	714	-	(111)	603
Compensated Absences	591	694	(633)	652
Total	<u>\$ 1,358,338</u>	<u>\$ 605,147</u>	<u>\$ (335,529)</u>	<u>\$ 1,627,956</u>

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 10 NONCURRENT LIABILITIES AND COMPENSATED ABSENCES (CONTINUED)

	October 1, 2021, As Restated	Increases	Decreases	September 30, 2022 As Restated	Current Portion
Bonds Payable	\$ 1,116,456	\$ 432,223	\$ (222,698)	\$ 1,325,981	\$ 45,046
Notes from Direct Borrowings	26,941	150,500	(146,389)	31,052	29,499
Other Noncurrent Liabilities	575	139	-	714	-
Compensated Absences	543	597	(549)	591	591
Total	<u>\$ 1,144,515</u>	<u>\$ 583,459</u>	<u>\$ (369,636)</u>	<u>\$ 1,358,338</u>	<u>\$ 75,136</u>

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 \$1,213,000 and \$499,000, respectively, for the year ended September 30, 2023. 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 Executive Director, Human Resources Director, and Chief Financial Officer have the authority to amend the plans.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 13 BOARD-DESIGNATED NET POSITION

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

	<u>2023</u>	<u>2022, As Restated</u>
Single Family and Multifamily Programs as Designated by the Board	\$ 21,403	\$ 31,560
Future General Operating Budget	34,153	31,681
Housing Opportunity Fund	117,129	117,129
Risk-Sharing Loss Exposure	1,093	1,122
Federal and State Housing Programs Administered by the Authority	21,373	19,200
Investment in Mortgage Servicing Rights	20,140	18,262
Total Board-Designated Net Position	<u>\$ 215,291</u>	<u>\$ 218,954</u>

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, 2023 and 2022, the Authority is committed to assume a risk of approximately \$4,373,000 and \$4,384,000 for the 34 and 34 loans closed, respectively. These loans are considered in the Authority's assessment for the allowance for mortgage loan losses. As of September 30, 2023, 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 \$4,373,000 risk assumed as of September 30, 2023, the Authority's assumed risk approximated \$147,000 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 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, 2023. As of September 30, 2023 and 2022, the Authority is committed to assume a risk of approximately \$101,000 and \$103,000 for the one loan closed, respectively.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022

NOTE 15 CONDUIT DEBT OBLIGATIONS

The Authority issues housing-related conduit debt obligations (CDO) to finance multifamily housing for the benefit of low-income tenants. All CDOs issued and outstanding at year end were issued with the Authority making a limited commitment to maintain the issue's tax-exempt status. The Authority assumes no responsibility for debt service payments beyond the resources provided by borrower/obligor. The aggregate outstanding principal amount of all CDOs issued with limited commitments as of September 30, 2023 and 2022 was \$190,916,000 and \$71,730,000, respectively.

NOTE 16 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 17 JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING

The Authority has entered into two joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the State. At September 30, 2023, 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 terminated October 22, 2022. The maximum amount to be reimbursed under the JPA was \$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.

NOTE 18 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.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023 AND 2022**

NOTE 18 APPROPRIATIONS (CONTINUED)

The following chart describes the appropriations from the state severance tax or general obligation bonds (in thousands) as of September 30, 2023:

Description	Original Appropriation	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Unencumbered Balance
Weatherization and Energy Efficiency	\$ 1,000	9/9/20-6/30/24	\$ 1,000	\$ 1,000	\$ -
Housing Trust Fund	3,000	11/5/21-6/30/25	2,950	3,000	-
Housing Trust Fund & Affordable Housing Act	9,000	8/2/22-6/30/26	724	9,000	-
Housing Trust Fund	37,530	7/1/23-6/30/26	32	7,777	29,753
Total	<u>\$ 50,530</u>		<u>\$ 4,706</u>	<u>\$ 20,777</u>	<u>\$ 29,753</u>

NOTE 19 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 2023 and 2022, the Authority incurred \$8,400 and \$6,300, respectively, on behalf of the Trust. As of September 30, 2023 and 2022, there were \$44,000 and \$19,000 balances due to/from the Trust.

NOTE 20 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 21 SUBSEQUENT EVENTS

On November 21, 2023, the Authority issued \$125,000,000 (2023 Series D) of Single-Family Mortgage Program Class I Bonds under the 2005 General Indenture. The 2023 Series D Bonds will be used to finance certain qualifying mortgage loans under the Single-Family Mortgage Program. A portion of the 2023 Series D Bonds was sold at a premium generating \$3,269,000, which will be used to purchase 2023 Series D Certificates, to fund 2023 Series D 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
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023
(IN THOUSANDS)

	Single Family Mortgage Programs		Total Single Family Mortgage Programs
	2005 General Indenture	2009 General Indenture	
ASSETS			
CURRENT ASSETS			
Restricted Cash and Cash Equivalents	\$ 29,036	\$ 45	\$ 29,081
Accrued Interest Receivable	4,555	36	4,591
Intra-Entity Payable	(640)	(23)	(663)
Total Current Assets	32,951	58	33,009
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	86,917	350	87,267
Restricted Securitized Mortgage Loans, Net:			
Securitized Mortgage Loans, Net Cost	1,457,320	9,772	1,467,092
Unrealized Gain on Securitized Mortgage Loans	(174,259)	(626)	(174,885)
Total Restricted Securitized Mortgage Loans, Net	1,283,061	9,146	1,292,207
Total Noncurrent Assets	1,369,978	9,496	1,379,474
Total Assets	1,402,929	9,554	1,412,483
DEFERRED OUTFLOWS			
Refundings of Debt	153	-	153
Total Assets and Deferred Outflows	\$ 1,403,082	\$ 9,554	\$ 1,412,636
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accrued Interest Payable	\$ 8,190	\$ 20	\$ 8,210
Accounts Payable and Other Accrued Expenses	26	-	26
Current Portion of Bonds Payable	29,031	45	29,076
Total Current Liabilities	37,247	65	37,312
NONCURRENT LIABILITIES			
Bonds Payable	1,509,143	9,140	1,518,283
Total Noncurrent Liabilities	1,509,143	9,140	1,518,283
Total Liabilities	1,546,390	9,205	1,555,595
Deferred Cost of Refunding	244	-	244
NET POSITION:			
Net Position Restricted for Debt Service	115,953	349	116,302
Unrestricted Net Position	(259,505)	-	(259,505)
Total Net Position	(143,552)	349	(143,203)
Total Liabilities and Net Position	\$ 1,403,082	\$ 9,554	\$ 1,412,636

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2023
(IN THOUSANDS)

	Single Family Mortgage Programs		Total Single Family Mortgage Programs
	2005 General Indenture	2009 General Indenture	
OPERATING REVENUES			
Interest on Mortgage Loans and Securitized Mortgage Loans	\$ 45,933	\$ 431	\$ 46,364
Interest on Securities and Temporary Investments	4,329	15	4,344
Gain Asset Sale	-	-	-
Loan and Commitment Fees	3,306	-	3,306
Administrative Fees and Other	(4,104)	(55)	(4,159)
Total Operating Revenues	<u>49,464</u>	<u>391</u>	<u>49,855</u>
OPERATING EXPENSES			
Interest	41,630	250	41,880
Bond Issuance Costs	2,819	-	2,819
Administrative Fees and Other	183	1	184
Total Operating Expenses	<u>44,632</u>	<u>251</u>	<u>44,883</u>
OPERATING INCOME	4,832	140	4,972
NONOPERATING REVENUES (EXPENSES)			
Net Decrease in Fair Value of Investments	(51,055)	(207)	(51,262)
Other Financing Sources (Uses) - Operating Transfers	586	(76)	510
Total Nonoperating Revenue (Expenses)	<u>(50,469)</u>	<u>(283)</u>	<u>(50,752)</u>
CHANGE IN NET POSITION	(45,637)	(143)	(45,780)
Total Net Position - Beginning of Year	<u>(97,915)</u>	<u>492</u>	<u>(97,423)</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ (143,552)</u>	<u>\$ 349</u>	<u>\$ (143,203)</u>

CONDENSED STATEMENTS OF CASH FLOWS

NET CASH PROVIDED (USED) BY:			
Operating Activities	\$ (206,950)	\$ 1,326	\$ (205,624)
Noncapital Financing Activities	178,947	(1,538)	177,409
Investing Activities	4,329	15	4,344
NET DECREASE	(23,674)	(197)	(23,871)
Cash and Cash Equivalents - Beginning of Year	<u>139,627</u>	<u>592</u>	<u>140,219</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 115,953</u>	<u>\$ 395</u>	<u>\$ 116,348</u>

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

	Single Family Mortgage Programs		Total Single Family Mortgage Programs
	2005 General Indenture	2009 General Indenture	
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
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2022
(IN THOUSANDS)

	Single Family Mortgage Programs		Total Single Family Mortgage Programs
	2005 General Indenture	2009 General Indenture	
OPERATING REVENUES			
Interest on Mortgage Loans and Securitized Mortgage Loans	\$ 34,356	\$ 642	\$ 34,998
Interest on Securities and Temporary Investments	493	1	494
Loan and Commitment Fees	3	1	4
Other Revenues	3,324	-	3,324
Administrative Fees and Other	(3,678)	(76)	(3,754)
Total Operating Revenues	<u>34,498</u>	<u>568</u>	<u>35,066</u>
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	<u>36,039</u>	<u>464</u>	<u>36,503</u>
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)	<u>(172,006)</u>	<u>(4,761)</u>	<u>(176,767)</u>
CHANGE IN NET POSITION	(173,547)	(4,657)	(178,204)
Total Net Position - Beginning of Year	<u>75,632</u>	<u>5,149</u>	<u>80,781</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ (97,915)</u>	<u>\$ 492</u>	<u>\$ (97,423)</u>

CONDENSED STATEMENTS OF CASH FLOWS

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	<u>93,936</u>	<u>1,253</u>	<u>95,189</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 139,627</u>	<u>\$ 592</u>	<u>\$ 140,219</u>

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, 2023**

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 Housing Assistance Payments Program	14.195	NM800CC001	\$ 32,798,120	\$ 34,282,907	\$ -	\$ 34,282,907
Section 811	14.326	NM21RDD1301	330,131	330,131	-	330,131
Emergency Solutions Grants Program	14.231	E-23-DC-35-0001	1,459,271	1,512,103	-	1,512,103
COVID-19 Emergency Solutions Grants Program - CARES Act	14.231	E-20-DW-35-0001	3,224,683	3,273,545	-	3,273,545
Total Emergency Solutions Grants Program			<u>4,683,934</u>	<u>4,785,648</u>	<u>-</u>	<u>4,785,648</u>
HOME Investment Partnerships Program	14.239	M23-SG350100	1,545,837	4,598,886	40,373,467	44,972,353
HOME ARP	14.239	M21-SP350100	1,001,448	1,079,026	-	1,079,026
			<u>2,547,285</u>	<u>5,677,912</u>	<u>40,373,467</u>	<u>46,051,379</u>
Housing Opportunities for People with AIDS	14.241	NMH23-F999	1,207,276	1,251,277	-	1,251,277
COVID-19 Housing Opportunities for People with AIDS	14.241	NMH20-FHW999	12,233	14,533	-	14,533
Total Housing Opportunities for People with AIDS			<u>1,219,509</u>	<u>1,265,810</u>	<u>-</u>	<u>1,265,810</u>
ARRA-Tax Credit Assistance Program	14.258	M-09-ES-35-0100	-	-	12,405,880	12,405,880
Housing Trust Fund	14.275	F23-SG350100	-	2,822,584	12,266,839	15,089,423
NMAHCT Veterans Housing Rehabilitation & Modification Pilot Program	14.278	V-R1-6N-M0-0002	348,343	348,343	-	348,343
Neighborhood Stabilization Program						
Pass-through State DFA (a Community Development Block/Grant Neighborhood Stabilization Program)	14.228	19-NSP1-2-J-01	87,748	87,748	2,258,560	2,346,308
Recovery Housing Program Pass-Through State DFA	14.228	B-22-RH-35-0001	-	49,361	-	49,361
COVID-19 Community Development Block Grant Pass-Through State	14.228	20-CV-1002	-	12,939	-	12,939
Total Community Development Block Grants/State's Program			<u>87,748</u>	<u>150,048</u>	<u>2,258,560</u>	<u>2,408,608</u>
Total U.S. Department of Housing and Urban Development			<u>42,015,070</u>	<u>49,663,383</u>	<u>67,304,746</u>	<u>116,968,129</u>
U.S. Department of Treasury						
Capital Magnet Fund	21.011	201CM055112	-	1,432,285	3,243,354	4,675,639
Pass-through from New Mexico State DFA:						
COVID-19 Homeowner Assistance Fund	21.026	HAF0013	-	25,267,678	-	25,267,678
COVID-19 Coronavirus State and Local Fiscal Recovery Fund	21.027	CSLFRF-DFA-NMMFA-1	2,645,979	10,164,517	-	10,164,517
Total Department of Treasury			<u>2,645,979</u>	<u>36,864,480</u>	<u>3,243,354</u>	<u>40,107,834</u>
Department of Energy						
Weatherization Assistance for Low-Income Persons	81.042	EE0009918	1,969,441	2,176,204	-	2,176,204
Weatherization Assistance for Low-Income Persons BIL	81.042	EE0010003	3,616,835	4,243,427	-	4,243,427
Total Weatherization Assistance for Low-Income Persons			<u>5,586,276</u>	<u>6,419,631</u>	<u>-</u>	<u>6,419,631</u>
Total Department of Energy			<u>5,586,276</u>	<u>6,419,631</u>	<u>-</u>	<u>6,419,631</u>
U.S. Department of Health & Human Services						
Pass-Through from the NM Department of Human Services:						
Low Income Home Energy Assistance Program	93.568	24-630-9000-0009	1,860,845	1,897,346	-	1,897,346
Total Federal Grants			<u>52,108,170</u>	<u>94,844,840</u>	<u>70,548,100</u>	<u>165,392,940</u>
LOAN GUARANTY PROGRAMS						
U.S. Department of Housing and Urban Development:						
Mortgage Insurance - Homes (FHA)	14.117	N/A	-	-	24,062,475	24,062,475
U.S. Department of Housing and Urban Development:						
GNMA Mortgage Backed Security Program	14.000	N/A	-	183,346,663	1,611,922,752	1,795,269,415
U.S. Department of Veterans Affairs:						
Veterans Housing-Guaranteed and Insured Loans	64.114	N/A	-	-	140,080	140,080
U.S. Department of Agriculture:						
Very Low to Moderate Income Housing Loans	10.410	N/A	-	-	5,597	5,597
Section 538 Rural Rental Housing Guaranteed Loans	10.438	N/A	-	-	930,231	930,231
U.S. Department of Housing and Urban Development:						
Housing Finance Agencies Risk Sharing Programs	14.188	N/A	-	-	38,095,867	38,095,867
Total Loan Guaranty Programs			<u>-</u>	<u>183,346,663</u>	<u>1,675,157,002</u>	<u>1,858,503,665</u>
Total Federal Expenditures for Schedule of Federal Awards			<u>\$ 52,108,170</u>	<u>\$ 278,191,503</u>	<u>\$ 1,745,705,102</u>	<u>\$ 2,023,896,605</u>

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, 2023**

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. 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, 2023 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, 2023, the Authority recorded approximately \$17,526,000 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 \$41,262,000 at September 30, 2023. Of the 34 loans closed, the Authority funded 31 loans with outstanding principal of \$42,270,000 at September 30, 2023. HUD's assumed risk of loss of approximately \$38,043,000 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.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2023**

NOTE 3 MORTGAGE INSURANCE AND GUARANTEES (CONTINUED)

At September 30, 2023, the loan had an outstanding principal of \$1,008,000, of which the USDA assumed risk of loss of approximately \$907,000 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, 2023:

Program Title	Assistance Listing Number	September 30, 2022 Balance	Current Year Activity	September 30, 2023 Balance
HOME Investment Partnerships Program	14.239	\$ 40,373,467	\$ (816,876)	\$ 39,556,591
ARRA-Tax Credit Assistance Program	14.258	12,405,880	(183,183)	12,222,697
Neighborhood Stabilization Program	14.228	2,258,561	(41,659)	2,216,902
Mortgage Insurance - Homes (FHA)	14.117	24,062,474	(6,536,340)	17,526,134
Veterans Housing-Guaranteed and Insured Loans	64.114	140,080	(140,080)	-
Very Low to Moderate Income Housing Loans	10.410	5,597	(3,515)	2,082
Section 538 Rural Rental Housing Guaranteed Loans	10.438	930,231	(23,046)	907,185
GNMA Mortgage Backed Security Program	14.000	1,611,922,752	183,346,663	1,795,269,415
Housing Finance Agencies Risk Sharing Programs	14.188	38,095,867	(960,221)	37,135,646
Capital Magnet Fund	21.011	3,243,354	1,053,886	4,297,240
Housing Trust Fund - National	14.275	12,266,839	2,597,936	14,864,775
Total		<u>\$ 1,745,705,102</u>	<u>\$ 178,293,565</u>	<u>\$ 1,923,998,667</u>

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 Joseph M. Maestas, P.E.
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, 2023 and 2022, 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 28, 2023. The report recognizes that the Authority restated beginning net position for the implementation of a new accounting standard.

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 Joseph M. Maestas, P.E.

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

Albuquerque, New Mexico
November 28, 2023



**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 Joseph M. Maestas, P.E.
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, 2023. 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, 2023.

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.

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.

Authority Members
New Mexico Mortgage Finance Authority
and Joseph M. Maestas, P.E.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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

Albuquerque, New Mexico
November 28, 2023

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
YEAR ENDED SEPTEMBER 30, 2023**

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? _____ yes x 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)? _____ yes x no

Identification of Major Federal Programs

Assistance Listing Number(s)

Name of Federal Program or Cluster

<p>14.195 14.117 14.275 21.026 14.000 21.011 21.027</p>	<p>Section 8 Housing Assistance Payments Program Mortgage Insurance Program National Housing Trust Fund Homeowner Assistance Fund (HAF) Ginnie Mae Mortgage-Backed Securities Program Capital Magnet Fund Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)</p>
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Dollar threshold used to distinguish between Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
YEAR ENDED SEPTEMBER 30, 2023**

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

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED SEPTEMBER 30, 2023**

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

**2022-001 HOME Investment Partnerships Program – Management Occupancy Reviews
(Significant Deficiency)**

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

Status: Resolved.

**2022-002 ARRA Tax Credit Assistance Program (TCAP) – Management Occupancy Reviews
(Significant Deficiency)**

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

Status: Resolved.

OTHER REQUIRED SCHEDULES

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
EXIT CONFERENCE
YEAR ENDED SEPTEMBER 30, 2023**

An exit conference was conducted on November 27, 2023, in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority

Derek Valdo, Vice Chairman of Board and Chairman of Finance Committee

Martina CdeBaca, proxy for Attorney General Howie Morales, Lt. Governor, Finance Committee Member

Laura M. Montoya, State Treasurer and Finance Committee Member

Arundhati Bose, Chief Financial Officer

Yvonne Segovia, Controller

Joseph McIntyre, Controller

CliftonLarsonAllen, LLP

Gaby Miller, Signing Director

Chris Gregory, Audit Manager

OTHER SUPPLEMENTAL INFORMATION

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
COMPUTATION OF ADJUSTED NET WORTH IN ACCORDANCE WITH THE REQUIREMENTS OF
THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA)
YEAR ENDED SEPTEMBER 30, 2023**

A. ADJUSTED NET WORTH CALCULATIONS

Total Net Position		\$ 121,274,000
Less:		
Itemized Unacceptable Assets		
1. Prepaid Expenses	\$ (593,000)	
2. Other Receivables	(8,553,000)	
3. Real Estate Owned	(2,497,000)	
4. Intangible Assets	<u>(20,641,000)</u>	
Total Unacceptable Assets		<u>(32,284,000)</u>
Adjusted Net Worth		<u>\$ 88,990,000</u>

B. REQUIRED NET WORTH CALCULATIONS

Unpaid Principal Balance of Pools (Note: Number of Pools – 1130)		<u>\$ 1,795,269,000</u>
Plus:		
Outstanding Balance of Commitments, Authority Issued, and Requested		<u>\$ 112,704,000</u>
Total Outstanding Portfolio and Authority		<u>\$ 1,907,973,000</u>
Required Net Worth		<u>\$ 14,935,000</u>

C. EXCESS (DEFICIT) NET WORTH

(Adjusted Net Worth - Required Net Worth)		<u>\$ 74,055,000</u>
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**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
INSTITUTION-WIDE CAPITAL REQUIREMENT CALCULATION
YEAR ENDED SEPTEMBER 30, 2023**

State Housing Finance Agencies are not subject to institution-wide capital requirements per GNMA Guide Chapter 3, Part 8, Section A(3)(b).

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
LIQUID ASSET REQUIREMENT
YEAR ENDED SEPTEMBER 30, 2023**

Liquid Asset Calculation

A. REQUIRED NET WORTH		<u>\$ 14,935,000</u>
Acceptable Liquid Assets:		
1. Unrestricted Cash and Cash Equivalents	\$ 51,664,000	
2. Restricted Cash and Cash Equivalents	116,348,000	
3. GSE MBS at FMV	21,822,000	
4. US Agencies AAA Rated	<u>8,852,000</u>	
Total Liquid Assets		<u>\$ 198,686,000</u>
 B. REQUIRED LIQUID ASSETS		
Outstanding Single-Family MBS		\$ 1,791,195,000
.10% Requirement	\$ 1,791,000	
.07% Outstanding GSE Servicing	220,000	
.035% Outstanding Non-Agency Single-Family Servicing	<u>68,000</u>	
Required Liquid Assets		<u>\$ 2,079,000</u>
 Minimum Requirement		 \$ 1,000,000
 C. EXCESS LIQUID ASSETS		
(Liquid Assets - Required Liquid Assets)		<u>\$ 196,607,000</u>
 D. MEETS REQUIREMENT?		
		Yes

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF INSURANCE – GNMA REQUIRED INSURANCE COVERAGE –
ISSUER IDENTIFICATION NUMBER 3676
YEAR ENDED SEPTEMBER 30, 2023**

A. IDENTIFICATION OF AFFILIATED GNMA ISSUERS	
Affiliated GNMA Issuers	None
Affiliated Issuers on Same Insurance Policies	None
B. REQUIRED INSURANCE CALCULATION	
Servicing Portfolio:	
GNMA	\$ 1,795,269,000
FNMA	314,132,000
Conventional (Other)	<u>193,597,000</u>
Total Servicing Portfolio	<u>\$ 2,302,998,000</u>
Required Fidelity Bond Coverage	<u>\$ 2,827,998</u>
Required Mortgage Servicing Errors and Omissions Coverage	<u>\$ 2,827,998</u>
C. VERIFICATION OF INSURANCE COVERAGE	
Fidelity Bond Coverage at September 30, 2023	<u>\$ 3,500,000</u>
Mortgage Servicing Errors and Omissions Coverage at September 30, 2023	<u>\$ 3,500,000</u>
D. EXCESS (DEFICIT) INSURANCE COVERAGE	
Fidelity Bond Coverage	<u>\$ 672,002</u>
Mortgage Servicing Errors and Omissions Coverage	<u>\$ 672,002</u>
E. GNMA LOSS PAYABLE ENDORSEMENT	
Fidelity Bond Coverage	<u>Yes</u>
Mortgage Servicing Errors and Omissions Coverage	<u>Yes</u>



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