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

FINANCIAL STATEMENTS AND
GNMA COMPLIANCE REPORTS

YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
TABLE OF CONTENTS
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
TABLE OF CONTENTS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
BOARD OF DIRECTORS
SEPTEMBER 30, 2021

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate remaining fund information 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, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinions, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and aggregate remaining fund information of the Authority as of September 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the financial position and changes in financial position of the Authority. They do not purport to, and do not, present fairly the financial position of the state of New Mexico as of September 30, 2021 and 2020, 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.

During the fiscal year ended September 30, 2021, the Authority adopted Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. As a result of the implementation of this standard, the Authority reported a restatement for the change in accounting principle (see Note 1). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The supplementary schedules, the schedule of expenditures of federal awards, 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
February 10, 2022

This page intentionally left blank.

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, 2021, 2020, and 2019. This information is being presented to provide additional information regarding the activities and operations of the Authority and to meet the disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34) and GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*. The Authority is a self-supporting entity and follows business type activity reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Enterprise fund statements offer short and long-term financial information about the Authority's financial activities. This analysis should be read in conjunction with the independent auditors' report, audited financial statements, and accompanying notes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of four parts: management's discussion and analysis; the basic financial statements; the notes to the financial statements; and required and other supplementary information. The management discussion and analysis only discusses the business-type activities and does not include the fiduciary fund. The basic financial statements include the following:

> The statements of net position include all the Authority's assets and liabilities, presented in order of liquidity, along with deferred outflows and deferred inflows, which represent deferrals of resources related to future periods. The resulting net position presented in these statements is displayed as invested in capital assets, restricted or unrestricted. Net position is restricted when its use is subject to external limits such as bond indentures, legal agreements, or statutes.
>
> All the Authority's current year revenues and expenses are recorded in the statements of revenues, expenses, and changes in net position. This statement measures the activities of the Authority's operations over the past year and presents the resulting change in net position.
>
> The statements of cash flows primary purpose is to provide information about the Authority's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments and net changes in cash resulting from operating, noncapital financing, capital and related financing and investing activities. These statements also provide information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential for a full understanding of the information provided in the financial statements. Required and other supplementary information is presented following the notes to financial statements to provide selected supplemental information, such as combining schedules for the Authority's programs.

FINANCIAL HIGHLIGHTS

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

	2021	2020, As Restated	2019, As Restated
Cash and Cash Equivalents (Unrestricted and Restricted)	$ 156,627	$ 84,530	$ 109,291
Investments (Unrestricted and Restricted)	69,494	72,658	71,316
Mortgage-Backed Securities and Mortgage Loans Receivable	1,294,333	1,318,300	1,185,355
Total Assets	1,552,759	1,500,489	1,385,526
Bonds Payable	1,161,309	1,121,174	1,045,344
Total Liabilities	1,219,388	1,180,761	1,110,083
Total Net Position	333,573	320,012	275,819
Total Operating Revenues	79,409	73,884	61,963
Total Operating Expenses	60,001	57,472	51,103
Operating Income	19,408	16,412	10,860
Total Nonoperating Revenues (Expenses)	(5,847)	27,781	30,289
Change in Net Position	13,561	44,193	40,826

The Authority continued to experience the impacts of the Covid-19 pandemic into fiscal year 2021, as much of the Authority's business model is driven by capital markets and the interest rate environment, which remained dynamic through the second quarter due to the effects of the health crisis. These trends effected the Authority's Single Family Mortgage program funding strategy, the servicing business function, interest margins and yields, and loan repayment and refinancing activity. The Authority began the year selling the majority of its mortgage-backed securities (MBS) originated through the Single Family Mortgage program into the secondary market. There was a shift in market conditions in the third quarter, and the Authority was successful in issuing three tax-exempt revenue bonds to fund the first-time homebuyer program. Similar to the previous fiscal year, about 60% of the Authority's mortgage production this year was funded by loan sales, and about 40% through revenue bond proceeds. The result of this funding strategy was increased loan sale up front, one-time administrative fee income, rather than the long-term annuity cash flows provided by tax-exempt bond funding. Due to a drop in mortgage interest rates, both new single family loan production and loan payoffs increased significantly from the prior fiscal year, as borrowers took advantage of refinancing and home sale opportunities. The increase in loan production also helped to grow the Authority's servicing business line, as servicing rights are purchased at loan origination. This asset also provides long-term annuity revenue over the life of the MBS to support servicing functions. The federal funds rate remained low through the fiscal year, reaching its peak in July at 0.10%, which sustained lower yields for the Authority's fixed income assets on the balance sheet. However, overall, the Authority experienced solid financial performance with balance sheet growth and strong revenues.

Financial highlights are summarized as follows:

- Total assets were $1.6 billion, an increase of 3.5% from September 30, 2020. The increase primarily reflects growth in the one-time administrative fee income from direct market loan sales, which resulted in an 85% increase in cash and cash equivalents.
- Fiscal year 2021 MBS purchases and originations totaled $210.8 million as compared to $224.2 million in fiscal year 2020 due to the increased utilization of the secondary market loan sales and bond market loan sales to fund the Single Family Mortgage Program.
- Revenue bonds issued for the Single Family Mortgage program totaled $249.3 million in fiscal year 2021 and $190.0 million in fiscal year 2020. As previously noted, the pandemic created dysfunction in the bond market, thus there was less utilization of mortgage revenue bonds to fund the Single Family Mortgage Program in the prior year and through the second quarter of fiscal year 2021. Additionally, the Authority was able to take advantage of one refunding opportunity during fiscal year 2021.
- Total liabilities were $1.2 billion, an increase of 3.3% from September 30, 2020 due to revenue bond activity.
- In fiscal year 2021, net position increased $13.6 million or $21.5 million when excluding the net change in the fair value of investments. Valuation of interest rate sensitive assets tend to decrease in an increasing interest rate environment.

FINANCIAL POSITION

The net position of the Authority increased $13.6 million from September 30, 2020 to September 30, 2021 and increased $44.2 million from September 30, 2019 to September 30, 2020. The following table is a condensed summary of net position at September 30, 2021, 2020, and 2019 (in thousands):

	2021	2020, As Restated	2019, As Restated
Assets			
Current Assets	$ 92,420	$ 91,359	$ 69,378
Noncurrent Assets	1,460,339	1,409,130	1,316,148
Total Assets	1,552,759	1,500,489	1,385,526
Deferred Outflows of Resources			
Unamortized Loss on Refunding	202	284	376
Liabilities			
Current Liabilities	105,221	103,633	72,313
Noncurrent Liabilities	1,114,167	1,077,128	1,037,770
Total Liabilities	1,219,388	1,180,761	1,110,083
Net Position			
Investment in Capital Assets	1,912	1,295	1,184
Restricted	81,247	90,778	61,715
Restricted for Land Title Trust and Housing Trust	35,218	32,779	30,351
Unrestricted	215,196	195,160	182,569
Total Net Position	$ 333,573	$ 320,012	$ 275,819

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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

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

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

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

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2020 AND 2019

The decrease in cash and cash equivalents of $24.7 million reflects a decrease in restricted cash due to the timing of Single Family Mortgage Program bond transaction on closings. Additionally, the Authority experienced a decrease in cash balances due to support required for mortgage forbearance programs and loan modification activity because of job loss caused by COVID-19.

During this fiscal year, the Authority purchased $224.2 million of MBS and $505.5 million in whole loans. MBS and whole loan purchases were offset by $115.4 million in repayments of securitized mortgage loans and $517.4 million of whole loan and down payment assistance loan repayments during the year. The financial statements reflect a $96.9 million net increase of MBS and mortgage loans receivable. The purchased mortgage servicing rights portfolio associated with the loan originations increased $5.3 million for a total portfolio of $16.2 million at year-end, which was written down to fair market value of $14.5 million.

Over the past year due to tax-exempt bonding activity the Authority experienced a 6.4% increase in liabilities. Proceeds from the sale of bonds and notes payable were $474.8 million; bond and note repayments and refundings totaled $404.8 million, resulting in the net increase for the year of $70.0 million.

CHANGE IN FINANCIAL POSITION

The operating income for the year increased by approximately $3.0 million when compared to fiscal year 2020. The following table is a condensed summary of changes in net position for the years ended September 30, 2021, 2020, and 2019 (in thousands):

	2021	2020, As Restated	2019, As Restated
Operating Revenues			
Interest on Loans and MBS	$ 44,280	$ 49,027	$ 42,488
Interest on Securities and Investments	1,652	3,217	3,940
Program Revenues	9,201	7,169	5,593
Loan and Commitment Fees	2,393	2,299	3,281
Administrative Fees	16,912	10,797	5,175
Other Revenues	4,971	1,375	1,486
Total Operating Revenues	79,409	73,884	61,963
Operating Expenses			
Interest Expense	33,933	37,390	31,873
Bond Issuance Costs	2,139	1,625	3,033
Provision for (Recovery of) Loan Losses	65	199	839
Administrative and Other Expenses	23,864	18,258	15,681
Total Operating Expenses	60,001	57,472	51,426
Operating Income	19,408	16,412	10,537
Nonoperating Revenues (Expenses)			
Net (Decrease) Increase in Fair Value of Investments	(7,905)	26,712	30,228
State Appropriations	2,034	1,116	-
Grant Income	88,264	50,593	48,481
Grant Expense	(88,264)	(50,650)	(48,481)
Trust Contributions	30	14	68
Trust Distributions	(6)	(4)	(7)
Total Nonoperating Revenues (Expenses)	(5,847)	27,781	30,289
Change in Net Position	13,561	44,193	40,826
Total Net Position - Beginning of Year, As Restated (See Note 1)	320,012	275,819	234,993
Total Net Position - End of Year	$ 333,573	$ 320,012	$ 275,819

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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

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

The change in fair value of securities for 2021 was a decrease of $7.9 million compared to an increase of $26.7 million in 2020. This represents a decrease in the overall fair market value of investments, held at September 30, 2021 compared to September 30, 2020. These valuation changes are due to the interest rate sensitivity of these assets and they are adjusted as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31) to fair value. The majority of the assets impacted by the GASB valuation requirement are the MBS held on the Authority's statement of net position that serve as collateral for the single family bonds issued and provide the revenue source to repay those debt obligations; legally the Authority cannot sell or trade the related securities unless the bonds are optionally redeemable and redeemed. Rating agencies do not include GASB No. 31 valuation adjustments in their analysis of a Housing Finance Agency's (HFA) performance; these adjustments represent unrealized gains or losses and the Authority considers these valuation changes nonoperating revenues.

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Operating revenues increased $12 million from 2019 to 2020, approximately 19.2%, because of increased interest income, administrative fees, and program revenues. As a result of the level of tax-exempt bond issuance and reduction of MBS loan sales into the secondary market during the year, interest income increased $5.8 million and administrative fees increased by $5.7 million. These were offset by a decrease in loan commitment fees of $.98 million. Program revenues increased by $1.6 million due to the growth of the servicing portfolio.

Operating expenses increased by $6.0 million in 2020, approximately 11.8%, primarily due to increases in bond interest expense of $5.5 million and administrative and other expenses of $2.6 million.

The change in fair value of securities for 2020 was an increase of $26.7 million compared to an increase of $30.2 million in 2019. This represents an increase in the overall fair market value of investments, held at September 30, 2020 compared to September 30, 2019. These valuation changes are due to the interest rate sensitivity of these assets and they are adjusted as required by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (GASB No. 31) to fair value. The majority of the assets impacted by the GASB valuation requirement are the MBS held on the Authority's statement of net position that serve as collateral for the single family bonds issued and provide the revenue source to repay those debt obligations; legally the Authority cannot sell or trade the related securities unless the bonds are optionally redeemable and redeemed. Rating agencies do not include GASB No. 31 valuation adjustments in their analysis of a Housing Finance Agency's (HFA) performance; these adjustments represent unrealized gains or losses and the Authority considers these valuation changes nonoperating revenues.

DEBT ADMINISTRATION

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

In conjunction with bond issuance activities, the Authority continually investigates and utilizes financing and debt management techniques designed to achieve its goals of minimizing interest expense and efficiently utilizing Bond Cap while managing risk and responding to changing capital markets. The Authority evaluates other innovative bond financing structures and asset/liability management strategies as needed to maximize earnings in both the long and short-term. This includes evaluating tax-exempt housing bond structures, issuing taxable bonds when rates are beneficial, and reviewing callable bond programs to determine if earnings could be maximized by eliminating debt and using the assets to generate more income or as subsidy to upcoming bond issues. 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 fiscal year 2021, the Authority issued $249.3 million of Single Family Mortgage Program revenue bonds; including $16.3 million of refunding bonds. This is $59.3 million more than the $190.0 million issued in 2020. The issuance of debt increased during fiscal year 2021 due to stabilization of the market conditions created by the health crisis. The Authority also sold $327.0 million of single family mortgages into the secondary market during the year. Due to the change in federal fiscal policy related to the pandemic, interest rates overall declined, but volatility in market conditions continues to subside during 2021. MBS margins decreased approximately $3.0 million this fiscal year in comparison to 2020 for the Single Family Mortgage Program. The Authority redeemed $189.2 million of Single Family Mortgage Program bonds due to repayments and maturities, compared to $98.9 million in 2020.

During fiscal year 2020, the Authority issued $190.0 million of Single Family Mortgage Program revenue bonds; no refunding bonds were issued. This is $158.8 million less than the $348.8 million issued in 2019. The issuance of debt decreased during fiscal year 2020 due to unfavorable market conditions created by the health crisis. The Authority also sold $235.0 million of single family mortgages into the secondary market during the year. Due to the change in federal fiscal policy related to the pandemic, interest rates overall declined, thus interest margins decreased approximately $.4 million this fiscal year in comparison to 2019 for the Single Family Mortgage Program. The Authority redeemed $98.9 million of Single Family Mortgage Program bonds due to repayments and maturities, compared to $109.6 million in 2019.

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

During fiscal year 2020, the Authority did not issue any Rental Housing Bonds compared to $18.7 million issued during 2019. In 2020, $24.5 million of Rental Housing Bonds were redeemed due to repayments and maturities compared to $19.2 million in 2019.

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

In addition to issuing bonds to fund the Authority's Single Family Mortgage Program, the Authority also uses short-term borrowings from the Federal Home Loan Bank of Dallas to support the warehousing of single family mortgages originated through the mortgage program. As of September 30, 2021, those notes outstanding total $26.9 million, in comparison to $32.5 million at the end of 2020. 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 servicing income are the primary sources of revenues for the Authority. While during 2021 and 2020, the Authority's programs achieved strong financial results despite the COVID-19 impacts, the general decline of the economy and lower interest rates overall, will continue per forecasts over the next few years. Most economic experts believe the recovery will be slow. There were significant declines in gross domestic product and large, unprecedented increases in unemployment for a period of time. While both indicators have stabilized, concerns remain. However, the New Mexico housing market was strong and the Authority experienced record high demand for the Single Family Mortgage Program during 2021. That is expected to continue as we look forward, but will be limited by a diminishing housing supply and increasing housing costs.

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

The 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. During 2015, the Authority changed its primary rating agency relationship to Moody's Investors Service (Moody's). Moody's has not downgraded the U.S. and provides a AAA rating for all bonds backed by Fannie Mae and Ginnie Mae credit enhanced securities. Currently, approximately 10% of the Authority's bonds outstanding reflect the AA+ S&P rating and approximately 90% reflect the AAA Moody's rating. The Authority's single family housing bonds moving forward will carry the AAA rating.

Bond proceeds and monthly MBS revenues received between debt service dates are invested in a government money market fund. Although there have been changes in the current interest rate environment, the Authority has been able to limit the negative arbitrage experienced for these programs. Restricted cash related to bond issuance remain 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 of the Single Family Mortgage Programs are also conservative and include the AAAm rated New Mexico State Treasurer's Local Government Investment Pool and internal loan warehousing for short-term investments. Liquid and marketable U.S. agency obligations and Authority program MBS are maintained in the intermediate term investment portfolio. For long-term investment purposes the Authority invests in program MBS as well as the nonrated New Mexico State Investment Council Investment Funds Program (SIC). The Authority's SIC portfolio includes corporate investment grade bond funds (31%), a large cap equities fund (32%), a small/mid cap fund (15%), a non-U.S. developed markets fund (17%) and a non-U.S. emerging markets fund (5%). Several years ago, to improve investment returns, the Authority began investing in its own MBS as bond programs became callable and residual MBS from those bond programs became available.

Due to the strong investment returns associated with the MBS asset class, the Authority now carries both intermediate and long-term MBS portfolios which yielded approximately 5.11% and 3.07% respectively during fiscal year 2021. The Authority's agency obligations provided yields of 0.34%, as compared to 1.5% in fiscal year 2020. Investments in the SIC experienced $4.3 million in fair market value gains in comparison to 2019 when fair market value gains were $1.3 million. There was extreme market volatility especially during the beginning of the year due to the health crisis. However, the overall rate of return on the Authority's SIC long-term portfolio for 2021 recovered over the course of the year, and as of the last quarter was 18.61%.

Moving into fiscal year 2022, the Authority expects to continue to utilize both the secondary market and tax-exempt bond issuance 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 begin to be less advantageous to the Authority and potential first-time homebuyers. This does potentially limit the ability to grow the Authority's earning asset base especially considering expected high mortgage payoff activity as a result of historically low mortgage rates. However, selling loans into the secondary market will assist in supporting the single family loan production. There will be continued challenges in competing with the traditional mortgage market as rates continue at historical lows, but overall economic benefits for the Authority are monitored closely regarding funding the Single Family Mortgage Program. If borrowers have good credit and are not in need of down payment assistance, they may be able to get better mortgage rates elsewhere. The Authority does, however, believe that the down payment assistance programs will help in maintaining program demand and viability. Additionally, the Authority will continue to purchase the mortgage servicing rights associated with the Single Family Mortgage Program growing that new revenue base for the organization.

Market interest rates effect both the Single Family Mortgage Programs and investment income revenues. During the last part of the fiscal year, the effect of federal fiscal policy in relation to interest rates began to finally shift. If interest rates increase, the Authority expects interest income on loans and investment income to increase as new loans are originated and new investments are purchased at a higher level.

If interest rates continue to fall or stabilize, the Authority expects interest income on loans, and investment income to decrease as new loans are originated and new investments are purchased at lower levels. Market forecasts indicate that traditional mortgage and reinvestment rates will continue at current levels, which has already been noted, are very low. Regarding prepayments, with the decrease in mortgage rates, prepayments will continue at current levels or could even increase. Conversely, an increase in mortgage interest rates could cause a decrease in prepayments. As previously discussed, the Authority will continue to issue bonds and sell loans into the secondary market to fund the Single Family Mortgage Program depending on capital markets and which execution provides the best economic benefit to the Authority and homebuyers. This strategy will provide a balanced approach in that revenues related to the program will flow to the Authority as long-term annuity revenue over time when bonds are issued. The benefit of the upfront transaction fees associated with loan sales will provided increased immediate cash. The Authority anticipates that federal funding levels for affordable housing programs will continue to increase from normal levels, providing administrative fee income related to those programs at higher levels. Additional federal funding did flow to the Authority in 2021 and 2020 to support affordable housing needs as a result of the health crisis.

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, 2021 AND 2020
(IN THOUSANDS)

	2021	2020 As Restated
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	$ 49,523	$ 26,601
Restricted	23,124	37,841
Restricted Cash Held in Escrow	9,135	10,599
Total Cash and Cash Equivalents	81,782	75,041
Securitized Mortgage Loans	-	7,750
Accrued Interest Receivable	4,153	4,485
Due from Fiduciary Fund	10	41
Other Current Assets	6,475	4,042
Total Current Assets	92,420	91,359
NONCURRENT ASSETS		
Restricted Cash and Cash Equivalents	74,845	9,489
Investments:		
Restricted Investments	16,735	14,712
Unrestricted Investments	51,846	56,928
Unrealized Gain on Restricted and Unrestricted Investments	913	1,018
Total Investments, Net	69,494	72,658
Restricted Securitized Mortgage Loans, Net:		
Securitized Mortgage Loans, Net	1,057,876	1,034,383
Unrealized Gain on Securitized Mortgage Loans	48,435	56,235
Restricted Securitized Mortgage Loans, Net	1,106,311	1,090,618
Mortgage Loans, Net:		
Restricted Mortgage Loans, Net	44,091	69,956
Restricted Trust Funds Mortgage Loans, Net	17,088	14,875
Unrestricted Mortgage Loans, Net	126,843	135,101
Total Mortgage Loans, Net	188,022	219,932
Capital Assets, Net	1,912	1,295
Intangible Assets	17,477	14,476
Other Noncurrent Assets	2,278	662
Total Noncurrent Assets	1,460,339	1,409,130
Total Assets	1,552,759	1,500,489
DEFERRED OUTFLOWS OF RESOURCES		
Unamortized Loss on Refunding Bonds	202	284
Total Assets and Deferred Outflows of Resources	$ 1,552,961	$ 1,500,773

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, 2021 AND 2020
(IN THOUSANDS)

LIABILITIES AND NET POSITION	2021	2020 As Restated
CURRENT LIABILITIES		
Escrow Deposits and Reserves	$ 9,005	$ 10,496
Accrued Interest Payable	7,250	7,089
Accounts Payable and Other Accrued Expenses	14,207	8,803
Compensated Absences	543	532
Current Portion of Bonds Payable	50,323	46,639
Current Portion of Notes Payable	23,893	30,074
Total Current Liabilities	105,221	103,633
NONCURRENT LIABILITIES		
Bonds Payable, Net of Current Portion	1,110,986	1,074,535
Notes Payable, Net of Current Portion	3,048	2,435
Other Noncurrent Liabilities	133	158
Total Noncurrent Liabilities	1,114,167	1,077,128
Total Liabilities	1,219,388	1,180,761
NET POSITION		
Investment in Capital Assets	1,912	1,295
Restricted for Debt Service	81,247	90,778
Restricted for Land Title Trust and Housing Trust	35,218	32,779
Unrestricted	215,196	195,160
Total Net Position	333,573	320,012
Total Liabilities and Net Position	$ 1,552,961	$ 1,500,773

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, 2021 AND 2020
(IN THOUSANDS)

	2021	2020 As Restated
OPERATING REVENUES		
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 44,280	$ 49,027
Interest on Securities and Investments	1,652	3,217
Housing Program Income	1,256	1,318
Program Servicing Fees	7,945	5,851
Loan and Commitment Fees	2,393	2,299
Administrative Fees	16,912	10,797
Other Revenues	4,971	1,375
Total Operating Revenues	79,409	73,884
OPERATING EXPENSES		
Interest Expense	33,933	37,390
Bond Issuance Costs	2,139	1,625
Provision for Loan Losses	65	199
Administrative and Other Expenses	23,864	18,258
Total Operating Expenses	60,001	57,472
OPERATING INCOME	19,408	16,412
NONOPERATING REVENUES (EXPENSES)		
Net (Decrease) Increase in Fair Value of Investments	(7,905)	26,712
State Appropriations	2,034	1,116
Grant Income	88,264	50,593
Grant Expense	(88,264)	(50,650)
Trust Contributions	30	14
Trust Distributions	(6)	(4)
Total Nonoperating Revenues (Expenses)	(5,847)	27,781
CHANGE IN NET POSITION	13,561	44,193
Total Net Position - Beginning of Year, As Restated (See Note 1)	320,012	275,819
TOTAL NET POSITION - END OF YEAR	$ 333,573	$ 320,012

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, 2021 AND 2020
(IN THOUSANDS)

	2021	2020, As Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Purchase of Loans	$ (564,526)	$ (505,556)
Receipts of Loan Repayments	596,438	517,436
Loan and Commitment Fees	2,393	2,299
Mortgage Interest Received	44,612	48,725
Purchase of Securitized Mortgage Loans	(210,810)	(224,233)
Discount (Premium) on MBS	277	(2,577)
Principal Repayment of Securitized Mortgage Loans	195,033	115,383
Restricted Escrow and Reserves, Net	(1,491)	(79)
Receipts for Services	17,853	14,906
Payments to Employees for Services	(9,549)	(8,105)
Payments to Suppliers of Goods or Services	(9,477)	(7,469)
Other Payments	(4,476)	(4,707)
Net Cash Provided (Used) by Operating Activities	56,277	(53,977)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Proceeds from Sale of Bonds and Notes Payable	432,243	474,815
Repayment and Refunding of Bonds and Notes Payable	(397,676)	(404,752)
Payment of Interest on Bonds and Notes	(33,772)	(36,181)
Payment for Bond Issuance Costs	(2,139)	(1,625)
Receipt of Grant Income	88,264	50,593
Payment of Grants	(88,264)	(50,650)
Contributions to Land Title Trust	30	79
Land Title Trust Distributions	(6)	(54)
State Appropriations	2,034	1,116
Net Cash Provided by Noncapital Financing Activities	714	33,341
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of Capital Assets	(844)	(306)
Net Cash Used by Capital Financing Activities	(844)	(306)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Other Real Estate Owned	(1,258)	(1,261)
Purchase of Investments	(21,536)	(28,357)
Proceeds from Maturity and Sale of Investments	37,150	22,776
Investment Interest Income	1,652	3,217
(Premium) on Investments	(58)	(185)
Gain on Sale of Securities	-	3
Net Cash Provided (Used) by Investing Activities	15,950	(3,807)
NET CHANGE IN CASH AND CASH EQUIVALENTS	72,097	(24,749)
Cash and Cash Equivalents - Beginning of Year	84,530	109,279
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 156,627	$ 84,530
Current Cash and Cash Equivalents	$ 81,782	$ 75,041
Noncurrent Cash and Cash Equivalents	74,845	9,489
Cash and Cash Equivalents - End of Year	$ 156,627	$ 84,530

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, 2021 AND 2020
(IN THOUSANDS)

	2021	2020, As Restated
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income	$ 19,408	$ 16,412
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Bond Issuance Costs	2,139	1,625
Loan and Commitment Fees	(2,393)	(2,299)
Amortization of Securitized Mortgage Loans and Mortgage Loan Discounts/Premiums	3,780	2,486
(Gain) Loss on Sale of Assets	(358)	625
Depreciation Expense	227	194
Provision of Loan Losses	65	199
Investment Interest Income	(1,652)	(3,217)
Interest Expense on Bonds and Notes Payable	33,933	37,390
Changes in Assets and Liabilities:		
Accrued Interest Receivable on Securitized Mortgage Loans and Mortgage Loans	332	(302)
Other Current Assets	(2,433)	(872)
Other Noncurrent Assets	(4,617)	(4,153)
Accounts Payable and Other Accrued Expenses	5,404	(636)
Escrows and Deposits	(1,491)	(79)
Other Noncurrent Liabilities	(6,956)	(5,724)
Securitized Mortgage Loans, Net Cost	(21,021)	(107,631)
Mortgage Loans	31,910	12,005
Net Cash Provided (Used) by Operating Activities	$ 56,277	$ (53,977)

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, 2021 AND 2020
(IN THOUSANDS)

	2021	2020, As Restated
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents:		
Unrestricted	$ 863	$ 469
Total Cash and Cash Equivalents	863	469
Other Current Assets	23	41
Total Current Assets	886	510
Total Assets	$ 886	$ 510
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Due to Authority	$ 10	41
Total Current Liabilities	10	41
Total Liabilities	10	41
NET POSITION		
Restricted	876	469
Total Net Position	876	469
Total Liabilities and Net Position	$ 886	$ 510

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, 2021 AND 2020
(IN THOUSANDS)

	2021	2020, As Restated
ADDITIONS		
CONTRIBUTIONS		
Trust Contributions	$ 459	$ 65
Grant Income	43	-
Total Contributions	502	65
OTHER		
Administrative Fees	9	41
Total Additions	511	106
DEDUCTIONS		
Trust Distributions	30	50
Grant Expense	43	-
Administrative and Other Expenses	31	41
Total Deductions	104	91
CHANGE IN NET POSITION	407	15
Total Net Position - Beginning of Year	469	454
TOTAL NET POSITION - END OF YEAR	$ 876	$ 469

See accompanying Notes to Financial Statements.

NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

On September 19, 2007, the Authority established the nonprofit legally separate entity of the New Mexico Affordable Housing Charitable Trust (the Trust), which was created to support the purpose and programs of the Authority. The Authority acting through its board of directors in accordance with the Act, is the trustee. The Authority supports the ongoing operations of the Trust with an annual contribution in the amount of the cost of operations. As such, the Trust is determined to be a fiduciary activity of the Authority and is presented separately in the financial statements as such.

For financial reporting purposes, the Authority is considered a discretely presented component unit of the state of New Mexico in accordance with Governmental Accounting Standards Board (GASB) No. 14 and No. 61.

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

Basis of Presentation

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

Basis of Accounting

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

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

Estimates

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

Programs

The following describes the nature of the programs maintained by the Authority:

- Single Family Mortgage Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related mortgage loans for single-family, owner-occupied housing in New Mexico. Management expects to be able to securitize single family mortgage loans to maturity with no funding requirement necessary from the Authority. Each single-family bond indenture is accounted for as a segment (see supplementary statements and schedules).

- Rental Housing Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related loans to qualified lenders for the purpose of financing multifamily rental housing facilities in New Mexico. Each multifamily bond indenture is accounted for as a segment (see supplementary statements and schedules).

- General Accounts – Accounts for assets, liabilities, revenues, and expenses not directly attributable to a bond program. Most of the bond resolutions of the programs permit the Authority to make cash transfers to the general accounts after establishing reserves required by the bond resolutions. The general accounts financially support the bond programs when necessary. The general accounts include proprietary loan programs developed by the Authority to meet the needs of low- and moderate-income borrowers not served by traditional lending programs. This group of accounts is referred to as the Housing Opportunity Fund and includes the ACCESS Loan program, HERO Loan program, Primero program, Partners program, and several down payment assistance programs.

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

Programs (Continued)

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

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

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

  - *Section 8 Program* – The Section 8 program provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing for very low-income families at rents they can afford.

  - *The Weatherization Assistance Program (WAP)* – WAP is a long term grant program funded by the U.S. Department of Energy, state and utility companies. The purpose of the program is to make low income households more energy efficient, thereby reducing the utility bills of these families. The funds may be used for leakage reduction, incidental repairs, health and safety measures, insulation, storm windows and doors, and energy efficiency training.

  - *The Low-Income Home Energy Assistance Program (LIHEAP)* – LIHEAP provides low-income households with a one-time cash benefit to help pay their utility bills. Up to 15% of the program grant, the only portion administered by the Authority, can be used for rehabilitation and can be combined with the WAP funds.

  - *The Emergency Solutions Grants Program (ESG)* – ESG provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency shelters, to help meet the costs of operating emergency shelters, and to provide certain essential social services to homeless individuals and families.

  - *Housing Opportunities for Persons with AIDS Program (HOPWA)* – The HOPWA program is designed to provide states and localities with resources and incentives to devise long-term strategies for meeting the housing needs of persons with acquired immune deficiency syndrome (AIDS) or related diseases.

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

Programs (Continued)

- *Tax Credit Assistance Program (TCAP) (Recovery Act Funded)* – TCAP provided grant funds to state housing credit agencies for capital investments in rental projects that received an award of LIHTC during the period from October 1, 2006 to September 30, 2009, and required additional funding to be completed and placed into service in accordance with the LIHTC requirements of Section 42 of the Internal Revenue Code (IRC).

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

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

- *New Mexico Housing Trust Fund (NMHTF)* – The NMHTF's purpose is to provide flexible funding for housing initiatives in order to produce significant additional housing investment in the state. The fund consists of all distributions and appropriations made to the fund. Earnings of the fund shall be credited to the fund, and unexpended and unencumbered balances in the fund shall not revert to any other fund. The Authority is the trustee for the fund. The fund receives revenue from the following recurring sources: 1) appropriations and transfers from the state; 2) any other money appropriated or distributed to the fund; 3) any private contributions to the fund; or 4) earnings of the fund. Money in the fund is appropriated to the Authority for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act, which are to provide affordable residential housing to persons of low or moderate income.

- *Land Title Trust Fund (LTTF)* – Pursuant to the Land Title Trust Fund Act, depository institutions that maintain trust or escrow accounts for customers may establish and make available pooled interest-bearing transaction accounts for title company escrows. The interest earned from this program is forwarded to the LTTF. The account agreement between the depositor and the financial institution shall expressly provide for the required remittance of interest. The Authority is trustee for the fund. The trustee shall deposit in the fund money received by it pursuant to the Low-Income Housing Trust Act and the Land Title Trust Fund Act, and use funds to finance in whole or part any loans or grant projects that will provide housing for low-income persons or for other uses specified in the Land Title Trust Fund Act.

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

Programs (Continued)

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

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

Cash and Cash Equivalents

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

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

Unrestricted and Restricted Investments

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

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

Securitized Mortgage Loans

Securitized mortgage loans consist primarily of Fannie Mae and Ginnie Mae MBSs, which were pooled and securitized by a contract servicer utilizing Single Family Mortgage Program loans purchased by the Authority. These securities are stated at fair value, and changes in the fair value are reported as nonoperating revenues (expenses) in the statements of revenues, expenses, and changes in net position as net increase (decrease) in fair value of investments, in accordance with GASB No. 31 and GASB No. 72. The bond issue trustees use a third-party pricing service to compute the MBS fair value.

Mortgage Loans

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

For qualifying borrowers in the Single Family Mortgage Programs, the Authority offers loans to provide DPA. DPA loans are secured by second liens. Additionally, included in mortgage loans as of September 30, 2021 and 2020 were $3.1 million of loans to borrowers of certain nonprofit organizations, which are subject to reimbursement provisions in lieu of insurance.

Allowance for Mortgage Loan Losses

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

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

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

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

Interest on Mortgage Loans

Interest on mortgage loans is accrued based upon the principal amounts outstanding net of service fee expenses of approximately $93,000 and $93,000 as of September 30, 2021 and 2020, respectively. Mortgage loans are placed on nonaccrual after 90 days' delinquency.

Loan Origination and Commitment Fees

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

Bond Issuance Costs

Bond issuance costs are expensed in the period incurred.

Capital Assets

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

Intangible Assets

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

Deferred Outflow of Resources

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

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

Accrued Arbitrage Rebate

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

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

Advances on Revenue

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

Compensated Absences

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

Vacation Leave

Full-time and part-time employees are eligible to accrue vacation leave based on their length of employment and hours regularly scheduled up to a maximum of 280 hours. At September 30 of each year, any accumulated hours in excess of 280 not taken are forfeited. At September 30, 2020, due to COVID-19 impacts, the deadline to take vacation was extended to January 15, 2021, and accumulated hours in excess of 280 were not forfeited. Accrued vacation leave will be paid to an employee upon termination. Accrued vacation leave is computed by multiplying each employee’s current hourly rate by the number of hours accrued.

Sick Leave

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

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

Net Position

Net position is classified as follows:

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

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

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

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

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

Revenues and Expenses

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

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

Nonoperating revenues include activities that have the characteristics of nonexchange transactions such as grant award revenues and adjustments to fair market values in accordance with GASB No. 31. Grant award revenue streams are recognized under GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (GASB No. 33). Revenues are recognized when all applicable eligibility requirements have been met, specifically when expenditures related to the grant awards have been incurred, submitted, and approved for payment.

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.

Change in Accounting Principle

During the year ended September 30, 2021, the Authority adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by removing the New Mexico Affordable Housing Charitable Trust from business-type activities and recording the New Mexico Affordable Housing Charitable Trust as a Private Purpose Trust Fiduciary Fund. Beginning net position has been restated to reflect this change:

	Business-Type Activities	NM Affordable Housing Charitable Trust Private Purpose Trust Fund
Net Position, October 1, 2019, As Previously Reported	$ 276,273	$ -
Change in Accounting Principle (Implementation of GASB 84)	(454)	454
Net Position, October 1, 2019, As Restated	$ 275,819	$ 454

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):

	2021	2020
Cash on Deposit at Financial Institutions	$ 39,575	$ 22,321
Cash on Deposit at New Mexico State Treasurer	11,112	3,906
Cash on Deposit Held in Escrow	9,135	10,599
Cash Equivalents Not Considered Deposits:		
Money Market Funds	95,709	46,039
Repurchase Agreements	377	376
Guaranteed Investment Contracts	719	1,289
Total	$ 156,627	$ 84,530

Investment Policy

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

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

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

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

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The investment policy requires consideration of the creditworthiness in selecting financial institutions. At September 30, 2021 and 2020, the Authority's bank balance was approximately $50,421,000 and $25,127,000 (which includes the bank balances of the Trust of $863,000 and $469,000), respectively. The Federal Deposit Insurance Corporation (FDIC) insures each depositor up to $250,000 per insured bank. The total amounts subject to custodial credit risk at September 30, 2021 and 2020 are approximately $27,202,000 and $8,870,000, respectively. Management does not believe the remaining approximately $22,469,000 and $15,864,000 are subject to custodial credit risk at September 30, 2021 and 2020, respectively.

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

Investment Interest and Credit Risk

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

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

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

Investment Interest and Credit Risk (Continued)

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

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

	September 30, 2020					
		Investment Maturities (in Years)				
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	Not Available
Money Market Funds	$ 46,039	$ 45,363	$ -	$ -	$ 676	$ -
Repurchase Agreements	376	376	-	-	-	-
Guaranteed Investment Contracts	1,289	386	-	-	903	-
Internal State Investment Pools:						
State Treasurer	3,906	3,906	-	-	-	-
State Investment Council	42,998	-	-	-	-	42,998
U.S. Agencies	16,213	10,153	6,060	-	-	-
Securitized Mortgage Loans:						
Unrestricted	13,447	-	350	1,057	12,040	-
Restricted	1,098,368	7,750	324	9,231	1,081,063	-
Total	$ 1,222,636	$ 67,934	$ 6,734	$ 10,288	$ 1,094,682	$ 42,998

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

Investment Interest and Credit Risk (Continued)

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

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

	September 30, 2020								
	Fair Value	AAA	AA	A+	A	BBB	U.S. Government Guaranteed	Not Rated	Not Available
Money Market Funds	$ 46,039	$ 45,974	$ -	$ -	$ 65	$ -	$ -	$ -	$ -
Repurchase Agreements	376	-	376	-	-	-	-	-	-
Guaranteed Investment Contracts	1,289	-	-	-	708	581	-	-	-
Internal State Investment Pools:									
State Treasurer	3,906	3,906	-	-	-	-	-	-	-
State Investment Council	42,998	-	-	-	-	-	-	-	42,998
U.S. Agencies	16,213	-	16,213	-	-	-	-	-	-
Securitized Mortgage Loans:									
Unrestricted	13,447	-	3,042	-	-	-	10,405	-	-
Restricted	1,098,368	-	173,153	-	-	-	925,215	-	-
Total	$ 1,222,636	$ 49,880	$ 192,784	$ -	$ 773	$ 581	$ 935,620	$ -	$ 42,998

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, 2021 and 2020, respectively: Ginnie Mae: 81% and 80%, and Fannie Mae: 14% 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), except for the State Investment Council internal state investment pool, which is valued using Level 2 inputs.

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

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

	2021	2020
Cash on Deposit at Financial Institutions	$ 863	$ 469

NOTE 3 MORTGAGE LOANS, NET

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

	2021	2020
Total Mortgage Loan Principal Outstanding	$ 196,493	$ 225,779
Less: Allowance for Mortgage Loan Losses	(8,471)	(5,847)
Mortgage Loans, Net	$ 188,022	$ 219,932

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

	2021	2020
Beginning Balance	$ 5,847	$ 3,300
Provision for Loan Losses	65	199
Specific Reserves	3,766	3,116
Loans Written Off Net of Recoveries	(1,207)	(768)
Ending Balance	$ 8,471	$ 5,847

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

Rental Housing Programs	2.50% to 7.02%
Other Mortgage Loans	0.00% to 8.41%
Second Mortgage DPA Loans	0.00% to 6.59%

MBSs have stated interest rates ranging from 2.30% and 7.49%.

As of September 30, 2021 and 2020, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately $78,000 and $199,000, respectively. As of September 30, 2021 and 2020, mortgage loans' total delinquent aggregate principal balances are approximately $6,285,000 and $8,005,000, respectively.

NOTE 3 MORTGAGE LOANS, NET (CONTINUED)

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

	2021	2020
Southwest Neighborhood Housing Services	$ 227	$ 235
TIWA Lending Services	7,510	7,213
Fannie Mae Loans	216,852	202,244
Ginnie Mae Loans	1,501,654	1,248,799
Nambe Housing	1,555	256
Southwest Community Resources	3	8
City of Albuquerque	15,831	15,666
Ventana Fund	2,423	3,977
Ohkay Owingeh	319	258
Total	$ 1,746,374	$ 1,478,656

NOTE 4 CAPITAL ASSETS

Changes in capital assets during 2021 and 2020 were as follows (in thousands):

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

	October 1, 2019	Additions	Dispositions	Transfers	September 30, 2020
Land (Nondepreciable)	$ 512	$ -	$ -	$ -	$ 512
Building and Improvements	3,388	184	-	-	3,572
Furniture and Equipment	2,016	122	(84)	-	2,054
Total Capital Assets	5,916	306	(84)	-	6,138
Less Accumulated Depreciation:					
Building and Improvements	(2,922)	(69)	-	-	(2,991)
Furniture and Equipment	(1,810)	(126)	84	-	(1,852)
Total Accumulated Depreciation	(4,732)	(195)	84	-	(4,843)
Capital Assets, Net	$ 1,184	$ 111	$ -	$ -	$ 1,295

NOTE 5 BONDS PAYABLE

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

Single Family Mortgage Programs	2021	2020
2010 Series A - 4.625% interest payable semiannually, principal due through 2021	$ -	$ 2,565
2011 Series A - 5.00% to 5.35% interest payable semiannually, principal due through 2030	3,364	5,305
2011 Series B - 2.77% to 5.00% interest payable semiannually, principal due through 2021	-	11,795
2011 Series C - 2.32% to 4.625% interest payable semiannually, principal due through 2021	-	12,735
2012 Series A - 2.85% to 4.25% interest payable quarterly, principal due through 2042	9,610	13,750
2012 Series B - 2.80% to 3.90% interest payable quarterly, principal due through 2043	15,935	20,285
2013 Series A - 2.60% interest payable monthly, principal due through 2043	6,884	8,785
2013 Series B - 2.23% to 2.85% interest payable monthly, principal due through 2043	9,486	13,786
2013 Series C - 4.50% interest payable monthly, principal due through 2043	12,838	16,520
2014 Series A - 3.30% to 5.00% interest payable quarterly, principal due through 2044	5,340	6,680
2014 Series B - 2.75% interest payable monthly, principal due through 2035	3,761	4,768
2015 Series A - 2.35% to 4.00% interest payable quarterly, principal due through 2045	16,850	21,280
2015 Series B - 2.75% interest payable monthly, principal due through 2035	2,414	3,196
2015 Series C - 3.00% interest payable monthly, principal due through 2041	9,285	12,460
2015 Series D - 3.125% interest payable monthly, principal due through 2037	4,821	5,939
2015 Series E - 3.10% interest payable monthly, principal due through 2037	6,771	8,633
2016 Series A - 1.80% to 3.80% interest payable quarterly, principal due through 2046	28,385	36,355
2016 Series B - 2.60% interest payable monthly, principal due through 2040	12,365	15,985

NOTE 5 BONDS PAYABLE (CONTINUED)

Single Family Mortgage Programs	2021	2020
2016 Series C - 1.65% to 3.5% interest payable quarterly, principal due through 2045	$ 33,985	$ 45,375
2017 Series A - 2.98% interest payable monthly, principal due through 2038	11,806	14,900
2017 Series B - 1.70% to 3.80% interest payable quarterly, principal due through 2048	36,510	46,645
2018 Series A 2.20% to 4.00% interest payable quarterly, principal due through 2049	43,260	52,625
2018 Series B 2.20% to 4.00% interest payable quarterly, principal due through 2049	49,915	60,765
2018 Series C 2.05% to 4.00% interest payable quarterly, principal due through 2049	56,230	70,365
2018 Series D 2.45% to 4.25% interest payable quarterly, principal due through 2049	38,160	46,425
2019 Series A 2.00% to 4.25% interest payable quarterly, principal due through 2050	55,905	65,580
2019 Series B 3.45% interest payable monthly, principal due through 2040	14,800	19,564
2019 Series C 1.80% to 4.00% interest payable quarterly, principal due through 2050	69,270	77,250
2019 Series D 1.45% to 3.75% interest payable quarterly, principal due through 2050	89,925	98,040
2019 Series E 2.90% interest payable monthly, principal due through 2040	11,894	17,683
2019 Series F 1.40% to 3.50% interest payable monthly, principal due through 2050	112,055	118,720
2020 Series A 1.10% to 3.50% interest payable monthly, principal due through 2051	66,575	69,925
2020 Series B - 0.25% to 3.00% interest payable monthly, principal due through 2051	53,555	-
2021 Series A - 0.125% to 3.00% interest payable monthly, principal due through 2052	78,000	-
2021 Series B - 1.62% interest payable monthly, principal due through 2042	14,837	-
2021 Series C - 0.20% to 3.00% interest payable monthly, principal due through 2052	100,000	-
Subtotal	1,084,791	1,024,684
Unaccreted Premium, Net of Underwriters' Discount	31,665	25,013
Subtotal Single Family Mortgage Programs, Net Bonds Payable	$ 1,116,456	$ 1,049,697

NOTE 5 BONDS PAYABLE (CONTINUED)

Rental Housing Mortgage Programs	2021	2020
2003 Series A&B Multifamily Risk Sharing - Aztec - 5.10% to 5.15% interest payable semiannually, principal due through 2021	$ -	$ 7,135
2004 Series A&B Multifamily Risk Sharing - NM5 - 5.05% to 5.20% interest payable semiannually, principal due through 2039	1,290	1,340
2004 Series C & D Multifamily Risk Sharing - Alta Vista - 5.25% to 6.00% interest payable semiannually, principal due through 2021	-	9,905
2005 Series C & D Multifamily Risk Sharing - Chateau - 4.70% interest payable semiannually, principal due through 2040	3,175	3,270
2005 Series E & F Multifamily Risk Sharing - Sun Pointe - 4.80% to 5.06% interest payable semiannually, principal due through 2040	10,120	10,415
2007 A & B Multifamily Risk Sharing - St. Anthony - 5.05% to 5.25% interest payable semiannually, principal due through 2042	4,830	4,945
2007 C & D Multifamily - NM Rainbow - 5.85% to 10.00% interest payable monthly for senior bonds and semiannually for subordinate bonds, principal due through 2043	12,075	12,289
2008 A & B Multifamily - Villas de San Ignacio - variable interest rate* (0.05% and 0.12% at September 30, 2021) payable monthly, principal due through 2043	8,000	8,000
2010 A & B Multifamily Risk Sharing - Villa Alegre Senior Housing - 5% interest payable semiannually, principal due through 2047	795	810
2012 A Multifamily - Gallup Apartments - 5% interest payable monthly, principal due through 2049	4,532	4,606
2019 Multifamily - JLG South Apartments - 5.25% interest payable monthly, principal due through 2020	-	3,331
2019 Multifamily - JLG North Apartments - 5.25% interest payable monthly, principal due through 2020	-	5,391
Subtotal	44,817	71,437
Unaccreted Premium	36	40
Subtotal Rental Housing Mortgage Programs, Net Bonds Payable	$ 44,853	$ 71,477

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

NOTE 5 BONDS PAYABLE (CONTINUED)

	2021	2020
Total Bonds Payable	$ 1,129,608	$ 1,096,121
Total Unaccreted Premium, Net of Unamortized Discount	31,701	25,053
Total Bonds Payable	$ 1,161,309	$ 1,121,174

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 2020A. 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.

The single family mortgage loans purchased with the proceeds of all the bond issuances occurring during fiscal years 2021 and 2020 were pooled and packaged as mortgage loan pass-through certificates insured by Ginnie Mae or Fannie Mae.

In December 2009, the Authority entered into a General Indenture of Trust dated December 1, 2009 to accommodate those bonds issued under the New Issue Bond Program (the NIBP Program) which was developed by the U.S. 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 U.S. 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 2021, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005 as follows:

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

NOTE 5 BONDS PAYABLE (CONTINUED)

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

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

During fiscal year 2020, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005 as follows:

- $120 million Single Family Mortgage Program Class I Bonds, 2019 Series F (Tax-Exempt) (Non-AMT). The $120 million 2019 Series F bonds were used to originate new loans.

- $70 million Single Family Mortgage Program Class I Bonds, 2020 Series A (Tax-Exempt) (Non-AMT). The $70 million 2020 Series A bonds were used to originate new loans.

During fiscal years 2021 and 2020, the Authority did not issue any bonds under the General Indenture of Trust dated December 1, 2009.

NOTE 6 NOTES PAYABLE

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

Assets Pledged as Collateral	2021	2020
PRLF Cash and Loans	$ 1,591	$ 1,659
Securities and Loans Held for Sale	23,500	30,000
Subtotal: Debt With Pledged Collateral	25,091	31,659
SBIC Loan Fund	1,000	-
Other Direct Borrowings Without Assets Pledged	850	850
Total Direct Borrowings	$ 26,941	$ 32,509

The Authority also has a line of credit in the amount of $2,500,000 and $2,500,000 as of September 30, 2021 and 2020, respectively. The Authority has an outstanding balance of $1,000,000 and $0 as of September 30, 2021 and 2020, respectively.

The Authority's outstanding debt pledged by PRLF cash and loans of $1,591,000 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.

NOTE 6 NOTES PAYABLE (CONTINUED)

The Authority's outstanding debt pledged by securities and loans held for sale of $23,500,000 contains a provision that in the event the FHLB Bank withdraws its approval to participate in the Held For Sale program, the Bank will designate a Held for Sale Transition Date, after which the Authority will not be able to pledge loans until the Authority is re-approved.

The Authority's outstanding notes from other direct borrowings of $850,000 contains a provision that in the event of default, at Lender's option after giving 30 days' notice, all indebtedness will become immediately due and payable.

NOTE 7 DEBT SERVICE REQUIREMENTS

A summary of bond and note debt service requirements as of September 30, 2021 is as follows (in thousands):

	Bonds Payable		Notes from Direct Borrowings	
Year Ending September 30,	Interest	Principal	Interest	Principal
2022	$ 35,301	$ 50,323	$ 62	$ 23,893
2023	34,628	23,677	44	499
2024	34,034	24,266	24	1,181
2025	33,380	25,127	14	74
2026	32,736	25,813	13	74
2027 - 2031	151,607	141,672	54	371
2032 - 2036	126,830	176,381	35	371
2037 - 2041	91,914	258,667	16	371
2042 - 2046	46,472	255,440	1	107
2047 - 2051	9,970	147,497	-	-
2052 - 2056	11	745	-	-
Subtotal	596,883	1,129,608	263	26,941
Net Unaccreted Premium	-	31,701	-	-
Total	$ 596,883	$ 1,161,309	$ 263	$ 26,941

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

	2021	2020
Vendor	$ 10,348	$ 7,363
Employee Benefits	723	625
Advances on Revenue	3,136	815
Total	$ 14,207	$ 8,803

NOTE 9 NONCURRENT LIABILITIES AND COMPENSATED ABSENCES

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

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

	October 1, 2019	Increases	Decreases	September 30, 2020	Current Portion
Bonds Payable	$ 1,045,344	$ 199,315	$ (123,485)	$ 1,121,174	$ 46,639
Notes from Direct Borrowings	38,276	275,500	(281,267)	32,509	30,074
Other Noncurrent Liabilities	166	-	(8)	158	-
Compensated Absences	403	569	(440)	532	532
Total	$ 1,084,189	$ 475,384	$ (405,200)	$ 1,154,373	$ 77,245

NOTE 10 LITIGATION

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

NOTE 11 EMPLOYEE BENEFIT PLAN

The Authority sponsors the New Mexico Mortgage Finance Authority 401(k) Plan (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 annual contribution equal to 11% of each participating employee’s salary regardless of whether or not the participant makes a salary deferral. Plan participants become fully vested in the Authority’s contributions after five years of service. The Authority also sponsors a 457(b) plan. The Authority’s and employees’ contributions to the Benefit Plan were approximately $1,005,000 and $399,000, respectively, for the year ended September 30, 2021. The Authority’s and employees’ contributions to the Benefit Plan were approximately $886,000 and $371,000, respectively, for the year ended September 30, 2020. The Executive Director, Human Resources Director, and Chief Financial Officer have the authority to amend the plans.

NOTE 12 BOARD-DESIGNATED NET POSITION

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

	2021	2020
Single Family and Multifamily Programs as Designated by the Board	$ 33,270	$ 21,950
Future General Operating Budget	29,325	24,495
Housing Opportunity Fund	116,629	116,629
Risk-Sharing Loss Exposure	1,191	1,624
Federal and State Housing Programs Administered by the Authority	17,325	16,010
Investment in Mortgage Servicing Rights	17,456	14,452
Total Board-Designated Net Position	$ 215,196	$ 195,160

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

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Authority entered into a risk-sharing agreement with the U.S. Department of Housing and Urban Development (HUD) under Section 542(c) of the Housing and Community Development Act of 1992, whereby HUD and the Authority provide credit enhancements for third-party multifamily housing project loans. HUD has assumed 90% of the risk and the Authority guarantees the remaining 10% risk of loss in the event of default on specific loans. As of September 30, 2021 and 2020, the Authority is committed to assume a risk of approximately $4,656,000 and $6,497,000 for the 36 and 38 loans closed, respectively. These loans are considered in the Authority’s assessment for the allowance for mortgage loan losses. As of September 30, 2021, of the 36 loans closed, 4 of the loans are not included in the Authority’s financial statements because they are 100% participations with Fannie Mae. Of the $4,656,000 risk assumed as of September 30, 2021, the Authority’s assumed risk approximated $209,000 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% prorata basis.

The Authority also entered into a risk-sharing agreement with the U.S. Department of Agriculture under Section 538 Rural Rental Housing Guaranteed Loan Program. The Rural Housing Service (RHS), Department of Agriculture (USDA) provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority as of September 30, 2021. As of September 30, 2021 and 2020, the Authority is committed to assume a risk of approximately $106,000 and $108,000 for the one loan closed, respectively.

NOTE 13 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

NOTE 14 RISK MANAGEMENT

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

NOTE 15 JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING

The Authority has entered into three joint powers agreements (JPAs) or memorandums of understanding (MOU) with various departments of the state. At September 30, 2021, these JPAs and MOUs were as follows:

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

(b) The Authority entered into a JPA with the New Mexico Department of Finance and Administration (DFA) in October 2019. 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 was extended until October 22, 2022. The maximum amount to be reimbursed under the JPA is $1,527,000, all of which is applicable to the Authority. The Authority does not contribute funds to this project. The Authority is responsible for the audit of the funds received under this JPA.

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

NOTE 16 APPROPRIATIONS

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

The following chart describes the appropriations from the state severance tax or general obligation bonds (in thousands) as of September 30, 2021:

Description	Original Appropriation	Appropriation Period	Expenditures to Date	Outstanding Encumbrances	Unencumbered Balance
Housing Trust Fund	$ 2,000	7/29/2019-6/30/2023	$ 2,000	$ 2,000	$ -
Weatherization and Energy Efficiency	1,000	7/29/19-6/30/2023	1,000	1,000	-
Veterans Rehab	110	7/29/19-6/30/2021	27	110	-
Housing Trust Fund	1,200	9/9/20-6/30/2024	1,000	1,000	200
Weatherization and Energy Efficiency	1,000	9/9/20-6/30/2024	495	1,000	-
Total	$ 5,310		$ 4,522	$ 5,110	$ 200

NOTE 17 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 2021 and 2020, the Authority incurred $325,600 and $180,900 respectively on behalf of the Trust. The Authority made an in-kind contribution to the Trust in the amount of $11,700 and $3,400 in order to forgive amounts incurred, and a cash contribution of $313,900 and $177,500, in fiscal years 2021 and 2020 respectively. As of September 30, 2021 and 2020, there were $10,400 and $41,000 balances due to/from the Trust, respectively.

NOTE 18 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 19 SUBSEQUENT EVENTS

On October 26, 2021, the Authority issued the Series 2021 JLG Central Apartments Projects multifamily housing revenue tax-exempt bonds in the amount of $11,000,000. The proceeds will be used to fund a loan to assist in the acquisition, rehabilitation, and equipping of six multifamily rental housing facilities located in the state of New Mexico.

On November 18, 2021, the Authority issued $99,990,000 (2021 Series D) of Single Family Mortgage Program Class I Bonds under the 2005 General Indenture. The 2021 Series D Bonds will be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the 2021 Series D Bonds was sold at a premium generating $3,693,000, which will be used to purchase 2021 Series D Certificates, to fund 2021 Series D Participation Loans and to fund a portion of bond expenses.

On February 23, 2022, the Authority issued $100,000,000 (2022 Series A) of Single Family Mortgage Program Class I Bonds and $33,467,000 (2022 Series B) of MBS Pass-through Program Bonds under the 2005 General Indenture. The 2022 Series A Bonds will be used to finance certain qualifying mortgage loans under the Single Family Mortgage Program. The 2022 Series B Bonds combined with funds in the trust estates, will be used to fully refund the Single Family Mortgage Program Bonds 2012 Series A, 2012 Series B, and the 2011A/2015 Series C NIBP Bonds. A portion of the 2022 Series A Bonds was sold at a premium generating $3,106,000, which will be used to purchase 2022 Series A Certificates, to fund 2022 Series A Participation Loans and to fund a portion of bond expenses.

SUPPLEMENTARY STATEMENTS AND SCHEDULES

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

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

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

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

CONDENSED STATEMENTS OF CASH FLOWS

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

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

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

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

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

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

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

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

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

CONDENSED STATEMENTS OF CASH FLOWS

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

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

	Rental Housing Mortgage Programs				
	2005 Series C, D	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B
OPERATING REVENUES					
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 149	$ 489	$ 253	$ 795	$ 6
Interest on Securities and Temporary Investments	-	18	-	-	-
Administrative Fees and Other	5	-	-	1	-
Total Operating Revenues	154	507	253	796	6
OPERATING EXPENSES					
Interest Expense	151	496	254	795	6
Administrative Fees and Other	-	3	2	1	-
Total Operating Expenses	151	499	256	796	6
OPERATING INCOME (LOSS)	3	8	(3)	-	-
CHANGE IN NET POSITION	3	8	(3)	-	-
Total Net Position – Beginning of Year	8	94	43	12	-
TOTAL NET POSITION - END OF YEAR	$ 11	$ 102	$ 40	$ 12	$ -

CONDENSED STATEMENTS OF CASH FLOWS

	2005 Series C, D	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B
NET CASH PROVIDED (USED) BY:					
Operating Activities	$ 248	$ 782	$ 365	$ 1,011	$ 6
Noncapital Financing Activities	(248)	(794)	(371)	(1,011)	(6)
Investing Activities	-	17	-	-	-
NET INCREASE (DECREASE)	-	5	(6)	-	-
Cash and Cash Equivalents - Beginning of Year	150	528	238	18	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 150	$ 533	$ 232	$ 18	$ -

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

	Rental Housing Mortgage Programs				Total Rental Housing Mortgage Programs
	2010 Series A, B	2012 Series A	2019 JLG South	2019 JLG North	
OPERATING REVENUES					
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 41	$ 232	$ 269	$ 344	$ 2,781
Interest on Securities and Temporary Investments	-	-	-	-	29
Administrative Fees and Other	-	-	-	-	6
Total Operating Revenues	41	232	269	344	2,816
OPERATING EXPENSES					
Interest Expense	41	232	269	344	2,802
Administrative Fees and Other	2	7	-	-	252
Total Operating Expenses	43	239	269	344	3,054
OPERATING INCOME (LOSS)	(2)	(7)	-	-	(238)
CHANGE IN NET POSITION	(2)	(7)	-	-	(238)
Total Net Position – Beginning of Year	62	7	-	-	704
TOTAL NET POSITION - END OF YEAR	$ 60	$ -	$ -	$ -	$ 466
CONDENSED STATEMENTS OF CASH FLOWS					
NET CASH PROVIDED (USED) BY:					
Operating Activities	$ 53	$ 299	$ 3,601	$ 5,734	$ 28,477
Noncapital Financing Activities	(55)	(306)	(3,616)	(5,758)	(29,544)
Investing Activities	-	-	-	-	41
NET INCREASE (DECREASE)	(2)	(7)	(15)	(24)	(1,026)
Cash and Cash Equivalents - Beginning of Year	58	12	15	24	2,265
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 56	$ 5	$ -	$ -	$ 1,239

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020
(IN THOUSANDS)

	Single Family Mortgage Programs 2005 General Indenture	Single Family Mortgage Programs 2009 General Indenture	Total Single Family Mortgage Programs
ASSETS			
CURRENT ASSETS			
Restricted Cash and Cash Equivalents	$ 33,227	$ 3,460	$ 36,687
Accrued Interest Receivable	3,146	210	3,356
Restricted Securitized Mortgage Loans	7,750	-	7,750
Intra-Entity Payable	(571)	(23)	(594)
Total Current Assets	43,552	3,647	47,199
NONCURRENT ASSETS			
Restricted Cash and Cash Equivalents	7,884	494	8,378
Restricted Securitized Mortgage Loans, Net:			
Securitized Mortgage Loans, Net Cost	974,028	60,354	1,034,382
Unrealized Gain on Securitized Mortgage Loans	51,750	4,485	56,235
Total Restricted Securitized Mortgage Loans, Net	1,025,778	64,839	1,090,617
Total Noncurrent Assets	1,033,662	65,333	1,098,995
Total Assets	1,077,214	68,980	1,146,194
DEFERRED OUTFLOWS			
Refundings of Debt	284	-	284
Total Assets and Deferred Outflows	$ 1,077,498	$ 68,980	$ 1,146,478
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES			
Accrued Interest Payable	$ 6,519	$ 163	$ 6,682
Accounts Payable and Other Accrued Expenses	23	2	25
Current Portion of Bonds Payable	33,083	3,460	36,543
Total Current Liabilities	39,625	3,625	43,250
NONCURRENT LIABILITIES			
Bonds Payable	955,473	57,681	1,013,154
Total Noncurrent Liabilities	955,473	57,681	1,013,154
Total Liabilities	995,098	61,306	1,056,404
NET POSITION RESTRICTED FOR DEBT SERVICE	82,400	7,674	90,074
Total Liabilities and Net Position	$ 1,077,498	$ 68,980	$ 1,146,478

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2020
(IN THOUSANDS)

	Single Family Mortgage Program		Total
	2005 General Indenture	2009 General Indenture	Single Family Mortgage Programs
OPERATING REVENUES			
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 35,231	$ 2,694	$ 37,925
Interest on Securities and Temporary Investments	923	40	963
Loan and Commitment Fees	2,242	-	2,242
Other Revenues	312	-	312
Administrative Fees and Other	(3,740)	(260)	(4,000)
Total Operating Revenues	34,968	2,474	37,442
OPERATING EXPENSES			
Interest	30,762	2,109	32,871
Bond Issuance Costs	1,625	-	1,625
Administrative Fees and Other	153	10	163
Total Operating Expenses	32,540	2,119	34,659
OPERATING INCOME	2,428	355	2,783
NONOPERATING REVENUES (EXPENSES)			
Net Increase in Fair Value of Investments	26,191	234	26,425
Other Financing Sources (Uses) - Operating Transfers	610	(232)	378
Total Nonoperating Revenue (Expenses)	26,801	2	26,803
CHANGE IN NET POSITION	29,229	357	29,586
Total Net Position - Beginning of Year	53,171	7,317	60,488
TOTAL NET POSITION - END OF YEAR	$ 82,400	$ 7,674	$ 90,074

CONDENSED STATEMENTS OF CASH FLOWS

	2005 General Indenture	2009 General Indenture	Total Single Family Mortgage Programs
NET CASH PROVIDED (USED) BY:			
Operating Activities	$ (94,280)	$ 19,649	$ (74,631)
Noncapital Financing Activities	79,812	(17,961)	61,851
Investing Activities	(6,527)	40	(6,487)
NET INCREASE (DECREASE)	(20,995)	1,728	(19,267)
Cash and Cash Equivalents - Beginning of Year	62,106	2,226	64,332
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 41,111	$ 3,954	$ 45,065

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020
(IN THOUSANDS)

	Rental Housing Mortgage Programs				
	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D	2005 Series A, B
ASSETS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	$ -	$ 230	$ 50	$ 285	$ -
Accrued Interest Receivable	-	41	6	45	-
Intra-Entity Payable	-	-	-	-	-
Total Current Assets	-	271	56	330	-
NONCURRENT ASSETS					
Restricted Cash and Cash Equivalents	-	165	196	296	-
Restricted Mortgage Loans, Net	-	6,867	1,328	9,430	-
Total Noncurrent Assets	-	7,032	1,524	9,726	-
Total Assets	$ -	$ 7,303	$ 1,580	$ 10,056	$ -
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accrued Interest Payable	$ -	$ 31	$ 6	$ 44	$ -
Accounts Payable and Other Accrued Expenses	-	-	-	-	-
Current Portion of Bonds Payable, Net	-	230	50	285	-
Total Current Liabilities	-	261	56	329	-
NONCURRENT LIABILITIES					
Bonds Payable, Net	-	6,905	1,290	9,620	-
Total Noncurrent Liabilities	-	6,905	1,290	9,620	-
Total Liabilities	-	7,166	1,346	9,949	-
NET POSITION RESTRICTED FOR DEBT SERVICE	-	137	234	107	-
Total Liabilities and Net Position	$ -	$ 7,303	$ 1,580	$ 10,056	$ -

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2020
(IN THOUSANDS)

	Rental Housing Mortgage Programs				
	2005 Series C, D	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B
ASSETS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	$ 95	$ 295	$ 115	$ 18	$ -
Accrued Interest Receivable	12	43	20	150	1
Intra-Entity Payable	-	-	-	(6)	-
Total Current Assets	107	338	135	162	1
NONCURRENT ASSETS					
Restricted Cash and Cash Equivalents	55	233	123	-	-
Restricted Mortgage Loans, Net	3,139	10,007	4,767	12,289	8,000
Total Noncurrent Assets	3,194	10,240	4,890	12,289	8,000
Total Assets	$ 3,301	$ 10,578	$ 5,025	$ 12,451	$ 8,001
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accrued Interest Payable	$ 13	$ 42	$ 21	$ 150	$ 1
Accounts Payable and Other Accrued Expenses	-	-	-	-	-
Current Portion of Bonds Payable, Net	95	295	115	214	-
Total Current Liabilities	108	337	136	364	1
NONCURRENT LIABILITIES					
Bonds Payable, Net	3,185	10,147	4,846	12,075	8,000
Total Noncurrent Liabilities	3,185	10,147	4,846	12,075	8,000
Total Liabilities	3,293	10,484	4,982	12,439	8,001
NET POSITION RESTRICTED FOR DEBT SERVICE	8	94	43	12	-
Total Liabilities and Net Position	$ 3,301	$ 10,578	$ 5,025	$ 12,451	$ 8,001

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2020
(IN THOUSANDS)

	Rental Housing Mortgage Programs				Total Rental
	2010 Series A, B	2012 Series A	2019 JLG South Apt	2019 JLG North Apt	Housing Mortgage Programs
ASSETS					
CURRENT ASSETS					
Restricted Cash and Cash Equivalents	$ 15	$ 12	$ 15	$ 24	$ 1,154
Accrued Interest Receivable	4	10	15	24	371
Intra-Entity Payable	-	-	-	-	(6)
Total Current Assets	19	22	30	48	1,519
NONCURRENT ASSETS					
Restricted Cash and Cash Equivalents	43	-	-	-	1,111
Restricted Mortgage Loans, Net	800	4,606	3,332	5,391	69,956
Total Noncurrent Assets	843	4,606	3,332	5,391	71,067
Total Assets	$ 862	$ 4,628	$ 3,362	$ 5,439	$ 72,586
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accrued Interest Payable	$ 4	$ 10	$ 15	$ 24	$ 361
Accounts Payable and Other Accrued Expenses	-	5	15	24	44
Current Portion of Bonds Payable, Net	15	74	3,332	5,391	10,096
Total Current Liabilities	19	89	3,362	5,439	10,501
NONCURRENT LIABILITIES					
Bonds Payable, Net	781	4,532	-	-	61,381
Total Noncurrent Liabilities	781	4,532	-	-	61,381
Total Liabilities	800	4,621	3,362	5,439	71,882
NET POSITION RESTRICTED FOR DEBT SERVICE	62	7	-	-	704
Total Liabilities and Net Position	$ 862	$ 4,628	$ 3,362	$ 5,439	$ 72,586

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2020
(IN THOUSANDS)

	Rental Housing Mortgage Programs				
	2002 Series A, B	2003 Series A, B	2004 Series A, B	2004 Series C, D	2005 Series A, B
OPERATING REVENUES					
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 110	$ 369	$ 318	$ 519	$ 320
Interest on Securities and Temporary Investments	6	7	19	28	20
Gain Asset Sale/Debt Ext	-	(3)	-	-	-
Loan and Commitment Fees	-	-	-	-	-
Administrative Fees and Other	-		(37)	-	-
Total Operating Revenues	116	373	300	547	340
OPERATING EXPENSES					
Interest Expense	87	374	284	537	317
Bond Issuance Costs	-	-	-	-	-
Provision for Loan Losses	-	-	-	-	-
Administrative Fees and Other	173	2	2	3	439
Total Operating Expenses	260	376	286	540	756
OPERATING INCOME (LOSS)	(144)	(3)	14	7	(416)
CHANGE IN NET POSITION	(144)	(3)	14	7	(416)
Total Net Position – Beginning of Year	144	140	220	100	416
TOTAL NET POSITION - END OF YEAR	$ -	$ 137	$ 234	$ 107	$ -
CONDENSED STATEMENTS OF CASH FLOWS					
NET CASH PROVIDED (USED) BY:					
Operating Activities	$ 7,405	$ 585	$ 5,882	$ 787	$ 9,257
Noncapital Financing Activities	(7,991)	(595)	(6,134)	(804)	(10,072)
Investing Activities	10	325	20	28	23
NET INCREASE (DECREASE)	(576)	315	(232)	11	(792)
Cash and Cash Equivalents - Beginning of Year	576	80	478	570	792
CASH AND CASH EQUIVALENTS - END OF YEAR	$ -	$ 395	$ 246	$ 581	$ -

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020
(IN THOUSANDS)

	Rental Housing Mortgage Programs				
	2005 Series C, D	2005 Series E, F	2007 Series A, B	2007 Series C, D	2008 Series A, B
OPERATING REVENUES					
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 154	$ 503	$ 259	$ 807	$ 70
Interest on Securities and Temporary Investments	2	18	3	2	-
Gain Asset Sale/Debt Ext	-	-	-	-	-
Loan and Commitment Fees	-	-	-	-	-
Administrative Fees and Other	3	-	-	1	-
Total Operating Revenues	159	521	262	810	70
OPERATING EXPENSES					
Interest Expense	156	510	260	807	70
Bond Issuance Costs	-	-	-	-	-
Provision for Loan Losses	-	-	-	-	-
Administrative Fees and Other	1	3	2	1	-
Total Operating Expenses	157	513	262	808	70
OPERATING INCOME (LOSS)	2	8	-	2	-
CHANGE IN NET POSITION	2	8	-	2	-
Total Net Position – Beginning of Year	6	86	43	10	-
TOTAL NET POSITION - END OF YEAR	$ 8	$ 94	$ 43	$ 12	$ -
CONDENSED STATEMENTS OF CASH FLOWS					
NET CASH PROVIDED (USED) BY:					
Operating Activities	$ 245	$ 780	$ 364	$ 1,011	$ 78
Noncapital Financing Activities	(247)	(799)	(372)	(1,011)	(78)
Investing Activities	2	18	3	1	-
NET INCREASE (DECREASE)	-	(1)	(5)	1	-
Cash and Cash Equivalents - Beginning of Year	150	529	243	17	-
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 150	$ 528	$ 238	$ 18	$ -

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020
(IN THOUSANDS)

	Rental Housing Mortgage Programs				Total Rental Housing Mortgage Programs
	2010 Series A, B	2012 Series A	2019 JLG South	2019 JLG North	
OPERATING REVENUES					
Interest on Mortgage Loans and Securitized Mortgage Loans	$ 43	$ 236	$ 105	$ 131	$ 3,944
Interest on Securities and Temporary Investments	-	-	-	-	105
Gain Asset Sale/Debt Ext	-	-	-	-	(3)
Loan and Commitment Fees	-	-	-	-	-
Administrative Fees and Other	-	6	-	-	(27)
Total Operating Revenues	43	242	105	131	4,019
OPERATING EXPENSES					
Interest Expense	42	236	105	131	3,916
Bond Issuance Costs	-	-	-	-	-
Provision for Loan Losses	-	-	-	-	-
Administrative Fees and Other	-	-	-	-	626
Total Operating Expenses	42	236	105	131	4,542
OPERATING INCOME (LOSS)	1	6	-	-	(523)
CHANGE IN NET POSITION	1	6	-	-	(523)
Total Net Position – Beginning of Year	61	1	-	-	1,227
TOTAL NET POSITION - END OF YEAR	$ 62	$ 7	$ -	$ -	$ 704

CONDENSED STATEMENTS OF CASH FLOWS

	2010 Series A, B	2012 Series A	2019 JLG South	2019 JLG North	Total Rental Housing Mortgage Programs
NET CASH PROVIDED (USED) BY:					
Operating Activities	$ 55	$ 313	$ (1,475)	$ (3,821)	$ 21,466
Noncapital Financing Activities	(56)	(306)	1,490	3,845	(23,130)
Investing Activities	1	-	-	-	431
NET INCREASE (DECREASE)	-	7	15	24	(1,233)
Cash and Cash Equivalents - Beginning of Year	58	5	-	-	3,498
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 58	$ 12	$ 15	$ 24	$ 2,265

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, 2021

Federal Grantor/ Program Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Subrecipient Expenditures	Total Federal Expenditures	Beginning Balance, Loan or Loan Guarantees	Total
FEDERAL GRANTS						
U.S. Department of Housing and Urban Development						
Section 8 Project Based	14.195	NM800CC001	$ 32,709,524	$ 33,832,700	$ -	$ 33,832,700
Section 811	14.326	NM21RDD1301	300,348	342,501	-	342,501
Emergency Solutions Grants Program	14.231	S21-DC-35-0001	1,057,160	1,200,754	-	1,200,754
COVID-19 Emergency Solutions Grants Program - CARES Act	14.231	E-20-DW-35-0001	3,548,574	3,631,283	-	3,631,283
Total Emergency Solutions Grants Program			4,605,734	4,832,037	-	4,832,037
HOME Investment Partnerships Program	14.239	M21-SG350100	909,988	4,396,252	38,100,428	42,496,680
Housing Opportunities for People with AIDS	14.241	NMH021-F999	764,633	802,554	-	802,554
COVID-19 Housing Opportunities for People with AIDS	14.241	NMH20-FHW999	67,929	73,430	-	73,430
Total Housing Opportunities for People with AIDS			832,562	875,984	-	875,984
ARRA-Tax Credit Assistance Program	14.258	M-09-ES-35-0100	-	-	12,691,307	12,691,307
Housing Trust Fund	14.275	F21-SG350100	-	5,606,566	6,165,171	11,771,737
NMAHCT Veterans Housing Rehabilitation & Modification Pilot Program	14.278	V-R1-6N-M0-0002	-	9,356	-	9,356
COVID-19 CDBG Pass-Through City of Las Cruces	14.218	B-20-MW-35-0002	1,649	504,587	-	504,587
Neighborhood Stabilization Program						
Pass-through State DFA (a Community Development Block/Grant Neighborhood Stabilization Program)	14.228	19-NSP1-2-J-01	2,149,807	2,221,270	2,478,116	4,699,386
COVID-19 Community Development Block Grant Pass-Through State	14.228	20-CV-1001	51,999	7,425,382	-	7,425,382
Total Community Development Block Grants/State's Program			2,201,806	9,646,652	2,478,116	12,124,768
Total U.S. Department of Housing and Urban Development			41,561,611	60,046,635	59,435,022	119,481,657
U.S. Department of Treasury						
Capital Magnet Fund	21.011	201CM055112	-	280,998	3,381,652	3,662,650
COVID-19 Homeowner Assistance Fund						
Pass-through State DFA	21.026	N/A	-	4,898,055	-	4,898,055
COVID-19 Coronavirus Relief Fund						
Pass-through State DFA	21.019	20-CV-1000	14,329,339	15,000,000	-	15,000,000
Total Department of Treasury			14,329,339	20,179,053	3,381,652	23,560,705
Department of Energy						
Weatherization Assistance for Low-Income Persons	81.042	EE0007937	1,859,507	1,967,257	-	1,967,257
Total Department of Energy			1,859,507	1,967,257	-	1,967,257
U.S. Department of Health & Human Services						
Pass-Through from the NM Department of Human Services:						
Low Income Home Energy Assistance Program	93.568	22-630-9000-0009	3,324,091	3,400,329	-	3,400,329
Total Federal Grants			61,074,548	85,593,274	62,816,674	148,409,948
LOAN GUARANTY PROGRAMS						
U.S. Department of Housing and Urban Development:						
Mortgage Insurance - Homes (FHA)	14.117	N/A	-	-	6,198,120	6,198,120
U.S. Department of Housing and Urban Development:						
GNMA Mortgage Backed Security Program	14.000	N/A	-	252,854,650	1,248,799,101	1,501,653,751
U.S. Department of Veterans Affairs:						
Veterans Housing-Guaranteed and Insured Loans	64.114	N/A	-	-	457	457
U.S. Department of Agriculture:						
Very Low to Moderate Income Housing Loans	10.410	N/A	-	-	11,936	11,936
Section 538 Rural Rental Housing Guaranteed Loans	10.438	N/A	-	-	972,291	972,291
U.S. Department of Housing and Urban Development:						
Housing Finance Agencies Risk Sharing Programs	14.188	N/A	-	-	55,575,476	55,575,476
Total Loan Guaranty Programs			-	252,854,650	1,311,557,381	1,564,412,031
Total Federal Expenditures for Schedule of Federal Awards			$ 61,074,548	$ 338,447,924	$ 1,374,374,055	$ 1,712,821,979

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as applicable for all awards with the exception of Assistance Listing 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement. The Authority's reporting entity is defined in Note 1 to the Authority's financial statements. All federal financial assistance received from the federal agencies, including amounts passed through from other governmental entities and disbursed by the Authority, is included in the Schedule in accordance with the requirements of OMB Circular 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as applicable. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 RELATIONSHIP TO THE AUTHORITY'S FINANCIAL STATEMENTS

Federal financial assistance program expenditures as presented in the accompanying Schedule primarily represent federal financial assistance payments disbursed by the Authority during the year ended September 30, 2021 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, 2021, the Authority recorded approximately $4,656,000 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 36 loans. HUD's assumed risk approximated $46,565,000 at September 30, 2021. Of the 36 loans closed, the Authority funded 32 loans with outstanding principal of $44,472,000 at September 30, 2021. HUD's assumed risk of loss of approximately $40,024,000 related to these 32 loans is recorded in the accompanying Schedule.

The Authority participates in the Section 538 Rural Rental Housing Guaranteed Loan Program, under which the Rural Housing Service (RHS), Department of Agriculture (USDA), provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority.

NOTE 3 MORTGAGE INSURANCE AND GUARANTEES (CONTINUED)

At September 30, 2021, the loan had an outstanding principal of $1,058,000, of which the USDA assumed risk of loss of approximately $952,000 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, 2021:

Program Title	CFDA Number	September 30, 2020 Balance	Current Year Activity	September 30, 2021 Balance
HOME Investment Partnerships Program	14.239	$ 38,100,428	$ 4,775,406	$ 42,875,834
ARRA-Tax Credit Assistance Program	14.258	12,691,307	(128,307)	12,563,000
Neighborhood Stabilization Program	14.228	2,478,116	24,134	2,502,250
Mortgage Insurance - Homes (FHA)	14.117	6,198,120	(1,542,589)	4,655,531
Veterans Housing-Guaranteed and Insured Loans	64.114	457	-	457
Very Low to Moderate Income Housing Loans	10.410	11,936	(3,086)	8,850
Section 538 Rural Rental Housing Guaranteed Loans	10.438	972,291	(20,385)	951,906
GNMA Mortgage Backed Security Program	14.000	1,248,799,101	252,854,650	1,501,653,751
Housing Finance Agencies Risk Sharing Programs	14.188	55,575,476	(15,551,106)	40,024,370
Capital Magnet Fund	21.011	3,381,652	64,419	3,446,071
Housing Trust Fund - National	14.275	6,165,171	5,460,329	11,625,500
Total		$ 1,374,374,055	$ 245,933,465	$ 1,620,307,520

NOTE 5 INDIRECT COSTS

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of the New Mexico Mortgage Finance Authority (the Authority), a component unit of the state of New Mexico, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 10, 2022.

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 may exist that have not been identified.

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

Compliance and Other Matters

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

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
February 10, 2022

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

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

Report on Compliance for Each Major Federal Program

We have audited New Mexico Mortgage Finance Authority's (the Authority), a component unit of the state of New Mexico, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal programs for the year ended September 30, 2021. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended September 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

New Mexico Mortgage Finance Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. New Mexico Mortgage Finance Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a significant deficiency.

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
February 10, 2022

Section I – Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified
2. Internal control over financial reporting:
   - Material weakness(es) identified? ______ yes __x__ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? ______ 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 that are not considered to be material weakness(es)? __x__ yes ______ none reported
2. Type of auditors' report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __x__ yes ______ no

Identification of Major Federal Programs

Federal Assistance Listing Number(s)	Name of Federal Program or Cluster
14.231	Emergency Solutions Grants Program
14.228	Community Development Block Grants and Neighborhood Stabilization Program
14.000	Ginnie Mae Mortgage- Backed Security Program
21.019	COVID-19 Coronavirus Relief Funds
21.026	COVID-19 Homeowner Assistance Fund
93.568	Low Income Home Energy Assistance Program
14.188	Risk Sharing Loan Program

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

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

Section II – Financial Statement Findings

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

Section III – Federal Award Findings and Questioned Costs

2021-001

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

Federal Program Titles: COVID-19 Community Development Block Grants/State's Program

Federal Assistance Listing Number: 14.228

Award Period: October 1, 2020 – September 30, 2021

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement:
Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include timely submission to ensure the compliance of all required financial and performance reports submitted to the federal agencies.

Under the CDBG-CV grant agreement, one copy of each progress report shall be submitted no later than 20 days after the end of each quarter.

Condition: During out testing of the CDBG- CV reports submitted, it was noted that the Authority did not have controls in place to ensure reporting requirements were being met.

Questioned Costs: Not able to determine

Context: During our testing of the CDBG- CV reports submitted, 3 out of 3 quarterly reports were submitted after the required filing dates.

Cause: Staff were focused on implementing a new program and disbursing funds quickly in the pandemic environment; therefore, gathering the data for the reports took longer. As such, the reports were submitted 3-19 days after the deadline.

Effect: Failure to file reports timely may jeopardize future funding from the identified federal agencies.

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

2021-001 (Continued)

Repeat Finding: No

Recommendation: We recommend the Authority design controls to ensure reporting requirements are being met.

Views of responsible officials: Management agrees the reports were submitted late. Staff were focused on implementing a new program and disbursing funds quickly in the pandemic environment; therefore, gathering the data for the reports took longer. MFA was in communication with the State regarding the status of the reports and they were accepted when submitted, up to 19 days after the deadline. The program has now been discontinued and MFA is working with the State to close out the program.

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

2020-001 SEFA Completeness

Condition: The Authority's preliminary SEFA did not accurately report loan balances for federal programs #21.011 (Capital Magnet Fund), #14.275 (National Housing Trust Fund) and #14.000 (Ginnie Mae Mortgage-Backed Securities Program) as required by Uniform Guidance. Upon review of the Authority's SEFA, we noted that loan balances were not properly carried forward from the loan schedule to the SEFA schedule. This resulted in adjustments to the SEFA.

Status: Resolved.

MFA
Housing New Mexico

CORRECTIVE ACTION PLAN

February 1, 2022

The New Mexico Mortgage Finance Authority respectfully submits the following corrective action plan for the year ended September 30, 2021.

Name and address of independent public accounting firm:

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

Audit period: Year ended September 30, 2021

The findings from the September 30, 2021 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2021-001 Community Development Block Grants/State's Program
Federal Assistance Listing Number 14.228

Recommendation:
We recommend the Authority design controls to ensure reporting requirements are being met.

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

Views of responsible officials and planned corrective actions:
Management agrees the reports were submitted late. Staff was focused on implementing a new program and disbursing funds quickly in the pandemic environment; therefore, gathering the data for the reports took longer. MFA was in communication with the State regarding the status of the reports and they were accepted when submitted, up to 19 days after the deadline. The program has now been discontinued and MFA is working with the State to close out the program. In the future, reporting requirements will be identified for new programs, assigned to responsible staff and added to a tickler for action.

New Mexico Mortgage Finance Authority
344 Fourth St. SW Albuquerque, NM 87102 x 505.843.6880 800.444.6880 ***housingnm.org***

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

Planned completion date for corrective action plan:
A final close out report was submitted to the State dated 9/20/2021. The program will be closed as soon as the State accepts the final close out report, which is pending as of this date.

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

Sincerely yours,

New Mexico Mortgage Finance Authority

Isidoro Hernandez
Executive Director/CEO

MFA

OTHER REQUIRED SCHEDULES

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
EXIT CONFERENCE
YEAR ENDED SEPTEMBER 30, 2021

An exit conference was conducted on February 8, 2022, in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority

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

CliftonLarsonAllen, LLP

Mandy Merchant, Principal
Gaby Miller, Director

OTHER SUPPLEMENTARY 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)
SEPTEMBER 30, 2021

A. ADJUSTED NET WORTH CALCULATIONS

Total Net Position		$ 333,573,000
Less:		
Itemized Unacceptable Assets		
1. Prepaid Expenses	(380,000)	
2. Other Receivables	(6,095,000)	
3. Real Estate Owned	(2,278,000)	
4. Intangible Assets	(17,477,000)	
5. Unrealized Gain on Securitized Mortgage Loans and Debt Securities	(49,348,000)	
Total Unacceptable Assets		(75,578,000)
Adjusted Net Worth		$ 257,995,000

B. REQUIRED NET WORTH CALCULATIONS

Unpaid Principal Balance of Pools (Note: Number of Pools – 863)	$ 1,501,654,000
Plus:	
Outstanding Balance of Commitments, Authority Issued, and Requested	$ 222,465,000
Total Outstanding Portfolio and Authority	$ 1,724,119,000
Required Net Worth	**$ 8,534,000**

C. EXCESS (DEFICIT) NET WORTH

EXCESS (DEFICIT) NET WORTH (Adjusted Net Worth - Required Net Worth)	$ 249,461,000

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
INSTITUTION-WIDE CAPITAL REQUIREMENT CALCULATION
SEPTEMBER 30, 2021

A. CAPITAL REQUIREMENT FOR DEPOSITORY INSTITUTIONS		Not Applicable
B. CAPITAL REQUIREMENT FOR NONDEPOSITORY INSTITUTIONS		
Total Adjusted Net Worth		$ 257,995,000
Total Assets (Excluding Unacceptable Assets)		$ 1,477,383,000
		Meet Requirements? (Yes/No)
Total Adjusted Net Worth/Total Assets	17%	Yes

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
LIQUID ASSET REQUREMENT
SEPTEMBER 30, 2021

Liquid Asset Calculation

A. REQUIRED NET WORTH		$ 8,534,000
Acceptable Liquid Assets:		
1. Unrestricted Cash and Cash Equivalents	$ 49,523,000	
2. Restricted Cash and Cash Equivalents	97,969,000	
3. US Agencies AAA Rated	2,990,000	
Total Liquid Assets		$ 150,482,000

B. REQUIRED LIQUID ASSETS

Single - family issuer liquid asset requirement		**Meets requirement?**
(Greater of $1,000,000 or .10% of outstanding single-family securities)	$ 1,497,000	*Yes*

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF INSURANCE – GNMA REQUIRED INSURANCE COVERAGE – ISSUER IDENTIFICATION NO. 3676
SEPTEMBER 30, 2021

IDENTIFICATION OF AFFILIATED GNMA ISSUERS	
Affiliated GNMA Issuers	None
Affiliated Issuers on Same Insurance Policies	None
REQUIRED INSURANCE CALCULATION	
Servicing Portfolio:	
GNMA	$ 1,501,654,000
FNMA	216,852,000
Conventional (Other)	176,766,000
Total Servicing Portfolio	$ 1,895,272,000
Required Fidelity Bond Coverage	$ 2,420,272
Required Mortgage Servicing Errors and Omissions Coverage	$ 2,420,272
VERIFICATION OF INSURANCE COVERAGE	
Fidelity Bond Coverage at September 30, 2021	$ 5,000,000
Mortgage Servicing Errors and Omissions Coverage at September 30, 2021	$ 5,000,000
EXCESS (DEFICIT) INSURANCE COVERAGE	
Fidelity Bond Coverage	$ 2,579,728
Mortgage Servicing Errors and Omissions Coverage	$ 2,579,728
GNMA LOSS PAYABLE ENDORSEMENT	
Fidelity Bond Coverage	Yes
Mortgage Servicing Errors and Omissions Coverage	Yes