

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

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

YEARS ENDED SEPTEMBER 30, 2020 AND 2019



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**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
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**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
BOARD OF DIRECTORS
SEPTEMBER 30, 2020**

| 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 |
| Rosalyn D. Nguyen, Esq. | 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 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, 2020 and 2019, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2020 and 2019, 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, 2020 and 2019, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2020 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 24, 2020

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**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019**

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 in order 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, 2020, 2019, and 2018. 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 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 final required financial statements are the statements of cash flows. The primary purpose of these statements is to provide information about the Authority's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments and net changes in cash resulting from operating, noncapital financing, capital and related financing and investing activities. These statements also provide information regarding the sources and uses of cash and the change in the cash balance during the reporting period.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019

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):

| | 2020 | 2019 | 2018 |
|---|-----------|------------|------------|
| Cash and Cash Equivalents (Unrestricted and Restricted) | \$ 84,999 | \$ 109,748 | \$ 132,023 |
| Investments (Unrestricted and Restricted) | 72,658 | 71,316 | 70,553 |
| Mortgage-Backed Securities and Mortgage | | | |
| Loans Receivable | 1,318,300 | 1,185,355 | 897,192 |
| Total Assets | 1,500,956 | 1,385,980 | 1,115,401 |
| Bonds Payable | 1,121,174 | 1,045,344 | 815,322 |
| Total Liabilities | 1,180,759 | 1,110,083 | 880,769 |
| Total Net Position | 320,481 | 276,273 | 235,115 |
| Total Operating Revenues | 73,925 | 61,963 | 50,745 |
| Total Operating Expenses | 57,513 | 51,108 | 40,569 |
| Operating Income | 16,412 | 10,855 | 10,176 |
| Total Nonoperating Revenues (Expenses) | 27,796 | 30,303 | (22,630) |
| Change in Net Position | 44,208 | 41,158 | (12,454) |

The COVID-19 health crisis impacted the United States halfway through the Authority's fiscal year. As much of the Authority's business model is driven by capital markets and the interest rate environment, there were repercussions as a result of the economic changes. The most impactful trends experienced by the Authority in this fiscal year's financial performance were the change in the Single Family Mortgage Program funding strategy, continued implementation of the new servicing business line and a decline in overall interest margins and yields. Due to the change in the economics of the mortgage program and dysfunction in the bond market created by the pandemic, mid-year the Authority began selling the majority of its mortgage-backed securities (MBS) originated through the Single Family Mortgage Program into the secondary market. Early in the fiscal year the Authority did issue two tax-exempt revenue bonds to fund the first-time homebuyer program. About 60 percent of the Authority's mortgage production this year was funded by loan sales and about 40 percent through revenue bond proceeds, which is a reversal of the trend we had experienced over the last few years. The result of these market effects was increased loan sale upfront, one-time administrative fee income, rather than the long-term annuity cash flows provided by the utilization of tax-exempt mortgage revenue bonds. In relation to servicing, that portfolio continued to grow due to record single family mortgage production. Since late 2016 the Authority has been purchasing the servicing rights associated with its loan originations as part of a new servicing business line. This asset earns long-term annuity revenue over the life of the MBS to support servicing functions. As this servicing asset portfolio grows, the income stream will continue to grow over time as well and did so during this fiscal year. In March the Federal Open Market Committee lowered the targeted range of the federal funds to .0-0.25% which created 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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019

Financial highlights are summarized as follows:

- Total assets were \$1.5 billion, an increase of 8.3% from September 30, 2019. The increase primarily reflects growth in the Single Family Mortgage Program investments for which new production exceeded loan paydowns and prepayments.
- Fiscal year 2020 MBS purchases and originations totaled \$224.2 million as compared to \$318.8 million in fiscal year 2019 due to the increased utilization of the secondary market loan sales to fund the Single Family Mortgage Program.
- Revenue bonds issued for the Single Family Mortgage program totaled \$190.0 million in fiscal year 2020 and \$348.8 million in fiscal year 2019. 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 and there were no refunding opportunities available to the Authority.
- Total liabilities were \$1.2 billion, an increase of 6.4% from September 30, 2019 due to revenue bond activity.
- In fiscal year 2020, net position increased \$44.2 million or \$17.5 million when excluding the net change in the fair value of investments. Valuation of interest rate sensitive assets tend to increase in a decreasing interest rate environment.

FINANCIAL POSITION

The net position of the Authority increased \$44.2 million from September 30, 2019 to September 30, 2020 and increased \$41.2 million from September 30, 2018 to September 30, 2019. The following table is a condensed summary of net position at September 30, 2020, 2019, and 2018 (in thousands):

| | 2020 | 2019 | 2018 |
|---|-------------------|-------------------|-------------------|
| Assets | | | |
| Current Assets | \$ 91,826 | \$ 69,832 | \$ 73,839 |
| Noncurrent Assets | 1,409,130 | 1,316,148 | 1,041,562 |
| Total Assets | 1,500,956 | 1,385,980 | 1,115,401 |
| Deferred Outflows of Resources | | | |
| Unamortized Loss on Refunding | 284 | 376 | 483 |
| Liabilities | | | |
| Current Liabilities | 103,633 | 72,313 | 63,930 |
| Noncurrent Liabilities | 1,077,126 | 1,037,770 | 816,839 |
| Total Liabilities | 1,180,759 | 1,110,083 | 880,769 |
| Net Position | | | |
| Investment in Capital Assets | 1,295 | 1,184 | 1,223 |
| Restricted | 90,778 | 61,715 | 36,696 |
| Restricted for Land Title Trust and Housing Trust | 32,779 | 30,351 | 28,628 |
| Unrestricted | 195,629 | 183,023 | 168,568 |
| Total Net Position | <u>\$ 320,481</u> | <u>\$ 276,273</u> | <u>\$ 235,115</u> |

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019**

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 closings. Additionally, the Authority experienced a decrease in cash balances due to support required for mortgage forbearance programs and loan modification activity as a result 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.

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2019 AND 2018

The decrease in cash and cash equivalents of \$22.2 million reflects a decrease in restricted cash due to the timing of Single Family Mortgage Program bond transaction closings. Additionally, the Authority experienced a decrease in cash balances for funds obtained through borrowings from the Federal Home Loan Bank of Dallas made to warehouse single family mortgage loans originated through the Authority's mortgage programs.

During this fiscal year, the Authority purchased \$318.8 million of MBS and \$462.1 million in whole loans. MBS and whole loan purchases were offset by \$66.4 million in repayments of securitized mortgage loans and \$460.1 million of whole loan and down payment assistance loan repayments during the year, thus the financials reflect a \$288.2 million net increase of MBS and mortgage loans receivable.

The purchased mortgage servicing rights portfolio associated with the loan originations increased \$3.8 million for a total portfolio of \$10.9 million at year end.

Over the past year due to increased tax-exempt bonding activity the Authority experienced a 26% increase in liabilities. Proceeds from the sale of bonds and notes payable were \$726.5 million; bond and note repayments and refundings totaled \$497.5 million, resulting in the net increase for the year.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019

CHANGE IN FINANCIAL POSITION

The operating income for the year increased by approximately \$5.6 million when compared to fiscal year 2019. The following table is a condensed summary of changes in net position for the years ended September 30, 2020, 2019, and 2018 (in thousands):

| | 2020 | 2019 | 2018 |
|--|-------------------|-------------------|-------------------|
| Operating Revenues | | | |
| Interest on Loans and MBS | \$ 49,027 | \$ 42,488 | \$ 33,716 |
| Interest on Securities and Investments | 3,217 | 3,940 | 2,753 |
| Program Revenues | 7,169 | 5,593 | 4,225 |
| Loan and Commitment Fees | 2,299 | 3,281 | 1,843 |
| Administrative Fees | 10,838 | 5,175 | 7,776 |
| Other Revenues | 1,375 | 1,486 | 432 |
| Total Operating Revenues | 73,925 | 61,963 | 50,745 |
| Operating Expenses | | | |
| Interest Expense | 37,390 | 31,873 | 23,857 |
| Bond Issuance Costs | 1,625 | 3,033 | 2,398 |
| Provision for (Recovery of) Loan Losses | 199 | 839 | (218) |
| Administrative and Other Expenses | 18,299 | 15,363 | 14,532 |
| Total Operating Expenses | 57,513 | 51,108 | 40,569 |
| Operating Income | 16,412 | 10,855 | 10,176 |
| Nonoperating Revenues (Expenses) | | | |
| Net Increase (Decrease) in Fair Value of Investments | 26,712 | 30,228 | (22,697) |
| State Appropriations | 1,116 | - | - |
| Grant Income | 50,593 | 48,481 | 44,686 |
| Grant Expense | (50,650) | (48,481) | (44,686) |
| Land Title Trust Contributions | 79 | 107 | 75 |
| Land Title Trust Distributions | (54) | (32) | (8) |
| Total Nonoperating Revenues (Expenses) | 27,796 | 30,303 | (22,630) |
| Change in Net Position | 44,208 | 41,158 | (12,454) |
| Total Net Position - Beginning of Year | 276,273 | 235,115 | 247,569 |
| Total Net Position - End of Year | <u>\$ 320,481</u> | <u>\$ 276,273</u> | <u>\$ 235,115</u> |

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2020 AND 2019

Operating revenues increased \$12 million from 2019 to 2020, approximately 19.3%, 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 \$6.4 million in 2020, approximately 12.5%, primarily due to increases in bond interest expense of \$5.5 million and administrative and other expenses of \$2.9 million.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019**

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.

COMPARISON OF YEARS ENDED SEPTEMBER 30, 2019 AND 2018

Operating revenues increased \$11.2 million from 2018 to 2019, approximately 22%, because of increased interest income, loan commitment 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 \$8.8 million, loan commitment fees increased \$1.4 million which were offset by decreases in administrative fees of \$2.6 million. Program revenues increased by \$1.4 million due to the growth of the servicing portfolio.

Operating expenses increased by \$10.5 million in 2019, approximately 26%, primarily due to increases in bond interest expense of \$7.8 million, \$1.1 million in provision for loan loss and bond issuance costs of \$0.6 million.

The change in fair value of securities for 2019 was an increase of \$30.2 million compared to a decrease of \$22.7 million in 2018. This represents an increase in the overall fair market value of investments, held at September 30, 2019 compared to September 30, 2018. 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 HFA's 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.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019**

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 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 2019, the Authority issued \$348.8 million of Single Family Mortgage Program revenue bonds of which approximately \$48.9 million was related to bond refunding transactions. This is \$89.6 million more than the \$259.2 million issued in 2018. The issuance of debt increased during fiscal year 2019 due to favorable market conditions. The Authority also sold \$107.1 million of single family mortgages into the secondary market during the year. Due to the improved interest rate environment and the continuous lending origination model, interest margin increased approximately \$1.4 million this fiscal year in comparison to 2018. The Authority redeemed \$109.6 million of Single Family Mortgage Program bonds due to repayments and maturities, compared to \$98.3 million in 2018.

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.

During fiscal year 2019, the Authority issued \$18.7 million of Rental Housing Bonds. During 2018 there were no Rental Housing Bonds issued. In 2019, \$19.2 million of Rental Housing Bonds were redeemed due to repayments and maturities compared to \$2.3 million in 2018.

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, 2020, those notes outstanding total \$30 million, in comparison to \$35.0 million at the end of 2019. The Authority relies on this liquidity to purchase program mortgages.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019**

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 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 over the last few months, concerns remain. However, the New Mexico housing market was strong and the Authority experienced record high demand for the Single Family Mortgage Program during 2020. That is expected to continue as we look forward. Many believe the housing market has been a bright spot in the recession.

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 14% of the Authority's bonds outstanding reflect the AA+ S&P rating and approximately 86% 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 (33%), a large cap equities fund (36%), a small/mid cap fund (12%), a non-U.S. developed markets fund (14%) and a non-U.S. emerging markets fund (4%). Several years ago, to improve investment returns, the Authority began investing in its own MBS as bond programs became callable and residual MBS from those bond programs became available.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019**

Due to the strong investment returns associated with the MBS asset class, the Authority now carries MBS in the long-term portion of the investment portfolio. Both the intermediate and long-term MBS portfolios yielded approximately 4.6%. During this fiscal year, the agency obligations provided yields of 1.5%. Investments in the SIC experienced \$1.3 million in fair market value gains in comparison to 2019 when fair market value gains were \$0.4 million. There was extreme market volatility from month to month during the year due to the health crisis. However, the overall rate of return on the Authority's SIC long-term portfolio for 2020 recovered over the course of the last quarter and was 6.98%.

Moving into fiscal year 2020, 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 be more prohibitive and 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. But, selling loans into the secondary market will assist in supporting the liquidity needed to assist borrowers unable to make their mortgage payments due to job loss as a result of the pandemic. There will be challenges in competing with the historically low mortgage interest rates currently offered in the traditional mortgage market, 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, federal fiscal policy in relation to interest rates began to shift downward. 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 increase slightly, providing administrative fee income related to those programs at higher levels. Additional federal funding did flow to the Authority in 2020 to support affordable housing needs as a result of the health crisis.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2020 AND 2019**

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

BASIC FINANCIAL STATEMENTS

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2020 AND 2019
(IN THOUSANDS)

| ASSETS | <u>2020</u> | <u>2019</u> |
|--|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents: | | |
| Unrestricted | \$ 27,070 | \$ 29,812 |
| Restricted | 37,841 | 21,949 |
| Restricted Cash Held in Escrow | 10,599 | 10,679 |
| Total Cash and Cash Equivalents | <u>75,510</u> | <u>62,440</u> |
| Securitized Mortgage Loans | 7,750 | - |
| Accrued Interest Receivable | 4,485 | 4,183 |
| Other Current Assets | 4,081 | 3,209 |
| Total Current Assets | <u>91,826</u> | <u>69,832</u> |
| NONCURRENT ASSETS | | |
| Restricted Cash and Cash Equivalents | 9,489 | 47,308 |
| Investments: | | |
| Restricted Investments | 14,712 | 13,815 |
| Unrestricted Investments | 56,928 | 56,771 |
| Unrealized Gain on Restricted and Unrestricted Investments | 1,018 | 730 |
| Total Investments, Net | <u>72,658</u> | <u>71,316</u> |
| Restricted Securitized Mortgage Loans, Net: | | |
| Securitized Mortgage Loans, Net | 1,034,383 | 923,608 |
| Unrealized Gain on Securitized Mortgage Loans | 56,235 | 29,810 |
| Restricted Securitized Mortgage Loans, Net | <u>1,090,618</u> | <u>953,418</u> |
| Mortgage Loans, Net: | | |
| Restricted Mortgage Loans, Net | 69,956 | 88,001 |
| Restricted Trust Funds Mortgage Loans, Net | 14,875 | 15,078 |
| Unrestricted Mortgage Loans, Net | 135,101 | 128,858 |
| Total Mortgage Loans, Net | <u>219,932</u> | <u>231,937</u> |
| Capital Assets, Net | 1,295 | 1,184 |
| Intangible Assets | 14,476 | 10,960 |
| Other Noncurrent Assets | 662 | 25 |
| Total Noncurrent Assets | <u>1,409,130</u> | <u>1,316,148</u> |
| Total Assets | 1,500,956 | 1,385,980 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Unamortized Loss on Refunding Bonds | 284 | 376 |
| Total Assets and Deferred Outflows of Resources | <u>\$ 1,501,240</u> | <u>\$ 1,386,356</u> |

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, 2020 AND 2019
(IN THOUSANDS)

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Escrow Deposits and Reserves | \$ 10,496 | \$ 10,575 |
| Accrued Interest Payable | 7,089 | 5,880 |
| Accounts Payable and Other Accrued Expenses | 8,803 | 9,439 |
| Compensated Absences | 532 | 403 |
| Current Portion of Bonds Payable | 46,639 | 20,942 |
| Current Portion of Notes Payable | 30,074 | 25,074 |
| Total Current Liabilities | <u>103,633</u> | <u>72,313</u> |
| NONCURRENT LIABILITIES | | |
| Bonds Payable | 1,074,535 | 1,024,402 |
| Notes Payable | 2,435 | 13,202 |
| Other Noncurrent Liabilities | 156 | 166 |
| Total Noncurrent Liabilities | <u>1,077,126</u> | <u>1,037,770</u> |
| Total Liabilities | 1,180,759 | 1,110,083 |
| NET POSITION | | |
| Investment in Capital Assets | 1,295 | 1,184 |
| Restricted for Debt Service | 90,778 | 61,715 |
| Restricted for Land Title Trust and Housing Trust | 32,779 | 30,351 |
| Unrestricted | 195,629 | 183,023 |
| Total Net Position | <u>320,481</u> | <u>276,273</u> |
| Total Liabilities and Net Position | <u><u>\$ 1,501,240</u></u> | <u><u>\$ 1,386,356</u></u> |

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2020 AND 2019
(IN THOUSANDS)

| | 2020 | 2019 |
|---|--------------------------|--------------------------|
| OPERATING REVENUES | | |
| Interest on Mortgage Loans and Securitized Mortgage Loans | \$ 49,027 | \$ 42,488 |
| Interest on Securities and Investments | 3,217 | 3,940 |
| Housing Program Income | 1,318 | 1,196 |
| Program Servicing Fees | 5,851 | 4,397 |
| Loan and Commitment Fees | 2,299 | 3,281 |
| Administrative Fees | 10,838 | 5,175 |
| Other Revenues | 1,375 | 1,486 |
| Total Operating Revenues | <u>73,925</u> | <u>61,963</u> |
| OPERATING EXPENSES | | |
| Interest Expense | 37,390 | 31,873 |
| Bond Issuance Costs | 1,625 | 3,033 |
| Provision for Loan Losses | 199 | 839 |
| Administrative and Other Expenses | 18,299 | 15,363 |
| Total Operating Expenses | <u>57,513</u> | <u>51,108</u> |
| OPERATING INCOME | 16,412 | 10,855 |
| NONOPERATING REVENUES (EXPENSES) | | |
| Net Increase in Fair Value of Investments | 26,712 | 30,228 |
| State Appropriations | 1,116 | - |
| Grant Income | 50,593 | 48,481 |
| Grant Expense | (50,650) | (48,481) |
| Land Title Trust Contributions | 79 | 107 |
| Land Title Trust Distributions | (54) | (32) |
| Total Nonoperating Revenues (Expenses) | <u>27,796</u> | <u>30,303</u> |
| CHANGE IN NET POSITION | 44,208 | 41,158 |
| Total Net Position - Beginning of Year | <u>276,273</u> | <u>235,115</u> |
| TOTAL NET POSITION - END OF YEAR | <u><u>\$ 320,481</u></u> | <u><u>\$ 276,273</u></u> |

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, 2020 AND 2019
(IN THOUSANDS)

| | 2020 | 2019 |
|--|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Purchase of Loans | \$ (505,556) | \$ (462,071) |
| Receipts of Loan Repayments | 517,436 | 460,076 |
| (Premium) on Loans | - | (9) |
| Loan and Commitment Fees | 2,299 | 3,281 |
| Mortgage Interest Received | 48,725 | 41,740 |
| Purchase of Securitized Mortgage Loans | (224,233) | (318,807) |
| (Premium) on MBS | (2,577) | (4,900) |
| Principal Repayment of Securitized Mortgage Loans | 115,383 | 66,420 |
| Restricted Escrow and Reserves, Net | (79) | (239) |
| Receipts for Services | 14,906 | 8,515 |
| Payments to Employees for Services | (8,105) | (7,308) |
| Payments to Suppliers of Goods or Services | (7,469) | (5,039) |
| Other Payments | (4,707) | (3,860) |
| Net Cash Used in Operating Activities | (53,977) | (222,201) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | |
| Proceeds from Sale of Bonds and Notes Payable | 474,815 | 726,499 |
| Repayment and Refunding of Bonds and Notes Payable | (404,752) | (497,545) |
| Payment of Interest on Bonds and Notes | (36,181) | (31,873) |
| Payment for Bond Issuance Costs | (1,625) | (3,033) |
| Receipt of Grant Income | 50,593 | 48,541 |
| Payment of Grants | (50,650) | (48,541) |
| Contributions to Land Title Trust | 79 | 107 |
| Land Title Trust Distribution | (54) | (32) |
| State Appropriations | 1,116 | - |
| Net Cash Provided by Noncapital Financing Activities | 33,341 | 194,123 |
| CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES | | |
| Purchases of Capital Assets | (306) | (147) |
| Net Cash Used in Capital Financing Activities | (306) | (147) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of Other Real Estate Owned | (1,261) | (52) |
| Purchase of Investments | (28,357) | (29,806) |
| Proceeds from Maturity and Sale of Investments | 22,776 | 32,212 |
| Investment Interest Income | 3,217 | 3,382 |
| (Premium) on Investments | (185) | (30) |
| Gain on Sale of Securities | 3 | 244 |
| Net Cash (Used in) Provided by Investing Activities | (3,807) | 5,950 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (24,749) | (22,275) |
| Cash and Cash Equivalents - Beginning of Year | 109,748 | 132,023 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 84,999</u> | <u>\$ 109,748</u> |
| Current Cash and Cash Equivalents | \$ 75,510 | \$ 62,440 |
| Noncurrent Cash and Cash Equivalents | 9,489 | 47,308 |
| Cash and Cash Equivalents - End of Year | <u>\$ 84,999</u> | <u>\$ 109,748</u> |

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, 2020 AND 2019
(IN THOUSANDS)

| | <u>2020</u> | <u>2019</u> |
|---|--------------------|---------------------|
| RECONCILIATION OF OPERATING INCOME TO NET CASH | | |
| USED BY OPERATING ACTIVITIES | | |
| Operating Income | \$ 16,412 | \$ 10,855 |
| Adjustments to Reconcile Operating Income to Net Cash | | |
| Used in Operating Activities: | | |
| Bond Issuance Costs | 1,625 | 3,033 |
| Loan and Commitment Fees | (2,299) | (3,281) |
| Amortization of Securitized Mortgage Loans and Mortgage | | |
| Loan Discounts/Premiums | 2,486 | 1,419 |
| Loss on Sale of Assets | 625 | 125 |
| Depreciation Expense | 195 | 186 |
| Provision of Loan Losses | 199 | 839 |
| Investment Interest Income | (3,217) | (3,940) |
| Interest Expense on Bonds and Notes Payable | 37,390 | 31,873 |
| Changes in Assets and Liabilities: | | |
| Accrued Interest Receivable on Securitized Mortgage | | |
| Loans and Mortgage Loans | (302) | (748) |
| Other Current Assets | (872) | 486 |
| Other Noncurrent Assets | (4,153) | (3,705) |
| Accounts Payable and Other Accrued Expenses | (636) | (1,733) |
| Escrows and Deposits | (79) | (239) |
| Other Noncurrent Liabilities | (5,724) | (33) |
| Securitized Mortgage Loans, Net Cost | (107,632) | (256,113) |
| Mortgage Loans | 12,005 | (1,225) |
| Net Cash Used in Operating Activities | <u>\$ (53,977)</u> | <u>\$ (222,201)</u> |

See accompanying Notes to Financial Statements.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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 blended component unit of the Authority.

For financial reporting purposes, the Authority is considered a discretely presented component unit of the state of New Mexico in accordance with 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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

Estimates

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

Programs

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

- Single Family Mortgage Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related mortgage loans for single-family, owner-occupied housing in New Mexico. Management expects to be able to securitize single family mortgage loans to maturity with no funding requirement necessary from the Authority. Each single family bond indenture is accounted for as a segment. (See supplementary schedules.)
- Rental Housing Programs – Accounts for the proceeds from bonds, the debt service requirements of the bonds, and the related loans to qualified lenders for the purpose of financing multifamily rental housing facilities in New Mexico. Each multifamily bond indenture is accounted for as a segment. (See supplementary schedules.)
- General Accounts – Accounts for assets, liabilities, revenues, and expenses not directly attributable to a bond program. Most of the bond resolutions of the programs permit the Authority to make cash transfers to the general accounts after establishing reserves required by the bond resolutions. The general accounts financially support the bond programs when necessary. The general accounts include proprietary loan programs developed by the Authority to meet the needs of low- and moderate-income borrowers not served by traditional lending programs. This group of accounts is referred to as the Housing Opportunity Fund and includes the ACCESS Loan program, HERO Loan program, Primero program, Partners program, and several down payment assistance programs.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

Programs (Continued)

- *Housing Opportunities for Persons with AIDS Program (HOPWA)* – The HOPWA program is designed to provide states and localities with resources and incentives to devise long-term strategies for meeting the housing needs of persons with acquired immune deficiency syndrome (AIDS) or related diseases.
- *Tax Credit Assistance Program (TCAP) (Recovery Act Funded)* – TCAP provided grant funds to state housing credit agencies for capital investments in rental projects that received an award of LIHTC during the period from October 1, 2006 to September 30, 2009, and required additional funding to be completed and placed into service in accordance with the LIHTC requirements of Section 42 of the Internal Revenue Code (IRC).
- *Federal Housing Trust Fund (HTF)* – The HTF, funded by an assessment on loans made by Fannie Mae and Freddie Mac and administered by HUD, was established under the Housing and Economic Recovery Act of 2008. The purpose of the HTF is to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income and very low-income households, including homeless families. The Authority's program provides funds for the production, preservation, and rehabilitation of affordable rental housing units for families earning no more than 30% of the area median income.
- *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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

Programs (Continued)

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.

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.

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).

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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, 2020 and 2019 were \$3.0 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.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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 \$85,000 as of September 30, 2020 and 2019, 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 1 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.

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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 only after six months of employment. Accrued vacation leave is computed by multiplying each employee's current hourly rate by the number of hours accrued.

Sick Leave

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

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
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NOTE 1 BASIS OF ACCOUNTING AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues and Expenses (Continued)

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

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

Nonoperating expenses include activities that have the characteristics of nonexchange transactions such as grant award expenses, which are defined as nonoperating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34 and adjustments to fair market values in accordance with GASB No. 31.

Income Taxes

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

NOTE 2 CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

| | 2020 | 2019 |
|---|------------------|-------------------|
| Cash on Deposit at Financial Institutions | \$ 22,790 | \$ 21,498 |
| Cash on Deposit at New Mexico State Treasurer | 3,906 | 6,096 |
| Cash on Deposit Held in Escrow (Note 17) | 10,599 | 10,679 |
| Cash Equivalents Not Considered Deposits: | | |
| Money Market Funds | 46,039 | 65,222 |
| Repurchase Agreements | 376 | 3,645 |
| Guaranteed Investment Contracts | 1,289 | 2,608 |
| Total | <u>\$ 84,999</u> | <u>\$ 109,748</u> |

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.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

Investment Policy (Continued)

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

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

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, 2020 and 2019, the Authority's bank balance was approximately \$25,127,000 and \$22,000,000, 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, 2020 and 2019 are approximately \$8,870,000 and \$8,600,000, respectively. Management does not believe the remaining approximately \$15,864,000 and \$12,900,000 are subject to custodial credit risk at September 30, 2020 and 2019, respectively.

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

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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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

Investment Interest and Credit Risk

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

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

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

| September 30, 2020 | | | | | | |
|----------------------------------|---------------------|----------------------------------|-----------------|------------------|---------------------|------------------|
| Investment Type | Fair Value | Investment Maturities (in Years) | | | | |
| | | 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 | <u>\$ 1,222,636</u> | <u>\$ 67,934</u> | <u>\$ 6,734</u> | <u>\$ 10,288</u> | <u>\$ 1,094,682</u> | <u>\$ 42,998</u> |

| September 30, 2019 | | | | | | |
|----------------------------------|---------------------|----------------------------------|-----------------|------------------|-------------------|------------------|
| Investment Type | Fair Value | Investment Maturities (in Years) | | | | |
| | | Less Than 1 | 1 - 5 | 6 - 10 | More Than 10 | Not Available |
| Money Market Funds | \$ 65,222 | \$ 64,871 | \$ - | \$ - | \$ 351 | \$ - |
| Repurchase Agreements | 3,645 | 3,645 | - | - | - | - |
| Guaranteed Investment Contracts | 2,608 | 678 | - | - | 1,930 | - |
| Internal State Investment Pools: | | | | | | |
| State Treasurer | 6,096 | 6,096 | - | - | - | - |
| State Investment Council | 39,648 | - | - | - | - | 39,648 |
| U.S. Agencies | 19,147 | 10,009 | 9,138 | - | - | - |
| Securitized Mortgage Loans: | | | | | | |
| Unrestricted | 12,198 | - | 51 | 1,732 | 10,415 | - |
| Restricted | 953,418 | - | - | 10,930 | 942,488 | - |
| Total | <u>\$ 1,101,982</u> | <u>\$ 85,299</u> | <u>\$ 9,189</u> | <u>\$ 12,662</u> | <u>\$ 955,184</u> | <u>\$ 39,648</u> |

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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, 2020 | | | | | | | | |
|----------------------------------|---------------------|------------------|-------------------|---------------|---------------|----------------------------|-------------|------------------|
| | Fair Value | AAA | AA | 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 |

| September 30, 2019 | | | | | | | | |
|----------------------------------|---------------------|------------------|-------------------|---------------|---------------|----------------------------|-------------|------------------|
| | Fair Value | AAA | AA | A | BBB | U.S. Government Guaranteed | Not Rated | Not Available |
| Money Market Funds | \$ 65,222 | \$ 65,015 | \$ 142 | \$ 65 | \$ - | \$ - | \$ - | \$ - |
| Repurchase Agreements | 3,645 | - | 3,645 | - | - | - | - | - |
| Guaranteed Investment Contracts | 2,608 | - | 1,640 | 463 | 505 | - | - | - |
| Internal State Investment Pools: | | | | | | | | |
| State Treasurer | 6,096 | 6,096 | - | - | - | - | - | - |
| State Investment Council | 39,648 | - | - | - | - | - | - | 39,648 |
| U.S. Agencies | 19,147 | - | 19,147 | - | - | - | - | - |
| Securitized Mortgage Loans: | | | | | | | | |
| Unrestricted | 12,198 | - | 3,675 | - | - | 8,523 | - | - |
| Restricted | 953,418 | - | 165,460 | - | - | 787,958 | - | - |
| Total | \$ 1,101,982 | \$ 71,111 | \$ 193,709 | \$ 528 | \$ 505 | \$ 796,481 | \$ - | \$ 39,648 |

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, 2020 and 2019, respectively: Ginnie Mae: 80% and 78%, and Fannie Mae: 15% and 17%.

Fair Value Reporting

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

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

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NOTE 3 MORTGAGE LOANS, NET

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Total Mortgage Loan Principal Outstanding | \$ 225,779 | \$ 235,237 |
| Less: Allowance for Mortgage Loan Losses | (5,847) | (3,300) |
| Mortgage Loans, Net | <u>\$ 219,932</u> | <u>\$ 231,937</u> |

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

| | 2020 | 2019 |
|-------------------------------------|-----------------|-----------------|
| Beginning Balance | \$ 3,300 | \$ 1,391 |
| Provision for Loan Losses | 199 | 839 |
| Specific Reserves | 3,116 | 1,651 |
| Loans Written Off Net of Recoveries | (768) | (581) |
| Ending Balance | <u>\$ 5,847</u> | <u>\$ 3,300</u> |

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

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

MBSs have stated interest rates ranging from 2.675% and 7.49%.

As of September 30, 2020 and 2019, mortgage loans with pending foreclosure actions have aggregate principal balances of approximately \$199,000 and \$220,000, respectively. As of September 30, 2020 and 2019, mortgage loans' total delinquent aggregate principal balances are approximately \$8,005,000 and \$7,191,000, respectively.

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

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Southwest Neighborhood Housing Services | \$ 235 | \$ 237 |
| TIWA Lending Services | 7,213 | 7,110 |
| Fannie Mae Loans | 202,244 | 197,220 |
| Ginnie Mae Loans | 1,248,799 | 942,059 |
| Nambe | 256 | 261 |
| Southwest Community Resources | 8 | 11 |
| City of Albuquerque | 15,666 | 15,572 |
| Ventana Fund | 3,977 | 4,717 |
| Ohkay Owingeh | 258 | 263 |
| Total | <u>\$ 1,478,656</u> | <u>\$ 1,167,450</u> |

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
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NOTE 4 CAPITAL ASSETS

Changes in capital assets during 2020 and 2019 were as follows (in thousands):

| | October 1, 2019 | Additions | Dispositions | Transfers | September 30, 2020 |
|--------------------------------|--------------------|---------------|--------------|-------------|-----------------------|
| Land (Nondepreciable) | \$ 512 | \$ - | \$ - | \$ - | \$ 512 |
| Building and Improvements | 3,388 | 184 | (27) | - | 3,545 |
| Furniture and Equipment | 2,016 | 122 | (57) | - | 2,081 |
| 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 | <u>\$ 1,184</u> | <u>\$ 111</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,295</u> |

| | October 1, 2018 | Additions | Dispositions | Transfers | September 30, 2019 |
|--------------------------------|--------------------|----------------|--------------|-------------|-----------------------|
| Land (Nondepreciable) | \$ 512 | \$ - | \$ - | \$ - | \$ 512 |
| Building and Improvements | 3,388 | - | - | - | 3,388 |
| Furniture and Equipment | 2,020 | 147 | (151) | - | 2,016 |
| Total Capital Assets | 5,920 | 147 | (151) | - | 5,916 |
| Less Accumulated Depreciation: | | | | | |
| Building and Improvements | (2,847) | (75) | - | - | (2,922) |
| Furniture and Equipment | (1,850) | (111) | 151 | - | (1,810) |
| Total Accumulated Depreciation | (4,697) | (186) | 151 | - | (4,732) |
| Capital Assets, Net | <u>\$ 1,223</u> | <u>\$ (39)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,184</u> |

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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SEPTEMBER 30, 2020 AND 2019

NOTE 5 BONDS PAYABLE

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

| <u>Single Family Mortgage Programs</u> | <u>2020</u> | <u>2019</u> |
|--|-------------|-------------|
| 2010 Series A - 4.625% interest payable semiannually, principal due through 2025 | \$ 2,565 | \$ 5,280 |
| 2011 Series A - 5.00% to 5.35% interest payable semiannually, principal due through 2030 | 5,305 | 7,290 |
| 2011 Series B - 2.77% to 5.00% interest payable semiannually, principal due through 2041 | 11,795 | 14,330 |
| 2011 Series C - 2.32% to 4.625% interest payable semiannually, principal due through 2041 | 12,735 | 15,780 |
| 2012 Series A - 2.60% to 4.25% interest payable quarterly, principal due through 2043 | 13,750 | 17,770 |
| 2012 Series B - 2.60% to 3.90% interest payable quarterly, principal due through 2043 | 20,285 | 25,445 |
| 2013 Series A - 2.60% interest payable monthly, principal due through 2043 | 8,785 | 11,600 |
| 2013 Series B - 2.23% to 2.85% interest payable monthly, principal due through 2043 | 13,786 | 16,851 |
| 2013 Series C - 4.50% interest payable monthly, principal due through 2043 | 16,520 | 19,112 |
| 2014 Series A - 3.00% to 5.00% interest payable quarterly, principal due through 2044 | 6,680 | 8,010 |
| 2014 Series B - 2.75% interest payable monthly, principal due through 2035 | 4,768 | 5,439 |
| 2015 Series A - 2.05% to 4.00% interest payable quarterly, principal due through 2045 | 21,280 | 24,155 |
| 2015 Series B - 2.75% interest payable monthly, principal due through 2035 | 3,196 | 3,653 |
| 2015 Series C - 3.00% interest payable monthly, principal due through 2041 | 12,460 | 14,885 |
| 2015 Series D - 3.125% interest payable monthly, principal due through 2037 | 5,939 | 6,962 |
| 2015 Series E - 3.10% interest payable monthly, principal due through 2037 | 8,633 | 10,209 |
| 2016 Series A - 1.55% to 3.80% interest payable quarterly, principal due through 2046 | 36,355 | 43,725 |
| 2016 Series B - 2.60% interest payable monthly, principal due through 2040 | 15,985 | 18,865 |

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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SEPTEMBER 30, 2020 AND 2019

NOTE 5 BONDS PAYABLE (CONTINUED)

| <u>Single Family Mortgage Programs</u> | <u>2020</u> | <u>2019</u> |
|---|---------------------|-------------------|
| 2016 Series C - 1.55% to 3.5% interest payable quarterly, principal due through 2045 | \$ 45,375 | \$ 51,780 |
| 2017 Series A - 2.98% interest payable monthly, principal due through 2038 | 14,900 | 18,558 |
| 2017 Series B - 1.50% to 3.80% interest payable quarterly, principal due through 2048 | 46,645 | 51,835 |
| 2018 Series A 2.20% to 4.00% interest payable quarterly, principal due through 2049 | 52,625 | 58,825 |
| 2018 Series B 2.05% to 4.00% interest payable quarterly, principal due through 2049 | 60,765 | 63,680 |
| 2018 Series C 1.90% to 4.00% interest payable quarterly, principal due through 2049 | 70,365 | 73,895 |
| 2018 Series D 2.30% to 4.25% interest payable quarterly, principal due through 2049 | 46,425 | 49,455 |
| 2019 Series A 1.85% to 4.25% interest payable quarterly, principal due through 2050 | 65,580 | 69,750 |
| 2019 Series B 3.45% interest payable monthly, principal due through 2040 | 19,564 | 23,916 |
| 2019 Series C 1.70% to 4.00% interest payable quarterly, principal due through 2050 | 77,250 | 80,000 |
| 2019 Series D 1.35% to 3.75% interest payable quarterly, principal due through 2050 | 98,040 | 100,000 |
| 2019 Series E 2.90% interest payable monthly, principal due through 2040 | 17,683 | 22,573 |
| 2019 Series F 1.30% to 3.50% interest payable monthly, principal due through 2050 | 118,720 | - |
| 2020 Series A 0.95% to 3.50% interest payable monthly, principal due through 2051 | 69,925 | - |
| Subtotal | 1,024,684 | 933,628 |
| Unaccreted Premium, Net of Underwriters' Discount | 25,013 | 21,189 |
| Subtotal Single Family Mortgage Programs, Net Bonds Payable | <u>\$ 1,049,697</u> | <u>\$ 954,817</u> |

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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SEPTEMBER 30, 2020 AND 2019

NOTE 5 BONDS PAYABLE (CONTINUED)

| <u>Rental Housing Mortgage Programs</u> | <u>2020</u> | <u>2019</u> |
|---|-------------|-------------|
| 2003 Series A&B Multifamily Risk Sharing - Aztec - 5.10% to 5.15% interest payable semiannually, principal due through 2038 | \$ 7,135 | \$ 7,355 |
| 2004 Series A&B Multifamily Risk Sharing - NM5 - 5.05% to 5.20% interest payable semiannually, principal due through 2039 | 1,340 | 7,165 |
| 2004 Series C & D Multifamily Risk Sharing - Alta Vista - 5.25% to 6.00% interest payable semiannually, principal due through 2039 | 9,905 | 10,170 |
| 2005 Series C & D Multifamily Risk Sharing - Chateau - 4.70% interest payable semiannually, principal due through 2040 | 3,270 | 3,360 |
| 2005 Series E & F Multifamily Risk Sharing - Sun Pointe - 4.80% to 5.06% interest payable semiannually, principal due through 2040 | 10,415 | 10,700 |
| 2007 A & B Multifamily Risk Sharing - St. Anthony - 5.05% to 5.25% interest payable semiannually, principal due through 2042 | 4,945 | 5,055 |
| 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 | 12,289 | 12,492 |
| 2008 A & B Multifamily - Villas de San Ignacio - variable interest rate* (0.08% and 6.00% at September 30, 2020) 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 | 810 | 825 |

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 5 BONDS PAYABLE (CONTINUED)

| <u>Rental Housing Mortgage Programs</u> | <u>2020</u> | <u>2019</u> |
|--|------------------|------------------|
| 2012 A Multifamily - Gallup Apartments - 5% interest payable monthly, principal due through 2049 | \$ 4,606 | \$ 4,676 |
| 2019 Multifamily - JLG South Apartments - 5.25% interest payable monthly, principal due through 2020 | 3,331 | 1,744 |
| 2019 Multifamily - JLG North Apartments - 5.25% interest payable monthly, principal due through 2020 | <u>5,391</u> | <u>1,433</u> |
| Subtotal | 71,437 | 72,975 |
| Unaccreted Premium | <u>40</u> | <u>92</u> |
| Subtotal Rental Housing Mortgage Programs, Net Bonds Payable | <u>\$ 71,477</u> | <u>\$ 73,067</u> |

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

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Total Bonds Payable | \$ 1,096,121 | \$ 1,024,063 |
| Total Unaccreted Premium, Net of Unamortized Discount | <u>25,053</u> | <u>21,281</u> |
| Total Bonds Payable | <u>\$ 1,121,174</u> | <u>\$ 1,045,344</u> |

In November 2005 the Authority began issuing single family mortgage program bonds under a General Indenture of Trust dated November 1, 2005 (the General Indenture). The bond issues under this indenture are 2005D through 2009E and 2012A through 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 2020 and 2019 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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 5 BONDS PAYABLE (CONTINUED)

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 year 2019, the Authority continued to issue bonds under the General Indenture of Trust dated November 1, 2005 as follows:

- \$49.9 million Single Family Mortgage Program Class I Bonds, 2018 Series D (Tax-Exempt) (Non-AMT). The \$49.9 million 2018 Series D bonds were used to originate new loans.
- \$96.1 million Single Family Mortgage Program Class I Bonds, 2019 Series A (Tax-Exempt) (Non-AMT) and 2019 Series B (MBS Pass-Through Program) (Federally Taxable). The \$70 million 2019 Series A bonds were used to originate new loans. The \$26.1 million 2019 Series B bonds combined with funds in the trust estates were used to fully refund the Single Family Mortgage Program Bonds 2009 Series A, 2009 Series B and 2009 Series C. The Authority will realize a \$5.0 million positive cash flow from this refunding and an economic gain of approximately \$3.8 million.
- \$80 million Single Family Mortgage Program Class I Bonds, 2019 Series C Bonds (Tax-Exempt) (Non-AMT). The \$80 million 2019 Series C bonds were used to originate new loans.
- \$122.7 million Single Family Mortgage Program Class I Bonds, 2019 Series D (Tax-Exempt) (Non-AMT) and 2019 Series E (MBS Pass-Through Program) (Federally Taxable). The \$100 million 2019 Series D bonds were used to originate new loans. The \$22.7 million 2019 Series E bonds combined with funds in the trust estates were used to fully refund the Single Family Mortgage Program Bonds 2009 Series D and 2009 Series E. The Authority will realize a \$2.1 million positive cash flow from this refunding and an economic gain of approximately \$3.3 million.

During fiscal years 2020 and 2019, the Authority did not issue any bonds under the General Indenture of Trust dated December 1, 2009.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 6 NOTES PAYABLE

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

| Assets Pledged as Collateral | 2020 | 2019 |
|--|------------------|------------------|
| PRLF Cash and Loans | \$ 1,659 | \$ 1,726 |
| Securities and Loans Held for Sale | 30,000 | 35,000 |
| Subtotal: Debt With Pledged Collateral | 31,659 | 36,726 |
| Other Direct Borrowings Without Assets Pledged | 850 | 1,550 |
| Total Direct Borrowings | <u>\$ 32,509</u> | <u>\$ 38,276</u> |

The Authority also has an unused line of credit in the amount of \$2,500,000 and \$1,800,000 as of September 30, 2020 and 2019, respectively.

The Authority's outstanding debt pledged by PRLF cash and loans of \$1,659,000 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.

The Authority's outstanding debt pledged by securities and loans held for sale of \$30,000,000 contains a provision that in the event the FHLB Bank withdraws its approval to participate in the Held For Sale program, the Bank will designate a Held for Sale Transition Date, after which the Authority will not be able to pledge loans until the Authority is re-approved.

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

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 7 DEBT SERVICE REQUIREMENTS

A summary of bond and note debt service requirements as of September 30, 2020 is as follows (in thousands):

| Year Ending September 30, | Bonds Payable | | Notes from Direct Borrowings | |
|---------------------------|-------------------|---------------------|------------------------------|------------------|
| | Interest | Principal | Interest | Principal |
| 2021 | \$ 37,232 | \$ 46,639 | \$ 249 | \$ 30,074 |
| 2022 | 36,415 | 23,190 | 32 | 393 |
| 2023 | 35,741 | 23,918 | 24 | 499 |
| 2024 | 35,021 | 24,601 | 15 | 180 |
| 2025 | 34,257 | 25,547 | 14 | 74 |
| 2026 - 2030 | 158,361 | 137,182 | 57 | 371 |
| 2031 - 2035 | 132,891 | 168,960 | 38 | 371 |
| 2036 - 2040 | 97,817 | 263,767 | 20 | 371 |
| 2041 - 2045 | 49,739 | 239,168 | 3 | 176 |
| 2046 - 2050 | 11,667 | 143,144 | - | - |
| 2051 - 2055 | - | 5 | - | - |
| Subtotal | 629,141 | 1,096,121 | 452 | 32,509 |
| Net Unaccrued Premium | - | 25,053 | - | - |
| Total | <u>\$ 629,141</u> | <u>\$ 1,121,174</u> | <u>\$ 452</u> | <u>\$ 32,509</u> |

NOTE 8 ACCOUNTS PAYABLE AND ACCRUED EXPENSES

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

| | 2020 | 2019 |
|---------------------|-----------------|-----------------|
| Vendor | \$ 7,363 | \$ 6,907 |
| Employee Benefits | 625 | 571 |
| Advances on Revenue | 815 | 1,961 |
| Total | <u>\$ 8,803</u> | <u>\$ 9,439</u> |

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, 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 | - | (10) | 156 | - |
| Compensated Absences | 403 | 569 | (440) | 532 | 532 |
| Total | <u>\$ 1,084,189</u> | <u>\$ 475,384</u> | <u>\$ (405,202)</u> | <u>\$ 1,154,371</u> | <u>\$ 77,245</u> |

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 9 NONCURRENT LIABILITIES AND COMPENSATED ABSENCES (CONTINUED)

| | October 1, 2018 | Increases | Decreases | September 30, 2019 | Current Portion |
|------------------------------|--------------------|-------------------|---------------------|-----------------------|--------------------|
| Bonds Payable | \$ 815,322 | \$ 358,799 | \$ (128,777) | \$ 1,045,344 | \$ 20,942 |
| Notes from Direct Borrowings | 39,344 | 367,700 | (368,768) | 38,276 | 25,074 |
| Other Noncurrent Liabilities | 199 | - | (33) | 166 | - |
| Compensated Absences | 414 | 403 | (414) | 403 | 403 |
| Total | <u>\$ 855,279</u> | <u>\$ 726,902</u> | <u>\$ (497,992)</u> | <u>\$ 1,084,189</u> | <u>\$ 46,419</u> |

NOTE 10 LITIGATION

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

NOTE 11 EMPLOYEE BENEFIT PLAN

The Authority sponsors the New Mexico Mortgage Finance Authority 401(k) Plan (Benefit Plan). The Benefit Plan is a defined-contribution 401(k) plan, which covers substantially all of the Authority's employees. Participating employees may make pre-tax salary deferrals of not less than 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 \$886,000 and \$371,000, respectively, for the year ended September 30, 2020. The Authority's and employees' contributions to the Benefit Plan were approximately \$583,000 and \$314,000, respectively, for the year ended September 30, 2019. The Executive Director, Human Resources Director, and Deputy Director of Finance and Administration have the authority to amend the plans.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

NOTE 12 BOARD-DESIGNATED NET POSITION

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| Single Family and Multifamily Programs as Designated by the Board | \$ 21,950 | \$ 18,097 |
| Future General Operating Budget | 24,495 | 24,100 |
| Housing Opportunity Fund | 116,629 | 112,961 |
| Risk-Sharing Loss Exposure | 1,624 | 2,241 |
| Federal and State Housing Programs Administered by the Authority | 16,010 | 14,237 |
| Investment in Mortgage Servicing Rights | 14,452 | 10,933 |
| New Mexico Housing Charitable Trust | 469 | 454 |
| Total Board-Designated Net Position | <u>\$ 195,629</u> | <u>\$ 183,023</u> |

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, 2020 and 2019, the Authority is committed to assume a risk of approximately \$6,497,000 and \$8,965,000 for the 38 and 42 loans closed, respectively. These loans are considered in the Authority's assessment for the allowance for mortgage loan losses. As of September 30, 2020, of the 38 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 \$6,497,000 risk assumed as of September 30, 2020, the Authority's assumed risk approximated \$214,000 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, 2020. As of September 30, 2020 and 2019, the Authority is committed to assume a risk of approximately \$108,000 and \$110,000 for the one loan closed, respectively.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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.

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, 2020, 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 will terminate October 22, 2021. 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 will terminate October 22, 2021. 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.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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, 2020:

| Description | Original Appropriation | Appropriation Period | Expenditures to Date | Outstanding Encumbrances | Unencumbered Balance |
|--------------------------------------|---------------------------|-------------------------|-------------------------|-----------------------------|-------------------------|
| Housing Trust Fund | \$ 2,000 | 7/29/2019-6/30/2023 | \$ 1,333 | \$ 2,000 | \$ - |
| Weatherization and Energy Efficiency | 1,000 | 7/29/19-6/30/2023 | 515 | 1,000 | - |
| Veterans Rehab | 110 | 7/29/19-6/30/2020 | - | 110 | - |
| Housing Trust Fund | 1,200 | 9/9/20-6/30/2024 | - | - | 1,200 |
| Weatherization and Energy Efficiency | 1,000 | 9/9/20-6/30/2024 | - | - | 1,000 |
| Total | <u>\$ 5,310</u> | | <u>\$ 1,848</u> | <u>\$ 3,110</u> | <u>\$ 2,200</u> |

NOTE 17 RELATED-PARTY TRANSACTIONS

In September 2007, the Authority's Board of Directors approved the creation of the New Mexico Affordable Housing Charitable Trust, a 501(c)3 entity. The purpose of the Trust is to support the purposes and programs of the Authority, to seek gifts and grants of property, to borrow money, and to lend, lease, sell, exchange or otherwise transfer or distribute property for affordable housing. The Trust is governed by the Authority's Board of Directors. The Authority supports the ongoing operations of the Trust with an annual contribution in the amount of the cost of operations. During fiscal years 2020 and 2019, the Authority incurred \$3,000 and \$2,000, respectively, on behalf of the Trust. The Authority also made an in-kind contribution to the Trust in the same amount in order to forgive the amount incurred. As of September 30, 2020 and 2019, there were no balances due to/from the Trust.

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.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 19 SUBSEQUENT EVENTS

On October 22, 2020, the Authority issued \$55,000,000 (2020 Series B) of Single Family Mortgage Program Class I Bonds under the 2005 General Indenture. The 2020 Series B Bonds will be used to fund certain qualifying mortgage loans under the Single Family Mortgage Program. A portion of the 2020 Series B Bonds was sold at a premium generating \$2,318,000, which will be used to purchase 2020 Series B Certificates, to fund 2020 Series B Participation Loans and to fund a portion of bond expenses.

On October 30, 2020, the Authority refunded the Series 2019 JLG South Apartments Projects multifamily housing revenue tax-exempt bonds with the Series 2020 JLG South Apartments Projects multifamily housing revenue tax-exempt bonds. In addition to refunding the Series 2019 outstanding bond, the proceeds will be used to fund a loan to assist in the acquisition, rehabilitation, and equipping of the three multifamily rental housing facilities located in Anthony, Deming, and Columbus, New Mexico and to fund a portion of bond expenses.

On October 30, 2020, the Authority refunded the Series 2019 JLG North Apartments Projects multifamily housing revenue tax-exempt bonds with the Series 2020 JLG North Apartments Projects multifamily housing revenue tax-exempt bonds. In addition to refunding the Series 2019 outstanding bond, the proceeds will be used to fund a loan to assist in the acquisition, rehabilitation, and equipping of the three multifamily rental housing facilities located in Gallup, Bloomfield, and Bernalillo, New Mexico and to fund a portion of bond expenses.

The global outbreak of COVID-19 is affecting national capital markets and negatively impacting the overall economy. The Authority has a continuity of operations plan which has allowed it to provide continued execution of its programs with minimal disruption. In response to COVID-19, the Authority has received additional funding noted in the below paragraphs. The Authority may be asked to administer additional programs in the future in response to the pandemic. Furthermore, the Authority cannot predict the duration of the pandemic and how it may impact the Authority's housing programs and financial position.

On June 9, 2020 HUD announced an award to the State of New Mexico in Emergency Solutions Grants COVID-2 CARES Act funding totaling \$8,796,000, all of which will be administered by the Authority. The contract is pending execution.

On August 20, 2020 the Community Development Council of the New Mexico Department of Finance and Administration approved the allocation of \$12,331,000 in CARES Act Community Development Block Grant funds, all of which will be administered by the Authority for the implementation of a housing assistance program for households experiencing financial hardship due to the COVID-19 pandemic. The contract is pending execution.

SUPPLEMENTARY 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, 2020
(IN THOUSANDS)

| | Single Family Mortgage Programs | | Total Single Family Mortgage Programs |
|---|---------------------------------|------------------------------|--|
| | 2005 General Indenture | 2009 General Indenture | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | \$ 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 | <u>\$ 1,077,498</u> | <u>\$ 68,980</u> | <u>\$ 1,146,478</u> |
| 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 | <u>\$ 1,077,498</u> | <u>\$ 68,980</u> | <u>\$ 1,146,478</u> |

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, 2020
(IN THOUSANDS)

| | Single Family Mortgage Program | | Total Single Family Mortgage Programs |
|--|--------------------------------|------------------------------|--|
| | 2005 General Indenture | 2009 General Indenture | |
| 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 | <u>\$ 82,400</u> | <u>\$ 7,674</u> | <u>\$ 90,074</u> |

CONDENSED STATEMENTS OF CASH FLOWS

| | | | |
|--|------------------|-----------------|------------------|
| 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 | <u>\$ 41,111</u> | <u>\$ 3,954</u> | <u>\$ 45,065</u> |

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

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 | | |
|---|----------------------------------|---------------|-----------------|
| | 2008 | 2010 | 2012 |
| | Series | Series | Series |
| | A, B | A, B | A |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | \$ - | \$ 15 | \$ 12 |
| Accrued Interest Receivable | 1 | 4 | 10 |
| Intra-Entity Payable | - | - | - |
| Total Current Assets | <u>1</u> | <u>19</u> | <u>22</u> |
| NONCURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | - | 43 | - |
| Notes Receivable | - | - | - |
| Restricted Investments and Reserve Funds | - | - | - |
| Restricted Mortgage Loans, Net | 8,000 | 800 | 4,606 |
| Total Noncurrent Assets | <u>8,000</u> | <u>843</u> | <u>4,606</u> |
| Total Assets | 8,001 | 862 | 4,628 |
| DEFERRED OUTFLOWS | | | |
| Refundings of Debt | - | - | - |
| Total Assets and Deferred Outflows | <u>\$ 8,001</u> | <u>\$ 862</u> | <u>\$ 4,628</u> |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES | | | |
| Accrued Interest Payable | \$ 1 | \$ 4 | \$ 10 |
| Accounts Payable and Other Accrued Expenses | - | - | 5 |
| Current Portion of Bonds Payable, Net | - | 15 | 74 |
| Total Current Liabilities | <u>1</u> | <u>19</u> | <u>89</u> |
| NONCURRENT LIABILITIES | | | |
| Bonds Payable, Net | 8,000 | 781 | 4,532 |
| Total Noncurrent Liabilities | <u>8,000</u> | <u>781</u> | <u>4,532</u> |
| Total Liabilities | 8,001 | 800 | 4,621 |
| NET POSITION RESTRICTED FOR DEBT SERVICE | | | |
| | <u>-</u> | <u>62</u> | <u>7</u> |
| Total Liabilities and Net Position | <u>\$ 8,001</u> | <u>\$ 862</u> | <u>\$ 4,628</u> |

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 Housing Mortgage Programs |
|---|-------------------------------------|-----------------------|---|
| | 2019 JLG South Apt | 2019 JLG North Apt | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | \$ 15 | \$ 24 | \$ 1,154 |
| Accrued Interest Receivable | 15 | 24 | 371 |
| Intra-Entity Payable | - | - | (6) |
| Total Current Assets | 30 | 48 | 1,519 |
| NONCURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | - | - | 1,111 |
| Notes Receivable | - | - | - |
| Restricted Investments and Reserve Funds | - | - | - |
| Restricted Mortgage Loans, Net | 3,332 | 5,391 | 69,956 |
| Total Noncurrent Assets | 3,332 | 5,391 | 71,067 |
| Total Assets | 3,362 | 5,439 | 72,586 |
| DEFERRED OUTFLOWS | | | |
| Refundings of Debt | - | - | - |
| Total Assets and Deferred Outflows | <u>\$ 3,362</u> | <u>\$ 5,439</u> | <u>\$ 72,586</u> |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES | | | |
| Accrued Interest Payable | \$ 15 | \$ 24 | \$ 361 |
| Accounts Payable and Other Accrued Expenses | 15 | 24 | 44 |
| Current Portion of Bonds Payable, Net | 3,332 | 5,391 | 10,096 |
| Total Current Liabilities | 3,362 | 5,439 | 10,501 |
| NONCURRENT LIABILITIES | | | |
| Bonds Payable, Net | - | - | 61,381 |
| Total Noncurrent Liabilities | - | - | 61,381 |
| Total Liabilities | 3,362 | 5,439 | 71,882 |
| NET POSITION RESTRICTED FOR DEBT SERVICE | | | |
| | - | - | 704 |
| Total Liabilities and Net Position | <u>\$ 3,362</u> | <u>\$ 5,439</u> | <u>\$ 72,586</u> |

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 |
| OPERATING REVENUES | | | | |
| Interest on Mortgage Loans and Securitized Mortgage Loans | \$ 110 | \$ 369 | \$ 318 | \$ 519 |
| Interest on Securities and Temporary Investments | 6 | 7 | 19 | 28 |
| Gain Asset Sale/Debt Ext | - | (3) | - | - |
| Loan and Commitment Fees | - | - | - | - |
| Administrative Fees and Other | - | - | (37) | - |
| Total Operating Revenues | 116 | 373 | 300 | 547 |
| OPERATING EXPENSES | | | | |
| Interest Expense | 87 | 374 | 284 | 537 |
| Bond Issuance Costs | - | - | - | - |
| Provision for Loan Losses | - | - | - | - |
| Administrative Fees and Other | 173 | 2 | 2 | 3 |
| Total Operating Expenses | 260 | 376 | 286 | 540 |
| OPERATING INCOME (LOSS) | (144) | (3) | 14 | 7 |
| CHANGE IN NET POSITION | (144) | (3) | 14 | 7 |
| Total Net Position – Beginning of Year | 144 | 140 | 220 | 100 |
| 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 |
| Noncapital Financing Activities | (7,991) | (595) | (6,134) | (804) |
| Investing Activities | 10 | 325 | 20 | 28 |
| NET INCREASE (DECREASE) | (576) | 315 | (232) | 11 |
| Cash and Cash Equivalents - Beginning of Year | 576 | 80 | 478 | 570 |
| 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 A, B | 2005 Series C, D | 2005 Series E, F | 2007 Series A, B | 2007 Series C, D |
| OPERATING REVENUES | | | | | |
| Interest on Mortgage Loans and Securitized Mortgage Loans | \$ 320 | \$ 154 | \$ 503 | \$ 259 | \$ 807 |
| Interest on Securities and Temporary Investments | 20 | 2 | 18 | 3 | 2 |
| Gain Asset Sale/Debt Ext | - | - | - | - | - |
| Loan and Commitment Fees | - | - | - | - | - |
| Administrative Fees and Other | - | 3 | - | - | 1 |
| Total Operating Revenues | <u>340</u> | <u>159</u> | <u>521</u> | <u>262</u> | <u>810</u> |
| OPERATING EXPENSES | | | | | |
| Interest Expense | 317 | 156 | 510 | 260 | 807 |
| Bond Issuance Costs | - | - | - | - | - |
| Provision for Loan Losses | - | - | - | - | - |
| Administrative Fees and Other | 439 | 1 | 3 | 2 | 1 |
| Total Operating Expenses | <u>756</u> | <u>157</u> | <u>513</u> | <u>262</u> | <u>808</u> |
| OPERATING INCOME (LOSS) | (416) | 2 | 8 | - | 2 |
| CHANGE IN NET POSITION | (416) | 2 | 8 | - | 2 |
| Total Net Position – Beginning of Year | <u>416</u> | <u>6</u> | <u>86</u> | <u>43</u> | <u>10</u> |
| TOTAL NET POSITION - END OF YEAR | <u>\$ -</u> | <u>\$ 8</u> | <u>\$ 94</u> | <u>\$ 43</u> | <u>\$ 12</u> |
| CONDENSED STATEMENTS OF CASH FLOWS | | | | | |
| NET CASH PROVIDED (USED) BY: | | | | | |
| Operating Activities | \$ 9,257 | \$ 245 | \$ 780 | \$ 364 | \$ 1,011 |
| Noncapital Financing Activities | (10,072) | (247) | (799) | (372) | (1,011) |
| Investing Activities | 23 | 2 | 18 | 3 | 1 |
| NET INCREASE (DECREASE) | (792) | - | (1) | (5) | 1 |
| Cash and Cash Equivalents - Beginning of Year | <u>792</u> | <u>150</u> | <u>529</u> | <u>243</u> | <u>17</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ -</u> | <u>\$ 150</u> | <u>\$ 528</u> | <u>\$ 238</u> | <u>\$ 18</u> |

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 | | |
|--|----------------------------------|--------------|--------------|
| | 2008 | 2010 | 2012 |
| | Series | Series | Series |
| | A, B | A, B | A |
| OPERATING REVENUES | | | |
| Interest on Mortgage Loans and | | | |
| Securitized Mortgage Loans | \$ 70 | \$ 43 | \$ 236 |
| Interest on Securities and Temporary Investments | - | - | - |
| Gain Asset Sale/Debt Ext | - | - | - |
| Loan and Commitment Fees | - | - | - |
| Administrative Fees and Other | - | - | 6 |
| Total Operating Revenues | <u>70</u> | <u>43</u> | <u>242</u> |
| OPERATING EXPENSES | | | |
| Interest Expense | 70 | 42 | 236 |
| Bond Issuance Costs | - | - | - |
| Provision for Loan Losses | - | - | - |
| Administrative Fees and Other | - | - | - |
| Total Operating Expenses | <u>70</u> | <u>42</u> | <u>236</u> |
| OPERATING INCOME (LOSS) | - | 1 | 6 |
| CHANGE IN NET POSITION | - | 1 | 6 |
| Total Net Position – Beginning of Year | <u>-</u> | <u>61</u> | <u>1</u> |
| TOTAL NET POSITION - END OF YEAR | <u>\$ -</u> | <u>\$ 62</u> | <u>\$ 7</u> |
| CONDENSED STATEMENTS OF CASH FLOWS | | | |
| NET CASH PROVIDED (USED) BY: | | | |
| Operating Activities | \$ 78 | \$ 55 | \$ 313 |
| Noncapital Financing Activities | (78) | (56) | (306) |
| Investing Activities | - | 1 | - |
| NET INCREASE (DECREASE) | - | - | 7 |
| Cash and Cash Equivalents - Beginning of Year | <u>-</u> | <u>58</u> | <u>5</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ -</u> | <u>\$ 58</u> | <u>\$ 12</u> |

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)

| | 2019 JLG South | 2019 JLG North | Total Rental Housing Mortgage Programs |
|--|---------------------|---------------------|---|
| OPERATING REVENUES | | | |
| Interest on Mortgage Loans and Securitized Mortgage Loans | \$ 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 | - | - | (27) |
| Total Operating Revenues | <u>105</u> | <u>131</u> | <u>4,019</u> |
| OPERATING EXPENSES | | | |
| Interest Expense | 105 | 131 | 3,916 |
| Bond Issuance Costs | - | - | - |
| Provision for Loan Losses | - | - | - |
| Administrative Fees and Other | - | - | 626 |
| Total Operating Expenses | <u>105</u> | <u>131</u> | <u>4,542</u> |
| OPERATING INCOME (LOSS) | - | - | (523) |
| CHANGE IN NET POSITION | - | - | (523) |
| Total Net Position – Beginning of Year | <u>-</u> | <u>-</u> | <u>1,227</u> |
| TOTAL NET POSITION - END OF YEAR | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 704</u></u> |
| CONDENSED STATEMENTS OF CASH FLOWS | | | |
| NET CASH PROVIDED (USED) BY: | | | |
| Operating Activities | \$ (1,475) | \$ (3,821) | \$ 21,466 |
| Noncapital Financing Activities | 1,490 | 3,845 | (23,130) |
| Investing Activities | - | - | 431 |
| NET INCREASE (DECREASE) | 15 | 24 | (1,233) |
| Cash and Cash Equivalents - Beginning of Year | <u>-</u> | <u>-</u> | <u>3,498</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 15</u></u> | <u><u>\$ 24</u></u> | <u><u>\$ 2,265</u></u> |

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SINGLE FAMILY MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019
(IN THOUSANDS)

| | Single Family Mortgage Programs | | Total Single Family Mortgage Programs |
|---|---------------------------------|------------------------------|--|
| | 2005 General Indenture | 2009 General Indenture | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | \$ 16,720 | \$ 2,226 | \$ 18,946 |
| Accrued Interest Receivable | 2,816 | 271 | 3,087 |
| Intra-Entity Payable | (553) | (27) | (580) |
| Total Current Assets | 18,983 | 2,470 | 21,453 |
| NONCURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | 45,386 | - | 45,386 |
| Restricted Securitized Mortgage Loans, Net: | | | |
| Securitized Mortgage Loans, Net Cost | 845,853 | 77,755 | 923,608 |
| Unrealized Gain on Securitized Mortgage Loans | 25,559 | 4,251 | 29,810 |
| Total Restricted Securitized Mortgage Loans, Net | 871,412 | 82,006 | 953,418 |
| Total Noncurrent Assets | 916,798 | 82,006 | 998,804 |
| Total Assets | 935,781 | 84,476 | 1,020,257 |
| DEFERRED OUTFLOWS | | | |
| Refundings of Debt | 376 | - | 376 |
| Total Assets and Deferred Outflows | <u>\$ 936,157</u> | <u>\$ 84,476</u> | <u>\$ 1,020,633</u> |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES | | | |
| Accrued Interest Payable | \$ 5,097 | \$ 210 | \$ 5,307 |
| Accounts Payable and Other Accrued Expenses | 19 | 2 | 21 |
| Current Portion of Bonds Payable | 16,720 | 2,255 | 18,975 |
| Total Current Liabilities | 21,836 | 2,467 | 24,303 |
| NONCURRENT LIABILITIES | | | |
| Bonds Payable | 861,150 | 74,692 | 935,842 |
| Total Noncurrent Liabilities | 861,150 | 74,692 | 935,842 |
| Total Liabilities | 882,986 | 77,159 | 960,145 |
| NET POSITION RESTRICTED FOR DEBT SERVICE | | | |
| | 53,171 | 7,317 | 60,488 |
| Total Liabilities and Net Position | <u>\$ 936,157</u> | <u>\$ 84,476</u> | <u>\$ 1,020,633</u> |

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, 2019
(IN THOUSANDS)

| | Single Family Mortgage Program | | Total Single Family Mortgage Programs |
|--|--------------------------------|------------------------------|--|
| | 2005 General Indenture | 2009 General Indenture | |
| OPERATING REVENUES | | | |
| Interest on Mortgage Loans and Securitized Mortgage Loans | \$ 27,381 | \$ 3,264 | \$ 30,645 |
| Interest on Securities and Temporary Investments | 1,239 | 69 | 1,308 |
| Gain Asset Sale | 249 | - | 249 |
| Loan and Commitment Fees | 3,188 | - | 3,188 |
| Administrative Fees and Other | (3,203) | (298) | (3,501) |
| Total Operating Revenues | 28,854 | 3,035 | 31,889 |
| OPERATING EXPENSES | | | |
| Interest | 23,565 | 2,514 | 26,079 |
| Bond Issuance Costs | 3,032 | - | 3,032 |
| Administrative Fees and Other | 135 | 12 | 147 |
| Total Operating Expenses | 26,732 | 2,526 | 29,258 |
| OPERATING INCOME | 2,122 | 509 | 2,631 |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Net Increase in Fair Value of Investments | 26,414 | 3,236 | 29,650 |
| Other Financing Uses - Operating Transfers | (7,182) | (219) | (7,401) |
| Total Nonoperating Revenue (Expenses) | 19,232 | 3,017 | 22,249 |
| CHANGE IN NET POSITION | 21,354 | 3,526 | 24,880 |
| Total Net Position - Beginning of Year | 31,817 | 3,791 | 35,608 |
| TOTAL NET POSITION - END OF YEAR | <u>\$ 53,171</u> | <u>\$ 7,317</u> | <u>\$ 60,488</u> |

CONDENSED STATEMENTS OF CASH FLOWS

NET CASH PROVIDED (USED) BY:

| | | | |
|--|------------------|-----------------|------------------|
| Operating Activities | \$ (248,287) | \$ 13,169 | \$ (235,118) |
| Noncapital Financing Activities | 232,903 | (13,166) | 219,737 |
| Investing Activities | 1,488 | 69 | 1,557 |
| NET INCREASE (DECREASE) | (13,896) | 72 | (13,824) |
| Cash and Cash Equivalents - Beginning of Year | 76,002 | 2,154 | 78,156 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 62,106</u> | <u>\$ 2,226</u> | <u>\$ 64,332</u> |

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
RENTAL HOUSING MORTGAGE PROGRAMS
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019
(IN THOUSANDS)

| | Rental Housing Mortgage Programs | | | |
|---|----------------------------------|------------------------|------------------------|------------------------|
| | 2002 Series A, B | 2003 Series A, B | 2004 Series A, B | 2004 Series C, D |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Restricted Cash and Cash Equivalents | \$ 255 | \$ 80 | \$ 200 | \$ 265 |
| Accrued Interest Receivable | 41 | 39 | 32 | 46 |
| Intra-Entity Receivable (Payable) | - | - | - | - |
| Total Current Assets | 296 | 119 | 232 | 311 |
| NONCURRENT ASSETS | | | | |
| Restricted Cash and Cash Equivalents | 321 | - | 278 | 305 |
| Notes Receivable | - | - | - | - |
| Restricted Investments and Reserve Funds | - | 324 | - | - |
| Restricted Mortgage Loans, Net | 7,431 | 7,084 | 6,906 | 9,699 |
| Total Noncurrent Assets | 7,752 | 7,408 | 7,184 | 10,004 |
| Total Assets | 8,048 | 7,527 | 7,416 | 10,315 |
| DEFERRED OUTFLOWS | | | | |
| Refundings of Debt | - | - | - | - |
| Total Assets and Deferred Outflows | \$ 8,048 | \$ 7,527 | \$ 7,416 | \$ 10,315 |
| LIABILITIES AND NET POSITION | | | | |
| CURRENT LIABILITIES | | | | |
| Accrued Interest Payable | \$ 110 | \$ 32 | \$ 31 | \$ 44 |
| Accounts Payable and Other Accrued Expenses | - | - | - | 1 |
| Current Portion of Bonds Payable, Net | 255 | 220 | 200 | 265 |
| Total Current Liabilities | 365 | 252 | 231 | 310 |
| NONCURRENT LIABILITIES | | | | |
| Bonds Payable, Net | 7,539 | 7,135 | 6,965 | 9,905 |
| Total Liabilities | 7,904 | 7,387 | 7,196 | 10,215 |
| NET POSITION RESTRICTED FOR DEBT SERVICE | 144 | 140 | 220 | 100 |
| Total Liabilities and Net Position | \$ 8,048 | \$ 7,527 | \$ 7,416 | \$ 10,315 |

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, 2019
(IN THOUSANDS)

| | Rental Housing Mortgage Programs | | | | |
|---|----------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2005 Series A, B | 2005 Series C, D | 2005 Series E, F | 2007 Series A, B | 2007 Series C, D |
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Restricted Cash and Cash Equivalents | \$ 255 | \$ 90 | \$ 285 | \$ 110 | \$ 17 |
| Accrued Interest Receivable | 43 | 13 | 43 | 22 | 150 |
| Intra-Entity Receivable (Payable) | - | - | - | - | (6) |
| Total Current Assets | 298 | 103 | 328 | 132 | 161 |
| NONCURRENT ASSETS | | | | | |
| Restricted Cash and Cash Equivalents | 537 | 60 | 244 | 133 | - |
| Notes Receivable | - | - | - | - | - |
| Restricted Investments and Reserve Funds | - | - | - | - | - |
| Restricted Mortgage Loans, Net | 9,336 | 3,228 | 10,286 | 4,873 | 12,492 |
| Total Noncurrent Assets | 9,873 | 3,288 | 10,530 | 5,006 | 12,492 |
| Total Assets | 10,171 | 3,391 | 10,858 | 5,138 | 12,653 |
| DEFERRED OUTFLOWS | | | | | |
| Refundings of Debt | - | - | - | - | - |
| Total Assets and Deferred Outflows | <u>\$ 10,171</u> | <u>\$ 3,391</u> | <u>\$ 10,858</u> | <u>\$ 5,138</u> | <u>\$ 12,653</u> |
| LIABILITIES AND NET POSITION | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accrued Interest Payable | \$ 40 | \$ 13 | \$ 42 | \$ 23 | \$ 151 |
| Accounts Payable and Other Accrued Expenses | - | - | 1 | - | - |
| Current Portion of Bonds Payable, Net | 255 | 90 | 286 | 110 | 202 |
| Total Current Liabilities | 295 | 103 | 329 | 133 | 353 |
| NONCURRENT LIABILITIES | | | | | |
| Bonds Payable, Net | 9,460 | 3,282 | 10,443 | 4,962 | 12,290 |
| Total Liabilities | 9,755 | 3,385 | 10,772 | 5,095 | 12,643 |
| NET POSITION RESTRICTED FOR DEBT SERVICE | 416 | 6 | 86 | 43 | 10 |
| Total Liabilities and Net Position | <u>\$ 10,171</u> | <u>\$ 3,391</u> | <u>\$ 10,858</u> | <u>\$ 5,138</u> | <u>\$ 12,653</u> |

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, 2019
(IN THOUSANDS)

| | Rental Housing Mortgage Programs | | |
|---|----------------------------------|---------------|-----------------|
| | 2008 | 2010 | 2012 |
| | Series | Series | Series |
| | A, B | A, B | A |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | \$ - | \$ 14 | \$ 5 |
| Accrued Interest Receivable | 9 | 4 | 10 |
| Intra-Entity Receivable (Payable) | - | - | - |
| Total Current Assets | 9 | 18 | 15 |
| NONCURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | - | 44 | - |
| Notes Receivable | - | - | - |
| Restricted Investments and Reserve Funds | - | - | - |
| Restricted Mortgage Loans, Net | 8,000 | 813 | 4,676 |
| Total Noncurrent Assets | 8,000 | 857 | 4,676 |
| Total Assets | 8,009 | 875 | 4,691 |
| DEFERRED OUTFLOWS | | | |
| Refundings of Debt | - | - | - |
| Total Assets and Deferred Outflows | <u>\$ 8,009</u> | <u>\$ 875</u> | <u>\$ 4,691</u> |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES | | | |
| Accrued Interest Payable | \$ 9 | \$ 4 | \$ 10 |
| Accounts Payable and Other Accrued Expenses | - | - | 4 |
| Current Portion of Bonds Payable, Net | - | 15 | 70 |
| Total Current Liabilities | 9 | 19 | 84 |
| NONCURRENT LIABILITIES | | | |
| Bonds Payable, Net | 8,000 | 795 | 4,606 |
| Total Liabilities | 8,009 | 814 | 4,690 |
| NET POSITION RESTRICTED FOR DEBT SERVICE | | | |
| | - | 61 | 1 |
| Total Liabilities and Net Position | <u>\$ 8,009</u> | <u>\$ 875</u> | <u>\$ 4,691</u> |

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, 2019
(IN THOUSANDS)

| | Rental Housing Mortgage Programs | | Total Rental Housing Mortgage Programs |
|---|-------------------------------------|-----------------------|---|
| | 2019 JLG South Apt | 2019 JLG North Apt | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | \$ - | \$ - | \$ 1,576 |
| Accrued Interest Receivable | 8 | 6 | 466 |
| Intra-Entity Receivable (Payable) | - | - | (6) |
| Total Current Assets | 8 | 6 | 2,036 |
| NONCURRENT ASSETS | | | |
| Restricted Cash and Cash Equivalents | - | - | 1,922 |
| Notes Receivable | - | - | - |
| Restricted Investments and Reserve Funds | - | - | 324 |
| Restricted Mortgage Loans, Net | 1,744 | 1,433 | 88,001 |
| Total Noncurrent Assets | 1,744 | 1,433 | 90,247 |
| Total Assets | 1,752 | 1,439 | 92,283 |
| DEFERRED OUTFLOWS | | | |
| Refundings of Debt | - | - | - |
| Total Assets and Deferred Outflows | \$ 1,752 | \$ 1,439 | \$ 92,283 |
| LIABILITIES AND NET POSITION | | | |
| CURRENT LIABILITIES | | | |
| Accrued Interest Payable | \$ 8 | \$ 6 | \$ 523 |
| Accounts Payable and Other Accrued Expenses | - | - | 6 |
| Current Portion of Bonds Payable, Net | - | - | 1,968 |
| Total Current Liabilities | 8 | 6 | 2,497 |
| NONCURRENT LIABILITIES | | | |
| Bonds Payable, Net | 1,744 | 1,433 | 88,559 |
| Total Liabilities | 1,752 | 1,439 | 91,056 |
| NET POSITION RESTRICTED FOR DEBT SERVICE | | | |
| | - | - | 1,227 |
| Total Liabilities and Net Position | \$ 1,752 | \$ 1,439 | \$ 92,283 |

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, 2019
(IN THOUSANDS)

| | Rental Housing Mortgage Programs | | | |
|--|----------------------------------|------------------------|------------------------|------------------------|
| | 2002 Series A, B | 2003 Series A, B | 2004 Series A, B | 2004 Series C, D |
| OPERATING REVENUES | | | | |
| Interest on Mortgage Loans and Securitized Mortgage Loans | \$ 448 | \$ 380 | \$ 362 | \$ 533 |
| Interest on Securities and Temporary Investments | 19 | 20 | 20 | 28 |
| Loss Asset Sale/Debt Ext | - | (6) | - | - |
| Loan and Commitment Fees | - | - | - | - |
| Administrative Fees and Other | - | - | - | - |
| Total Operating Revenues | <u>467</u> | <u>394</u> | <u>382</u> | <u>561</u> |
| OPERATING EXPENSES | | | | |
| Interest Expense | 436 | 385 | 374 | 552 |
| Bond Issuance Costs | - | - | - | - |
| Provision for Loan Losses | - | - | - | - |
| Administrative Fees and Other | 1 | 2 | 2 | 3 |
| Total Operating Expenses | <u>437</u> | <u>387</u> | <u>376</u> | <u>555</u> |
| OPERATING INCOME | 30 | 7 | 6 | 6 |
| CHANGE IN NET POSITION | 30 | 7 | 6 | 6 |
| Total Net Position – Beginning of Year | <u>114</u> | <u>133</u> | <u>214</u> | <u>94</u> |
| TOTAL NET POSITION - END OF YEAR | <u>\$ 144</u> | <u>\$ 140</u> | <u>\$ 220</u> | <u>\$ 100</u> |
| CONDENSED STATEMENTS OF CASH FLOWS | | | | |
| NET CASH PROVIDED (USED) BY: | | | | |
| Operating Activities | \$ 667 | \$ 584 | \$ 551 | \$ 786 |
| Noncapital Financing Activities | (686) | (590) | (565) | (809) |
| Investing Activities | 19 | (247) | 20 | 27 |
| NET INCREASE (DECREASE) | - | (253) | 6 | 4 |
| Cash and Cash Equivalents - Beginning of Year | <u>576</u> | <u>333</u> | <u>472</u> | <u>566</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 576</u> | <u>\$ 80</u> | <u>\$ 478</u> | <u>\$ 570</u> |

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, 2019
(IN THOUSANDS)

| | Rental Housing Mortgage Programs | | | | |
|--|----------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2005 Series A, B | 2005 Series C, D | 2005 Series E, F | 2007 Series A, B | 2007 Series C, D |
| OPERATING REVENUES | | | | | |
| Interest on Mortgage Loans and Securitized Mortgage Loans | \$ 491 | \$ 158 | \$ 517 | \$ 265 | \$ 819 |
| Interest on Securities and Temporary Investments | 31 | 3 | 18 | 6 | 4 |
| Loss Asset Sale/Debt Ext | - | - | - | - | - |
| Loan and Commitment Fees | - | - | - | - | - |
| Administrative Fees and Other | - | 1 | - | - | 1 |
| Total Operating Revenues | 522 | 162 | 535 | 271 | 824 |
| OPERATING EXPENSES | | | | | |
| Interest Expense | 490 | 160 | 524 | 266 | 819 |
| Bond Issuance Costs | - | - | - | - | - |
| Provision for Loan Losses | - | - | - | - | - |
| Administrative Fees and Other | 2 | (43) | 3 | 2 | 1 |
| Total Operating Expenses | 492 | 117 | 527 | 268 | 820 |
| OPERATING INCOME | 30 | 45 | 8 | 3 | 4 |
| CHANGE IN NET POSITION | 30 | 45 | 8 | 3 | 4 |
| Total Net Position – Beginning of Year | 386 | (39) | 78 | 40 | 6 |
| TOTAL NET POSITION - END OF YEAR | <u>\$ 416</u> | <u>\$ 6</u> | <u>\$ 86</u> | <u>\$ 43</u> | <u>\$ 10</u> |
| CONDENSED STATEMENTS OF CASH FLOWS | | | | | |
| NET CASH PROVIDED (USED) BY: | | | | | |
| Operating Activities | \$ 727 | \$ 243 | \$ 780 | \$ 364 | \$ 1,011 |
| Noncapital Financing Activities | (736) | (246) | (793) | (372) | (1,011) |
| Investing Activities | 32 | 3 | 18 | 6 | 5 |
| NET INCREASE (DECREASE) | 23 | - | 5 | (2) | 5 |
| Cash and Cash Equivalents - Beginning of Year | 769 | 150 | 524 | 245 | 12 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 792</u> | <u>\$ 150</u> | <u>\$ 529</u> | <u>\$ 243</u> | <u>\$ 17</u> |

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, 2019
(IN THOUSANDS)

| | Rental Housing Mortgage Programs | | |
|--|----------------------------------|--------------|-------------|
| | 2008 | 2010 | 2012 |
| | Series | Series | Series |
| | A, B | A, B | A |
| OPERATING REVENUES | | | |
| Interest on Mortgage Loans and | | | |
| Securitized Mortgage Loans | \$ 125 | \$ 42 | \$ 239 |
| Interest on Securities and Temporary Investments | - | 1 | - |
| Loss Asset Sale/Debt Ext | - | - | - |
| Loan and Commitment Fees | - | - | - |
| Administrative Fees and Other | - | - | 1 |
| Total Operating Revenues | <u>125</u> | <u>43</u> | <u>240</u> |
| OPERATING EXPENSES | | | |
| Interest Expense | 125 | 42 | 239 |
| Bond Issuance Costs | - | - | - |
| Provision for Loan Losses | - | - | - |
| Administrative Fees and Other | - | - | - |
| Total Operating Expenses | <u>125</u> | <u>42</u> | <u>239</u> |
| OPERATING INCOME | - | 1 | 1 |
| CHANGE IN NET POSITION | - | 1 | 1 |
| Total Net Position – Beginning of Year | <u>-</u> | <u>60</u> | <u>-</u> |
| TOTAL NET POSITION - END OF YEAR | <u>\$ -</u> | <u>\$ 61</u> | <u>\$ 1</u> |
| CONDENSED STATEMENTS OF CASH FLOWS | | | |
| NET CASH PROVIDED (USED) BY: | | | |
| Operating Activities | \$ 126 | \$ 55 | \$ 309 |
| Noncapital Financing Activities | (126) | (52) | (306) |
| Investing Activities | <u>-</u> | <u>1</u> | <u>-</u> |
| NET INCREASE (DECREASE) | - | 4 | 3 |
| Cash and Cash Equivalents - Beginning of Year | <u>-</u> | <u>54</u> | <u>2</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ -</u> | <u>\$ 58</u> | <u>\$ 5</u> |

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, 2019
(IN THOUSANDS)

| | Rental Housing Mortgage Programs | | | | Total Rental Housing Mortgage Programs |
|---|----------------------------------|---------------|----------------|----------------|--|
| | 2017 Shiprock | 2017 Series B | 2019 JLG South | 2019 JLG North | |
| OPERATING REVENUES | | | | | |
| Interest on Mortgage Loans and Securitized Mortgage Loans | \$ 86 | \$ 299 | \$ 12 | \$ 10 | \$ 4,786 |
| Interest on Securities and Temporary Investments | - | - | - | - | 150 |
| Loss Asset Sale/Debt Ext | - | - | - | - | (6) |
| Loan and Commitment Fees | - | - | - | - | - |
| Administrative Fees and Other | - | - | - | - | 3 |
| Total Operating Revenues | 86 | 299 | 12 | 10 | 4,933 |
| OPERATING EXPENSES | | | | | |
| Interest Expense | 86 | 299 | 12 | 10 | 4,819 |
| Bond Issuance Costs | - | - | - | - | - |
| Provision for Loan Losses | - | - | - | - | - |
| Administrative Fees and Other | - | - | - | - | (27) |
| Total Operating Expenses | 86 | 299 | 12 | 10 | 4,792 |
| OPERATING INCOME | - | - | - | - | 141 |
| CHANGE IN NET POSITION | - | - | - | - | 141 |
| Total Net Position – Beginning of Year | - | - | - | - | 1,086 |
| TOTAL NET POSITION - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,227</u> |
| CONDENSED STATEMENTS OF CASH FLOWS | | | | | |
| NET CASH PROVIDED (USED) BY: | | | | | |
| Operating Activities | \$ 11,939 | \$ 5,881 | \$ (1,740) | \$ (1,430) | \$ 20,853 |
| Noncapital Financing Activities | (11,939) | (5,882) | 1,740 | 1,430 | (20,943) |
| Investing Activities | - | (1) | - | - | (117) |
| NET INCREASE (DECREASE) | - | (2) | - | - | (207) |
| Cash and Cash Equivalents - Beginning of Year | - | 2 | - | - | 3,705 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,498</u> |

SINGLE AUDIT INFORMATION

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020

| Federal Grantor/ Program Title | CFDA 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 Housing Assistance Payment Program | 14.195 | NM800CC001 | \$ 32,315,681 | \$ 33,510,165 | \$ - | \$ 33,510,165 |
| Section 811 | 14.326 | NM21RDD1301 | 277,903 | 309,332 | - | 309,332 |
| Emergency Solutions Grants Program | 14.231 | S20-DC-35-0001 | 1,067,069 | 1,168,049 | - | 1,168,049 |
| COVID-19 Emergency Solutions Grants Program - CARES Act | 14.231 | E-20-DW-35-0001 | 17,888 | 28,252 | - | 28,252 |
| HOME Investment Partnerships Program | 14.239 | M-20-SG-35-0100 | 1,124,883 | 3,096,407 | 41,723,145 | 44,819,552 |
| Housing Opportunities for People with AIDS | 14.241 | NMH019-F999 | 990,550 | 1,010,332 | - | 1,010,332 |
| ARRA-Tax Credit Assistance Program | 14.258 | M-09-ES-35-0100 | - | - | 12,817,903 | 12,817,903 |
| Housing Trust Fund - National | 14.275 | F20-SG350100 | - | 3,619,056 | 2,670,000 | 6,289,056 |
| NMAHCT Veterans Housing Rehabilitation & Modification Pilot Program | 14.278 | V-R1-6N-M0-0002 | - | 40,644 | - | 40,644 |
| Neighborhood Stabilization Program | | | | | | |
| Pass-through State DFA (a Community Development Block/Grant Neighborhood Stabilization Program) | 14.228 | 09-NSP-2-J-01 | 758,835 | 816,290 | 2,663,065 | 3,479,355 |
| Community Development Block Grant Pass-Through State | 14.228 | 16-C-NR-41 | 285,809 | 285,809 | - | 285,809 |
| Total Community Development Block Grants/State's Program | | | <u>1,044,644</u> | <u>1,102,099</u> | <u>2,663,065</u> | <u>3,765,164</u> |
| Total U.S. Department of Housing and Urban Development | | | 36,838,618 | 43,884,336 | 59,874,113 | 103,758,449 |
| Capital Magnet Fund | 21.011 | 171CM022207 | - | 1,062,886 | 2,396,647 | 3,459,533 |
| Total Department of Treasury | | | - | 1,062,886 | 2,396,647 | 3,459,533 |
| Weatherization Assistance for Low-Income Persons | 81.042 | EE0007937 | 1,194,139 | 1,311,481 | - | 1,311,481 |
| Total Department of Energy | | | <u>1,194,139</u> | <u>1,311,481</u> | <u>-</u> | <u>1,311,481</u> |
| U.S. Department of Health & Human Services | | | | | | |
| Pass-Through from the NM Department of Human Services: Low Income Home Energy Assistance Program | 93.568 | 19-630-9000-0007 | 1,791,898 | 1,873,650 | - | 1,873,650 |
| Total Federal Grants | | | 39,824,655 | 48,132,353 | 62,270,760 | 110,403,113 |
| LOAN GUARANTY PROGRAMS | | | | | | |
| U.S. Department of Housing and Urban Development: Mortgage Insurance - Homes (FHA) | 14.117 | N/A | - | 5,285,895 | 912,225 | 6,198,120 |
| U.S. Department of Housing and Urban Development: GNMA Mortgage Backed Security Program | 14.000 | N/A | - | 306,740,243 | 942,058,858 | 1,248,799,101 |
| U.S. Department of Veterans Affairs: Veterans Housing-Guaranteed and Insured Loans | 64.114 | N/A | - | - | 8,305 | 8,305 |
| U.S. Department of Agriculture: Very Low to Moderate Income Housing Loans | 10.410 | N/A | - | - | 14,719 | 14,719 |
| Section 538 Rural Rental Housing Guaranteed Loans | 10.438 | N/A | - | - | 991,463 | 991,463 |
| U.S. Department of Housing and Urban Development: Housing Finance Agencies Risk Sharing Programs | 14.188 | N/A | - | - | 77,733,774 | 77,733,774 |
| Total Loan Guaranty Programs | | | <u>-</u> | <u>312,026,138</u> | <u>1,021,719,344</u> | <u>1,333,745,482</u> |
| Total Federal Expenditures for Schedule of Federal Awards | | | <u>\$ 39,824,655</u> | <u>\$ 360,158,491</u> | <u>\$ 1,083,990,104</u> | <u>\$ 1,444,148,595</u> |

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 BASIS OF PRESENTATION

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

NOTE 2 RELATIONSHIP TO THE AUTHORITY'S FINANCIAL STATEMENTS

Federal financial assistance program expenditures as presented in the accompanying Schedule primarily represent federal financial assistance payments disbursed by the Authority during the year ended September 30, 2020 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, 2020, the Authority recorded approximately \$6,198,000 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 38 loans. HUD's assumed risk approximated \$63,887,000 at September 30, 2020. Of the 38 loans closed, the Authority funded 34 loans with outstanding principal of \$61,751,000 at September 30, 2020. HUD's assumed risk of loss of approximately \$55,575,000 related to these 34 loans is recorded in the accompanying Schedule.

The Authority participates in the Section 538 Rural Rental Housing Guaranteed Loan Program, under which the Rural Housing Service (RHS), Department of Agriculture (USDA), provides credit enhancements to encourage private and public lenders to make new loans for affordable rental properties that meet program standards. The USDA has assumed 90% of the risk in the one loan closed and funded by the Authority. At September 30, 2020, the loan had an outstanding principal of \$1,080,000, of which the USDA assumed risk of loss of approximately \$972,000 is recorded in the accompanying Schedule.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED SEPTEMBER 30, 2020

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, 2020:

| Program Title | CFDA Number | September 30, 2019 Balance | Current Year Activity | September 30, 2020 Balance |
|---|----------------|-------------------------------|--------------------------|-------------------------------|
| HOME Investment Partnerships Program | 14.239 | \$ 41,723,145 | \$ (3,622,717) | \$ 38,100,428 |
| ARRA-Tax Credit Assistance Program | 14.258 | 12,817,903 | (126,596) | 12,691,307 |
| Neighborhood Stabilization Program | 14.228 | 2,663,065 | (184,949) | 2,478,116 |
| Mortgage Insurance - Homes (FHA) | 14.117 | 912,225 | 5,285,895 | 6,198,120 |
| Veterans Housing-Guaranteed and Insured Loans | 64.114 | 8,305 | (7,848) | 457 |
| Very Low to Moderate Income Housing Loans | 10.410 | 14,719 | (2,783) | 11,936 |
| Section 538 Rural Rental Housing Guaranteed Loans | 10.438 | 991,463 | (19,172) | 972,291 |
| GNMA Mortgage Backed Security Program | 14.000 | 942,058,858 | 306,740,243 | 1,248,799,101 |
| Housing Finance Agencies Risk Sharing Programs | 14.188 | 77,733,774 | (22,158,298) | 55,575,476 |
| Capital Magnet Fund | 21.011 | 2,396,647 | 985,005 | 3,381,652 |
| Housing Trust Fund - National | 14.275 | 2,670,000 | 3,495,171 | 6,165,171 |
| Total | | <u>\$ 1,083,990,104</u> | <u>\$ 290,383,951</u> | <u>\$ 1,374,374,055</u> |

NOTE 5 INDIRECT COSTS

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



**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 New Mexico Mortgage Finance Authority (the Authority), a component unit of the State of New Mexico, which collectively comprise the statement of financial position as of September 30, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2020.

Internal Control Over Financial Reporting

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

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

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 24, 2020



**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, 2020. 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, 2020.

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 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subjected to the auditing procedures applied in the audit of 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 2020-001, 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 finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of 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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Albuquerque, New Mexico
November 24, 2020

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

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 | _____ <u>x</u> _____ no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ yes | _____ <u>x</u> _____ none reported |
| 3. Noncompliance material to financial statements noted? | _____ yes | _____ <u>x</u> _____ no |

Federal Awards

- | | | |
|---|--------------------------|-------------------------|
| 1. Internal control over major federal programs: | | |
| • Material weakness(es) identified? | _____ yes | _____ <u>x</u> _____ no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _____ <u>x</u> _____ 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)? | _____ <u>x</u> _____ yes | _____ no |

Identification of Major Federal Programs

CFDA Number(s)

14.195
14.275
14.228

14.000
14.117
21.011

Name of Federal Program or Cluster

Section 8 Housing Assistance Payment Program
National Housing Trust Fund
Community Development Block Grants/Entitlements and Neighborhood Stabilization Program
Ginnie Mae Mortgage Backed Security Program
Mortgage Insurance Homes
Capital Magnet Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 3,000,000

Auditee qualified as low-risk auditee?

_____ x _____ yes _____ no

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

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

2020-001

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

Federal Program Titles: Capital Magnet Fund, National Housing Trust Fund and Ginnie Mae Mortgage Backed Securities

CFDA Numbers: 21.011, 14.275 & 14.000

Award Period: October 1, 2019 – September 30, 2020

Type of Finding:

- Significant Deficiency in Internal Control over Compliance also reported as Other Noncompliance

Criteria or specific requirement:

2 CFR Subpart D 200.302 (1) and 200.303 (a) stipulates that the auditee must identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the CFDA title and number, Federal award identification number and year, name of Federal agency, and name of the pass-through entity; establish and maintain effective internal control over Federal award that provides reasonable assurance that the auditee is managing Federal awards in compliance with Federal statutes, regulation, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Controller General of the United States and the "Internal Control Integrated Framework", issued by the Committee on Sponsoring Organizations of the Treadway Commission (COSO).

In addition, 2 CFR 200.502(b) states that since the Federal Government is at risk for loans until the debt is repaid, the following guidelines must be used to calculate the value of Federal awards expended under loan programs, except as noted in paragraphs (c) and (d) of this section:

- (1) Value of new loans made or received during the audit period; plus
- (2) Beginning of the audit period balance of loans from previous years for which the Federal Government imposes continuing compliance requirements; plus
- (3) Any interest subsidy, cash, or administrative cost allowance received.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

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

2020-001 (Continued)

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.

Questioned Costs: Not able to determine

Context: The Authority did not properly include loan balances on the SEFA.

Cause: Staff that prepared the SEFA were not familiar with the Uniform Guidance requirements and errors made by the staff were not caught upon review.

Effect: Misreporting of the amount of federal awards on the SEFA could cause programs that should be major not be shown or tested as such. Additionally, misreporting federal expenditures to granting agencies could impact funding in the future.

Recommendation: We recommend that the Authority review current procedures for preparing the SEFA to ensure that it is accurately reporting loan programs in compliance with Uniform Guidance.

Views of responsible officials and corrective actions: Management agrees. The Authority will document the requirements for the preparation of the SEFA and provide to all impacted departments. Although the SEFA is currently prepared by someone other than the reviewer, additional procedures will be implemented to ensure the review verifies all requirements are satisfied and loan programs are accurately reported.

Name of the contact person responsible for corrective action: Deputy Director of Finance & Administration

Planned completion date for corrective action plan: The changes will be implemented with the first draft of the SEFA as of 6/30/2021.

Section IV – Summary of Prior Year Audit Findings

There were no prior year audit findings.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2020**

New Mexico Mortgage Finance Authority 344 4th St. SW, Albuquerque, NM 87102
tel. 505.843.6880 toll free 800.474.6880 housingnm.org



CORRECTIVE ACTION PLAN

November 24, 2020

The New Mexico Mortgage Finance Authority respectfully submits the following corrective action plan for the year ended September 30, 2020.

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, 2020

The findings from the September 30, 2020 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

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
CORRECTIVE ACTION PLAN (CONTINUED)
YEAR ENDED SEPTEMBER 30, 2020**

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT AND U.S. DEPARTMENT OF THE TREASURY

2020-001 Capital Magnet Fund (CFDA No. 21.011), National Housing Trust Fund (CFDA No. 14.275) and Ginnie Mae Mortgage Backed Securities (CFDA No. 14.000)

Recommendation:

We recommend that the Authority review current procedures for preparing the SEFA to ensure that it is accurately reporting loan programs in compliance with Uniform Guidance.

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 Authority will document the requirements for the preparation of the SEFA and provide to all impacted departments. Although the SEFA is currently prepared by someone other than the reviewer, additional procedures will be implemented to ensure the reviewer verifies all requirements are satisfied and loan programs are accurately reported.

Name of the person responsible for corrective action:

Deputy Director of Finance & Administration

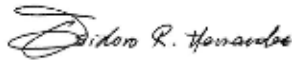
Planned completion date for corrective action plan:

The changes will be implemented with the first draft of the SEFA as of 6/30/2021.

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



OTHER REQUIRED SCHEDULES

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
(A COMPONENT UNIT OF THE STATE OF NEW MEXICO)
EXIT CONFERENCE
YEAR ENDED SEPTEMBER 30, 2020**

An exit conference was conducted on November 23, 2020 in which the contents of this report were discussed with the following:

New Mexico Mortgage Finance Authority

Derek Valdo, Finance Committee Chair

Martina C'de Baca, (proxy for Attorney General Howie Morales, Lt. Governor, Finance Committee Member)

Diana Rosales-Ortiz (proxy for Tim Eichenberg, Finance Committee Member)

Donna Maestas-De Vries, Deputy Director of Programs

Isidoro Hernandez, Executive Director

Gina Hickman, Deputy Director of Finance & Administration

Yvonne Segovia, Controller

CliftonLarsonAllen, LLP

Mandy Merchant, Principal

Gaby Miller, Director

