New Mexico Preservation Loan Fund Policy

I. Purpose: The overall purpose of the New Mexico Preservation Loan Fund (NMPLF) is to provide a flexible funding source to properties at-risk of exiting the affordable housing stock, thereby promoting the preservation of affordable housing opportunities in the state of New Mexico. The NM Preservation Loan Fund will be available to owners, developers, and other partners seeking funding for a wide array of preservation-oriented needs. This includes rehabilitation funding for owners struggling with physical upkeep as their property ages, acquisition financing for prospective owners seeking to acquire affordable projects and maintain their affordability over time, and predevelopment funding for existing LIHTC properties pursuing resyndication. The Fund will strive to provide interest rates and loan terms more flexible than may be provided by traditional financial institutions. Origination, underwriting, and servicing will be provided by MFA staff, and funding decisions will be made by MFA-convened scoring committees.

The NM Preservation Loan Fund's program characteristics will include the following:

A. The NM Preservation Loan Fund is comprised of multiple Initiatives specific to defined needs. Initiatives will be phased out in the following order. Initiatives can be added, moved, or deleted at any time, as partner feedback, market conditions, community needs, funding availability, and/or organizational resources dictate or allow.

   1. The Rehabilitation Initiative provides long-term, low interest loans to finance the rehabilitation of permanent, low-income housing. This includes repairs or renovations to an existing structure or replacement of existing amenities, especially those changes that contribute to the preservation of the property by extending its structural longevity and promoting its long-term utility.

   2. The Acquisition Initiative will provide long-term, low interest loans to assist buyers in acquiring existing affordable properties that would otherwise be lost from the affordable housing stock. Buyers receiving funding through this initiative would have to prove their commitment to sustaining the property's long-term longevity and affordability.

   3. The Housing Authority Initiative will provide long-term, low interest loans to assist housing authorities in the rehabilitation of at-risk public housing units. This includes repairs or renovations to an existing structure or replacement of existing amenities, especially those changes that contribute to the preservation of the property by extending its structural longevity and promoting its long-term utility.

   4. The Bridge Initiative will provide grants at a set, uniform amount to be determined by MFA to owners of properties at or near the end of their 15-year LIHTC compliance period to help resyndicate their eligible LIHTC property.

B. NMPLF is generally not intended to be used as a source of gap funding for Low Income Housing Tax Credit or other MFA loan program projects, although, the Housing Authority Initiative and Bridge Initiative are exceptions to this rule.

C. The NM Preservation Loan Fund Program undertakes an affirmative commitment to identify and obtain access to all other sources that might become available in the future. The New Mexico Housing Trust Fund reoccurring funding is the primary source for the New Mexico Preservation Loan Fund. Staff also expects other compatible sources to arise over time as the program is in the phase-in process, including federal funding for energy efficiency.

D. The NM Preservation Loan Fund Program provides assistance to all types of affordable housing deemed "at risk," regardless of location, construction style, or occupancy. "At risk" properties are defined as those properties in danger of exiting the affordable housing stock due to conversion to market rents, physical dilapidation, or any other causes. NMPLF is not restricted for use toward the preservation of properties previously funded by MFA. See Exhibit A – NMPLF Rehabilitation Initiative Application Ranking Criteria. This Policy will be amended to add new scoring worksheets for subsequent Initiatives at the time of Initiative roll out. Scoring will prioritize projects aimed at preserving properties most at risk of exiting the affordable stock, such as those that are severely physically dilapidated, nearing the end of its affordability period, or for sale within the Qualified Contract sales period.

E. The NM Preservation Loan Fund Program assists only existing affordable properties in order to preserve existing affordable housing stock. Although program Initiatives and uses may be added or removed at any time, any new Initiative will assist only existing affordable properties.

F. The financing mechanisms to be employed include loans at or below market rate, as well as grants (in limited cases). All NMPLF financing except for Bridge Initiative grants will be in the form of loans, which may be for interim and/or permanent financing. The terms and conditions for each loan will be based on the financing needs of each project or activity. Loan terms and conditions may range from no interest, deferred payment loans to revolving line of credit loans to loans with near-market interest rates and terms. Staff will post current underwriting guidelines on MFA's website.

G. The NM Preservation Loan Fund program may undertake, as a part of its work, the development of improved delivery mechanisms, or entirely new delivery systems, wherever needed to help preserve adequate affordable housing.

H. The NM Preservation Loan fund program accepts applications for projects throughout the state and will endeavor to provide program assistance with a fair statewide geographic distribution. However, NMPLF funding will strive to target projects that may have more difficulty securing funding from other sources (such as smaller, rural projects), to better preserve those properties that may not be as competitive in attempts to receive LIHTC or other funding.

II. Administration: The NM Preservation Loan Fund program is administered by MFA. Various activities will draw upon the Housing Development, Homeownership, Asset Management, Accounting and Servicing departments, as well as the Management Team.

III. Project Characteristics

A. Projects must meet the following minimum requirements:

1. Located within the State of New Mexico;
2. Beneficiary income limits and other requirements. As a general practice, NMPLF requires that the project maintain existing restrictions on the property in effect at the time of funding application, including income and rent limits instituted by MFA or another entity;
3. Commitment to an affordability period depending on Initiative type and amount of funding awarded, as outlined in Table 1:

Table 1

Rehabilitation, Acquisition, and Housing Authority Initiative Affordability Periods	
Per-unit award amount	**Minimum affordability period**
$1-$24,999	20 years
$25,000-$34,999	25 years
$35,000-$44,999	30 years
$45,000-$54,999	35 years
>$55,000	40 years
Bridge Initiative Affordability Periods	
Award amount	**Minimum affordability period**
Any amount	10 years (LURA released upon LIHTC resyndication and recording of new LIHTC LURA)

4. Regardless of the Initiative type or financing mechanism (e.g., loan or grant), property use restrictions will be documented and recorded;

5. Projects of any number of units may be assisted, although availability of funds and efforts to achieve a fair geographic distribution of resources will limit the amount committed to a given project, based on funding availability and staff discretion;

6. Loans for projects under the Rehabilitation, Acquisition and Housing Initiative projects are structured as long-term, low interest loans to finance the acquisition or rehabilitation of permanent, low-income housing. Loan terms are flexible, but have a base rate at 1% and base term in alignment with the project's NMPLF affordability period (see Table 1). Loan payments will typically be interest-only payments monthly, fully amortized over the term of the loan. . Other reasonable payment terms may be considered. Bridge Initiative projects approved for award will all receive a one-time grant at an amount set by MFA to assist LIHTC properties at or near the end of their 15-year compliance period, toward the resyndication of their eligible LIHTC property;

7. Application and Origination Fees will be assessed on each loan request to 1) offset the administrative costs, and 2) generate a nominal amount of program income that will be redeployed within the program's initiatives. At a minimum, a $250.00 application fee will be assessed and due at the time of application;

8. Interest Rates are set by MFA, and will change from time to time, as necessitated by economic and market conditions; however, rates should be set to achieve a positive spread above the organization's Cost of Funds (COF), actual or imputed, yet be targeted to be below typical market rates;

9. Eligible applicants include non-profit organizations, for-profit organizations, governmental housing agencies, regional housing authorities, governmental entities, governmental instrumentalities, tribal governments, tribal housing agencies, builders, corporations, limited liability companies, partnerships, joint ventures, syndicates, associations, or other entities that can assume contractual liability and legal responsibility by executing one or more written agreements with MFA.

IV. Initiative Additions, Deletions, and Alterations

A. The NM Preservation Loan Fund Program may, from time to time, implement additional initiatives, as they are identified, to provide funding to support the preservation of New Mexico's affordable housing stock. Summaries of new Initiatives must be approved by the Board and will then be made a part of the Program Policy. Existing Initiatives may also be deleted or altered by the same process.

V. Project Review and Approval Process

A. Upon receipt of the application, the project proposal will be initially reviewed for application completeness, project eligibility, etc. If the application is determined to be complete, a thorough, more detailed review and analysis will be performed by a scoring committee of two or more MFA staff members to:

1. Determine the project's ability to preserve the target property;
2. Determine the project's success in advancing program goals (i.e., underserved geographies targeting, preservation of low-resource properties, etc.);
3. Evaluate scoring items, including, but not limited to cost-effectiveness, readiness, advancement of sustainability and energy efficiency, low-income targeting, and agreement to affordability period above minimum required; and
4. Underwrite the project to ascertain subsidy amounts needed and establish financial viability of project.

B. When proposed project funding/financing sources include funds that were allocated to the NM Preservation Loan Fund from other programs (such as the New Mexico Housing Trust Fund) that have specific, pre-established program requirements, the project will be underwritten in accordance with those program specifics.

C. Once underwritten and scored, if recommended by staff, a Project Request Summary and Approval Recommendation for the proposed project will be prepared and submitted for approval as required by the MFA Delegations of Authority, which may include approval by the MFA Policy Committee, the MFA Board of Directors Contracted Services Committee, and the MFA Board of Directors.

D. Upon approval of the loan or grant request, assigned staff will communicate the approved terms, including any conditional requirements, to the applicant. Additionally, assigned staff will perform the tasks necessary to close and process the loan or grant, including, but not limited, to the preparation of required loan or grant documentation, security agreements, land use restriction agreements, assignments, subordinations, etc. Assigned staff will also direct and assist in preparing the documentation necessary to perfect the loan, ensure program compliance, etc., by providing direct assistance, preparing contracts, or confirming the commitment of other subsidies with complete documentation, or other documents as required by counsel to MFA**.**

E. Underwriting standards may be adapted on occasion to meet the needs of certain projects. Underwriting exceptions should be kept to a minimum and should be fully explained and mitigated in the Award Summary/Approval Request.

VI. Long Term Compliance and Asset Management

A. MFA will house and service NM Preservation Loan Fund loans.

B. Accordingly, the MFA Servicing department will proceed with loan servicing.

C. Accordingly, MFA's Asset Management department will monitor each project for long-term compliance with the use restrictions.

VII. Reporting: NM Preservation Loan Fund will provide, as and when required, any reports and other information to the MFA Policy Committee or Board of Directors, detailing the funds that have been committed, the loans that have been made, the loan payment status, and any other information required.

Exhibit A – NMPLF Rehabilitation Initiative Application Ranking Criteria

	Threshold Criteria	Self Score (Y/N)	MFA Score (Y/N)
1	**Compliance Check** Project is in compliance with MFA's Asset Management department OR Project is not an MFA-monitored project		
	Ranking Criteria	**Self Score**	**MFA Score**
1	**Extended Affordability - Maximum points: 12** Agreement to an affordability period above minimum required in NMPLF Policy (Table 1). • 5 years above minimum=8 points • 10 years above minimum=10 points • 15+ years above minimum=12 points		

2	**Risk Level – Maximum points: 36**
	Demonstration of risk of the property exiting the affordable housing stock.
	• Within 3 years of end of affordability period as defined in property's LURA or other regulatory agreement (calculated from estimated date of award)=12 points
	• Age of property (calculated from original construction date, placed-in-service date, or date of occupancy, whichever occurred first):
	    o 15-29 years=3 points
	    o 30-34 years=8 points
	    o 35+ years=12 points
	• Property is eligible for the right to a Qualified Contract=12 points		

3	**Project Size – Maximum points: 12** Project contains: • 76+ units=3 points • 51-75 units=6 points • 50 units or less=12 points		
	Total Possible Points = 60		

Exhibit B – NMPLF Acquisition Initiative Application Ranking Criteria

	Threshold Criteria	Self Score (Y/N)	MFA Score (Y/N)
1	**Reasonable Risk Demonstration** Project is considered at risk of loss from the affordable stock due to proximity to affordability period expiration, current owner pursual of qualified contract, or other cause that can be relieved through acquisition. Risk assessment performed at MFA's discretion.		
	Ranking Criteria	**Self Score**	**MFA Score**
1	**Extended Affordability - Maximum points: 12** Agreement to an affordability period above minimum required in NMPLF Policy (Table 1). • 5 years above minimum=8 points • 10 years above minimum=10 points • 15+ years above minimum=12 points		

2	**Risk Level – Maximum points: 36**
	Demonstration of risk of the property exiting the affordable housing stock.
	• Within 3 years of end of affordability period as defined in property's LURA or other regulatory agreement (calculated from estimated date of award)=12 points
	• Age of property (calculated from original construction date, placed-in-service date, or date of occupancy, whichever occurred first):
	  ○ 15-29 years=3 points
	  ○ 30-34 years=8 points
	  ○ 35+ years=12 points
	• Property is eligible for the right to a Qualified Contract=12 points		

3	**Project Size – Maximum points: 12** Project contains: • 76+ units=3 points • 51-75 units=6 points • 50 units or less=12 points		
	Total Possible Points = 60		

Exhibit C – MFA Third-Party Code of Conduct

A. Preamble. The New Mexico Mortgage Finance Authority ("MFA"), an instrumentality of the state government, exists to serve the citizens of the State of New Mexico. To maintain the respect, trust, and confidence of the public, and consistent with MFA's commitment to conduct its business in an ethical and legal manner, MFA requires that all Third Parties doing business with MFA comply with this Third-Party Code of Conduct and otherwise uphold the highest standards of ethics and behavior.

B. Purpose. The purpose of this Code of Conduct is to provide general guidelines and a minimum standard of conduct for Third Parties doing business with MFA.

C. Definitions. For the purpose of this Third-Party Code of Conduct, the following words and phrases shall have the following meanings:

> **"MFA Employee"** means any person employed directly by MFA and any person employed through a staffing agency or by contract and for whom MFA has the right to direct and control the work performed.
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> **"MFA Member"** means a Member, and with respect to an ex-officio Member, his or her proxy, of the Board of Directors of the MFA.
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> **"MFA Management"** means the Executive Director/Chief Executive Officer, Chief Housing Officer, Chief Financial Officer, Chief Lending Officer and Director of Human Resources employed by the MFA.
>
> **"Transaction"** means any transaction including, but not limited to any sale, purchase, or exchange of tangible or intangible property or services; any loan, loan commitment or loan guarantee; any sale, purchase, or exchange of mortgage loans, notes, or bonds; or any other business arrangement or contract therefor.

D. Conflicts of Interest. Third Parties should avoid engaging in any activity that would conflict, interfere, or even create the appearance of a conflict with their business with MFA. Third Parties must disclose any potential conflicts to MFA in writing as soon as practicable upon discovery or recognition. Examples of potential conflicts include, but are not limited to:

- Engaging in a conflict-of-interest transaction prohibited by Section F of MFA's Code of Conduct, which can be found at: (website reference to be added)

- Providing gifts and entertainment to any MFA Employee, MFA

Management or MFA Member in an attempt to improperly influence MFA business decisions.

MFA shall not enter into any Transaction with a former MFA Member or former MFA Management for a period of one (1) year after such person ceases to be an MFA Member or MFA Management, except with prior approval of a disinterested majority of all current MFA Members.

To the extent applicable, Third-Party shall disclose conflicts of interest required pursuant to state or federal law, including but not limited to 2 CFR 200.112.

E. **Anti-Discrimination and Anti-Harassment Policy.** MFA is committed to maintaining an employment environment in which all individuals are treated with respect and dignity and expects the same from Third Parties doing business with MFA. MFA expects that Third Parties will maintain a workplace where employment-related decisions are based on performance, ability, or other legitimate, non-discriminatory bases and are never based on race, color, national origin, ancestry, citizenship status, religion, sex, sexual orientation, gender identity, age, physical or mental disability, serious medical condition, marital status, status with regard to public assistance, veteran status, or any other legally- protected status. MFA also maintains and expects Third Parties to maintain a workplace that is free of unlawful harassment. This includes harassment based upon any of the above legally-protected status (such as age, sex, religion, national origin, etc.) and which creates an intimidating, hostile, or offensive working environment. This also includes sexual harassment which is defined as unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature when submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, submission to or rejection of such conduct by an individual is used as a basis for employment decisions affecting such individual; or such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidated, hostile, or offensive working environment. MFA will also not tolerate any form of unlawful discrimination or harassment of an MFA Employee by any Third-Party including by its employees, owners, managers, members, directors, agents, or representatives.

F. **Confidential Information and Intellectual Property.** Third Parties doing business with MFA must protect any confidential or proprietary information that belongs either to MFA or any other third-party with whom MFA does business, if such other third-party has provided MFA with confidential or proprietary information. Confidential or proprietary information includes, but is not limited to, any non-public financial information, business processes and systems, intellectual property, personally identifiable information of MFA's customers, and personally identifiable or private information about any MFA

Employee, MFA Member, MFA Management, third-party, or customer, such as identity, medical, employment, or financial information. To the extent necessary for a Third-Party to share MFA's confidential or proprietary information with a sub-contractor, MFA expects the Third-Party to implement adequate controls at a level no less than those set forth in this Third-Party Code of Conduct with such sub-contractor. Third Parties must not infringe upon the intellectual property rights of other companies or organizations. Third Parties must return all confidential and proprietary information in their possession to MFA when the contractual relationship between MFA and the Third-Party has terminated, unless otherwise specified by contract. The obligation to protect MFA's confidential and proprietary information continues even after any business relationship between MFA and the Third-Party ends.

MFA may require that Third Parties sign a separate confidentiality and non-disclosure agreement.

G. Onsite Visitor Requirements. While on MFA's premises, Third Parties must comply with all MFA rules and procedures, including security measures and requests. These may include but are not limited to:

- Registering with reception.
- Accessing only authorized areas unless accompanied by an MFA Employee.
- Promptly reporting known security violations and property loss or damage.
- Complying with all MFA facility requirements, including maintaining a substance- free and violence-free workplace.
- Any public health and safety policies in effect, including wearing a face mask.

H. Compliance with Laws, Regulations, Policies and Procedures and Contracts. All Third Parties must comply with all applicable state and federal laws, codes, and regulations and MFA's policies and procedures to the extent applicable to the Third-Party and must not violate any terms and conditions established by contract with MFA.

I. Business Integrity. Any and all forms of illegal or inappropriate activity by a Third-Party doing business with MFA, including, but not limited to, corruption, misrepresentation, extortion, embezzlement, or bribery, are strictly prohibited and may result in termination of any or all agreements with MFA.

OFFEROR ACKNOWLEDGMENT

DATE