

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. 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. Scoring for most of the initiatives will also prioritize smaller properties with fewer resources, such as properties with fifty units or less and properties located in rural counties. Other scoring items may examine the project’s:
 - 1. Cost effectiveness;
 - 2. Readiness;
 - 3. Sustainability and energy efficiency;
 - 4. Low-income targeting, and;
 - 5. Agreement to affordability period above minimum required.
- 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
<\$15,000	15 years
\$15,000-\$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, with all unpaid interest, unpaid fees, and outstanding principal balance considered for forgiveness at the loan's maturity. 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.