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**New Mexico Mortgage Finance Authority  
Request for Proposals  
To Provide Internal Audit Services**

**Part I: Background & General Information**

**Introduction**

The New Mexico Mortgage Finance Authority (“MFA”) is a governmental instrumentality, separate and apart from the state, created by the Mortgage Finance Authority Act, NMSA Sections 58-18-1 to 27 for the purpose of financing affordable housing for low- and moderate-income New Mexico residents.

**Purpose**

The purpose of this Request for Proposals (RFP) is to solicit proposals, in accordance with the New Mexico Mortgage Finance Authority Procurement Policy, from qualified firms by reason of their skill, knowledge, and experience are able to furnish Internal Audit services to MFA (“Offerors”).

The intent of this selection process is to choose one firm to provide internal audit services. However, depending on the expertise of RFP responses submitted, MFA reserves the right to separate services requested.

**Questions and Answers**

Questions pertaining to this RFP and application must be submitted via the MFA website at <http://www.housingnm.org/rfp.rfqs>. Then under “Current RFP’s,” select “Internal Audit Services RFP.” On the Internal Audit Services RFP page, select the “Internal Audit Services FAQs” link. Questions will be checked on a daily basis. The FAQ will open the day after the RFP issues (August 18, 2022) and will close on September 19, 2022. To submit your questions, scroll down to the “Ask a question” section, enter your name, email address, and type your question in the “Question” box, type in the two (2) words in the CAPTCHA box and click on “Send my question”. MFA will make every attempt to answer questions within two (2) business days.

**Proposal Submission**

Proposal submissions must be received no later than September 19, 2022, at 5:00 p.m., Mountain Time. Proposals which are not received by this time will not be accepted.

Utilize one of the following methods for proposal submission:

Via E-mail: Send to Julie Halbig at [jhalbig@housingnm.org](mailto:jhalbig@housingnm.org) with a subject line of “Proposal to Furnish Internal Audit Services.” This is the preferred method and hard copies are not required.

Via USPS, FedEx, UPS, or other courier delivery: Deliver the original and six (6) copies of the proposal to MFA’s office located at 344 Fourth Street S.W., Albuquerque, New Mexico 87102. Proposals shall be in sealed envelopes marked “Proposal to Furnish Internal Audit Services.”

### **Proposal Tenure**

All proposals shall include a statement that the proposal shall be valid until contract award, but no more than ninety (90) calendar days from the proposal due date.

### **RFP Revisions and Supplements**

If it becomes necessary to revise any part of this RFP or if additional information is necessary to clarify any provision of this RFP, the revision or additional information will be posted on the MFA web site.

### **Incurred Expenses**

MFA shall not be responsible for any expenses incurred by an Offeror in responding to this RFP. All costs incurred by Offerors in the preparation, transmittal or presentation of any proposal or material submitted in response to this RFP will be borne solely by the Offerors.

### **Cancellation of Requests for Proposals or Rejection of Proposals**

MFA may cancel this RFP at any time for any reason MFA and may reject all proposals (or any proposal) which are/is not responsive.

### **Offeror's Rights to Withdraw Proposal**

Offerors will be allowed to withdraw their proposals by submitting a written withdrawal request addressed to

Julie Halbig, Director of Compliance and Initiatives  
New Mexico Mortgage Finance Authority  
[jhalbig@housingnm.org](mailto:jhalbig@housingnm.org)

### **Evaluation of Proposals, Selection and Negotiation**

Proposals will be evaluated by an Internal Review Committee made up of MFA staff using the criteria listed in Part II Minimum Qualifications and Requirements, Part III Services to be Performed, and Part IV Compensation, below, pursuant to the Evaluation Criteria and scoring shown in Part V, Evaluation Criteria. Final selection shall be made by the full Board of Directors.

MFA may provide Offerors whose proposals are reasonably likely, in MFA's discretion, to be selected, an opportunity to discuss and revise their proposals prior to award, for the purpose of obtaining final and best offers. Proposals shall be evaluated on the criteria listed in Part IV Evaluation Criteria, below.

The MFA Board of Directors shall select the Offeror(s) whose proposal(s) is/are deemed to be most advantageous to MFA to enter into contract negotiations with MFA. If a final contract cannot be negotiated, then MFA will enter into negotiations with the other Offeror(s). The agreed-upon draft final contract will then be referred to the Contracted Services Committee of the MFA Board of Directors for its review and recommendation, with final approval to be made by the full Board of Directors.

## **Interview**

If selected as a finalist, Offerors agree to provide MFA the opportunity to interview proposed staff members identified by the Internal Review Committee. The Internal Review Committee may request a finalist to provide an oral presentation of the proposal as an opportunity for the Internal Review Committee to ask questions and seek clarifications. All requests for interviews and oral presentations shall be made in MFA's sole discretion.

## **Award Notice**

MFA shall provide written notice of the award to all Offerors within ten (10) days of the date of the award. The award shall be contingent upon successful negotiations of a final contract between MFA and the Offeror(s) whose proposal(s) is/are accepted by MFA.

## **Proposal Confidentiality**

Offerors or their representatives shall not communicate with MFA's Board of Directors or staff members regarding any proposal under consideration or that will be submitted for consideration, except in response to an inquiry initiated by the Internal Review Committee, or a request from the Board of Directors, or its Contracted Services Committee / Finance Committee for a presentation and interview. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of the Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, including any period immediately following release of the RFP.

MFA will not disclose, discuss or otherwise make available the contents of any proposal to competing or potential Offerors prior to the expiration of the protest period, which in the event a protest is presented, shall not occur until after final determination by the Board of Directors.

## **Irregularities in Proposals**

MFA may waive technical irregularities in the form of proposal of any Offeror selected for award which do not alter the price, quality or quantity of the services offered. Note especially that the date and time of proposal submission as indicated herein under "Part I Background and General Information, Proposal Submission" cannot be waived under any circumstances.

## **Responsibility of Offerors**

If an Offeror who otherwise would have been awarded a contract is found not to be a Responsible Offeror, a determination that the Offeror is not a Responsible Offeror, setting forth the basis of the finding, shall be prepared and the Offeror shall be disqualified from receiving the award. A Responsible Offeror means an Offeror who submits a proposal that conforms in all material respects to the requirements of this RFP and who has furnished, when required, information and data to prove that his/her financial resources, facilities, personnel, reputation and experience are adequate to make satisfactory delivery of the services described in this RFP. The unreasonable failure of an Offeror to promptly supply information in connection with an inquiry with respect to responsibility is grounds for a determination that the Offeror is not a Responsible Offeror.

## **Protest**

Any Offeror who is aggrieved in connection with this RFP or the award of a Contract pursuant to this RFP may protest to the MFA. The protest must be written and addressed to:

Julie Halbig, Director of Compliance and Initiatives  
New Mexico Mortgage Finance Authority  
344 Fourth Street S.W.  
Albuquerque, New Mexico 87102

Or:

jhalbig@housingnm.org

The protest must be submitted to MFA within five (5) business days after the notice of award. Upon the timely filing of a protest, the Contact Person shall give notice of the protest to all Offerors who appear to have a substantial and reasonable prospect of being affected by the outcome of the protest. The Offerors receiving notice may file responses to the protest within five (5) business days of notice of protest. The protest process shall be:

- ◆ The protest will be reviewed by the Contracted Services Committee of MFA's Board of Directors, and that committee shall make a recommendation to the full Board of Directors regarding the disposition of the protest.
- ◆ The Board of Directors shall make a final determination regarding the disposition of the protest, which determination shall not be subject to appeal.

Offerors or their representatives shall not communicate with MFA Board of Directors or staff members regarding any proposal under consideration, except when specifically permitted to present testimony to the committee of the Board of Directors, until the protest period has expired, which if there is a protest shall not expire until final determination by the Board of Directors. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of Offeror attempts to influence members of the Board of Directors or staff during any portion of the RFP review process, which remains in effect until the expiration of the protest period or does not follow the prescribed proposal and protest process.

## **Confidential Data**

Offerors may request, in writing, nondisclosure of confidential information which Offeror includes in its proposal. Such confidential information shall accompany the proposal but shall be readily separable from the proposal so as to facilitate public inspection of the non-confidential portions of the proposal. After the expiration of the protest period, which shall include final determination of any protest by MFA's Board of Directors, all proposals will be open to the public for inspection pursuant to MFA's Request to Inspect Documents Policy. Confidential information shall only include such information as is excepted under Section 14-2-1 NMSA 1978.

If MFA receives a request for inspection of its records which would require the disclosure of information identified by Offeror as confidential information, it will examine Offeror's request for confidentiality and make a written determination that specifies which portions of the proposal, including any information identified by Offeror as confidential information, shall be disclosed. MFA will provide the Offeror with a written notice of determination which details which information MFA intends to disclose and the date it shall disclose such information.

## Part I: Minimum Qualifications and Requirements

Only those Offerors who meet the following minimum criteria are eligible to submit a proposal pursuant to this RFP:

1. All Offerors must be an auditing firm in good standing as 1) a member of the Institute of Internal Auditors or 2) a certified public accounting firm.
2. All Offerors must be licensed to do business in the State of New Mexico and include a copy of relevant documentation evidencing authorization.
3. All Offerors must maintain professional liability insurance of at least \$1,000,000.
4. All professional rendering services to MFA must be Certified Public Accountants or Certified Internal Auditors or supervised by Certified Public Accountants or Certified Internal Auditors.

Selected Offerors must also meet the following requirements:

1. Offeror shall provide a written statement disclosing: (1) any political contribution or gift valued in excess of \$250.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.
2. Offeror shall provide a written statement disclosing any pending investigation, litigation, recent settlements or regulatory sanctions in performing professional services during the past five years involving Offeror's firm or employees or individuals or organizations involved in any third-party agreements or joint venture agreements. Describe any circumstances under which Offeror's firm or any of Offeror's members or employees have been disciplined by any professional licensing, regulatory or ethics entity. Indicate whether Offeror's firm has been involved in any capacity in litigation, investigations or regulatory proceedings involving HUD, the State of New Mexico or any agency thereof.
3. Offeror shall provide a written certification, on the form attached as Exhibit A, that Offeror has read and shall at all times conduct itself in a manner consistent with MFA's Third-Party Code of Conduct. Upon request by MFA, Offeror shall disclose information MFA may reasonably request relating to conflict or potential conflicts of interest.
4. Offeror shall provide a written certification that Offeror is an Equal Opportunity Employer and complies fully with all government regulations regarding nondiscriminatory employment practices.
5. Offeror shall provide a written certification that Offeror is eligible to participate in any and all federal- or state funded housing programs; is not currently facing disciplinary action by any federal, state or local entity; is not suspended, debarred or excluded from participation in any federal or state funded housing program; and is not listed as an excluded party (ies) on the System for Award Management's list of excluded parties accessed at [www.sam.gov](http://www.sam.gov); and has not been debarred by MFA.
6. MFA may deem any proposal as failing to meet these requirements to be unresponsive, resulting in elimination of the proposal from consideration.

## Part II: Services to be Performed

As requested by MFA, professional Internal Audit services required to be provided and to be incorporated into the contract to be awarded pursuant to this RFP include, but are not limited to, the following:

### Internal Audit Services

1. Support MFA's enterprise risk assessment process and develop a detailed report of risks with ranking, and internal audit program to mitigate the risks, and update annually.
2. Perform financial and compliance audits of MFA's programs, procedures, and controls and make recommendations for improvement as determined by the risk assessment.
3. Perform audits of MFA's housing programs, federal and state programs, and bond programs as determined by the risk assessment.
4. Perform special audit projects as may be assigned by MFA Management or the Finance Committee (who serves as MFA's Audit Committee of the Board of Directors);
5. Prepare detailed internal audit reports to the Finance Committee and Board of Directors including findings and recommendations;
6. Perform Internal Audit services in compliance with MFA's Auditing Policies and Procedures (Exhibit A).

### Quality Control Reviews

7. Develop an audit program to provide quality control services for the Federal Housing Administration (FHA) single-family mortgage loan portfolio and the U.S. Department of Housing and Urban Development (HUD) Section 8 Performance Based Contract Administration (PBCA) functions;
8. Perform monthly and quarterly quality control review services for the single-family FHA mortgage loan portfolio in accordance with HUD requirements and MFA's Quality Control Plan (Exhibit C);
9. Perform quality control review services for the PBCA Annual Contributions Contract (ACC) in accordance with HUD requirements and MFA's Quality Control Plan (Plan). The Plan is updated on an annual basis and a copy of the Plan effective December 1, 2021, is attached (Exhibit C). The quality control functions assigned to auditors will be substantially the same; assignments are rotated so that all functions are performed in a two-year time period.
10. Prepare Quality Control Review reports detailing findings to Management.

### Other

11. Review subrecipient Cost Allocation Plans, Indirect Cost Rate Proposals, financial statements, and audits and provide recommendations to Management.

In addition, the following services may be provided under and incorporated into the contract to be awarded pursuant to this RFP:

12. Prepare the annual 990 income tax return for the New Mexico Affordable Housing Charitable Trust, a subsidiary of MFA, if other than a 990-N is required.
13. Conduct fraud, waste and/or abuse investigations in response to inquiries surrounding funds administered under federal programs.
14. Audit and cost verification of the projects completed under the Low-Income Housing Tax Credit (LIHTC) program.
15. MFA may request consulting services to be performed in various areas as needed.

**Part III: Compensation**

Fee basis should be an all-inclusive, hourly fee, which should include staff time and “out-of-pocket expenses.” Offeror must provide an hourly fee breakdown for each staff position it would propose to use and/or make available to MFA for use as needed. Offeror must also state in their submission how long the Offeror can hold the all-inclusive hourly fee rates with the minimum amount of time being three (3) years from the date of proposal and should address how increases will be negotiated. Please indicate whether Offeror’s proposed rates are the best offered by the firm to any client.

Also, please provide the cost of services on a per-hour basis and an estimate of the number of hours required to provide IRS 990 Income Tax Return. Alternatively, provide a fixed rate for preparation of the IRS 990 Income Tax Return. Provide the cost of services on a per-hour basis for fraud, waste, and/or abuse investigations of funds under federal programs.

If selected, contracts with Offerors must reflect the all-inclusive, hourly fee rates proposed. Billing on the project shall occur on a frequency to be negotiated with successful Offeror(s) and will be based on hours spent on the project and associated costs.

**Part IV: Evaluation Criteria**

MFA shall award the contract for Internal Audit services to the Offeror whose proposal is most advantageous to MFA. Proposals that meet the Minimum Qualifications and Requirements shall be evaluated primarily on experience and fees. Proposals shall be scored on a scale of 1 to 100 based on the criteria listed below. Please note that a serious deficiency in any one criterion may be grounds for rejection regardless of overall score.

Criteria	Point Range	Maximum Points
<p>1. Experience: Offeror’s skill, knowledge and experience with--</p> <ul style="list-style-type: none"> <li>a. Experience with internal audits of MFA or similar financial institutions, government entities, or mortgage servicers; experience with quality control reviews of FHA mortgage origination and servicing and HUD PBCA and ACC;</li> <li>b. Experience in auditing information systems departments;</li> <li>c. Extensive knowledge of accounting and auditing procedures and experience in providing risk assessments, internal audit and quality control services;</li> <li>d. Relevant staff experience, expertise and credentials;</li> <li>e. Familiarity with MFA and its purpose</li> </ul>	0-40	40
<p>2. Responsiveness to MFA and Technical Capabilities:</p> <ul style="list-style-type: none"> <li>f. Ability to prepare detailed audit reports to the Board or Management;</li> <li>g. Knowledge of FHA mortgage origination and servicing and HUD PBCA and ACC;</li> <li>h. Availability of staff and ability to provide the hours required to perform internal audit services, quality control reviews, the ability to provide quick response to requests, and the ability to accommodate MFA’s scheduling needs.</li> </ul>	0-15	15
<p>3. Fees/Cost of Services:</p>	0-30	30



<ul style="list-style-type: none"> <li>a) Per-hour rate for all professionals expected to provide internal audit and quality control review services for this RFP;</li> <li>b) Provide the cost of services on a per-hour basis and an estimate of the number of hours required to provide the IRS 990 Income Tax Return. Alternatively, provide a fixed rate for preparation of the IRS 990 Income Tax Return.</li> <li>c) Provide the cost of services on a per-hour basis for fraud, waste, and/or abuse investigations of funds under federal programs.</li> </ul>		
4. References	0-10	10
5. Interviews, if held	0-5	5
<b>Maximum Points</b>		100

**Part V: Proposal Format and Instructions to Offeror**

Proposals submitted to MFA must, at a minimum, contain the following information and shall be organized as follows:

1. Letter of Transmittal – to include at least the following:
  - A. Name, address and telephone number of Offeror and name of contact person.
  - B. A signature of the Offeror or any partner, officer or employee who certifies that he or she has the authority to bind the Offeror.
  - C. Date of proposal.
  - D. A statement that the Offeror, if awarded the contract, will comply with the contract terms and conditions set forth in this RFP.
  - E. A statement describing how long the Offeror can hold the hourly rates with the minimum being three (3) years from date of proposal.
  - F. A statement that the Offeror’s proposal is valid for ninety (90) days after the deadline for submission of proposals.
  - G. Indicate if the firm is not able to provide or lacks expertise in any area of Part III. Services to be Performed.
  
2. Disclosure and Certifications – Offeror shall provide:
  - A. A written statement disclosing: (1) any political contribution or gift valued in excess of \$250.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA

member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.

- B. A written statement disclosing any pending investigation, litigation, recent settlements or regulatory sanctions in performing professional services during the past five years involving Offeror's firm or employees or individuals or organizations involved in any third-party agreements or joint venture agreements. Describe any circumstances under which Offeror's firm or any of Offeror's members or employees have been disciplined by any professional licensing, regulatory or ethics entity. Indicate whether Offeror's firm has been involved in any capacity in litigation, investigations or regulatory proceedings involving HUD, the State of New Mexico or any agency thereof.
- C. A Written certification that Offeror has read and shall at all times conduct itself in a manner consistent with MFA's Code of Conduct and MFA's Anti-Harassment Policy.
- D. A written certification that Offeror is an Equal Opportunity Employer and complies fully with all government regulations regarding nondiscriminatory employment practices.
- E. A written certification that Offeror is eligible to participate in any and all federal- or state funded housing programs; is not currently facing disciplinary action by any federal, state or local entity; is not suspended, debarred or excluded from participation in any federal or state funded housing program; and is not listed as an excluded party (ies) on the System for Award Management's list of excluded parties accessed at [www.sam.gov](http://www.sam.gov); and has not been debarred by MFA.

### 3. Experience and Capability

- A. An outline of professional experience and capability addressing in order each of the (a-h) evaluation criteria set forth under 1. And 3. Of Part IV Evaluation and Criteria.
- B. Provide a narrative describing the Offeror's approach to risk-based audit, knowledge and experience conducting risk assessments, and the type of information provided in the report on the results of the risk assessment.
- C. Please provide any relevant information which will assist MFA in evaluating Offeror's ability to provide Internal Audit services, including strengths and weaknesses. Names and resumes of the lead contact and other key personnel to be assigned to the account. Resumes describing the qualifications of personnel to be utilized in the performance of this contract must show, at a minimum, the person's name, education, positions, and total year and types of experience relevant to the performance of the contract, information regarding the following certifications: Certified Public Accountant licensure, Certified Internal Auditor, Certified Government Auditing Professional, Certified Financial Services Auditor, Certified Government Auditing Professional, Certified Financial Services Auditor, Certified Information Systems Security Professional, Certified Information Systems Manager, Certified Information Systems Auditor, Global Information Assurance Certification.
- D. Please provide at least three references from either a financial institution, governmental entities, and/or mortgage servicers. Offeror shall provide at least three and no more than five reference contacts on the Reference Contact Form attached hereto as Exhibit A. MFA will communicate with references independently to obtain appropriate feedback.

- E. A description of other clients, state agencies, quasi-governmental entities and non-profits represented by or for which Offeror has performed services in the last five years.
4. Responsiveness to MFA and Technical Capabilities
- A. Offeror’s proposal for delivering services, including organization of responsibilities, work plan, approach, and the availability of personnel for consultation, discussion and coordination with staff, and for travel both within and outside New Mexico, as necessary, to serve the needs of MFA.
6. New Mexico Resident Business
- A. Evidence that the Offeror is licensed to do business in Mexico.
  - B. Representation that the majority of Offeror’s employees who would perform the services to be performed reside in New Mexico.
8. Please provide any other relevant information which will assist MFA in evaluating Offeror’s ability to provide Internal Audit services to MFA.

**Part VI: Principal Contract Terms and Conditions**

In addition to the terms respecting the services to be performed and compensation described above, the contract between MFA and the successful Offeror (herein “Contractor”) shall include, but may not be limited to, terms substantially similar to the following:

Contract Term. The term of the Internal Audit Services contract shall begin the date the MFA Board of Directors approves the award for an initial two-year term and ends November 30, 2025. At the option of the MFA Policy Committee, the contract may be extended for three, one-year periods under the same term and conditions. There will be a transition period for matters in process at the beginning and end of the contract term.

Equal Opportunity Employer. Offeror certifies that it is an Equal Opportunity Employer and complies fully with government regulations regarding nondiscriminatory employment practices.

Hold Harmless and Indemnification. Offeror shall indemnify, defend, and hold harmless MFA and the State of New Mexico, its officers, directors, agents, employees, successors and permitted assigns (each, a “MFA Indemnitee”) from and against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs or expenses of whatever kind, including attorneys’ fees, that are incurred by a MFA Indemnitee (collectively, “Losses”) arising out of or related to any third party claim alleging (i) breach or non-fulfillment of any provision of this Agreement by Offeror or Offeror’s personnel; (ii) any negligent or more culpable act or omission of Offeror or Offeror personnel, including any reckless or willful misconduct, in connection with the performance of Offeror’s obligations under this Agreement; (iii) any bodily injury, death of any person, or damage to real or tangible, personal property resulting from willful, fraudulent, or negligent acts or omissions of Offeror or Offeror personnel, or (iv) any failure by Offeror or its personnel to comply with any applicable federal, state or local laws, regulations, or codes in the performance of its obligations under this Agreement. Offeror shall further defend, indemnify, and hold harmless the MFA Indemnitees from and against any and all claims that any of the Services or deliverables or MFA’s receipt or use thereof infringes any intellectual property right of a third party.

Permitted Subcontractors. Offeror shall obtain MFA’s written approval, which approval shall be given in MFA’s sole discretion, prior to entering into any agreements with or otherwise engaging any person, including all subcontractors,

other than Offeror's employees, to provide any Services to MFA (each such approved subcontractor or other third party, a "Permitted Subcontractor"). MFA's approval shall not relieve Offeror of its obligations under the Agreement, for any reason, including but not limited to Permitted Subcontractor's bankruptcy, insolvency, or other inability to perform the services required under any subcontract, an Offeror shall remain fully responsible for the performance of each such Permitted Subcontractor and its employees and for their compliance with all of the terms and conditions of this Agreement as if they were Offeror's own employees. Nothing contained in this Agreement shall create any contractual relationship between MFA and any Permitted Subcontractor or supplier. Offeror shall require each such Permitted Subcontractor to be bound in writing by the confidentiality and intellectual property assignment provisions of this Agreement.

Records. Maintain complete and accurate records relating to the provision of the Services under this Agreement, including records of the time spent and materials used by Offeror in providing the Services in such form as MFA shall approve. During the Term and for a period of two years thereafter, upon MFA's written request, Offeror shall allow MFA or MFA's representative to inspect and make copies of such records and interview Offeror personnel in connection with the provision of the Services. MFA shall have the right to audit bills submitted to MFA under this Agreement both before and after payment. Payment under this Agreement shall not foreclose the right of MFA to recover excessive and/or illegal payments.

Payment. Payment shall be made to Offeror at the times, and in the amounts, which shall be set forth in a Service Agreement between MFA and Offeror.

Insurance. Offeror shall procure and maintain at its expense until final payment by MFA for Services covered by this Agreement, insurance in the kinds and amounts hereinafter provided with insurance companies authorized to do business in the state of New Mexico, covering all operations under this Agreement, whether performed by the Offeror or its agents. Before commencing the Services, and on the renewal of all coverages, the Offeror shall furnish to MFA a certificate or certificates, providing for not less than thirty (30) days' notice to MFA of non-renewal or cancellation, in form satisfactory to MFA showing that it has complied with this Sub-Section. Various types of required insurance may be written in one or more policies. With respect to all coverages required other than workers' compensation, MFA shall be named an additional insured. Kinds and amounts of insurance required are as follows:

- i. Commercial General Liability insuring the activities of Offeror under this Agreement with limits no less than \$750,000 per occurrence and \$750,000 in the aggregate, and with a claim/aggregate deductible in an amount reasonable for a firm of Offeror's size and financial condition, in a form acceptable to MFA.
- ii. Professional Liability covering all liabilities and risks inherent in Offeror's performance of the services required under this Agreement, with limits no less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate and with a claim/aggregate deductible in an amount reasonable for a firm of Offeror's size and financial condition, in a form acceptable to MFA.

Equal Opportunity Data. The Offeror will maintain data relative to "Equal Opportunity" as related to Minority Business Enterprises ("MBE") and Women Business Enterprises ("WBE"). At a minimum, such data shall include the number and dollar value of MBE/WBE contracts and subcontracts awarded. This data is required to be reported to MFA annually in the format prescribed MFA and is due to MFA each year at a time to be determined by MFA in its sole discretion.

Termination. If, in the judgment of MFA, the Offeror, for any cause, fails or omits to carry out the Work in an acceptable manner MFA may give notice in writing of such failure or omission and of a reasonable time within which to cure the deficiency. The Successful Offeror shall take corrective measures within such time. The Successful Offeror's failure to comply with such notice and to cure the deficiency as provided in the notice shall subject this Agreement to immediate termination by MFA. In the event of a for-cause termination, MFA

shall terminate this Agreement by delivering to Architect a written notice of termination. The effective date of termination shall be the date stated in the notice or, if no date is stated, then the date of delivery of the notice. Upon such termination, Successful Offeror shall deliver to MFA all design plans, construction estimates, drawings, documents, survey books, and all other materials developed under this Agreement. MFA shall then have the right to retain the services of other design professionals to complete Successful Offeror's Work under this Agreement and shall have no obligation to seek bids for that replacement design professional(s). The cost of completing Successful Offeror's Work under this Agreement shall be paid for by applying the balance of the contract amount remaining on this Agreement at the time of termination. If the cost to complete the Work under this Agreement is less than the remaining contract amount, the remaining contract amount shall be paid to Successful Offeror. If the cost of completing the Work under this Agreement exceeds the contract amount, then Successful Offeror shall pay MFA for the difference between the contract amount and the cost to complete Successful Offeror's Work.

Termination for convenience of MFA. On fifteen (15) business day's written notice to Successful Offeror, MFA may terminate this Agreement in whole or in part for its own convenience in the absence of termination for cause or any default of Successful Offeror. In the event of a termination for convenience, MFA shall terminate this Agreement by delivering to Successful Offeror notice of termination without cause specifying the extent to which performance of Work under this Agreement is terminated and the date upon which such termination becomes effective. Within ten (10) calendar days of the effective date of termination, Successful Offeror shall deliver to MFA all design plans, construction estimates, drawings, documents, survey books and any or all other materials developed under this Agreement. Upon delivery of such notice, Successful Offeror shall have the right to receive payment for services satisfactorily performed to termination date, including reimbursement then due.

All Offerors must be in good standing with MFA and all other state and federal affordable housing agencies. For example, debarment from HUD, MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or federally-financed Projects on the part of any Offeror may result in termination of this Agreement.

Independent Offeror. The nature of the Offeror's and its staff's relationship to MFA will be that of an independent contractor, and the Offeror will not be deemed an agent, employee or servant of MFA. The compensation agreed upon by MFA and the Offeror will not be subject to withholding from taxes, F.I.C.A., or otherwise, and nothing in this Agreement burdens MFA with the duties of an employer concerning the Offeror and its staff under any state worker's compensation laws, state or federal occupational health and safety laws, or any other state or federal laws. The Offeror and its staff will not participate in any of the fringe benefits generally made available by MFA to its officers or employees. MFA will not provide the Offeror office space, clerical help, office supplies or the like except as mutually agreed to by MFA and the Offeror. Nothing contained in this Agreement shall be construed as creating any agency, partnership, joint venture, or other form of joint enterprise, employment, or fiduciary relationship between the parties, and neither party shall have authority to contract for or bind the other party in any manner whatsoever.

Awards to Other Offerors. The Offeror shall not assign or transfer any rights, duties, obligations or interest in or to the proceeds of this Agreement without the prior written approval of MFA. If approved, any assignee will be subject to all terms, conditions and provision of this Agreement. No such approval by MFA of any assignment shall obligate MFA for payment of amounts in excess of the Program Funds. In accordance with 2 CFR 200.213, Offeror shall not make any awards or permit any award (subcontract or contract) at any tier to any party which is debarred or suspended or is otherwise excluded from or ineligible to participate in Federal assistance programs under Executive Order 12549 and 12689, "Debarment and Suspension."

Intellectual Property Rights; Ownership. MFA is, and shall be, the sole and exclusive owner of all right, title, and interest in and to the deliverables provided pursuant to the provision of the Services, including all Intellectual Property Rights

therein. Offeror agrees, and will cause its Offeror personnel to agree, that with respect to any deliverables that may qualify as "work made for hire" as defined in 17 U.S.C. §101, such deliverables are hereby deemed a "work made for hire" for MFA. To the extent that any of the Deliverables do not constitute a "work made for hire", Offeror hereby irrevocably assigns, and shall cause the Offeror personnel to irrevocably assign to MFA, in each case without additional consideration, all right, title, and interest throughout the world in and to the deliverables, including all Intellectual Property Rights therein. The Offeror shall cause the Offeror personnel to irrevocably waive, to the extent permitted by applicable law, any and all claims such Offeror personnel may now or hereafter have in any jurisdiction to so-called "moral rights" or rights of droit moral with respect to the deliverables. Upon the request of MFA, Offeror shall, and shall cause the Offeror personnel to, promptly take such further actions, including execution and delivery of all appropriate instruments of conveyance, as may be necessary to assist MFA to prosecute, register, perfect, or record its rights in or to any deliverables.

Confidential Information. Simultaneous herewith, Offeror shall enter into a Non-Disclosure Agreement with MFA under which Offeror shall agree Offeror will not, during the term of this Agreement, or thereafter, without the written consent of MFA, disclose to anyone, or use for Offeror's own account, any confidential information concerning the businesses or affairs of MFA. Offeror will retain all such knowledge and information respecting such confidential information in trust for the sole benefit of MFA. Upon termination of this Agreement, Offeror will deliver to MFA all writings relating to or containing confidential information or destroyed with destruction certified by the receiving Party.

Remedies. Offeror recognizes that irreparable injury would be caused by any breach of any of the provisions of this Agreement by Offeror. MFA, in addition to all other rights and remedies at law or equity as may exist in its favor, will have the right to enforce the specific performance of the provisions of this Agreement and to apply for injunctive relief against any act that would violate any such provisions. Offeror shall reimburse MFA for all costs and expenses, including reasonable attorney fees incurred by MFA by reason of Offeror's breach of this Agreement. Nothing herein shall be read to limit Offeror's remedies in the event of a breach of this Agreement by the MFA.

Licenses/Compliance with Laws and Regulations. Before the date on which the Services are to start, obtain, and at all times during the Term of this Agreement maintain, all necessary licenses and consents and comply with all relevant laws applicable to the provision of the Services.

Compliance with MFA Rules, Regulations and Policies. Comply with, and ensure that all Offeror personnel comply with, all rules, regulations, and policies of MFA that are communicated to Offeror in writing, including security procedures concerning systems and data and remote access thereto, building security procedures, and general health and safety practices and procedures.

Governing Law and Jurisdiction. This Agreement shall be governed by and construed in accordance with the laws of the State of New Mexico without giving effect to any choice or conflict of law provision or rule that would cause the application of laws of any jurisdiction other than those of the State of New Mexico. Any legal suit, action, or proceeding arising out of, or related to, this Agreement or the Services provided hereunder shall be instituted exclusively in the federal courts of the United States or the courts of the State of New Mexico in each case located in the city of Albuquerque and County of Bernalillo, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, or proceeding.

## **New Mexico Mortgage Finance Authority**

### **Board Members**

Chair Angel Reyes – President, Centinel Bank in Taos

Vice Chair – Derek Valdo – Chief Executive Officer, AMERIND Risk  
Treasurer Rebecca Wurzburger – Strategic Planning Consultant  
Member Howie Morales – Lieutenant Governor, State of New Mexico  
Member Hector Balderas – Attorney General, State of New Mexico  
Member Tim Eichenberg – Treasurer, State of New Mexico  
Member Patricia Sullivan, Ph.D. – Associate Dean, New Mexico State University of College of Engineering

**Management**

Isidoro Hernandez, Executive Director/CEO  
Lizzy Ratnaraj, Chief Financial Officer  
Donna Maestas-De Vries, Chief Housing Officer  
Jeff Payne, Chief Lending Officer

## EXHIBIT A

### SECTION 5 - AUDITING POLICIES AND PROCEDURES

#### 5.1 External Auditing Policy Statement

An external audit by an independent firm is conducted annually. The external audit will consist of 1) an audit of the financial statements for the fiscal year ended September 30th conducted in accordance with auditing standards generally accepted in the United States of America, Generally Accepted Government Auditing Standards (GAGAS), and 2.2.2 NMAC Audit Rule (available at [www.saonm.org](http://www.saonm.org)) issued by the New Mexico Office of the State Auditor; 2) a Federal Single Audit for the fiscal year ended September 30th conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and Office of Management and Budget (OMB) 2 CFR 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and 3) GNMA Compliance Reports conducted in accordance with US Department of Housing and Urban Development requirements. All reports will be delivered within one hundred twenty (120) days after fiscal year end, except where an extension has been granted by the agency requiring the audit.

In accordance with GAGAS, in all matters relating to the audit work, the auditor must be free from personal, external, and organizational impairments to independence and must avoid the appearance of such impairments of independence. Auditors and audit organizations must maintain independence so that their opinions, conclusions, judgments, and recommendations will be impartial and will be viewed as impartial by objective third parties with knowledge of the relevant information. Audit organizations must not provide non-audit services that involve performing management functions or making management decisions and audit organizations must not audit their own work or provide non-audit services in situations in which the non-audit services are significant or material to the subject matter of the audits.

In order to best serve the interests of MFA and its constituents, the following criteria for required auditor rotation will apply: 1) an audit firm is prohibited from conducting the external audit for a period of two years if the firm has provided external audit services for eight consecutive years; 2) a firm that has undergone a merger or acquisition will be determined to be a new firm for the purposes of the rotation requirement if it fulfills the requirements of the State Audit Rule.

MFA Finance Committee serves as the Board's Audit Committee and is tasked with providing regular oversight of the external audit process. The external auditor is required to conduct an Entrance Conference concurrent with the start of fieldwork with the Finance Committee. As per Statement on Auditing Standards (SAS) No. 114, The Auditor's Communication with Those Charged with Governance, the external auditor is required to keep the Finance Committee informed throughout the process of relevant audit issues including audit progress, threats to established timelines, potential audit findings, potential audit adjustments, and significant pending items. At the conclusion of the audit, the external auditor conducts an Exit Conference with staff and the Finance Committee where the draft audit and related reports are discussed. After the Office of the State Auditor releases the audit to the public, the final audit and related reports are presented by the external auditor and staff to the full MFA Board for approval. Management is responsible for addressing and clearing audit findings on a timely basis.

#### 5.2 Internal Auditing Policy Statement



The Internal Audit function's framework shall closely adhere to the Institute of Internal Auditors *Standards for the Professional Practice of Internal Auditing, Consulting Standards* issued by the American Institute of Certified Public Accountants or other relevant professional standards. Audit emphasis shall be placed on areas within MFA perceived to be of significant financial or operational risk to provide the greatest service to MFA. The Internal Audit's function activities shall be conducted in a professional manner with a mission of performing quality audits that provide factual, comprehensive results and promote more effective operations throughout.

### 5.3 Internal Audit Statement of Purpose, Authority and Responsibility

- A. **Purpose.** The function of the Internal Audit is to provide an independent appraisal activity within the organization as a service to Management and the Board of Directors through the Finance Committee. The Internal Auditor assists Management in managing risks effectively in order to sustain operations and achieve business objectives by evaluating, monitoring, and reporting on:
1. The adequacy of accounting, financial and operating controls;
  2. The efficiency and effectiveness of uses of the organization's resources;
  3. The reliability of information provided to Management;
  4. Compliance with established bylaws, policies, procedures, governmental regulation, and program requirements;
  5. The presence of or possibility of potential matters of business risk, fraud, theft, mismanagement, and other similar irregularities; and
  6. Management's action with respect to correcting previously reported deficiencies.
- B. **Authority.** The Internal Auditor has neither the responsibility nor authority for management of operating activities but is expected to maintain a sound working relationship with managers who do have such responsibility and authority. The working relations with departmental and other operating units should be directed toward a full understanding of the benefits of having Internal Auditor evaluations and consultation regarding:
1. Contemplated, as well as executed, business transactions, contracts and operating activities;
  2. The adequacy, effectiveness and efficiency of existing controls, systems and procedures;
  3. Contemplated changes or revisions to systems and procedures;
  4. Organizational and structural changes; and
  5. Status of compliance with established policies and procedures.
- C. **Responsibility.** The aforementioned Internal Auditor evaluations and consultations are for the

purpose of providing meaningful recommendations and information to Management, thereby maximizing the benefit of the Internal Audit function. In order to maintain its objectivity and independence, the Internal Audit function must not:

1. Take responsibility or authority for the implementation of such recommendations; or
2. Be performed by MFA's current External Auditor.

#### **5.4 Annual Internal Audit Planning Procedures**

- A. The purpose of this procedure is to provide guidelines for the preparation of the annual internal audit plan. The planning process shall be performed by Internal Audit with input from Management, the Finance Committee, and the Board of Directors. Proper planning will help to ensure that all major areas of known risk or other areas of concern are evaluated for audit coverage in the annual plan.
- B. It is anticipated that events may occur during the year resulting in special requests by Management or the Board of Directors that the Internal Audit perform specific reviews or other procedures. Such requests may take priority over items on the annual audit plan.
- C. In coordination with MFA's Compliance Officer, Internal Audit will conduct annual enterprise risk management assessments and prepare a Risk Assessment Report that:
  1. Identifies the areas of risk and ranks the risk as low, medium or high;
  2. Identifies the reasons each area is considered to be at risk; and
  3. Identifies a proposed audit focus based on the Risk Assessment Report.
- D. Internal Audit will prepare a proposed audit plan including projected hours to complete each audit area being considered for the year. This proposed audit plan shall be prepared considering the following:
  1. The direction from the Finance Committee after review of the Risk Assessment Report;
  2. New programs and/or functions;
  3. Electronic data processing system changes or additions;
  4. Strategic and emerging risks identified during the annual enterprise risk management assessment;
  5. Prior audits completed and their results; and
  6. Other information obtained during the current audit period.
- E. The proposed audit plan will consider and take into account Management's views regarding risk of the proposed audit areas, timing of the proposed audits, and additional areas that may warrant review in the upcoming year.

- F. The proposed audit plan will be presented to the Finance Committee for its review and input. Once the Finance Committee has approved the proposed annual audit plan, it shall be presented to the Board of Directors along with the Risk Assessment Report for final approval.
- G. Any changes made to the annual audit plan during the year shall be reported to and approved by the Finance Committee and Board of Directors.

### **5.5 Procedures for Initiation of an Audit**

- A. The purpose of the following procedure is to provide general guidelines that will assist Internal Audit in the process of starting an audit project. MFA Management and staff should be informed of the nature and timing of audit activities.
- B. Internal Audit will make every effort to facilitate audit work in a manner that will result in the least amount of disruption to personnel and/or functions audited.
- C. Prior to the start of an audit segment, Internal Audit will contact the Compliance Officer and schedule an opening meeting with Policy Committee, the Controller, and the manager responsible for the area under audit to communicate audit objectives. Internal Audit will also explain the extent to which assistance may be required and the types of information necessary to complete the audit.
- D. If the anticipated start date of the audit conflicts with planned activities or personnel schedules in the area to be audited, every effort should be made to reschedule the start date of the audit or the timing of audit procedures to be performed.

### **5.6 Issuance of Internal Audit Reports**

- A. This procedure provides a general description of the process by which audit reports will be issued. This process ensures that Management is aware of the information in the audit report prior to its presentation to the Finance Committee or the Board of Directors and allows for Management to provide responses to recommendations made in the report.
- B. The results of the audit shall be discussed with Policy Committee, the Controller, and the manager or Employee primarily responsible for the area under audit upon completion of an audit segment. This step allows the manager or Employee to correct any misunderstandings by the internal auditor or erroneous information prior to finalizing the internal audit report.
- C. A summary of findings and recommendations will be provided to Management. This summary communicates all findings whether reportable or not, to Management for their information.
- D. Management will provide responses to findings and recommendations made and will also ensure that any findings are correctly stated. Internal Audit will work closely with Management to arrive at responses that are workable for Management but also address adequately the underlying concern.
- E. A draft of the audit report shall be provided to Management prior to issuance of the final report. This

step allows for Management input or comments on the report prior to presentation to the Finance Committee or the Board of Directors.

- F. The final audit report shall be issued to Management and the Board of Directors through the Finance Committee.
- G. Internal Audit will provide Management with a schedule of open items and their disposition. Internal Audit will update this schedule at least annually.

#### **5.7 Internal Audit - Reporting to the Finance Committee and the Board of Directors**

- A. The purpose of this procedure is to define the nature and timing of internal audit reporting to the Finance Committee and the Board of Directors. Internal Audit must keep the Finance Committee and the Board of Directors informed of the results and the status of internal auditing activities.
- B. Internal Audit shall provide a copy of all internal audit reports issued to the Finance Committee members at their monthly meeting as the reports are issued.
- C. Internal Audit shall provide a status report of the internal auditing activities to the Finance Committee from time to time at their monthly meetings. This report will indicate the status of internal audits, which are in process or have been undertaken since the previous status report, and the status of hours incurred vs. budgeted hours.
- D. Internal Audit shall provide an annual summary of internal auditing results and activities completed for each fiscal year, and an analysis of the completion of the Annual Audit Plan for that fiscal year. This report shall be presented to the Finance Committee and the Board of Directors at their monthly meetings immediately following the end of the contract.
- E. Internal Audit shall have the freedom to contact the members of the Finance Committee or the Board of Directors should the need arise at times other than those noted above.

#### **5.8 Internal Auditing Working Papers**

- A. Completed working papers shall be kept by the Internal Audit firm. If appropriate, copies may be made available for Management, external auditors, legal counsel, or third parties.

**Exhibit B**  
**ORGANIZATIONAL REFERENCE QUESTIONNAIRE**

The New Mexico Mortgage Finance Authority, as part of the RFP process, requires Offerors to submit at least three references from financial institutions, governmental entities, and/or mortgage servicers and at least one reference for whom [INSERT TYPE OF PROFESSIONAL SERVICE] has been provided as required within this document. The purpose of these references is to document Offeror's experience relevant to the scope of work in an effort to establish Offeror's responsibility. MFA will send the following reference form to each business reference listed in Offeror's proposal.

**INTERNAL AUDIT SERVICES RFP**

**ORGANIZATIONAL REFERENCE QUESTIONNAIRE FOR:**

\_\_\_\_\_

This form is being submitted to your company for completion as a business reference for the company named above. This form is to be returned to the New Mexico Mortgage Finance Authority via facsimile or e-mail at:

Name: Julie Halbig  
Address: 344 4<sup>th</sup> St. SW  
Albuquerque, NM 87102  
Telephone: 505-308-4216  
Fax: (505) 243-3289  
E-mail: jhalbig@housingnm.org

No later than **September 20 at 5:00 p.m. Mountain Time** and must **NOT** be returned to the company requesting the reference.

For questions or concerns regarding this form, please contact the individual first named above.

Company providing reference:	
Contact name and title/position:	
Contact telephone number:	
Contact e-mail address:	
Description of services provided:	
Dates services provided (starting and ending):	

1. How would you rate the timeliness of work conducted and information requested?

\_\_\_\_ (3=Excellent 2=Satisfactory 1=Unsatisfactory 0=Unacceptable)

COMMENTS:

2. How would you rate how the work was planned and executed?

\_\_\_\_ (3=Excellent 2=Satisfactory 1=Unsatisfactory 0=Unacceptable)

COMMENTS:

3. How would you rate the knowledge and technical expertise demonstrated?

\_\_\_\_\_ (3=Excellent 2=Satisfactory 1=Unsatisfactory 0=Unacceptable)

COMMENTS:

4. How would you rate the value added to your organization through the Offeror's recommendations?

\_\_\_\_\_ (3=Excellent 2=Satisfactory 1=Unsatisfactory 0=Unacceptable)

COMMENTS:

5. With which aspect(s) of this Offeror's services are you most satisfied?

COMMENTS:

6. With which aspect(s) of this Offeror's services are you least satisfied?

COMMENTS:

7. Would you recommend this Offeror's services?

COMMENTS:

## Exhibit C

### **New Mexico Mortgage Finance Authority Loan Servicing and Administration Quality Control Oversight and Compliance Plan for FHA Insured Mortgages**

The New Mexico Mortgage Finance Authority (MFA) is an approved Title I and Title II – Federal Housing Administration (FHA) Mortgagee. MFA has developed, implemented and maintained a Quality Control Program to ensure compliance with FHA’s Single Family Housing Policy Handbook (SF Handbook 4000.1) and MFA’s Policy and Procedure Manual for Loan Administration of FHA insured mortgages. This Quality Control Oversight and Compliance Plan sets forth MFA’s procedure for ensuring quality control.

#### **QUALITY CONTROL OVERSIGHT AND COMPLIANCE OVERVIEW**

The purpose of this plan is to:

- Ensure compliance with FHA and MFA policy and guidelines related to FHA Loan Administration;
- Protect FHA and MFA from unacceptable risk;
- Guard against errors, omissions, negligence and fraud from those involved in MFA’s Servicing and Loan Administration;
- Determine the root cause of any deficiencies and identify potential internal and external control weaknesses;
- Alert MFA management to patterns of deficiencies with respect to mortgage process and personnel;
- Ensure timely and appropriate corrective action;
- Ensure the existence of required documentation that is the basis of servicing decisions;
- Ensure Mortgages are secured by properties with value sufficient to support the Mortgages; and
- Ensure compliance with fair lending laws, including the Fair Housing Act and the Equal Credit Opportunity Act (ECOA).

#### **STANDARD**

MFA has adopted and implemented the Quality Control (“QC”) Program, the Quality Control Oversight and Compliance Plan (“the Plan”) and MFA’s Policy and Procedures Manual to ensure it is fully compliant with all applicable FHA requirements at all times. MFA established the Plan based on the requirements set forth in the FHA Single Family Housing Policy Handbook 4000.1 and MFA’s policies and procedures which are designed to follow these guidelines. The Plan covers the lifecycle of an FHA insured Mortgage to include:

- Origination\*
- Underwriting\*
- Closing\*
- Endorsement\* and
- Servicing functions that are considered by MFA and/or MFA’s contracted service provider (Sub-servicer)

\*MFA does not originate FHA insured mortgages; therefore, the origination, underwriting, closing and endorsement requirements are not applicable in this Quality Control Plan.

#### **REQUIRED DOCUMENTATION**



MFA must document the existence of its QC Program and evidence of its implementation, including written procedures, QC reports and corrective action plans.

- MFA must retain all QC review results, including all selection criteria, review documentation, finding and actions taken to mitigate finding for a period of two (2) years from the initial QC review or from the last action taken to mitigate findings, whichever is later.
- MFA must make all documentation relating to its QC Program available to FHA at any time upon request.

## **SITE REVIEW**

MFA does not originate single-family FHA loans; MFA performs servicing of FHA loans in its home office locations and there are no branch locations. Quality Control audits and reviews will be performed at MFA's office location at 344 Fourth St. S.W., Albuquerque, NM 87102.

## **AUDIT SCOPE/SAMPLE SIZE**

MFA's Quality Control review of servicing activities is an ongoing function. MFA services fewer than 3,500 loans in its active FHA servicing portfolio and is subject to 10 percent of the FHA insured sampling for each area of servicing. Loans are selected on a random basis with all loans having equal chance of being selected for testing. Loans processed by the entire servicing staff, including supervisors and managers, are subject to review. Sampling for servicing reviews will be focused on specific aspects of servicing rather than against the entire portfolio. The Quality Control review team must document the total population of FHA loans and how the sample size and selections are determined for each area of servicing reviewed.

Sample Composition Standards – select FHA-insured Mortgages for review via a random basis. Early Payment Defaults (“EPD”) and discretionary sample selection methods that meet FHA standards.

### Random

FHA requires MFA select FHA-insured Mortgages through the use of statistical sampling such that each of the Mortgagee's FHA-insured Mortgages has an equal chance of being selected. The random sample must be drawn from all of the Mortgagee's FHA-insured Mortgages, regardless of origination source or program type.

### Early Payment Defaults

#### (1) Definition

Early Payment Defaults are all Mortgages that become 60 days delinquent within the first six payments

#### (2) Standard

MFA must review all EPDs underwritten by the Mortgagee, regardless of which Mortgagee services the Mortgage. Mortgagee may use Neighborhood Watch to assist with identifying EPDs.

### Discretionary

MFA must focus discretionary samples on programs, participants, or sources that represent a high level of risk, which may include disproportionate loan volume, default rates, new relationships, or concentration in soft market areas.

#### Required Documentation

The QC Review Team must document how the sample size and selections were determined.

### **QUALITY CONTROL REPORTS**

Quality Control review findings must be reported to management within thirty (30) days of completion of the initial finding report. The Quality Control reports allow Management to assess risk and address the severity of any deficiencies identified. In the event issues identified during the review period were material violations of FHA or MFA requirements and represent an unacceptable level of risk, MFA's Quality Control review team will advise MFA Management to report these loans in writing within sixty (60 days), to the Quality Assurance Division of the Denver Homeownership Center, and to provide MFA's Quality Control review team with a copy of the correspondence. Management must take prompt action to deal appropriately with any material findings. Quality Control reports are issued monthly or quarterly as required by FHA.

#### Response to Quality Control Reports

The final Quality Control report will include MFA's Management response. The final report or an addendum must identify the corrective action take, the timetable for completion and any planned follow-up activities.

#### Audit Scope Expansion

Audit scopes will be increased on a representative sampling of loans when fraud or patterns of deficiencies, which are considered to be significant, affect the servicing of loans identified.

#### Recordkeeping

The work papers used by MFA's Quality Control review team give a detailed report of all findings noted by the Quality Control review team and these work papers are used for reporting purposes. Copies of these work papers and Quality Control will be retained for a two (2) year period.

### **QUALITY CONTROL PROGRAM REQUIREMENTS**

MFA may use employees or contractors to perform QC functions in accordance with the following requirements.

**Employees** – MFA must ensure that if employees perform QC Program functions that they are at all times independent of all Loan Administration processes and do not directly perform or participate in any of the Loan Administration processes represented in the QC Plan. In addition, MFA must ensure QC employees are not within any chain of reporting or management that is directly connected to Loan Administration staff.

**Contractors** – MFA may contract with outside vendors to perform MFA's QC function if:

- MFA assumes full responsibility for the contractor's conduct of QC reviews in compliance with FHA requirements;

- MFA and the contractor have a valid contractual agreement in place that specifies the roles and responsibilities of each party; and
- MFA acknowledges that the existence of such contract for the provision of QC services does not satisfy MFA's obligation to have a written QC Plan that fully complies with FHA requirements.

MFA engages an outside auditor to perform the Quality Control function and has a contract in place that includes the Quality Control function (Quality Control review team). The contract identifies the roles and responsibilities of each party and mandates compliance with HUD requirements. Quality Control engagements are scheduled at the beginning of each engagement year. The contract is available for review by HUD staff.

## Operational Compliance

### Personnel

- Training
  - Loan Administration and Quality Control Processes – MFA must provide training to all staff involved in FHA Loan Administration and QC processes to ensure that staff knows all current FHA requirements for the FHA Loan Administration practices for which MFA is responsible.
  - MFA must maintain a list of all training provided to staff.
  - MFA must include a summary of the content covered for each staff's training.
  - Access to FHA Guidance – MFA must provide all Loan Administration and QC staff with access to current FHA guidance including Handbooks, Mortgagee Letters (ML), Frequently Asked Questions (FAQs) and other guidance issued by FHA. MFA must confirm that all Loan Administration and QC staff has access to the Internet or to hard copies of current FHA guidance.

### Restricted Participation

MFA must confirm it verified through each of the following systems, that the designated employees and/or affiliates listed below were permitted to participate in FHA programs. If any of the designated employees and/or affiliates are found to be ineligible, they are restricted from participating in FHA programs. Checks to verify employee eligibility must be conducted at least semiannually.

- Excluded Parties List – MFA must verify employee eligibility for all officers, partners, directors, principals, managers, supervisors, loan processors, loan underwriters, loan originators, and all other employees and affiliates participating in the U.S. Department of Housing and Urban Development (HUD) programs for or on behalf of MFA using the System for Award Management (SAM) Excluded Parties List.
- Limited Denial of Participation – MFA must verify employee eligibility for all officers, partners, directors, principals, managers, supervisors, loan processors, loan underwriters, loan originators, and all other employees and affiliates participating in the U.S. Department of Housing and Urban Development (HUD) programs for or on behalf of MFA using the Limited Denial of Participation (LDP) list.
- National Mortgage Licensing System and Registry – MFA must verify that all employees and affiliates participating in HUD programs for or on behalf of MFA are registered with the National Mortgage Licensing System and Registry (NMLS), unless excluded from NMLS requirements by law or regulation (not applicable).

MFA employees involved in origination, processing, underwriting or servicing will be checked upon hire and semi-annually in March and September to determine that they are not currently under debarment, suspension or subject to a

limited denial of participation (LDP) or otherwise restricted from HUD programs. MFA must maintain copies of each employee's eligibility verification print outs.

### **AFFILIATE QUALITY CONTROL REVIEWS**

MFA must perform QC reviews of its affiliates in the same manner and under the same conditions as required for MFA's operations. At a minimum, Affiliates monitoring must include a periodic (semiannual at a minimum) re-verification of the Affiliate's compliance with all applicable laws related to licensing, qualification, eligibility or approval to originate or sub-service mortgages.

MFA must document the methodology used to review Affiliates, the results of each review and any corrective actions plans as a result of review findings. The procedures used to review and monitor MFA's Affiliates must be included in MFA's QC Plan.

At the present time, MFA does not act as a Sponsor/Agent for other companies. MFA's FHA Single Family Program Loans are originated, approved, and closed by MFA approved lenders, who are approved by FHA to perform these functions. The loans are tested for compliance with FHA origination and servicing requirements by the lender.

### **FAIR HOUSING AND LENDING**

MFA must verify that its operations comply with applicable state and federal fair lending laws, including the following:

- Fair Housing Act (42 U.S.C. § 3601 et seq.)
- ECOA (15 U.S.C. § 1691 et seq.)
- Federal Truth in Lending Act (15 U.S.C. § 1601 et seq.)

Loans will be reviewed for compliance with fair lending laws, including the Fair Housing Act, the Equal Credit Opportunity Act and Federal Truth in Lending Act.

In the event of possible violations or incidences of discrimination are detected, MFA's Quality Control team will report the violations to MFA Management with a request that the violations and supporting documentation be reported to the Office of Fair Housing and Equal Opportunity (FHEO) immediately.

Disproportionate aggressiveness or forbearance in foreclosure along racial or ethnic lines may evidence illegal discrimination.

Fair Housing Poster and Equal Housing Opportunity Logo – MFA must ensure that a fair housing poster is prominently displayed in MFA's home office and any branch offices that deal with borrowers and the general public.

MFA must ensure that equal housing opportunity logo is prominently displayed on all documents, including both hard copy and electronic documents, distributed by MFA to the public.

MFA must be able to demonstrate that all documents distributed to the public contain the equal housing opportunity logo.

Fair Housing Discrimination Violations – MFA must report potential fair housing violations or instances of discrimination to HUD's Office of Fair Housing and Equal Opportunity (FHEO) immediately.

MFA may report fair housing violations and complaints using the HUD Form 903 Online Complaint, or by contacting HUD's local FHEO Regional Office or by calling the Fair Housing Complaint Hotline at 1-800-669-9777.

## **REPORTING FRAUD AND ABUSE**

Findings of fraud or other serious violations must immediately be referred in writing (along with any available supporting documentation) to the Director of the Quality Assurance Division in the HUD Denver Homeownership Center. If HUD staff is suspected of involvement, refer to the Office of Inspector General at 451 7<sup>th</sup> Street, SW, Room 8256, Washington, D.C. 20410.

Findings of fraud or other serious violations discovered by MFA employees, during the normal course of business and/or by the Quality Control review team during review of FHA loans must be reported to HUD within 60 days of the initial discovery.

NOTE: At the present time, MFA does not originate or sell servicing of FHA loans. However, in the event that servicing would be sold, purchasers of HUD/FHA insured mortgages would be advised of any loan(s) subject to a HUD audit or investigation.

## **SERVICING LOAN FILE COMPLIANCE REVIEW AND OBJECTIVE**

The primary objective of MFA's Quality Control Plan for Loan Servicing is to ensure MFA's Servicing operations related to FHA insured mortgages are in compliance with HUD regulations, Handbook 4000.1 (as revised), Mortgagee Letters and instructions for the submission of claims. This is accomplished through completion of periodic Quality Control review and testing of all aspects of MFA's Servicing operations related to FHA insured mortgages as required by HUD. Additionally, the Quality Control review team must make certain through observation and testing that MFA's Servicing staff is aware of FHA servicing requirements.

The areas listed below must be reviewed to ensure MFA complies with all laws, rules and requirements applicable to mortgage servicing, including full compliance with all applicable requirements under the purview of the Consumer Financial Protection Bureau (CFPB), including the Real Estate Settlement Procedure Act (RESPA) and the Trust in Lending Act (TILA). FHA requirements that are more stringent or restrictive than those provided for in applicable law are set forth in the SF Handbook 4000.1 and MFA must comply with these requirements.

MFA must ensure review of all aspects of its servicing operations, including a review of subserviced mortgages and activities as they relate to FHA-insured Mortgages to guarantee that all FHA servicing and loss mitigation requirements are being met. At a minimum, MFA must include the elements in the QC review to ensure they meet the requirements outlined in the Servicing and Loss Mitigation and Claims and Disposition sections of the SF Handbook 4000.1.

### **COMPLIANCE TESTING FOR RESPA – Monthly/Review**

Compliance with the Real Estate Settlement Procedures Act will be tested during all applicable testing of loan servicing areas that are required to adhere to Regulation X (Escrow, Transfer of Servicing, (Welcome Letters)).

### **MAINTENANCE OF RECORDS – Quarterly Review**

The monthly FHA loan originations and existing FHA loan portfolio will be tested to ascertain that the file contains all of the necessary credit, legal and disclosure documents.

NOTE: Currently, MFA is not boarding new FHA loans.

The FHA loans set-up on the servicing system are tested to ascertain the accuracy of the Mortgage Insurance Certificate.

Ascertain that scanned, microfilm or original documents, that are required to be retained, are legible and are being retained for a minimum of the life of the loan plus seven (7) years after the transfer or sale of the mortgage or termination of the mortgage insurance.

For cases for which a claim is filed, seven (7) years after the final claim or latest supplemental claim settlement date.

#### ERROR RESOLUTION PROCESS AND REQUEST FOR INFORMATION – Review Quarterly

- Ensure compliance with MFA's Information Request and Error Resolution Process

#### CUSTOMER SERVICE – Review Quarterly

- Customer Service inquiries:
  - Ensure requests from MFA borrowers concerning their mortgage accounts are responded to promptly.
  - Ensure complaints are properly and effectively handled.
- Random selection will be made quarterly from FHA loan comments and mail received in the Servicing Department. Follow-up is made to determine if the mortgagor's request for information was processed promptly.

#### ESCALATION – Review Quarterly

- Ensure compliance with MFA's Escalation process

#### FEES AND CHARGES – Review Quarterly

- Assure that fees and charges imposed on the mortgagor are permitted and do not exceed the amount allowed by HUD/FHA.
- The review includes, but is not limited to, the late charge fee, preservation and protection fee, appraisal costs, modification fees, foreclosure costs and acquiring the property.

#### NEW LOANS, SERVICING TRANSFERS, ACQUISITIONS – Review Quarterly

- Transfer of servicing requirements
- Set-up Loan Servicing Records

Loans will be tested to determine that they were set-up on the Loan Servicing system in a timely manner and that all records necessary to service the loan have been activated on the system.

- The monthly FHA origination population will be selected and tested on a quarterly basis to ascertain the degree to which the originator provided the borrower with the disclosure required by the Real Estate Settlement Procedures Act (RESPA) and HUD's Regulation X (24 C.F.R. Part 3500.21), advising the borrower that the servicing of their loan has been transferred to MFA.

- The FHA loans purchased by MFA will be selected and tested on a quarterly basis to ascertain the degree to which the Fund complied the Real Estate Settlement Procedures Act (RESPA) and HUD's Regulation X (24 C.F.R. Part 3500.21), advising the borrower that the servicing of their loan has been transferred to MFA.

#### MORTGAGE RECORD CHANGES – Review Quarterly

- MFA has not sold servicing to other lenders. In the event this policy changes, MFA's Quality Control review team will perform a test to determine that the Mortgage Record Change was completed properly and timely (within 15 days of the effective transfer date).
- Mortgage Record Change and Mortgage Record Termination:
  - Loans will be tested to determine that the mortgage holder and servicer are accurately reflected on HUD's system.
  - Loans will be tested to determine that HUD was notified within 15 days from the pay-off to terminate the mortgage record.

#### ESCROW FUNDS – Review Quarterly

Ascertain that escrow funds received from borrowers were used only for the purpose for which they were received and are in compliance with all Consumer Financial Protection Bureau (CFPB) escrow requirements.

- The monthly FHA origination population will be tested to ascertain the degree to which the amount of funds received to set-up escrow accounts are accurate and if the escrow lines were set-up correctly on the servicing system.
- The FHA loans reported on the servicing system will be tested to ascertain the degree to which escrow items are being paid accurately and timely, bills are requested and obtained, annual escrow analysis, if surplus funds were returned to the borrower or if shortages are promptly reported to the borrower.
- The FHA loans reported on the servicing system will be tested to ascertain whether or not the mortgagor's escrow accounts are commingled with the MFA's operating accounts.

#### FORCED PLACED INSURANCE – Review Quarterly

- Ensure compliance with MFA's Force-Placed Insurance policy which complies with 2013 RESPA Final Rule.

#### PAID-IN-FULL MORTGAGES – Review Quarterly

- Loans will be reviewed to determine that the release was mailed to the customer within the required time frame, surplus escrow funds were returned to mortgagors, unearned UFMIP were returned to mortgagors, and FHA was notified of the pay-off.

#### PREPAYMENT PENALTIES – Review Quarterly

- At the present time MFA does not service loans that prepayment penalties. Prepayment penalties are prohibited by NM state law.

#### MORTGAGE INSURANCE PREMIUMS – Review Quarterly

MFA must verify that:

- FHA Mortgage Insurance Premiums (MIP) were remitted to FHA within the required time period or if not, that the remittance included late charges and interest penalties.

MFA must address any pattern of late submissions and promptly take corrective measures. MFA must retain the results of each review and any corrective actions taken as a result of review finding.

#### SERVICING DELINQUENT ACCOUNTS – Review Monthly

Due to the importance of this aspect of servicing, MFA’s Quality Control review team will perform monthly review of delinquent loan servicing, claims and foreclosures.

- Loss Mitigation efforts:
  - Ensure all appropriate Loss Mitigation tools have been considered and documented.
  - Ensure every effort was made by MFA to provide assistance to mortgagor to remedy the delinquency.
  - Ensure accurate and timely submission of required reporting under the Single Family Default Monitoring System (SFDMS).
- Delinquent Loan Servicing:
  - Ensure MFA is performing effective collection activities in a timely fashion.
  - Ensure MFA is accurately documenting the loan record with all collection efforts.
  - Ensure MFA is performing or attempting to perform face-to-face interviews or telephone contact with the mortgagor(s) before three full mortgage installments become delinquent.
  - Ensure MFA’s borrower’s payment information is reported regularly to the appropriate Credit Bureaus.
  - Review loan records to ensure that property inspections to protect and preserve the property are performed in accordance with HUD requirements.

#### CLAIMS and CLAIMS WITHOUT CONVEYANCE OF TITLE – Review Monthly

- Ensure MFA has sufficient control to ensure that claims for insurance benefits are accurately prepared, calculated, documented and submitted in a timely manner to HUD. All fees must comply with the reasonable and customary fee specified by the Denver HUD Homeownership Center.

#### FORECLOSURE PROCESSING – Review monthly

- Ensure MFA has initiated and completed foreclosure proceedings in a timely manner and in compliance with HUD requirements.

#### DEFICIENCY JUDGMENTS – Not Applicable

- If a foreclosure occurs after the Borrower successfully participated in the Pre-foreclosure Sale process in good faith, neither MFA nor HUD will pursue the Borrower for a deficiency judgment.
- At the present time it is not the policy of MFA to pursue deficiency judgments based on HUD regulations.

#### ARM ADJUSTMENTS AND DISCLOSURES – Not Applicable

- At the present time MFA does not service adjustable-rate loans, however this item would be tested in the event we opted to service adjustable rate loans.



#### ASSUMPTION PROCESSING – Review Quarterly

- The loans will be reviewed to determine that the loans were properly underwritten and that the Mortgage Record Change (identifying the assumptor's name and social security number) was promptly reported to HUD.
- Determine whether the MFA is ensuring that none of the participants in an assumption (excluding the seller of a principal residence) has been debarred or suspended or is under an LDP for the program or jurisdiction. There also must be procedures to determine if the mortgage assumptor is ineligible due to a delinquent federal debt.

MFA does not process FHA assumptions; however, this item would be tested in the event.

MFA experienced an FHA assumption.

#### DISASTER MORATORIUM – Review Quarterly

Loans will be tested to determine that disaster moratorium requirements were met.

#### SECTION 235 RECERTIFICATION – Review Quarterly

At the present time MFA does not service Section 235 loans; however, this item would be tested in the event we service Section 235 loans. Quality Control Reviews of Specialized Mortgage Programs (e.g., 203(k), Home Equity Conversion Mortgages (HECM), Energy Efficient Mortgages (EEM), etc.) must monitor compliance with FHA requirements specific to those programs.

#### HECM DISBURSEMENT REPORTING – Review Quarterly

- At the present time MFA does not service HECM loans, however this item would be tested in the event we opted to service HECM loans.

## Exhibit D

### NEW MEXICO MORTGAGE FINANCE AUTHORITY 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.

"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.

"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:  
[https://housingnm.org/uploads/documents/Section\\_F\\_of\\_MFA\\_Code\\_of\\_Conduct.pdf](https://housingnm.org/uploads/documents/Section_F_of_MFA_Code_of_Conduct.pdf)
- 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

\_\_\_\_\_  
By: NAME

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

